

PIB GROUP LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

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PIB GROUP LIMITED
COMPANY INFORMATION

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PIB GROUP LIMITED

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PIB GROUP LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2020

The Directors present their Strategic Report, which incorporates the information required in the non-financial information statement and the s172(1) statement, of PIB Group Limited ('the Company') together with subsidiaries ('the Group') for the year ended 31 December 2020. In presenting this report, the directors have complied with Section 414C of the Companies Act 2006.

This Strategic Report has been prepared for the entire Group and therefore gives greater emphasis to those matters which are significant to the Group and its subsidiary undertakings when viewed as a whole.

Background

PIB Group is a highly diversified insurance distribution consolidator focusing on specialist commercial lines and non-standard personal lines products with deep expertise across both direct and business to business (B2B) distribution through its broking, underwriting and network divisions.

The Group operates from 40 offices across the UK and Ireland and also has an operational hub in India. It consists of aligned businesses trading under established, reputable brands, all operating under a small number of regulated entities and integrated into a secure and scalable core operating infrastructure. PIB has recently expanded into Europe through its acquisition of Optis in Ireland, Marx Re in Germany and WDB in Poland, all of which represent attractive opportunities in their respective markets and further diversification.

PIB's operations are currently segmented into seven divisions which are split across direct and B2B insurance intermediation, the latter of which captures PIB's MGA, London Market and Network businesses.

The goal is to create the UK's leading independent diversified specialist insurance intermediary, and a business that can provide a genuinely credible alternative to the larger and more established intermediaries.

Principal activities

The principal activities of the Group's trading operations comprise retail insurance broking, employee benefits, wholesale broking, underwriting agencies and a broking network proposition.

The retail broking and risk management business combines specialist commercial lines which require a personal relationship with a broker, a broad range of risk management solutions and non-standard personal lines products. Its clients range from individuals and sole practitioners to small and medium-sized enterprises (SME's) and large corporations.

The employee benefits business uses a combination of specialist expertise and evolving technology to devise employee benefit strategies for corporate clients across pensions, risk and healthcare, protection and employee communications.

The wholesale broking business operates as a Lloyd's broker and is a leading supplier of specialist products and services to insurance intermediaries throughout the UK and Ireland. Its core product lines are commercial property insurance, commercial liability insurance, motor fleet insurance and professional indemnity as well as having a dedicated schemes and facilities department.

The underwriting agency business is a specialist provider of insurance solutions to UK retail brokers operating under delegated authority from leading insurers. The business offers products which cover niche commercial motor, liability for tradesmen and the construction industry, charities, social enterprises and recruitment agencies. It does not take underwriting risk and is therefore not capitalised to assume such risk.

The network proposition is a service the Group provides to a range of independent brokers to allow them access to a panel of products, enhanced business terms, a wider range of support services, including Financial Conduct Authority ('FCA') Compliance, Human Resources and Training support and discounts.

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PIB GROUP LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

PIB has a nascent International Division which covers retail, wholesale, reinsurance and MGA's, and with a presence in Ireland, Germany, Denmark and Poland. These businesses are all led by high quality individuals and are either highly specialist with long term growth potential or offer a regional consolidation opportunity to build scale in other countries much as PIB has already done in the UK.

Business review

Acquisitions

PIB Group was established as a greenfield consolidator, formed to take advantage of a fragmented marketplace for niche insurance segments that demonstrate attractive, sustainable growth characteristics. The Group is focused on acquiring businesses, teams and portfolios in niche and specialist markets, which we believe in the long term have more defensible positions in their chosen markets and offer more significant organic growth potential.

The Group operates a programmatic Mergers & Acquisitions ('M&A') consolidation programme, focusing on businesses that operate in niche segments, are "famous for something" and demonstrate attractive organic growth dynamics, additional product specialism and attractive synergy potential.

In pursuit of this strategy the Group made the following acquisitions in the year ended 31 December 2020.

On 14 February 2020, the Group acquired B.K. Insurance Brokers Limited. B.K. Insurance Brokers. BK Insurance Brokers provides insurance solutions to the Property, Corporate, Private Clients and SME sectors.

On 6 March 2020, the Group acquired R A Insurance Brokers Limited. R A Insurance Brokers is a commercial insurance broker with a strong motor trade proposition.

On 29 May 2020, the Group acquired Marx Re GmbH ("Marx Re"). Marx Re is a reinsurance and insurance broking company, based in Munich, Germany and has a major focus on asset-based business, primarily in property and construction, power generation and renewable energy sourced from Europe and Latin America.

On 14 July 2020, the Group acquired Internet Insurance Holdings Limited ("UKinsuranceNET"), one of the UK's leading online insurance websites. The business specialises in providing insurance products for residential and commercial property owners including landlords, multi-occupancy homes, Airbnb, unoccupied property, holiday homes and properties undergoing renovation.

On 1 August 2020, the Group acquired Rigton Insurance Services Limited which provides products to the transport industry including bus and coach insurance, schemes within Classic Preserved Bus, Heritage and Narrow Gauge Railway as well as the Model Retailers and Manufacturers sector.

On 22 October 2020, the Group acquired Arlington Insurance Services Ltd. Arlington specialises in providing insurance advice to professional property investors across the breadth of the real estate sector, with a primary focus on commercial property assets.

On 27 October 2020, the Group acquired Erskine Murray Limited. Erskine Murray whose core lines of business include Corporate and Commercial, specialist SME, High Net Worth and Private Clients, plus value-add services such as Risk Management and Employee Benefits.

On 20 November 2020, the Group acquired WDB S.A. ("WDB"). WDB is a leading independent insurance broker in Poland with strong expertise in a number of sub-segments of life and non-life insurance, and a focus mainly on clients in the real estate, and transportation sector as well as life and health programs in the public and private sectors..

The Group acquired employee benefit books from Sanlam Wealth Planning UK on 2 January 2020 and Avidus Scott Lang on 1 April 2020. It also acquired a risk management book from Arthur Adams Safety & Training Services on 7 December 2020.

PIB GROUP LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

For further information relating to these acquisitions refer to note 30.

On 1 December 2020, the Group merged with the Barbon Insurance Group ("Barbon"). Prior to that, Barbon was owned by the Carlyle Group which was the ultimate owner of the Group at the time. Barbon provides a range of insurance broking and related services focused on the UK private rental market with its products being sold through three lettings brands; HomeLet, Let Alliance, and Rentshield Direct.

For further information relating to the merger refer to note 31.

Capital Management

With the support of several lenders, both existing and new, the Group refinanced its original term loan facility and raised an additional committed acquisition facility during the course of the year. This took the Group's total potential borrowings to in excess of £474m (2019 £200m).

Integration

The integration of all acquired businesses is a key tenet of the Group's strategy. Building a core infrastructure with common systems and centralised functions continues to create significant value over the long term and a scalable platform that allows cost efficiencies to be realised whilst supporting strong governance and controls.

Post-acquisition of a business, PIB centrally assumes responsibility for key middle and back office functions, freeing up capacity for revenue generators to focus on driving new business. This enhances control of cost and risk across the Group and delivers increasing operational leverage.

People

The on-going success of the Group depends on its employees and its ability to continue to attract, motivate, develop and retain employees of the highest calibre and it aims to provide an environment where individuals can excel. The Group invests significantly in a group-wide learning and development programme which helps to support both personal and business growth.

The Group is an equal opportunities employer and bases decisions on individual ability regardless of race, religion, gender, age, sexual orientation or disability. In line with Government policy, we have published our Gender Pay Gap report for 2020.

Performance Review

The impact of Covid-19 has been felt by all businesses around the world and the lockdown measures that were instigated for large parts of 2020 across the UK created some challenges within the Group. Examples of these challenges include: lower insurable values given less need for insurance sectors (multiple Group businesses were impacted by this); the fall in demand for daily rate car insurance as a result of motor trade dealers being closed impacted Cooper Solutions; social distancing measures initially impacted PIB Risk Management and its ability to deliver on site assessments and consultations but following the easing of restrictions, there has been a surge in demand for Risk Management services.

From the outset of PIB's creation the Board has developed a strategy that is heavily focused on the achievement of long-term sustainable growth including a diversified business portfolio as the Board believes that this is the most effective way of mitigating the risk of general declines in economic conditions. The importance of this strategy was seen through the Covid-19 pandemic with the Group showing high levels of resilience and performing well from both a financial and operational perspective. Although Covid-19 has impacted how the business operates, business continuity plans were successfully implemented ensuring that the Group is able to continue to support its clients and perform other important functions. The Group has continued to deliver services and expects to continue to do so over the foreseeable future.

PIB GROUP LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

Key performance indicators

The Directors of the Group make use of key performance indicators, including turnover, earnings before interest, tax, depreciation and amortisation ('EBITDA'), statutory trading result and staff numbers to measure performance against the Group's strategy. These measures provide the Directors with key, high level indicators of the Group's trading and operational progress. The Group's 2020 audited financial statements reflect both its strong organic performance and the results of its corporate activity through the year.

In addition to EBITDA, the Directors also look to utilise a performance measure whereby one-off, distortionary costs borne from our transformation, while kept to a minimum, are removed. This allows comparability with peers on an on-going, sustainable basis and is classified below as Adjusted EBITDA. The main areas of spend are considered by management to be material and specific to the Group's significant transformation initiatives - i.e. acquisition and restructuring costs, IT and infrastructure integration costs and costs associated with business line closure and alignment.

| | 2020 £000 | Restated 2019 £000 |
|-------------------|--------------|--------------------------|
| Total income | 151,536 | 123,321 |
| Adjusted EBITDA | 37,657 | 26,678 |
| EBITDA | 23,829 | 19,060 |
| Operating Loss | (9,911) | (5,280) |
| Loss for the year | (23,202) | (9,715) |
| Employees | 1,321 | 1,202 |

Total revenue grew 23% from £123,321k in 2019 to £151,536k in 2020. The organic revenue growth was flat in 2020 (2019:8%), which given the challenges in the market posed by Covid-19 the Directors regard as a solid result. The Directors are pleased with the Group result and progress made over the past 12 months and are thankful to all their colleagues for the hard work and resilience shown through what was an incredibly challenging year. The result reflects another period of successful investment and integration of acquired businesses into the Group as well as continued strong organic growth. The progress made during the year leaves the Group well placed to continue driving forward with its stated strategy.

Set out below is a reconciliation between the underlying performance of the Group and the financial performance of the Group as prepared under IFRS:

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STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

| | 2020 £000 | Restated 2019 £000 | % Uplift |
|---|-----------------|--------------------------|------------|
| IFRS Loss for the year | (23,202) | (9,715) | |
| Add back | | | |
| Interest payable, Group interest receivable, Depreciation, Amortisation, Gains and losses on disposal of fixed assets, Other gains and losses and Tax | 47,031 | 28,775 | |
| EBITDA | 23,829 | 19,060 | 15% |
| Add back | | | |
| Costs to acquire businesses | 7,363 | 4,833 | |
| Restructuring costs | 4,740 | 1,537 | |
| IT and infrastructure integration costs | 206 | 1,156 | |
| Business line closure and alignment | - | 92 | |
| Covid 19 costs | 1,519 | - | |
| Adjusted EBITDA | 37,657 | 26,678 | 41% |

Adjusted EBITDA increased by 49% from £26,678k to £39,624k. The Adjusted EBITDA margin increased from 21.6% to 24.9% despite challenging market conditions and the continued investment in people and operations.

The key items in moving to Adjusted EBITDA from the IFRS loss are as follows:

Depreciation & amortisation

There have been a number of acquisitions (as highlighted above) which have resulted in the recognition of customer relationship intangible assets. These intangible assets recognised in acquisitions are amortised over their estimated useful economic lives.

Financing costs

The finance charge for the year was £17,081k (2019: £9,161k), which mainly relates to interest on loan notes, related party loans and lease liabilities and the unwind of the discount on contingent and deferred consideration balances.

Costs to acquire businesses

These are the direct expenses incurred in the process of initial identification of a potential acquisition through to on-boarding them within the Group. This includes use of third-party due diligence specialists, direct staff costs involved on the specific acquisition and other professional fees.

Restructuring costs

Once a business has been acquired, a number of actions are taken to align the new business units with the PIB structure around location, roles and existing business assets.

IT and infrastructure integration costs

The acquired businesses are required to transition to PIB systems, whether core IT platforms, specific broking, underwriting or accounting systems or general re-mapping of comparable systems onto PIB structures e.g. Acturis to Acturis migrations.

PIB GROUP LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

Business line closure and alignment

Within some acquired businesses, certain activities may not be required or fundamentally not aligned to the PIB Group strategy or accounting/reporting policies. When this happens, an exercise is undertaken to cease/transfer those business lines or activities.

Financial Position

The Board of Directors monitor the level of borrowings of the Group and continues to be confident in the ability of the Group to service its ongoing debt obligations as they fall due.

Future developments

The Group intends to continue with its strategy of both organic growth and growth by the acquisitions of businesses, teams and portfolios where suitable opportunities arise in both the UK and internationally.

Section 172(1) statement

In performing their duties under s172 of the Companies Act (2006), the directors of PIB Group have had regard to the matters set out in s172(1) in terms of acting in good faith to promote the company's success for the benefit of its shareholders as follows:

The Board's approach

The role of the chair

The chair leads the Board in setting the strategic direction and risk appetite and exercise oversight and control over management's day-to-day running of the business. This is achieved by regular Board meetings incorporating all major stakeholders including investors. These meetings are supported by monthly and quarterly MI produced for key stakeholders covering financial, compliance, risk and operational performance, and by the chair facilitating open and challenging discussions and setting aside the necessary amount of time to discuss strategic issues, both in the Boardroom and in separate deep dives with management.

Strategy and Linked Decision Making

PIB has both an on-going and defined strategy supported by a rolling 3-year plan. These detail not only how the Group will identify and deliver long term value creation, but also the positives this delivers through a diversified, resilient Group structure for our customers, investors, employees and other stakeholders. This resilience has been demonstrated through the Covid-19 pandemic with some areas of the business experiencing growth to counteract challenges in some areas elsewhere within the Group.

Information

The Board meetings identified above are supported by monthly and quarterly MI produced for key stakeholders covering financial, compliance, risk and operational performance. This allows consideration of historic as well as potential future performance and risk. The information is scrutinised by internal as well as external parties including our investors.

Policies and practices

To support the Board, there are a number of committees in line with good governance, each with specific terms of reference which are reviewed with a frequency as appropriate. These committees include Audit, Risk & Compliance Committee, Underwriting Committee, Client Money Committee, Insurer Security Committee, Entity Rationalisation & Integration Committee and the Group Change Board & IT Committee.

The Group also has in place operational delegated authority (DA) matrices covering, expenditure, recruitment and other activities which commit Group resources. These matrices are reviewed on a regular basis along with the membership of those committees highlighted above. These reviews include ensuring that the decisions and intended consequences are in line with the evolution and size of the business.

PIB GROUP LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

Training

The Board skills and training are reviewed via the Chief People Officer along with other Board Officers. Where a requirement is identified, for example the Senior Management and Certification Regime (SMCR), a complete training identification and training programme is developed and delivered to ensure all effected individuals were appropriately versed in the requirements.

Culture, values and standards

Culture, values and standards underpin how a company creates and sustains value over the longer term and are key elements of how it maintains a reputation for high standards of business conduct. They also guide and assist in decision making and thereby help promote a company's success, recognising, amongst other things, the likely consequences of any decision in the long term and wider stakeholder considerations. The standards set by a board mandate certain requirements and behaviours with regards to the activities of its directors, employees and other associated with it.

Maintaining our license to operate

The Directors take seriously their responsibility to act in a way they consider, in good faith, promotes the success of PIB Group for the benefit of its stakeholders as a whole and in doing so have regard to the likely consequences of any decision in the long term, the interests of the group's employees, the need to foster the group's business relationships with suppliers, customers and others, the impact of the group's operations on the community and the environment, the desirability of the group maintaining a reputation for high standards of business conduct and the need to act fairly as between stakeholders of the group.

Employees

People are at the heart of our specialist services. The continuing success of the Group depends on its employees and its ability to continue to attract, motivate, develop and retain employees of the highest calibre and it aims to provide an environment where individuals can excel. We must also ensure that we share common values that inform and guide our behaviour so we achieve our goals in the right way. Regular engagement with our employees is critical in this context and our independent non-executive directors are active in visiting offices and listening to the views of our employees.

Customers and Suppliers

One of the key tenets of the Group is the ability to leverage not only economies of scale within certain markets but also drive collaboration between Group companies, working together to provide integrated solutions for customers. Whether this is collaborating to offer commercial customers advice relating to insurance, employee benefits and risk management, or offering third party brokers access to both our wholesale broking and MGA expertise.

Suppliers are monitored in terms of the value of their offerings from both a financial but also market development perspective. Product suppliers are consistently benchmarked to ensure they are working with us to maximise both customer as well as shareholder value.

Community and the environment

PIB as a Group is conscious of its obligations with regards the communities we serve and we continue to support a whole range of both local as well as national charities. 2020 saw the UK insurance and long-term saving industry launch the Covid-19 Support Fund with PIB Group as one of the founding members. The aim of the fund is to help support some of the people hardest hit by the Covid-19 crisis. The support fund aims to work in partnership with the Charities Aid Foundation, and a network of partners including the National Emergencies Trust, to provide immediate relief to charities affected by Covid-19, as well as a longer-term programme of support for people, communities and issues where there is the greatest need.

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STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

Beyond this, we have a comprehensive environmental plan both in terms of reducing our carbon footprint, recycling in all offices, etc. PIB has a Group Environmental Policy and created a working group that has developed solutions around recycling, LED lighting in offices, eco-friendly cleaning products and EV charging points.

Principal risks and uncertainties

The following sets out the Group's principal risks with examples given of actions taken to mitigate them in line with agreed tolerances reviewed by the Group Audit, Risk & Compliance Committee and approved by the Group Board.

Decline in economic conditions

The Group operates predominantly in the UK and is affected by economic conditions in the UK and the associated possibility of decline in business and customer confidence. Recently, the Covid-19 pandemic has had an adverse impact on global commercial activity, including the global supply chain; and has contributed to significant volatility in financial markets, including, among others, a decline in equity markets, changes in interest rates and reduced liquidity. It has also resulted in increased travel restrictions and extended shutdowns of businesses in various industries including, among others, travel, trade, tourism, health systems and food supply, and significantly reduced overall economic output.

From the outset of PIB's creation the Board has developed a strategy that is heavily focused on the achievement of long-term sustainable growth including a diversified business portfolio as the Board believes that this is the most effective way of mitigating the risk of general declines in economic conditions. The importance of this strategy was seen through the Covid-19 pandemic with the Group showing high levels of resilience and performing well from both a financial and operational perspective.

As a consequence of Covid-19 and the associated restrictions, PIB was able to rapidly migrate to a productive remote-working model resulting in minimal disruption to our service to clients. This validated the firms' business continuity protocols and the investments made in technology across the Group with continued system development and enhancements to ensure consistency of speed, customer service and resilience. Credit control data continues to be closely monitored to identify any issues promptly and consequently consider any necessity for increasing bad debt provision.

Competitive markets risk

There is a risk to the business model arising from changes in insurance markets and customer behaviour, external events and risks arising from growth strategies. This is mitigated by regular Board review of strategic risks, a strategic planning process and due diligence and risk assessments.

Integration of acquired companies

Acquiring and integrating quality businesses is a central tenet of the Group's strategy. How these companies are acquired and integrated into the Group is crucial to retaining and growing value, thereby meeting client, employee and stakeholder requirements. This is managed by a clear, consistent and well governed acquisition process and a defined approach to integration monitored by the Group's Entity Rationalisation & Integration Committee.

Underwriting capacity risk

The Group is reliant on capacity providers to support its underwriting operations and delegated authority business. The Group manages this risk by constant monitoring and management of underwriting performance by the Underwriting Committee and proactive management of relationships with capacity providers.

Loss of key staff

There is a risk arising from the inability to retain key staff. As a provider of professional services the Groups' reputation is built on the quality of their key staff members. The Group mitigates this risk through commitment to employee engagement, empowering managers to act as 'owners' of the business, along with effective appraisal and learning and development programs alongside succession planning processes.

PIB GROUP LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

Loss of key clients

The Group depends on efficient underlying operations to support client satisfaction. The Covid-19 pandemic could materially disrupt our business operations and the services we provide, as well as the business operations of our clients, suppliers and other third parties with whom we interact. This risk is mitigated by contacting clients to outline the Group's response to Covid-19 and provide assurance and practical information regarding continuity of service. The impact of natural client turnover is mitigated by monitoring client service levels, diversification of business lines and distribution channels and the implementation of strong new business strategies. Whilst certain business areas were more directly impacted by Covid-19, these have been closely monitored and have seen significant and rapid recovery as restrictions were lifted.

Failure of IT systems

IT systems are a key part of the Group's business and any disruption of systems or the supporting infrastructure could adversely impact its operations, income and financial results. To mitigate this risk, significant investment has been made in robust and reliable IT systems, strong information security protocols and associated IT and process controls.

Accounting assumptions & estimates

The Group is required to make assumptions and judgmental estimates that affect the reported amounts of assets and liabilities and the disclosure of certain contingent assets and liabilities at the date of our financial statements. The Group manages this process by management and peer review of key assumptions and judgemental estimates.

Cashflow and liquidity risk

The group is dependent on cash flows from its trading operations, which in turn are reliant on the commissions earned in its subsidiaries. The Group is therefore exposed to the cyclical nature of the insurance industry. The Group manages this risk by focusing on niche profitable lines which are less subject to the cyclical nature of the wider market and by having a diversified portfolio of businesses. Forecasting and cashflow monitoring are carried out to ensure that the capital structure is as efficient as possible.

Foreign currency

The Group's activities expose it to foreign exchange risks. This is mitigated by the Group regularly assessing foreign currency exposure and by using derivatives. A strategy of using preferential spot rates and select forward contracts for Euro and US Dollar denominated contracts are in place with proposals to extend further in 2021.

Errors and omissions

The Group is subject to risks arising from non-compliance or misinterpretation of local regulations and failure to meet regulatory standards in connection with the placement of insurance or the provision of financial services advice in the ordinary course of business. In the uncertain times around Covid-19, brokers have a key role to play to help consumers understand the market, the impact of Covid-19 and search the market for products that meet their demands and needs.

The Group mitigates these risks by ensuring that specific training is given in errors and omissions prevention, independent compliance monitoring and having strong procedural and system controls including a workflow management. In addition, the Group maintains Professional Indemnity insurance cover for errors and omissions claims. Whilst there is increased pressure within the sector around customers challenging around potential errors and omissions, the Group do not perceive we have any material increased exposure in this respect.

Regulatory risk

There is the risk arising from non-compliance or misinterpretation of local regulations and failure to meet regulatory standards. The Group manages this by having in place operational policies and procedures and regular ongoing quality and compliance audits. In addition, training and development is provided to staff and there is centralised risk and compliance training.

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STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

Political risk

Following the United Kingdom leaving the European Union on 31st January 2020, it entered a transition period for the rest of 2020. A permanent trade agreement was passed by both houses of the British parliament on 30 December 2020 and given Royal Assent in the early hours of the next day. We continue to believe that the direct impact on the Group will not be significant because it conducts only limited business within the EU and, importantly, because several additional mitigation strategies have been put in place during the course of 2020 to reduce the risk. The loss of passporting rights however may affect the insurance markets in which the Group operates, possibly reducing insurance capacity, competition and choice.

Brexit could also extend the current Covid-19 induced general decline in economic conditions in the UK where the Group operates predominantly. The diversified business portfolio of the Group continues to mitigate the risk of a general decline in economic conditions.

Human rights & modern slavery

As a service-based insurance broking and employee benefits business we believe the risk of modern slavery and/or human trafficking in our business and supply chain is low. We respect and uphold the human rights and principles and we have a zero tolerance for modern slavery and human trafficking in our organisation and in our supply chain. Our supply chains include providers of professional services.

Anti-bribery / Whistleblowing

The Group is committed to conducting its business in an ethical, honest and transparent manner. Bribery and corruption are not consistent with PIBs values and present significant risks to its business. The Group has a zero-tolerance approach towards bribery and corruption, and is committed to the prevention, deterrence and detection of bribery, corruption and related offences.

PIB has a whistleblowing policy and dedicated hotline. This provides an alternative channel for those colleagues who might feel unable to report wrongdoing, or suspicions of wrongdoing, through their normal line management channels. The hotline allows employees to report issues or concerns online or by phone with complete confidence and without fear of dismissal or retaliation.

Streamlined energy and carbon reporting

The tables below set out GHG Emissions and Energy Use Data in the UK for the year ending 31 December 2020.

Energy Performance results

| Energy use (kWh) | Scope | 2020 |
|------------------|---------|------------------|
| Natural gas | Scope 1 | 968,203 |
| Vehicle fleet | Scope 1 | 516,525 |
| Electricity | Scope 2 | 1,152,354 |
| Grey fleet | Scope 3 | 517,006 |
| Total | | 3,154,088 |

PIB GROUP LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

Energy Performance results

| Carbon Dioxide equivalent emissions (t/CO ₂ e) | Scope | 2020 |
|--|---------|---------------|
| Natural gas | Scope 1 | 178.02 |
| Vehicle fleet | Scope 1 | 128.06 |
| Electricity | Scope 2 | 268.66 |
| Grey fleet | Scope 3 | 128.18 |
| Total | | 702.92 |
| Intensity ratio | | |
| Tonnes of CO ₂ per FTEs (Full Time Equivalents) | | 0.54 |

It was decided to use total FTEs (Full Time Equivalents) as our metric. The resulting intensity ratio of tCO₂e per FTE will best reflect changes in operation and energy consumption over time.

FTEs are calculated, based calculating an average of the number of employees on payroll in each calendar month of the financial year. The total number of FTEs in 2020 was 1,292.

Methodology

The methodology we have used is The GHG Protocol Corporate Accounting and Reporting Standard. We have followed the 2013 UK Government Environmental Reporting Guidelines (updated March 2019) and have used the 2020 UK Government's Conversion Factors for Company Reporting. The energy efficiency narrative methodology has been created based on energy management best practice.

Organisational boundary

We have used the financial control approach. In serviced offices, we have included only the energy consumed where we have control over energy efficiency.

Energy Efficiency Action

Business travel

Increased use of video conferencing has occurred as a result of the Covid-19 pandemic and it is expected that there will be continued use of these technologies, resulting in reduced business travel.

Finance & investment

Our organisation has implemented a programme of capital expenditure in energy efficiency projects which include LED lighting installed in our Dalton-in-Furness, Gloucester and Hemel Hempstead offices. This has resulted in a reduction in our electricity consumption.

PIB GROUP LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

Events subsequent to the reporting date

On 17 March 2021, following the acquisition of Ivy Topco Limited by funds advised by Apax Partners, those Apax Funds became the ultimate majority owner of the company and Paisley EquityCo Limited, a company registered in Guernsey, became the ultimate parent company.

On the same day, the existing loan facility entered into by Ivy Finco Limited was cancelled and replaced with a new facility entered into by Paisley BidCo Limited, an intermediate parent company. The new facility is a £632m term loan due to mature in 2028 with an initial interest rate of 6.25%. In addition, there is a £35m revolving credit facility due to mature in 2027 with an initial interest rate of 2.75%, plus a commitment fee on any undrawn amount of the facility. Both are subject to a ratchet starting on 17 March 2022 that would result in an interest rate of between 5.5% and 6.5% on the long-term loan and between 2.25% and 2.75% on the revolving credit facility.

Following the reporting date, the Group acquired 100% of the share capital of the following companies:

| Acquisition | Date |
|--|----------------|
| UK & Ireland Insurance Services Limited | 4 January 2021 |
| Element Hinton (Insurance Brokers) Limited | 2 March 2021 |
| Acquinity Partners Limited | 19 March 2021 |
| Creane and Creane Limited | 1 April 2021 |
| CBC Insurance (Jersey) Limited | 10 May 2021 |

The Strategic Report was approved by the board and is signed on its behalf by:



B McManus

Director

28 July 2021

PIB GROUP LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2020

The directors present their annual report and financial statements for the year ended 31 December 2020.

Results and dividends

The results for the year are set out on page 19.

No ordinary dividends were paid (2019 : £nil). The directors do not recommend payment of a final dividend.

Going concern

The directors have a reasonable expectation that the Company and Group as a whole, has adequate resources to continue in operation for the foreseeable future. The Group therefore continues to adopt the going concern basis for preparing the annual financial statements (see note 1.6).

Directors

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

J Burr
B McManus
R Brown
C Giles

Qualifying third party indemnity provisions

The Group 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 reporting date. Additional cover for the directors against personal financial exposure has been made under a directors' and officers' liability insurance policy.

Political donations

The Group made no political contributions during the year (2019: £Nil).

Disabled persons

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

Engagement with employees

Further information is incorporated into this report by reference to Section 172(1) Statement in the Strategic Report.

Engagement with customers and suppliers

Further information is incorporated into this report by reference to Section 172(1) Statement in the Strategic Report.

Auditor

Deloitte LLP were appointed as auditor to the Group and in accordance with section 485 of the Companies Act 2006, a resolution proposing that they be re-appointed will be put at a General Meeting.

PIB GROUP LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

Directors' responsibilities

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 IFRS as adopted by the European Union and Article 4 of the IAS Regulation. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and of the profit or loss of the Group for that period. In preparing these financial statements, International Accounting Standard 1 requires that directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the company's ability to continue as a going concern.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group'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 Group 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 company website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Statement of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

Matters covered in the Strategic Report

As permitted by Paragraph 1A of Schedule 7 of the Large and Medium-sized Companies (Accounts and Reports) Regulations 2008 certain matters (including events subsequent to the reporting date, future developments, use of financial instruments) which are required to be disclosed in the Directors' Report have been omitted as they are included in the Strategic Report on pages 1 to 9.

The Director's Report was approved by the board on [date] and is signed on its behalf by:



B McManus

Director

28 July 2021

PIB GROUP LIMITED

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF PIB GROUP LIMITED

Report on the audit of the financial statements

Opinion

In our opinion:

- the financial statements of PIB Group Limited (the 'parent company') and its subsidiaries (the 'group') give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2020 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB);
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the consolidated income statement;
- the consolidated statement of comprehensive income;
- the consolidated and parent company statements of financial position;
- the consolidated and parent company statements of changes in equity;
- the consolidated cash flow statement; and
- the related notes 1 to 38.

The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law, and international accounting standards in conformity with the requirements of the Companies Act 2006 and IFRSs as issued by the IASB. The financial reporting framework that has been applied in the preparation of the parent company financial statements 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).

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 Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's and 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.

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

PIB GROUP LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF PIB GROUP LIMITED

Other information

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

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

We have nothing to report in this regard.

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

PIB GROUP LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF PIB GROUP LIMITED

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

We considered the nature of the group's industry and its control environment, and reviewed the group's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management about their own identification and assessment of the risks of irregularities.

We obtained an understanding of the legal and regulatory framework that the group operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included the UK Companies Act, pensions legislation, tax legislation; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the group's ability to operate or to avoid a material penalty. These included the Financial Conduct Authority regulations.

We discussed among the audit engagement team including significant component audit teams and relevant internal specialists such as tax, valuations and IT regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

As a result of performing the above, we identified the greatest potential for fraud or non-compliance with laws and regulations in the following areas, and our specific procedures performed to address them are described below:

The Group earns fees and commissions from its insurance broking activities and there is a fraud risk that brokerage is inappropriately accelerated or deferred between accounting periods.

We have assessed that there is a significant risk of material misstatement relating to revenue recognition which is pinpointed to the cut-off assertion specifically around the year end.

- We have obtained an understanding of the revenue process, including procedures for determining the commission percentages in accordance with policies and binder agreements and the flow of financial information into the general ledger;
- Assessed the design and implementation of controls in the revenue process specifically focusing on the controls that address revenue recognition cut-off; and
- Performed additional cut-off testing around the year-end date by selecting additional samples for revenue recognised in December 2020 and January 2021 to identify any transactions which may have been erroneously recognised as revenue in the incorrect period.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management and in-house legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance, reviewing internal audit reports and reviewing correspondence with relevant regulatory authorities.

PIB GROUP LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF PIB GROUP LIMITED

Report on other legal and regulatory requirements

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.

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

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 and the Directors' Report.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

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

We have nothing to report in respect of these matters.

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.



Mark McIlquham ACA (Senior Statutory Auditor)

For and on behalf of Deloitte LLP

Statutory Auditor

London

United Kingdom

28 July 2021

PIB GROUP LIMITED

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE YEAR ENDED 31 DECEMBER 2020

| | | 2020 | Restated |
|---|-----------|-----------------|-----------------|
| | Notes | £000 | 2019 £000 |
| Revenue | 3 | 151,536 | 123,321 |
| Commissions paid | | (19,927) | (16,868) |
| Gross profit | | 131,609 | 106,453 |
| Salaries and associated costs | | (71,423) | (59,670) |
| Other operating expenses | | (36,519) | (28,185) |
| Amortisation and impairment of intangible fixed assets | 12 | (29,122) | (19,434) |
| Depreciation of property, plant and equipment | 13 | (1,696) | (1,466) |
| Depreciation and impairment of right-of-use assets | 14 | (2,729) | (2,970) |
| Loss on disposal of fixed assets | | (31) | (8) |
| Operating loss | 4 | (9,911) | (5,280) |
| Operating profit before the items identified below | | 3,917 | 2,338 |
| Costs to acquire businesses | | (7,363) | (4,833) |
| Restructuring cost | | (4,740) | (1,537) |
| IT and infrastructure integration costs | | (206) | (1,156) |
| Business line closure and alignment | | - | (92) |
| Covid-19 costs | | (1,519) | - |
| | 4 | (9,911) | (5,280) |
| Finance income from group undertakings | 8 | 276 | 242 |
| Finance income | 8 | 162 | 462 |
| Finance costs | 9 | (17,081) | (9,161) |
| Other gains and losses | 10 | 1,816 | (428) |
| Loss before tax | | (24,738) | (14,165) |
| Income tax credit | 11 | 1,536 | 4,450 |
| Loss for the year | | (23,202) | (9,715) |

The statement of profit or loss has been prepared on the basis that all operations are continuing operations.

The loss for the year is attributable to the owners of the parent.

The accompanying notes are an integral part of the financial statements.

See note 37 for details regarding the prior year restatement.

PIB GROUP LIMITED**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME*****FOR THE YEAR ENDED 31 DECEMBER 2020***

| | 2020 £000 | Restated 2019 £000 |
|---|--------------|--------------------------|
| Loss for the year | (23,202) | (9,715) |
| Other comprehensive income: | | |
| Items that may be reclassified subsequently to profit or loss | | |
| Foreign exchange differences on translation of foreign operations | (153) | (14) |
| Total items that may be reclassified subsequently to profit or loss | (153) | (14) |
| Total comprehensive loss for the year | (23,355) | (9,729) |

The comprehensive loss for the year is attributable to the owners of the parent.

PIB GROUP LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2020

| | | 2020 | Restated |
|--------------------------------------|-------|----------------|----------------|
| | Notes | £000 | 2019 £000 |
| Non-current assets | | | |
| Goodwill | 12 | 146,293 | 91,778 |
| Intangible assets | 12 | 251,619 | 184,823 |
| Property, plant and equipment | 13 | 4,308 | 2,696 |
| Right-of-use assets | 14 | 13,867 | 11,619 |
| Financial assets | 15 | 2,751 | 2,491 |
| Investment in associated undertaking | 16 | 183 | - |
| Contract assets | 21 | 245 | 595 |
| | | <u>419,266</u> | <u>294,002</u> |
| Current assets | | | |
| Trade and other receivables | 19 | 51,860 | 28,516 |
| Current tax recoverable | | - | 986 |
| Cash and cash equivalents | 20 | 139,975 | 77,584 |
| Contract assets | 21 | 10,889 | 6,627 |
| Derivative financial instruments | 22 | 19 | 50 |
| | | <u>202,743</u> | <u>113,763</u> |
| Total assets | | <u>622,009</u> | <u>407,765</u> |
| Current liabilities | | | |
| Trade and other payables | 24 | 132,365 | 101,994 |
| Current tax liabilities | | 212 | - |
| Lease liabilities | 14 | 3,787 | 2,992 |
| Contract liabilities | 21 | 5,419 | 4,596 |
| Provisions | 26 | 77 | 192 |
| | | <u>141,860</u> | <u>109,774</u> |
| Net current assets | | <u>60,883</u> | <u>3,989</u> |
| Non-current liabilities | | | |
| Trade and other payables | 24 | 5,131 | 644 |
| Lease liabilities | 14 | 10,613 | 9,218 |
| Borrowings | 23 | 292,224 | 144,983 |
| Provisions | 26 | 566 | 193 |
| Deferred tax liabilities | 25 | 39,886 | 25,770 |
| | | <u>348,420</u> | <u>180,808</u> |
| Total liabilities | | <u>490,280</u> | <u>290,582</u> |
| Net assets | | <u>131,729</u> | <u>117,183</u> |

PIB GROUP LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

AS AT 31 DECEMBER 2020

| | Notes | 2020 £000 | Restated 2019 £000 |
|-------------------------|-------|----------------|--------------------------|
| Equity | | | |
| Called up share capital | 29 | 300 | 167 |
| Share premium account | | 200,686 | 162,918 |
| Other reserves | | (167) | (14) |
| Retained earnings | | (69,090) | (45,888) |
| Total equity | | <u>131,729</u> | <u>117,183</u> |

The accompanying notes are an integral part of the financial statements.

See note 37 for details regarding the prior year restatement.

The financial statements were approved by the board of directors and authorised for issue on 28 July 2021 and are signed on its behalf by:



R Brown
Director

Company Registration No. 09900466

PIB GROUP LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2020

| | Notes | Share capital £000 | Share premium account £000 | Other reserves £000 | Retained earnings £000 | Total £000 |
|---|-------|-----------------------|-------------------------------|------------------------|---------------------------|---------------|
| Balance at 1 January 2019 as previously stated | | 164 | 160,104 | - | (35,149) | 125,119 |
| Restatements | | | | | (2,943) | (2,943) |
| Loss for the year as previously stated | | | | | (7,796) | (7,796) |
| Other comprehensive income | | - | - | (14) | - | (14) |
| Issue of share capital | 29 | 3 | 2,814 | - | - | 2,817 |
| Balance at 31 December 2019 restated | | 167 | 162,918 | (14) | (45,888) | 117,183 |
| Balance at 1 January 2020 restated | | 167 | 162,918 | (14) | (45,888) | 117,183 |
| Loss for the year | | - | - | - | (23,202) | (23,202) |
| Other comprehensive income | | - | - | (153) | - | (153) |
| Issue of share capital | 29 | 133 | 37,768 | - | - | 37,901 |
| Balance at 31 December 2020 | | 300 | 200,686 | (167) | (69,090) | 131,729 |

There were no dividends recognised as distributions to the owners during the year (2019: £Nil). No dividends have been proposed or declared before the financial statements have been authorised for issue.

See note 37 for details regarding the prior year restatement.

PIB GROUP LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2020

| | | 2020 | Restated 2019 |
|---|-------|----------|------------------|
| | Notes | £000 | £000 |
| Cash flows from operating activities | | | |
| Cash generated from operations | 36 | 32,929 | 24,431 |
| Income taxes paid | | (1,830) | (817) |
| Net cash inflow from operating activities | | 31,099 | 23,614 |
| Investing activities | | | |
| Acquisition and merger of businesses | | (71,398) | (46,701) |
| Payment of deferred consideration | | (11,477) | (3,954) |
| Payment of contingent consideration | | (4,376) | (5,822) |
| Cash acquired on acquisitions | 30 | 13,890 | 12,214 |
| Cash acquired on merger | | 12,885 | - |
| Purchase of intangible assets | 12 | (5,347) | (6,872) |
| Purchase of property, plant and equipment | 13 | (1,198) | (823) |
| Proceeds on disposal of property, plant and equipment | | 35 | 207 |
| Proceeds on disposal of other investments | | - | 909 |
| Interest received | | 162 | 462 |
| Repayment of derivatives | | - | (18) |
| Net cash used in investing activities | | (66,824) | (50,398) |
| Financing activities | | | |
| Proceeds from issue of shares | | 190 | 205 |
| Proceeds from related company loan | | 135,050 | 55,820 |
| Repayment of debt | | (23,350) | - |
| Repayment of lease liabilities | | (3,503) | (3,301) |
| Interest paid | | (10,271) | (6,725) |
| Net cash generated from financing activities | | 98,116 | 45,999 |
| Net increase in cash and cash equivalents | | 62,391 | 19,215 |
| Cash and cash equivalents at beginning of year | | 77,584 | 58,369 |
| Cash and cash equivalents at end of year | 20 | 139,975 | 77,584 |

See note 37 for details regarding the prior year restatement.

PIB GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies

Company information

PIB Group Limited is a private company limited by shares incorporated in England and Wales. The registered office is Rossington's Business Park, West Carr Road, Retford, Nottinghamshire, DN22 7SW.

The principal activities of the Group and the nature of the Group's operations are set out in the strategic report.

1.1 Basis of accounting

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted for use in the European Union and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS, (except as otherwise stated).

The financial statements are prepared in sterling, which is the currency of the primary economic environment in which the Group operates. Monetary amounts in these financial statements are rounded to the nearest £'000. Foreign operations are included in accordance with the policies set out in note 1.21.

The financial statements have been prepared on the historical cost basis, except for the revaluation of financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

1.2 Basis of consolidation

The Group's financial statements consolidate the financial statements of the Company and its subsidiary undertakings for the year ended 31 December 2020. The results of acquired businesses are consolidated from the date on which the Group obtains effective control of the subsidiary.

Subsidiaries are entities controlled by the Group. Control exists where the Group is exposed to or has the rights to variable returns from its involvement with the investee and has the ability to use its power over the investee to affect its returns. Unrealised gains and losses on transactions with subsidiaries or associates are eliminated. Transactions with associates are eliminated to the extent of the Group's interest in those entities in preparing the consolidated financial statements.

1.3 Business combinations

The acquisitions of subsidiaries are accounted for using the acquisition method. The consideration transferred is measured as the fair value of assets given, liabilities incurred or assumed and equity instruments issued by the Group at the date of exchange. Any costs directly attributable to the business combination are booked to the income statement as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed, meeting the conditions for recognition under IFRS 3 "Business Combinations", are recognised at their fair value at the acquisition date, irrespective of the extent of any non-controlling interest. The excess of the consideration transferred over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. Subsequent changes in the fair value of consideration transferred or identifiable assets, liabilities and contingent liabilities assumed are adjusted where they qualify as measurement period adjustments. The measurement period is the period from the date of acquisition to the date the Group obtains complete information about facts and circumstances that existed as of the acquisition date and is subject to a maximum of one year. All other subsequent changes in the fair value of contingent consideration classified as an asset or liability are accounted for in accordance with relevant IFRSs.

PIB GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies

1.4 Investments in associates

Associates are those entities over which the Group has the power to exercise significant influence but not control. The Group's investment in associated undertakings is accounted for under the equity method of accounting whereby associated undertakings are carried in the statement of financial position at cost plus post acquisition changes in the Group's share of net assets of the associate, less any impairment in value. The income statement reflects the Group's share of the post acquisition results of operations of the associated undertaking and the statement of comprehensive income reflects the Group's share of the comprehensive income of the associated undertaking. The financial statements of associated undertakings are prepared up to 31 December each year.

1.5 Adoption of new and revised standards

The Group has not adopted any new standards or amendments to standards, for the first time in the current year which have a material effect on the amounts recognised in these financial statements.

There are no standards, amendments to standards or interpretations which are not yet effective and that are expected to materially impact the Group's financial statements.

1.6 Going concern

The directors evaluate at each annual period whether there are conditions or events, considered in the aggregate, that raise a material uncertainty about the Group's ability to continue as a going concern within one year after the date that the financial statements are issued. The directors' evaluation is based on relevant conditions and events that are known and reasonably knowable at the date that the financial statements are issued.

In light of the on-going uncertainty regarding the impact of Covid-19 the Group has performed additional activity as part of its monthly management activity around its financial position and future performance. Specifically, the Group has conducted stress testing around current and future performance to demonstrate it has sufficient cash resources and has no concerns over the ability to meet its current and future commitments. The group also has access to short term funding on its revolving facility and has implicit parental support from the Apex funds. There is also the ability to postpone capital projects in order to manage cash flow. Well established business continuity plans have been used and the Group is able to continue to support its clients and expects to be able to do so for the foreseeable future. As such, the directors have no reason to believe there is a material uncertainty that would prevent them from continuing to adopt a going concern basis of accounting in preparing the financial statements.

1.7 Revenue

Revenue is recognised at the fair value of the consideration received or receivable for goods and services provided in the normal course of business, and is shown net of VAT and other sales related taxes. The fair value of consideration takes into account trade discounts, settlement discounts and volume rebates.

When cash inflows are deferred and represent a financing arrangement, the fair value of the consideration is the present value of the future receipts. The difference between the fair value of the consideration and the nominal amount received is recognised as interest income.

Revenue from insurance broking is recognised when the significant risks and rewards of the policy have been passed to the buyer, the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

PIB GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies

Revenue would be initially recognised in the latter of the period in which the provision was invoiced or the performance obligation was delivered e.g. a policy placed was inception. Where a service has a performance obligation that spans beyond a single event, that revenue will be deferred over the period of the performance obligation to extent it can be reasonably forecasted. This may include both directly contracted elements e.g. fixed number of customer visits, or reactive activity such processing customer insurance claims.

The business has determined that as significant judgement, where a performance obligation period spans a financial period end, the associated revenue and costs will be deferred into the following period in proportion to the balance of the remaining obligation period. This reflects the most reasonable approach given the variability of forecasting when a single contract performance obligation will be met in the following period.

Where an element of revenue has variable consideration such as annual profit commissions, this will be recognised in the reporting period to which the performance obligations relate to. A prudent estimate will be established to reflect the most probable recoverable value incorporating appropriate estimates. The estimate will reflect suitable risk variables including anticipated post-period claims where they adjust the amounts receivable as well as prior performance of comparable products where appropriate.

A provision is established for post period credit notes which reflects cancellations and changes to financial period. For revenues generated from policy placement, the early cessation of a policy is a direct financial relationship between insurer and ultimate customer and does not impact on the commission or fee due.

In line with revenue recognition in accordance with paragraphs 91 and 95 of IFRS15, the business has established an estimate of costs to obtain and costs to fulfil the contract. These estimates reflect the operational lead time and therefore associated resource in both initial capture and delivery of the revenue source. These are reviewed annually to establish the associated amortisation, additions or impairments in the contract asset.

The Group utilises the practical expedient to recognise the incremental costs of obtaining a contract as an expense when incurred if the amortisation period of the asset that the entity otherwise would have recognised is one year or less. The Group also utilises the practical expedient to not adjust the promised amount of consideration for the effects of a significant financing component if the Group expects, at contract inception, that the period between when the Group transfers a promised good or service to a customer and when the customer pays for that good or service will be one year or less.

1.8 Commissions paid

Commissions paid relate to fees to paid to agents for the introduction of clients. They are recognised at the later of the inception date or transaction date of the underlying policy to which they relate. The amounts recognised are the net amounts owed to the introducer.

PIB GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies

1.9 Goodwill

Goodwill represents the excess of the cost of acquisition of unincorporated businesses over the fair value of net assets acquired. It is initially recognised as an asset at cost and is subsequently measured at cost less impairment losses.

The gain on a bargain purchase is recognised in profit or loss in the period of the acquisition.

For the purposes of impairment testing, goodwill is allocated to the cash-generating units expected to benefit from the acquisition. Cash-generating units to which goodwill has been allocated are tested for impairment at least annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not subsequently reversed. On disposal of a cash-generating unit, attributable amount of goodwill is included in the determination of the profit or loss on disposal.

1.10 Intangible assets other than goodwill

Intangible assets with finite useful lives acquired separately from a business are recognised at cost and are subsequently measured at cost less accumulated amortisation and accumulated impairment losses. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses. Intangible assets acquired on business combinations are recognised separately from goodwill at the acquisition date if the fair value can be measured reliably.

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately. An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

Intangible assets relate to computer software, licenses and customer relationships. Customer relationships relate to assets such as customer lists and access to distribution networks that arise on the acquisition of businesses.

| | |
|------------------------|------------------------------------|
| Software | 3-5 years on a straight line basis |
| Patents and licenses | 5 years on a straight line basis |
| Customer relationships | 10 years on a straight line basis |

1.11 Property, plant and equipment

Property, plant and equipment are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

| | |
|------------------------|----------------------------------|
| Leasehold improvements | Over the term of the lease |
| Office equipment | 4 years on a straight line basis |
| Computer Hardware | 3 years on a straight line basis |
| Motor vehicles | 4 years on a straight line basis |

PIB GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is recognised in the statement of profit or loss.

1.12 Leases

The Group has entered into contracts as a lessee. It assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets.

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate.

Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs. In calculating the present value of lease payments, the Group uses the interest rate implicit in the lease and where that is not readily determinable, its incremental borrowing rate at the lease commencement date. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments or a change in the assessment of an option to purchase the underlying asset. The Group did not make any such adjustments during the periods presented.

Short-term leases and leases of low-value assets

As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Group has used this practical expedient for car leases. The Group applies the short-term lease recognition exemption to its short-term leases which are those leases that have a lease term of 12 months or less from the commencement date. It also applies the lease of low-value assets recognition exemption to leases that are considered to be low value. Lease payments on short-term leases and leases of low value assets are recognised as an expense in the statement of profit or loss on a straight-line basis over the lease term.

Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

PIB GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies

1.13 Impairment of tangible and intangible assets

At each reporting end date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

1.14 Inventories

Inventories held for distribution at no or nominal consideration are measured at the lower of replacement cost and cost, adjusted where applicable for any loss of service potential.

1.15 Cash and cash equivalents

Cash and cash equivalents are basic financial assets and include cash in bank, bank deposits and petty cash. Whilst held in the Group's regulatory trust accounts under appropriate client money regulation, fiduciary funds held are controlled by the Group and economic benefits are derived from them. As such these funds are recognised as an asset on the Group's statement of financial position.

1.16 Financial assets

Financial assets are recognised in the Group's statement of financial position when the Group becomes party to the contractual provisions of the instrument.

On initial recognition, financial assets are measured at fair value and either classified as financial assets at fair value through profit or loss or loans and receivables.

Financial assets at fair value through profit or loss

Equity instruments and derivative assets have been mandatorily classified as fair value through profit or loss.

PIB GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition these are measured at amortised cost using the effective interest method, less provision for impairment based on lifetime credit loss model. Discounting is omitted where the effect of discounting is immaterial. The Group's trade and other receivables fall into this category of financial instruments.

Impairment of financial assets

Financial assets, other than those at fair value through profit or loss (FVTPL), are assessed for impairment at each reporting end date. Expected credit losses are recognised on initial recognition and subsequent period ends which reflect an unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes, the time value of money, reasonable information about past events, current conditions and forecasts of future economic conditions.

The lifetime credit loss model has been applied to trade debtors, other debtors and profit commissions.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership to another entity.

1.17 Financial liabilities

Financial liabilities are recognised in the Group's statement of financial position when the Group becomes party to the contractual provisions of the instrument.

On initial recognition, financial liabilities are measured at fair value and classified as either subsequently measured at amortised cost or as financial liabilities at fair value through profit or loss.

Financial liabilities measured at amortised cost

Borrowings, trade and other payables and deferred consideration are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability to the net carrying amount on initial recognition.

Financial liabilities at fair value through profit or loss

Derivative liabilities are mandatorily classified as fair value through profit or loss. Contingent consideration is subsequently measured at fair value through profit or loss in accordance with IFRS 3 Business Combinations.

Derecognition of financial liabilities

Financial liabilities are derecognised when, and only when, the company's obligations are discharged, cancelled, or they expire.

1.18 Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the Group.

PIB GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies

1.19 Derivatives

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to fair value at each reporting end date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

A derivative with a positive fair value is recognised as a financial asset, whereas a derivative with a negative fair value is recognised as a financial liability. A derivative is presented as a non-current asset or liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are classified as current.

1.20 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the statement of profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the statement of profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the Group has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

PIB GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies

1.21 Provisions

Provisions are recognised when the Group has a legal or constructive present obligation as a result of a past event, it is probable that the Group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting end date, taking into account the risks and uncertainties surrounding the obligation.

Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Provisions for the costs to restore leased plant assets to their original condition, as required by the terms and conditions of the lease, are recognised when the obligation is incurred, either at the commencement date or as a consequence of having used the underlying asset during a particular period of the lease, at the directors' best estimate of the expenditure that would be required to restore the assets. Estimates are regularly reviewed and adjusted as appropriate for new circumstances.

1.22 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of inventories or non-current assets.

Liabilities recognised in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service. Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the reporting date. The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the Group is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

1.23 Retirement benefits

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

1.24 Foreign exchange

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Gains and losses arising on translation are included in the statement of profit or loss for the period.

1.25 Common control transactions

Where there is an exchange of equity interests under the same parent's control, the company uses merger accounting. Under this method, assets and liabilities of the merging entity are recognised in the consolidated group accounts at their previous carrying amount.

PIB GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies

1.26 Government grants

Government grants are recognised within income when there is reasonable assurance that the group will comply with the conditions attaching to them and the grants will be received. They are recognised on a systematic basis over the periods in which the group recognises the related costs for which the grant is intended to compensate. The group applies the accrual model and the Coronavirus Job Retention Scheme has been classified as a 'revenue-based' grant for the purposes of that model.

2 Critical accounting judgements and key sources of estimation uncertainty

In the application of the group's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

Critical judgements

There were no critical judgements made that had a significant effect on the amounts recognised in the financial statements.

Key sources of estimation uncertainty

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are as follows.

Impairment of assets

The Group tests annually whether goodwill and other assets that have indefinite useful lives suffered any impairment. Other assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset exceeds its recoverable amount.

The recoverable amount of an asset or a cash generating unit is determined based on value-in-use calculations prepared on the basis of management's assumptions and estimates. This determination requires significant judgment. In making this judgment, the Group evaluates, among other factors, the duration and extent to which the fair value of an asset is less than its cost; and the financial health of and near-term business outlook for the asset, including factors such as industry and sector performance, changes in regional economies and operational and financing cash flow.

Following this assessment, no impairment losses were recognised in the year (2019: £Nil).

Revenue recognition

The Group has entered into profit sharing arrangements with insurers. The timing and amount of such variable revenue is inherently uncertain. At each reporting date, the Group measures the outstanding revenue on a best estimate basis to the extent that a significant reversal will not occur.

The carrying amount of profit commission receivable as at the reporting date was £9,779k (2019: £6,137k).

PIB GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

2 Critical accounting judgements and key sources of estimation uncertainty

Cost of fulfilment asset

The Group recognises a cost of fulfilment asset that represents time spent by staff in the placement of new and renewed policies. The value of that asset is estimated by way of surveying management for their estimate, on a line of business basis, of time spent by staff of various job descriptions on those activities.

The carrying amount of this cost of fulfilment asset at the end of the reporting period was £1,355k (2019: £1,085k)

Lease discount rate

The lease liability is recognised as the future payments remaining under a lease term discounted by the discount rate implicit in the lease. Leases for premises do not have an implicit discount rate and therefore an incremental borrowing rate is estimated which reflects the rate of interest that the Group would need to pay to borrow over a similar term and with a similar security and the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment.

The Group has used the interest rate on its bank loan facility as the starting point for this rate and then applied specific factors such as term and lessee credit rating to estimate the most appropriate rate on a lease by lease basis.

The carrying amount of the lease liability at the end of the reporting period was £14,400k (2019: £12,210k).

3 Revenue

An analysis of the group's revenue is as follows:

| | 2020 £000 | 2019 £000 |
|--------------------------------------|----------------|----------------|
| Brokerage fees and commission | 148,346 | 119,403 |
| Risk management and consultancy fees | 3,190 | 3,918 |
| | <u>151,536</u> | <u>123,321</u> |

Revenue analysed by geographical market

| | 2020 £000 | 2019 £000 |
|----------------|----------------|----------------|
| United Kingdom | 139,470 | 114,220 |
| Rest of World | 55 | 60 |
| Europe | 12,011 | 9,041 |
| | <u>151,536</u> | <u>123,321</u> |

PIB GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

4 Operating loss

| | 2020 | 2019 |
|---|--------|--------|
| | £000 | £000 |
| Operating loss for the year is stated after charging/(crediting): | | |
| Foreign exchange (gains)/losses | (10) | 31 |
| Depreciation of property, plant and equipment | 1,696 | 1,466 |
| Loss on disposal of property, plant and equipment | 31 | 8 |
| Amortisation and impairment of intangible assets | 29,122 | 19,434 |
| Depreciation and impairment of right-of-use assets | 2,729 | 2,970 |

5 Auditor's remuneration

| | 2020 | 2019 |
|--|--------------|------------|
| | £000 | £000 |
| Fees payable to the Group's auditor and associates: | | |
| For audit services | | |
| Audit of the financial statements of the group and company | 15 | 15 |
| Audit of the financial statements of Group subsidiaries | 689 | 578 |
| | <u>704</u> | <u>593</u> |
| For other services | | |
| Audit-related client money assurance services | 224 | 292 |
| Taxation compliance services | 93 | 9 |
| Corporate finance services | 1,436 | 617 |
| Total non-audit fees | <u>1,753</u> | <u>918</u> |

6 Employees

The average monthly number of persons (including directors) employed by the Group during the year was:

| | 2020 | 2019 |
|-----------|--------------|--------------|
| | Number | Number |
| Directors | 4 | 4 |
| Employees | 1,317 | 1,198 |
| | <u>1,321</u> | <u>1,202</u> |

PIB GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

6 Employees

Their aggregate remuneration comprised:

| | 2020 £000 | 2019 £000 |
|-----------------------|---------------|---------------|
| Wages and salaries | 61,452 | 48,813 |
| Social security costs | 7,228 | 5,432 |
| Pension costs | 3,000 | 2,398 |
| | <u>71,680</u> | <u>56,643</u> |

7 Directors' remuneration

| | 2020 £000 | 2019 £000 |
|---|--------------|--------------|
| Remuneration for qualifying services | 763 | 775 |
| Group pension contributions to defined contribution schemes | - | 25 |
| | <u>763</u> | <u>800</u> |

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 0 (2019 - 1).

Remuneration disclosed above include the following amounts paid to the highest paid director:

| | 2020 £000 | 2019 £000 |
|--------------------------------------|--------------|--------------|
| Remuneration for qualifying services | <u>403</u> | <u>378</u> |

8 Finance income

| | 2020 £000 | 2019 £000 |
|--|--------------|--------------|
| Financial assets measured at amortised cost | | |
| Interest receivable from group undertakings | 276 | 242 |
| Interest receivable and similar income | 162 | 462 |
| Total finance income | <u>438</u> | <u>704</u> |

Interest receivable from group undertakings relates to preference share dividends receivable on Ivy Topco Limited preference shares held by the Group (see note 15).

Interest receivable and similar income relates to interest on bank deposits.

PIB GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

9 Finance costs

| | 2020 £000 | 2019 £000 |
|--|-------------------|-------------------|
| Financial liabilities measured at amortised cost: | | |
| Interest on bank overdrafts and loans | 1 | 137 |
| Interest on loan notes | 1,431 | 1,276 |
| Interest on loan from related parties | 13,531 | 6,589 |
| Interest on lease liabilities | 716 | 613 |
| | <u> </u> | <u> </u> |
| Total interest expense | 15,679 | 8,615 |
| Unwinding of discount on contingent consideration | 433 | 390 |
| Unwinding of discount on deferred consideration | 969 | 156 |
| | <u> </u> | <u> </u> |
| Total unwinding of discount | 1,402 | 546 |
| | <u> </u> | <u> </u> |
| Total finance costs | <u>17,081</u> | <u>9,161</u> |

10 Other gains and losses

| | 2020 £000 | Restated 2019 £000 |
|--|-------------------|--------------------------|
| Net gain/(loss) on financial liabilities mandatorily measured at fair value through profit or loss: | | |
| Contingent consideration | 1,861 | (428) |
| Derivative financial instruments | (45) | - |
| | <u> </u> | <u> </u> |
| | <u>1,816</u> | <u>(428)</u> |

PIB GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

11 Income tax

| | 2020 £000 | 2019 £000 |
|--|----------------|----------------|
| Current tax | | |
| UK corporation tax on profits for the current period | 300 | (156) |
| Adjustments in respect of prior periods | 16 | (212) |
| Overseas tax | 712 | - |
| Total charge/(credit) | 1,028 | (368) |
| Deferred tax | | |
| Origination and reversal of temporary differences | (5,290) | (3,490) |
| Adjustment in respect of prior periods | (320) | (592) |
| Effect of tax rate change | 3,046 | - |
| Total deferred tax credit | (2,564) | (4,082) |
| Total tax credit | (1,536) | (4,450) |

The credit for the year can be reconciled to the loss per the statement of profit or loss as follows:

| | 2020 £000 | Restated 2019 £000 |
|--|----------------|--------------------------|
| Loss before taxation | (24,738) | (14,165) |
| Expected tax charge/(credit) based on a corporation tax rate of 19.00% | (4,700) | (2,691) |
| Expenses not deductible in determining taxable profit | 1,028 | 1,079 |
| Income not taxable | - | (405) |
| Unutilised tax losses carried forward | (41) | (1,771) |
| Adjustment in respect of prior years | 16 | (934) |
| Group relief | (403) | (125) |
| Permanent capital allowances in excess of depreciation | 500 | 504 |
| Other non-reversing timing differences | 103 | (54) |
| Deferred tax adjustments in respect of prior years | (320) | (53) |
| Remeasurement of deferred tax for changes in tax rates | 2,956 | - |
| Deferred tax not recognised | (606) | - |
| Double tax relief | (69) | - |
| Tax credit for the year | (1,536) | (4,450) |

PIB GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

12 Goodwill and Intangible Assets

| | Restated Goodwill | Software | Patents & licences | Customer relationships | Restated Total |
|------------------------------------|----------------------|----------|-----------------------|---------------------------|-------------------|
| | £000 | £000 | £000 | £000 | £000 |
| Cost | | | | | |
| At 1 January 2019 | 79,571 | 7,089 | 29 | 163,850 | 250,539 |
| Additions | - | 6,872 | - | - | 6,872 |
| Additions - business combinations | 17,945 | 173 | - | 57,753 | 75,871 |
| Disposals | - | (76) | - | - | (76) |
| At 31 December 2019 | 97,516 | 14,058 | 29 | 221,603 | 333,206 |
| Additions | - | 5,349 | - | - | 5,349 |
| Additions - business combinations | 27,384 | 277 | - | 78,619 | 106,280 |
| Additions - merger | 37,801 | 8,036 | - | 20,504 | 66,341 |
| Disposals | - | (3) | - | - | (3) |
| At 31 December 2020 | 162,701 | 27,717 | 29 | 320,726 | 511,173 |
| Amortisation and impairment | | | | | |
| At 1 January 2019 | 5,738 | 3,585 | 29 | 27,711 | 37,063 |
| Charge for the year | - | 1,358 | - | 18,076 | 19,434 |
| Additions - business combinations | - | 158 | - | - | 158 |
| Disposals | - | (50) | - | - | (50) |
| At 31 December 2019 | 5,738 | 5,051 | 29 | 45,787 | 56,605 |
| Charge for the year | - | 3,136 | - | 25,986 | 29,122 |
| Additions - business combinations | - | 233 | - | - | 233 |
| Additions - merger | 10,670 | 5,525 | - | 11,106 | 27,301 |
| At 31 December 2020 | 16,408 | 13,945 | 29 | 82,879 | 113,261 |
| Carrying amount | | | | | |
| At 31 December 2020 | 146,293 | 13,772 | - | 237,847 | 397,912 |
| At 31 December 2019 | 91,778 | 9,007 | - | 175,816 | 276,601 |

There are no accumulated impairment losses recognised in respect of goodwill as at 31 December 2020 (2019: £Nil).

PIB GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

Impairment tests for goodwill

Goodwill is allocated to the Group's identified cash generating units (CGUs) according to how acquired businesses have been integrated into the Group.

The recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use cash flow projections based on financial forecasts approved by management covering a three year period followed by extrapolated cash flows based on the 2023 forecast and a steady perpetual growth rate.

The net book value of goodwill by CGU is shown in the table below:

| | 2020 | Restated 2019 |
|---|---------|------------------|
| | £000 | £000 |
| Cooke & Mason | 7,017 | 7,017 |
| Channel Insurance Brokers | 291 | 291 |
| CMR Insurance Services | 758 | 758 |
| Cobra | 8,853 | 8,853 |
| Cooper Solutions | 5,784 | 5,783 |
| DE Ford Insurance | 5,705 | 5,705 |
| PIB Insurance Brokers and PIB Employee Benefits | 11,417 | 11,146 |
| PIB Risk Management | 544 | 516 |
| Wilby | 3,240 | 3,240 |
| Wheatley Wright and ORS | 5,973 | 5,973 |
| Fish Administration | 5,746 | 5,746 |
| aQmen | 3,900 | 3,900 |
| Morton Michel | 3,189 | 3,189 |
| Thistle | 9,185 | 9,185 |
| i2 Healthcare | 1,249 | 1,250 |
| TFP Schemes | 7,298 | 7,298 |
| Citynet | 9,444 | 9,444 |
| Optis | 2,483 | 2,484 |
| BK Insurance | 1,789 | - |
| R A Insurance Brokers | 7,567 | - |
| Marx Re | 5,061 | - |
| UK Insurance Net | 3,767 | - |
| Rigton Insurance Services | 190 | - |
| Arlington Insurance Services | 1,737 | - |
| Erskine Murray | 3,571 | - |
| WDB | 3,403 | - |
| Barbon | 27,132 | - |
| Total | 146,293 | 91,778 |

The key assumptions used in the value-in-use calculations were:

A perpetual growth rate of 1.9% (2019:1.9%) per year has been used from 2024 onwards which is based on the expected rate of CPI for 2021.

A discount rate of 9.1% (2019:9.7%) has been used which is an estimated market participant weighted average cost of capital.

PIB GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

The three year forecasts are based on historical performance, management expectations of revenue growth and savings from committed integration initiatives.

The key sensitivity analyses are:

The key assumptions to which the recoverable amount is most sensitive is the EBITDA growth rates in the three year forecast and the perpetual growth rate. Sensitivity analysis was performed whereby these key assumptions were subjected to reasonable changes. The sensitivity was tested for the following three scenarios:

- Scenario one: Reduction of perpetual growth rate to 0%
- Scenario two: Reduction of forecasted three year EBITDA growth rates to 0%
- Scenario three: Applying scenarios one and two simultaneously

In all three scenarios, there no Business Units identified as being impaired with the exception of the Cobra entity. This was predominantly because the elements of the business relating to Cobra Network, Cobra Underwriting and Cobra London Markets had been divisionalised in the period. The result is such that centrally allocated components within the original Cobra business unit have still to be transferred. However, for the purposes of evaluating impairment, considering all the Cobra components in the original business unit as a whole together, there is no impairment of the unit. As such, management do not propose any impairment of any Cobra business unit to be required.

No further reasonably possible changes in these assumptions alone would result in an impairment to any other CGU.

PIB GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

13 Property, plant and equipment

| | Leasehold improvements £000 | Office equipment £000 | Computer Hardware £000 | Motor vehicles £000 | Total £000 |
|--|-----------------------------------|-----------------------------|------------------------------|---------------------------|---------------|
| Cost | | | | | |
| At 1 January 2019 | 2,702 | 2,745 | 4,777 | 258 | 10,482 |
| Additions | 171 | 101 | 551 | - | 823 |
| Additions - business combinations | 357 | 214 | 489 | 158 | 1,218 |
| Disposals | (36) | (31) | (37) | (332) | (436) |
| At 31 December 2019 | 3,194 | 3,029 | 5,780 | 84 | 12,087 |
| Additions | 420 | 235 | 837 | - | 1,492 |
| Additions - business combinations | 193 | 719 | 936 | 221 | 2,069 |
| Additions - merger | 1,366 | 677 | 1,115 | - | 3,158 |
| Disposals | (10) | (626) | (178) | (78) | (892) |
| At 31 December 2020 | 5,163 | 4,034 | 8,490 | 227 | 17,914 |
| Accumulated depreciation and impairment | | | | | |
| At 1 January 2019 | 1,893 | 2,352 | 3,133 | 102 | 7,480 |
| Charge for the year | 263 | 227 | 949 | 27 | 1,466 |
| Additions - business combinations | 78 | 143 | 399 | 73 | 693 |
| Disposals | (31) | (30) | (33) | (154) | (248) |
| At 31 December 2019 | 2,203 | 2,692 | 4,448 | 48 | 9,391 |
| Charge for the year | 407 | 207 | 1,061 | 21 | 1,696 |
| Additions - business combinations | 103 | 533 | 680 | 191 | 1,507 |
| Additions - merger | 715 | 475 | 658 | - | 1,848 |
| Disposals | - | (592) | (169) | (75) | (836) |
| At 31 December 2020 | 3,428 | 3,315 | 6,678 | 185 | 13,606 |
| Carrying amount | | | | | |
| At 31 December 2020 | 1,735 | 719 | 1,812 | 42 | 4,308 |
| At 31 December 2019 | 991 | 337 | 1,332 | 36 | 2,696 |

PIB GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

14 Leases

The material leases held by the Group are for property and motor vehicles. Property leases typically run for a period of five to ten years but can be considerably longer. Motor vehicle leases are typically three years.

Lease payments on properties may be subject to a review every few years. Many of the Group's long-term contracts have an option to terminate the lease prior to its end date. However, in most cases, termination options are not reasonably certain to be exercised so that the lease liability reflects all lease payments through to the ultimate end date of the lease.

Right-of-use assets

| | Property £000 | Motor vehicles £000 | Total £000 |
|--|------------------|---------------------------|---------------|
| Cost | | | |
| At 1 January 2019 | 8,793 | 1,046 | 9,839 |
| Additions | 4,403 | 323 | 4,726 |
| On acquisition | 2,045 | 108 | 2,153 |
| Disposals | (768) | (145) | (913) |
| At 31 December 2019 | 14,473 | 1,332 | 15,805 |
| Additions | 2,067 | 417 | 2,484 |
| On acquisition | 464 | 323 | 787 |
| On merger | 2,081 | 29 | 2,110 |
| Disposals | (1,982) | (356) | (2,338) |
| At 31 December 2020 | 17,103 | 1,745 | 18,848 |
| Accumulated depreciation and impairment | | | |
| At 1 January 2019 | 1,819 | 310 | 2,129 |
| Charge for the year | 2,340 | 452 | 2,792 |
| Impairment | 178 | - | 178 |
| Disposals | (768) | (145) | (913) |
| At 31 December 2019 | 3,569 | 617 | 4,186 |
| Charge for the year | 2,210 | 499 | 2,709 |
| Impairment | 20 | - | 20 |
| Disposals | (1,610) | (324) | (1,934) |
| At 31 December 2020 | 4,189 | 792 | 4,981 |
| Carrying amount | | | |
| At 31 December 2020 | 12,914 | 953 | 13,867 |
| At 31 December 2019 | 10,904 | 715 | 11,619 |

PIB GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

14 Leases

Lease liabilities

The maturity analysis of lease liabilities is shown below:

| | 2020 | 2019 |
|--------------------------|---------------|---------------|
| | £000 | £000 |
| Maturity analysis | | |
| Within one year | 3,891 | 3,076 |
| In one to five years | 9,926 | 8,194 |
| In over five years | 3,804 | 3,861 |
| | <u>17,621</u> | <u>15,131</u> |
| Less: unearned interest | (3,221) | (2,921) |
| | <u>14,400</u> | <u>12,210</u> |
| Analysed as: | | |
| Current | 3,787 | 2,992 |
| Non-current | 10,613 | 9,218 |
| | <u>14,400</u> | <u>12,210</u> |

The Group does not face a significant liquidity risk with regard to its lease liabilities. The total cash outflow for leases, including short-term leases and leases of low value assets was £5,359k (2019: £5,556k).

| | 2020 | 2019 |
|--|-------|-------|
| | £000 | £000 |
| Amounts recognised in the statement of profit or loss | | |
| Depreciation and impairment of right-of-use assets | 2,729 | 2,970 |
| Interest expense on lease liabilities | 716 | 613 |
| Expense relating to short-term leases | 886 | 1,117 |
| Expense relating to leases of low value assets | 302 | 211 |
| Expenses relating to variable lease payments | 903 | 1,019 |

The variable lease payments relate to service charges. The expenses relating to short-term leases, low value leases and variable lease payments are presented within other operating expenses.

PIB GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

15 Financial assets

| | 2020 | 2019 |
|---|--------------|--------------|
| | £000 | £000 |
| Financial assets measured at amortised cost | | |
| Shares in ultimate parent company | 2,566 | 2,291 |
| Financial assets mandatorily measured at fair value through profit or loss | | |
| Other investments | 185 | 200 |
| | <u>2,751</u> | <u>2,491</u> |

The shares in ultimate parent company represents 1,508,698 (2019: 1,508,698) preference shares issued by Ivy Topco Limited. These preference shares are recorded at amortised cost and their carrying amount includes accrued dividends. They are redeemable on 21 April 2026 and carry a fixed cumulative dividend of 12%, compounding annually on 31 December. These shares do not carry voting rights.

The other investments mainly relate to a minority equity shareholding in ProActive Risk Group Limited which has a fair value of £182k (2019: £182k).

Movements in financial assets

| | Shares in ultimate parent company | Other investments | Total |
|--------------------------|-----------------------------------|-------------------|--------------|
| | £000 | £000 | £000 |
| Cost or valuation | | | |
| At 1 January 2020 | 2,291 | 200 | 2,491 |
| Disposals | - | (15) | (15) |
| Accrued dividends | 275 | - | 275 |
| | <u>2,566</u> | <u>185</u> | <u>2,751</u> |
| At 31 December 2020 | 2,566 | 185 | 2,751 |
| Carrying amount | | | |
| At 31 December 2020 | <u>2,566</u> | <u>185</u> | <u>2,751</u> |
| At 31 December 2019 | <u>2,291</u> | <u>200</u> | <u>2,491</u> |

Management have considered that there has not been a significant rise in credit risk since these assets were initially recognised. This follows an assessment of growth, ability to raise finance and the stability of the markets in which they operate. In assessing 12 month Expected Credit Losses (ECL), management have considered similar factors and the financial support available to the ultimate parent company. The possibility of a default in the 12 months following the reporting date is negligible and the ECL is therefore nil.

There has been no change in the estimation techniques or significant assumptions made during the current reporting period in assessing the loss allowance for these financial assets.

PIB GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

16 Investment in associated undertaking

On 20 November 2020, the Group acquired 42.5% of the share capital of TransBrokers.eu as part of the acquisition of WDB SA. The principal place of business of TransBrokers.eu is Poland where it is an insurance broker in the transport, shipping and logistics sector.

The summary statement of financial position of TransBrokers.eu as at 31 December 2020 is set out below:

| | 2020 |
|------------------------------|-------------|
| | £000 |
| Non-current assets | 48 |
| Current assets | 546 |
| | <hr/> |
| Total assets | 594 |
| Current liabilities | (163) |
| | <hr/> |
| Net assets | 431 |
| 57.5% not owned by the Group | (248) |
| | <hr/> |
| Carrying value | 183 |
| | <hr/> |

There has not been any movements in the TransBrokers.eu income statement between the date of acquisition and the year end date.

PIB GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

17 Subsidiaries

Details of the company's subsidiaries at 31 December 2020 are as follows:

| Name of undertaking | Registered Office | Country of incorporation | Ownership interest (%) of ordinary shares | Nature of business |
|--|--|--------------------------|---|------------------------------|
| Alto Insurance Group Limited | Rossington's Business Park, West Carr Road, Retford, Nottinghamshire, DN22 7SW | England | 100 | Intermediate holding company |
| aQmen Holdings Limited | As above | England | 100 | Intermediate holding company |
| aQmen Limited | As above | England | 100 | Insurance brokers |
| Arlington Insurance Services Limited | As above | England | 100 | Insurance brokers |
| Bartleet Enterprises Limited | As above | England | 100 | Insurance brokers |
| B.K. Insurance Brokers Limited | As above | England | 100 | Insurance brokers |
| BKG West Limited | As above | England | 100 | Insurance brokers |
| Case Insurance Services Limited | As above | England | 100 | Insurance brokers |
| Chester Crown Holdings Limited | As above | England | 100 | Intermediate holding company |
| Citynet Insurance Brokers Limited | As above | England | 100 | Insurance brokers |
| Citynet London Holdings Limited | As above | England | 100 | Intermediate holding company |
| CMR Insurance Services Limited | As above | England | 100 | Insurance brokers |
| Cobra Corporate Solutions Limited | As above | England | 100 | Insurance brokers |
| Cobra GAL (Holdings) Limited | As above | England | 100 | Intermediate holding company |
| Cobra Holdings Limited | As above | England | 100 | Intermediate holding company |
| Cobra Insurance Brokers Limited | As above | England | 100 | Insurance brokers |
| Cobra London Markets Limited | As above | England | 100 | Insurance brokers |
| Cobra Network Limited | As above | England | 100 | Insurance brokers |
| Cobra Resource Management Limited | As above | England | 100 | Insurance brokers |
| Cobra Underwriting Agencies Limited | As above | England | 100 | Insurance brokers |
| Cooper Solutions Limited | As above | England | 100 | Insurance brokers |
| D. E. Ford Holdings Limited | As above | England | 100 | Intermediate holding company |
| D. E. Ford (Insurance Brokers) Limited | As above | England | 100 | Insurance brokers |
| ENSCO 1069 Limited | As above | England | 100 | Employee benefit trust |
| Erskine Murray Limited | As above | England | 100 | Insurance brokers |
| Fish Administration Limited | As above | England | 100 | Insurance brokers |
| Houghton Insurance Bureau Limited | As above | England | 100 | Insurance brokers |
| i2 Healthcare Limited | As above | England | 100 | Insurance brokers |

PIB GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

17 Subsidiaries

| | | | | |
|--|--|---------|-----|------------------------------|
| Internet Insurance Holdings Limited | As above | England | 100 | Intermediate holding company |
| Internet Insurance Services UK Limited | As above | England | 100 | Insurance brokers |
| Lorica Insurance Brokers Limited | As above | England | 100 | Insurance brokers |
| Morton Michel Holdings Limited | As above | England | 100 | Intermediate holding company |
| Morton Michel Limited | As above | England | 100 | Insurance brokers |
| Offley Insurance Services Limited | As above | England | 100 | Insurance brokers |
| Online Risk Solutions Limited | As above | England | 100 | Insurance brokers |
| Philip Paul & Associates Limited | As above | England | 100 | Insurance brokers |
| PIB Employee Benefits Limited | As above | England | 100 | Employee benefit services |
| PIB Employee Benefits Holdings Limited | As above | England | 100 | Intermediate holding company |
| PIB (Group Services) Limited | As above | England | 100 | Management company |
| PIB (Legacy EB) Limited | As above | England | 100 | Insurance brokers |
| PIB Risk Management Limited | As above | England | 100 | Risk management services |
| PIB Risk Services Limited | As above | England | 100 | Insurance brokers |
| Premier Business Cost Saving Specialists Limited | As above | England | 100 | Procurement services |
| QPI Legal Limited | As above | England | 100 | Insurance brokers |
| R A Insurance Brokers Limited | As above | England | 100 | Insurance brokers |
| Rigton Insurance Services Limited | As above | England | 100 | Insurance brokers |
| Robert Edwards Southern Limited | As above | England | 100 | Insurance brokers |
| Stephensons (2000) Limited | As above | England | 100 | Insurance brokers |
| Sue Smith Limited | As above | England | 100 | Health and safety services |
| Q Underwriting Limited | As above | England | 100 | Insurance brokers |
| Thistle Insurance Services Limited | As above | England | 100 | Insurance brokers |
| Wheatley Wright Insurance Services Limited | As above | England | 100 | Insurance brokers |
| Wilby Limited | As above | England | 100 | Insurance brokers |
| Wilby Holdings Limited | As above | England | 100 | Intermediate holding company |
| Wilby (Group) Limited | As above | England | 100 | Intermediate holding company |
| Barbon Insurance Group Limited | Hestia House, Edgewest Road, Lincoln, LN6 7EL | England | 100 | Insurance brokers |
| Barbon Holdings Limited | As above | England | 100 | Intermediate holding company |
| Beck Bidco Limited | As above | England | 100 | Intermediate holding company |
| Letsure Limited | As above | England | 100 | Insurance brokers |
| Letsure Underwriting Limited | As above | England | 100 | Insurance brokers |
| Letsure Underwriting Management Limited | As above | England | 100 | Insurance brokers |
| Movem Limited | As above | England | 100 | Insurance brokers |
| Rentdata Limited | As above | England | 100 | Insurance brokers |

PIB GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

17 Subsidiaries

| | | | | |
|---------------------------------------|---|----------|-----|------------------------------|
| Rentshield Direct Limited | As above | England | 100 | Insurance brokers |
| Let Alliance Limited | Dodleston House, Bell Meadow Business Park, Pulford, Chester, CH4 9EP | England | 100 | Insurance brokers |
| Propgen Limited | The Hedge Business Centre, Level 3, Triq ir-Rampa ta' San Giljan, Balluta Bay, St Julians, STJ 1062 | Malta | 100 | Insurance brokers |
| Propgen Holdings Limited | As above | Malta | 100 | Intermediate holding company |
| Albany Asset Management Limited | 5th Floor Stock Exchange Court, 77 Nelson Mandela Place, Glasgow, Lanarkshire, G2 1QY | Scotland | 100 | Insurance brokers |
| Carmichael (Aberdeen) Limited | 14 Golden Square, Aberdeen, AB10 1RH | Scotland | 100 | Insurance brokers |
| Channel Insurance Brokers Limited | PO Box 664, No 4 South Esplanade, St Peter Port, Guernsey, GY1 1AN | Guernsey | 100 | Insurance brokers |
| Let Alliance Tech Hub Private Limited | C-402 Satyamev India Royal, Opp Satyamev Famasa Village, Uvarsad, Gandhinagar | India | 100 | Insurance brokers |
| Optis Insurances Limited | Unit 1, Knightsbrook Square, Knightsbrook, Trim, Co.Meath, Ireland, C15 AN81 | Ireland | 100 | Insurance brokers |
| PIB Insurance (Europe) Limited | 25-28 North Wall Quay, Dublin 1, Ireland, D01 H104 | Ireland | 100 | Intermediate holding company |
| Marx Re Insurance Brokers GmbH | Leopoldstraße 46 80802 München | Germany | 100 | Insurance brokers |

PIB GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

17 Subsidiaries

| | | | | |
|--------------------------|---------------------------------------|---------|-----|------------------------------|
| Catalonia Bidco GmbH | As above | Germany | 100 | Intermediate holding company |
| WDB SA | 3 Fiolkowa Street, 52-200 Wysoka | Poland | 100 | Insurance brokers |
| WDB Consulting SP.Z O.O. | As above | Poland | 100 | Insurance brokers |
| Barbeck Midco 1 Limited | 44 Esplanade, Helier, Jersey, JE4 9WG | Jersey | 100 | Intermediate holding company |
| Barbeck Midco 2 Limited | As above | Jersey | 100 | Intermediate holding company |
| Barbeck Midco 3 Limited | As above | Jersey | 100 | Intermediate holding company |
| Barbeck Topco Limited | As above | Jersey | 100 | Intermediate holding company |

All subsidiaries above have been included within these consolidated financial statements.

PIB GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

18 Subsidiary guarantees

As a parent company established under the law of the UK (an EEA state) for the 12 month period ended 31 December 2020, PIB Group Limited took advantage of the exemption from audit under section 479A of the Companies Act 2006 for the following subsidiary undertakings:

Albany Asset Management Limited (SC188800)
Arlington Insurance Services Limited (05356494)
Alto Insurance Group Ltd (07903709)
aQmen Holdings Limited (10153214)
aQmen Limited (05769545)
Bartleet Enterprises Limited (07892872)
B.K Insurance Brokers Limited (01867316)
BKG West Limited (04320747)
Carmichael (Aberdeen) Limited (SC161121)
Case Insurance Services Limited (07456845)
Chester Crown Holdings Limited (06654784)
Citynet London Holdings Limited (08218863)
CMR Insurance Services Limited (03239596)
Cobra Corporate Solutions Limited (03426633)
Cobra GAL (Holdings) Limited (05074528)
Cobra Holdings Limited (05548507)
Cobra Insurance Brokers Limited (03233679)
Cobra Network Limited (04628555)
Cobra Resource Management Limited (05553037)
Cobra Underwriting Agencies Limited (04731994)
Cooper Solutions Limited (05168547)
D. E. Ford Holdings Limited (08038956)
D. E. Ford (Insurance Brokers) Limited (01282731)
ENSCO 1069 Limited (09033987)
Erskine Murray Limited (09564100)
Fish Administration Limited (04214119)
Houghton Insurance Bureau Limited (01517422)
i2 Healthcare Limited (06243798)
Internet Insurance Holdings Limited (08541798)
Internet Insurance Services UK Limited (03928028)
Lorica Insurance Brokers Limited (01417032)
Morton Michel Holdings Limited (07837994)
Morton Michel Limited (05120835)
Offley Insurance Services Limited (04483586)
Online Risk Solutions Limited (07822050)
Philip Paul & Associates Limited (06762003)
PIB Employee Benefits Holdings Limited (03702198)
PIB (Group Services) Limited (10315628)
PIB (Legacy EB) Limited (10315612)
PIB Risk Management Limited (07473310)
Premier Business Cost Saving Specialists Limited (07966466)
QPI Legal Limited (05160880)
Rigton Insurance Services Limited (01159640)
Robert Edward (Southern) Limited (02278009)
R A Insurance Brokers Limited (03248029)
Stephensons (2000) Limited (03900356)
Sue Smith Limited (07605649)
Wheatley Wright Insurance Services Limited (04664478)
Wilby (Group) Limited (07834330)
Wilby Holdings Limited (062920259)
Wilby Limited (02592184)

PIB GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

18 Subsidiary guarantees

PIB Group Limited guarantees the subsidiaries above under section 479C of the Companies Act 2006 in respect of the year ended 31 December 2020. The aggregate carrying value of liabilities guaranteed by the company under the use of this exemption at the end of the reporting date was £65,718k (2019: £38,452k).

19 Trade and other receivables

| | 2020 £000 | 2019 £000 |
|----------------------------------|---------------|---------------|
| Trade receivables | 38,374 | 20,491 |
| Other debtors | 3,400 | 2,356 |
| Amounts due from related parties | 2,834 | 655 |
| Prepayments | 7,252 | 5,014 |
| | <u>51,860</u> | <u>28,516</u> |

20 Cash and cash equivalents

| | 2020 £'000 | 2019 £'000 |
|-------------|----------------|---------------|
| Office cash | 52,273 | 16,443 |
| Client cash | 87,702 | 61,141 |
| | <u>139,975</u> | <u>77,584</u> |

21 Contract balances

| | 2020 £'000 | 2019 £'000 |
|------------------------------------|---------------|---------------|
| Current contract assets | | |
| Cost of fulfilment asset | 1,355 | 1,085 |
| Profit commission | 9,534 | 5,542 |
| | <u>10,889</u> | <u>6,627</u> |
| | | |
| | 2020 £'000 | 2019 £'000 |
| Non-current contract assets | | |
| Profit commission | 245 | 595 |

The cost of fulfilment asset relates to the time spent by staff in the placement of new and renewed policies in a reporting period prior to the recognition of the related revenue.

As the period of time over which these placement activities takes place is typically only up to two months, the full balance at the end of each reporting period has been released to the statement of profit or loss in the following year.

PIB GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

21 Contract balances

No impairment loss has been recognised in respect of the cost of fulfilment asset either in 2019 or 2020.

Management measure the loss allowance on profit commission at an amount equal to lifetime ECL. Taking into account the historical default experience and the future prospects of the insurance industry, the ECL has been assessed as nil. There has been no change in the estimation techniques or significant assumptions made during the current reporting period in assessing the loss allowance for profit commission.

| | 2020 £'000 | 2019 £'000 |
|-----------------------------|---------------|---------------|
| Contract liabilities | | |
| Claims handling obligations | 1,161 | 925 |
| Other deferred revenue | 4,258 | 3,671 |
| | <u>5,419</u> | <u>4,596</u> |

All contract liabilities are due within 12 months.

22 Derivative financial instruments

As at the end of the year, there were EUR 1,500k (2019: 2,850k) of open forward contracts for sale to GBP to purchase £1,377k (2019: £2,509k). The following table provides details relating to those contracts as at the reporting date:

| As at 31 December 2020 | Amount €'000 | Committed exchange rate % | Contracted value £000 | Fair value £000 |
|-------------------------------|-----------------|---------------------------------|-----------------------------|--------------------|
| Expires | | | | |
| 1 June 2021 | <u>1,500</u> | <u>1.0895</u> | <u>1,377</u> | <u>19</u> |
| As at 31 December 2019 | | | | |
| Expires | | | | |
| 15 October 2020 | 2,000 | 1.1331 | 1,765 | 38 |
| 1 September 2020 | <u>850</u> | <u>1.1423</u> | <u>744</u> | <u>11</u> |
| | | | | <u>50</u> |

PIB GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

23 Borrowings

| | 2020 £000 | 2019 £000 |
|---|----------------|----------------|
| Unsecured borrowings at amortised cost | | |
| Loans from related parties | 278,877 | 133,066 |
| Loan notes | 13,347 | 11,917 |
| | <u>292,224</u> | <u>144,983</u> |

Ivy Finco Limited, the group's immediate parent company, has a borrowing facility in place which it draws down on and on lends to the Group on similar terms. As at the year end, the facility consisted of a £449m senior term loan due to mature in 2025 and a £25m revolving credit facility due to mature in 2024. The interest rate on the senior term loan was 6 month LIBOR + 5.75 to 6.25% and the interest rate on the revolving credit facility was 6 months LIBOR + 2.75% plus a commitment fee on any undrawn amount.

For further information relating to changes in the Group borrowing arrangements after the year end, refer to Note 38

The loan notes represent a principal of £7,826k (2019: £7,826k) plus accrued interest which is compounded annually on 31 December. The loan notes carry an effective interest rate of 12% and are redeemable in 2026 in full.

PIB GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

24 Trade and other payables

| | 2020 | Restated |
|------------------------------------|----------------|-----------------|
| | £000 | 2019 |
| | | £000 |
| Current | | |
| Trade payables | 89,139 | 61,879 |
| Accruals | 12,980 | 9,946 |
| Deferred consideration | 7,249 | 19,618 |
| Social security and other taxation | 7,363 | 2,126 |
| Contingent consideration | 11,013 | 5,779 |
| Other creditors | 4,621 | 2,646 |
| | <u>132,365</u> | <u>101,994</u> |
| | | |
| | 2020 | Restated |
| | £000 | 2019 |
| | | £000 |
| Non-current | | |
| Deferred consideration | 837 | 191 |
| Contingent consideration | 4,294 | 453 |
| | <u>5,131</u> | <u>644</u> |

The Group has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms.

Management consider that the carrying amount of trade payables approximates to their fair value.

During the year, the group received £474k under the Coronavirus Job Retention Scheme. The group intends to repay these amounts to the government post year end and therefore these amounts have been included within accruals.

PIB GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

25 Deferred taxation

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

| | 2020 £000 | 2019 £000 |
|--|-----------------|-----------------|
| On acquisition of customer relationships | (45,073) | (29,862) |
| Accelerated tax depreciation | 602 | 330 |
| Short term timing differences | 105 | 100 |
| Unutilised losses | 4,480 | 3,662 |
| | <u>(39,886)</u> | <u>(25,770)</u> |

Movements in the year:

£000

| | |
|--|-----------------|
| Net liability as at 1 January 2020 | (25,770) |
| Credit to statement of profit or loss | 2,564 |
| On acquisition of business combinations | 42 |
| On acquisition of customer relationships | (14,936) |
| On merger | <u>(1,786)</u> |
| Net liability as at 31 December 2020 | <u>(39,886)</u> |

Finance Bill 2016 enacted provisions to reduce the main rate of UK corporation tax to 17% from 1 April 2020. However, in the March 2020 Budget it was announced that the reduction in the UK rate to 17% would now not occur and the corporation tax rate would be held at 19%. As a consequence, deferred tax balances as at 31 December 2020 are measured at 19% (31 December 2019: 17%) and the additional deferred tax resulting from the change in expected future rates has been recognised as a charge to the statement of profit or loss.

In the March 2021 Budget it was announced that the UK corporation tax would increase from 19% to 25% from Financial Year 2023. As substantive enactment is after the reporting date, deferred tax balances as at 31 December 2020 continue to be measured at a rate of 19%. If the amended tax rate had been used, the deferred tax liability would have been £12,596k higher.

26 Provisions for liabilities

| | 2020 £000 | 2019 £000 |
|--------------------------|--------------|--------------|
| Dilapidations provision | 566 | 193 |
| Service charge provision | 58 | 143 |
| Other provisions | 19 | 49 |
| | <u>643</u> | <u>385</u> |

PIB GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

26 Provisions for liabilities

Analysis of provisions

Provisions are classified based on the amounts that are due within the next 12 months and after more than 12 months from the reporting date, as follows:

| | 2020 £000 | 2019 £000 |
|-------------------------|--------------|--------------|
| Current liabilities | 77 | 192 |
| Non-current liabilities | 566 | 193 |
| | <u>643</u> | <u>385</u> |

Movements on provisions:

| | Dilapidations provision £000 | Service charge provision £000 | Other provisions £000 | Total £000 |
|-----------------------------------|------------------------------------|--|-----------------------------|---------------|
| At 1 January 2020 | 193 | 143 | 49 | 385 |
| On acquisition | 50 | - | - | 50 |
| Additional provisions in the year | 323 | - | - | 323 |
| Utilisation | - | (85) | (30) | (115) |
| At 31 December 2020 | <u>566</u> | <u>58</u> | <u>19</u> | <u>643</u> |

Provisions have not been discounted as the effect of the time value of money is immaterial.

The following information describes how the best estimate for each provision has been calculated.

The Group has dilapidation provisions in respect of premises that it occupies. The provision relates to future reparation costs on these premises. The dilapidation costs have been estimated using the Group's past experience of similar expenses. Dilapidation payments are due at the earlier of the break option or end of the property lease.

The Group makes a service charge provision where the Group vacates a building and is still required to pay the service charge until the end of the contract. The unused rent element of the lease is recognised as an impairment to the associated right-of-use asset.

Other provisions relate to restructuring. The Group recognises a provision for restructuring when it has a legal or constructive obligation to carry out the restructuring. The restructuring may be the sale or termination of a line of business, the closure or relocation of business activities in a particular region, changes in management structure or any other reorganisations with a material effect on the entities operations. The Group only recognises the provision when it has a formal detailed plan and it has raised a valid expectation in those affected that it will carry out the restructuring. A restructuring provision has been recognised which relates to the closure of a business division in 2018.

PIB GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

27 Financial instruments

The carrying amounts of the group's financial assets and liabilities in each measurement category are as follows:

| | 2020 | Restated 2019 |
|---|----------------|------------------|
| | £000 | £000 |
| Financial assets | | |
| Measured at amortised cost: | | |
| Shares in ultimate parent company | 2,566 | 2,291 |
| Trade receivables and other debtors | 41,774 | 22,847 |
| Profit commission | 9,779 | 6,137 |
| Amounts due from related parties | 2,834 | 655 |
| Cash at bank and in hand | 139,975 | 77,584 |
| | <u>196,928</u> | <u>109,514</u> |
| Mandatorily measured at fair value through profit or loss: | | |
| Other investments | 185 | 200 |
| Derivative financial instruments | 19 | 50 |
| | <u>204</u> | <u>250</u> |
| | <u>197,132</u> | <u>109,764</u> |
| Financial liabilities | | |
| Measured at amortised cost: | | |
| Loan notes | 13,347 | 11,917 |
| Deferred consideration | 8,086 | 19,809 |
| Loans from related parties | 278,877 | 133,066 |
| Trade payables and other creditors | 93,760 | 64,525 |
| | <u>394,070</u> | <u>229,317</u> |
| Mandatorily measured at fair value through profit or loss: | | |
| Contingent consideration | 15,307 | 6,232 |
| | <u>409,377</u> | <u>235,549</u> |

The carrying value of financial assets and liabilities held at amortised cost approximate to their fair value.

PIB GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

27 Financial instruments

Financial instruments held at fair value

The disclosure of fair value measurements by level is assessed using the following fair value measurement hierarchy

- quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1)
- inputs other than quoted prices included within Level 1 that are observable for the asset or liability (Level 2)
- inputs for the asset or liability that are not based on observable market data (Level 3)

The level 2 instruments are not traded in an active market and therefore their fair value has been determined using forward exchange rates or forward interest rates derived from market sourced data.

The fair value of level 3 instruments have been determined using the probable cash flow profile using management forecast data, with the cash flows discounted back to present value.

The fair value of other investments has been estimated as cost due to insufficient recent available information being available to determine fair value. There are no indicators that cost is not representative of fair value.

Contingent consideration relates to estimated future earn out payments resulting from business combinations. Earn out payments are linear based on either revenue or EBITDAE and typically cover a period of one to two years. Estimates of these payments are made by reference to detailed reviews of historical performance, forecasts and expected customer retention. The estimated cashflows are discounted where material. Apart from where the earn out period has been completed, the range of outcomes has not changed during the year.

| | Level 1 £000 | Level 2 £000 | Level 3 £000 |
|----------------------------------|-------------------|-------------------|-----------------------------|
| At 31 December 2020 | | | |
| Other investments | - | - | 185 |
| Derivative financial instruments | - | 19 | - |
| Contingent consideration | - | - | (15,307) |
| | <u> </u> | <u> </u> | <u> </u> |
| | | | |
| | Level 1 £000 | Level 2 £000 | Restated Level 3 £000 |
| At 31 December 2019 | | | |
| Other investments | - | - | 200 |
| Derivative financial instruments | - | 50 | - |
| Contingent consideration | - | - | (6,232) |
| | <u> </u> | <u> </u> | <u> </u> |

PIB GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

27 Financial instruments

Reconciliation of movements in Level 3 financial instruments

| | Other investments £000 | Contingent consideration £000 | Total £000 |
|---|------------------------------|-------------------------------------|---------------|
| Balance at 1 January 2020 | 200 | (6,232) | (6,032) |
| Gains and losses recognised in profit or loss | - | 1,861 | 1,861 |
| Acquisitions | - | (14,878) | (14,878) |
| Settlements | (15) | 4,454 | 4,439 |
| Unwinding of discount | - | (433) | (433) |
| Exchange differences | - | (79) | (79) |
| Balance at 31 December 2020 | 185 | (15,307) | (15,122) |

| | Other investments £000 | Restated Contingent consideration £000 | Restated Total £000 |
|---|------------------------------|---|---------------------------|
| Balance at 1 January 2019 | 182 | (8,910) | (8,728) |
| Gains and losses recognised in profit or loss | - | (428) | (428) |
| Acquisitions | 18 | (3,792) | (3,774) |
| Settlements | - | 7,236 | 7,236 |
| Unwinding of discount | - | (390) | (390) |
| Exchange differences | - | 52 | 52 |
| Balance at 31 December 2019 | 200 | (6,232) | (6,032) |

Sensitivity analysis on level 3 instruments

The other investments mainly relate to a minority non-quoted equity holding in ProActive Risk Group Limited with a carrying value of £182k and which was acquired as part of an historical group acquisition. Any change in the carrying value of that asset would be offset by an equal and opposite change in contingent consideration as any proceeds from the disposal of the holding would be payable to the vendors under the terms of that acquisition.

The contingent consideration is dependent on the future revenue performance of certain historical group acquisitions. A 10% increase/(decrease) in performance over their remaining respective performance periods would result in a £4,534k (2019:£602k) increase/(decrease) in contingent consideration and a corresponding gain/loss in the statement of profit or loss.

PIB GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

28 Retirement benefit schemes

| Defined contribution schemes | 2020 £000 | 2019 £000 |
|--|--------------|--------------|
| Charge to statement of profit or loss in respect of defined contribution schemes | 3,000 | 2,398 |

The Group operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the Group in an independently administered fund.

29 Share capital

| | 2020 £000 | 2019 £000 |
|---------------------------------------|--------------|--------------|
| Ordinary share capital | | |
| <i>Issued and fully paid</i> | | |
| 296,012,439 Ordinary A of £0.001 each | 296 | 163 |
| 4,000 Ordinary B of £1 each | 4 | 4 |
| | <u>300</u> | <u>167</u> |

The Company has two classes of ordinary shares neither of which carry a right to fixed income. All shares classes have full voting rights, the right to receive a dividend and the right on a distribution of capital (including on a winding up) to participate equally with the other shares in issue.

Reconciliation of movements in ordinary A shares during the year:

| | 2020 Number | 2019 Number |
|----------------------------|--------------------|--------------------|
| At 1 January | 163,082,143 | 160,264,867 |
| Issue of fully paid shares | 132,930,296 | 2,817,276 |
| At 31 December | <u>296,012,439</u> | <u>163,082,143</u> |

PIB GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

30 Acquisitions of a business

During the year the Group acquired the issued share capital of B.K. Insurance Brokers Limited, R A Insurance Brokers Limited, Marx Re GmbH, Internet Insurance Holdings Limited (trading as UKInsuranceNet), Rigton Insurance Services Limited, Arlington Insurance Services Limited, Bartleet Enterprises Limited (trading as Erskine Murray) and WDB SA. The Group also acquired books of business from Sanlam Wealth Planning UK, Avidus Scott Lang and Arthur Adams Safety & Training Services. The summary of the acquired balances is detailed below:

Summary

| | Book Value £000 | Adjustments £000 | Fair Value £000 |
|---|--------------------|---------------------|--------------------|
| Intangible fixed assets | 44 | 78,619 | 78,663 |
| Property, plant and equipment | 562 | - | 562 |
| Right-of-use assets | 787 | - | 787 |
| Investment in associated undertakings | 183 | - | 183 |
| Trade and other receivables | 5,705 | - | 5,705 |
| Cash and cash equivalents | 13,890 | - | 13,890 |
| Trade and other payables | (13,601) | - | (13,601) |
| Lease liabilities | (787) | - | (787) |
| Provisions | (49) | - | (49) |
| Borrowings | (3,618) | - | (3,618) |
| Corporation tax | (1,322) | - | (1,322) |
| Deferred tax | (93) | (14,936) | (15,029) |
| Total identifiable net assets | 1,701 | 63,683 | 65,384 |
| Goodwill | | | 27,384 |
| Total consideration | | | 92,768 |
| The consideration was satisfied by: | | | £000 |
| Cash | | | 67,780 |
| Deferred consideration | | | 4,106 |
| Contingent consideration | | | 14,686 |
| Equity | | | 6,196 |
| | | | 92,768 |
| Contribution by the acquired businesses for the reporting period since acquisition: | | | £000 |
| Revenue | | | 11,722 |
| Profit before tax | | | 4,726 |

PIB GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

30 Acquisitions of a business

If all of these acquisitions had completed on the first day of the reporting period, Group revenues would have been reported as £177,213k and loss before tax as £16,975k.

The business combinations included within the summary above are shown individually below:

On 14 February 2020 the Group acquired 100% of the issued share capital of B.K. Insurance Brokers Limited, a commercial insurance broker operating from the UK.

| | Book Value £000 | Adjustments £000 | Fair Value £000 |
|---|--------------------|---------------------|--------------------|
| Intangible fixed assets | - | 5,939 | 5,939 |
| Property, plant and equipment | 31 | - | 31 |
| Trade and other receivables | 140 | - | 140 |
| Cash and cash equivalents | 1,503 | - | 1,503 |
| Trade and other payables | (549) | - | (549) |
| Corporation tax | (241) | - | (241) |
| Deferred tax | (5) | (1,128) | (1,133) |
| Total identifiable net assets | 879 | 4,811 | 5,690 |
| Goodwill | | | 1,788 |
| Total consideration | | | 7,478 |
| The consideration was satisfied by: | | | £000 |
| Cash | | | 6,046 |
| Deferred consideration | | | 117 |
| Contingent consideration | | | 1,315 |
| | | | 7,478 |
| Contribution by the acquired businesses for the reporting period since acquisition: | | | £000 |
| Revenue | | | 1,627 |
| Profit before tax | | | 738 |

If this acquisition had completed on the first day of the reporting period, Group revenues would have been reported as £153,294k and loss before tax as £23,882k.

Goodwill represents the assembled workforce, IT synergies and the opportunity to cross-sell group products.

PIB GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

30 Acquisitions of a business

The contingent consideration is linear based on a percentage of revenue and therefore the minimum payment is nil and the maximum is unlimited

On 6 March 2020 the Group acquired 100% of the issued share capital of R A Insurance Brokers Limited, a commercial insurance broker operating from the UK:

| | Book Value £000 | Adjustments £000 | Fair Value £000 |
|---|--------------------|---------------------|--------------------|
| Intangible fixed assets | - | 17,198 | 17,198 |
| Property, plant and equipment | 92 | - | 92 |
| Trade and other receivables | 1,099 | - | 1,099 |
| Cash and cash equivalents | 1,012 | - | 1,012 |
| Trade and other payables | (1,364) | - | (1,364) |
| Borrowings | (2,103) | - | (2,103) |
| Corporation tax | (350) | - | (350) |
| Deferred tax | (2) | (3,266) | (3,268) |
| Total identifiable net assets | <u>(1,616)</u> | <u>13,932</u> | <u>12,316</u> |
| Goodwill | | | <u>7,567</u> |
| Total consideration | | | <u>19,883</u> |
| The consideration was satisfied by: | | | £000 |
| Cash | | | 15,153 |
| Deferred consideration | | | 427 |
| Contingent consideration | | | <u>4,303</u> |
| | | | <u>19,883</u> |
| Contribution by the acquired businesses for the reporting period since acquisition: | | | £000 |
| Revenue | | | 4,047 |
| Profit before tax | | | <u>2,019</u> |

If this acquisition had completed on the first day of the reporting period, Group revenues would have been reported as £156,563k and loss before tax as £22,085k.

Goodwill represents the assembled workforce, IT synergies and the opportunity to cross-sell group products.

PIB GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

30 Acquisitions of a business

On 29 May 2020 the Group acquired 100% of the issued share capital of Marx Re GmbH, a commercial re-insurance broker operating from München, Germany:

| | Book Value £000 | Adjustments £000 | Fair Value £000 |
|---|--------------------|---------------------|--------------------|
| Intangible fixed assets | - | 16,810 | 16,810 |
| Property, plant and equipment | 5 | - | 5 |
| Right-of-use assets | 59 | - | 59 |
| Trade and other receivables | 773 | - | 773 |
| Cash and cash equivalents | 2,668 | - | 2,668 |
| Trade and other payables | (995) | - | (995) |
| Lease liabilities | (59) | - | (59) |
| Corporation tax | (300) | - | (300) |
| Deferred tax | - | (3,194) | (3,194) |
| Total identifiable net assets | <u>2,151</u> | <u>13,616</u> | <u>15,767</u> |
| Goodwill | | | <u>5,061</u> |
| Total consideration | | | <u>20,828</u> |
| The consideration was satisfied by: | | | £000 |
| Cash | | | 11,084 |
| Deferred consideration | | | 1,974 |
| Contingent consideration | | | 4,211 |
| Equity | | | <u>3,559</u> |
| | | | <u>20,828</u> |
| Contribution by the acquired businesses for the reporting period since acquisition: | | | £000 |
| Revenue | | | 2,383 |
| Profit before tax | | | <u>1,722</u> |

If this acquisition had completed on the first day of the reporting period, Group revenues would have been reported as £154,660k and loss before tax as £22,591k.

Goodwill represents the assembled workforce, IT synergies and the opportunity to cross-sell group products.

PIB GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

30 Acquisitions of a business

On 14 July 2020 the Group acquired 100% of the issued share capital of Internet Insurance Holdings Limited (trading as UKInsuranceNET), a commercial insurance broker operating from the UK:

| | Book Value £000 | Adjustments £000 | Fair Value £000 |
|---|--------------------|---------------------|--------------------|
| Intangible fixed assets | - | 8,561 | 8,561 |
| Property, plant and equipment | 123 | - | 123 |
| Trade and other receivables | 188 | - | 188 |
| Cash and cash equivalents | 1,253 | - | 1,253 |
| Trade and other payables | (1,553) | - | (1,553) |
| Corporation tax | (204) | - | (204) |
| Deferred tax | - | (1,627) | (1,627) |
| Total identifiable net assets | 193 | 6,934 | 6,741 |
| Goodwill | | | 3,768 |
| Total consideration | | | 10,509 |
| The consideration was satisfied by: | | | £000 |
| Cash | | | 6,673 |
| Deferred consideration | | | 255 |
| Contingent consideration | | | 3,419 |
| Equity | | | 162 |
| | | | 10,509 |
| Contribution by the acquired businesses for the reporting period since acquisition: | | | £000 |
| Revenue | | | 1,818 |
| Profit before tax | | | 464 |

If this acquisition had completed on the first day of the reporting period, Group revenues would have been reported as £155,469k and loss before tax as £23,846k.

Goodwill represents the assembled workforce, IT synergies and the opportunity to cross-sell group products.

The contingent consideration is linear based on a percentage of revenue and therefore the minimum payment is nil and the maximum is unlimited

PIB GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

30 Acquisitions of a business

On 1 August 2020 the Group acquired 100% of the issued share capital of Rigton Insurance Services Limited, a commercial insurance broker operating from the UK:

| | Book Value £000 | Adjustments £000 | Fair Value £000 |
|---|--------------------|---------------------|--------------------|
| Intangible fixed assets | - | 433 | 433 |
| Property, plant and equipment | 3 | - | 3 |
| Right-of-use assets | 34 | - | 34 |
| Trade and other receivables | 27 | - | 27 |
| Cash and cash equivalents | 372 | - | 372 |
| Trade and other payables | (227) | - | (227) |
| Lease liabilities | (34) | - | (34) |
| Corporation tax | (7) | - | (7) |
| Deferred tax | - | (83) | (83) |
| | <u>168</u> | <u>350</u> | <u>518</u> |
| Total identifiable net assets | | | |
| | | | <u>191</u> |
| Goodwill | | | |
| Total consideration | | | <u>709</u> |
| The consideration was satisfied by: | | | £000 |
| Cash | | | 574 |
| Deferred consideration | | | 135 |
| | | | <u>709</u> |
| Contribution by the acquired businesses for the reporting period since acquisition: | | | £000 |
| Revenue | | | 134 |
| Profit before tax | | | 20 |

If this acquisition had completed on the first day of the reporting period, Group revenues would have been reported as £151,968k and loss before tax as £24,697k.

Goodwill represents the assembled workforce, IT synergies and the opportunity to cross-sell group products.

The contingent consideration is linear based on a percentage of EBITDAE and therefore the minimum payment is nil and the maximum is unlimited

PIB GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

30 Acquisitions of a business

On 22 October 2020 the Group acquired 100% of the issued share capital of Arlington Insurance Services Limited, a commercial insurance broker operating from the UK:

| | Book Value £000 | Adjustments £000 | Fair Value £000 |
|---|--------------------|---------------------|--------------------|
| Intangible fixed assets | - | 6,548 | 6,548 |
| Property, plant and equipment | 19 | - | 19 |
| Right-of-use assets | 38 | - | 38 |
| Trade and other receivables | 239 | - | 239 |
| Cash and cash equivalents | 2,965 | - | 2,965 |
| Trade and other payables | (2,441) | - | (2,441) |
| Lease liabilities | (38) | - | (38) |
| Provisions | (17) | - | (17) |
| Corporation tax | (103) | - | (103) |
| Deferred tax | (4) | (1,244) | (1,248) |
| Total identifiable net assets | 658 | 5,304 | 5,962 |
| Goodwill | | | 1,736 |
| Total consideration | | | 7,698 |
| The consideration was satisfied by: | | | £000 |
| Cash | | | 5,809 |
| Deferred consideration | | | 594 |
| Contingent consideration | | | 404 |
| Equity | | | 891 |
| | | | 7,698 |
| Contribution by the acquired businesses for the reporting period since acquisition: | | | £000 |
| Revenue | | | 200 |
| Profit before tax | | | 13 |

If this acquisition had completed on the first day of the reporting period, Group revenues would have been reported as £153,086k and loss before tax as £24,227k.

Goodwill represents the assembled workforce, IT synergies and the opportunity to cross-sell group products.

The contingent consideration is linear based on a percentage of EBITDAE and therefore the minimum payment is nil and the maximum is unlimited

PIB GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

30 Acquisitions of a business

On 27 October 2020 the Group acquired 100% of the issued share capital of Bartleet Enterprises Limited (trading as Erskine Murray Limited), a commercial insurance broker operating from the UK:

| | Book Value £000 | Adjustments £000 | Fair Value £000 |
|---|--------------------|---------------------|--------------------|
| Intangible fixed assets | - | 8,117 | 8,117 |
| Property, plant and equipment | 193 | - | 193 |
| Right-of-use assets | 333 | - | 333 |
| Trade and other receivables | 2,240 | - | 2,240 |
| Cash and cash equivalents | 3,942 | - | 3,942 |
| Trade and other payables | (6,033) | - | (6,033) |
| Lease liabilities | (333) | - | (333) |
| Provisions | (33) | - | (33) |
| Borrowings | (1,515) | - | (1,515) |
| Corporation tax | (117) | - | (117) |
| Deferred tax | (9) | (1,542) | (1,551) |
| Total identifiable net assets | <u>(1,332)</u> | <u>6,575</u> | <u>5,243</u> |
| Goodwill | | | <u>3,571</u> |
| Total consideration | | | <u>8,814</u> |
| The consideration was satisfied by: | | | £000 |
| Cash | | | 8,388 |
| Deferred consideration | | | <u>426</u> |
| | | | <u>8,814</u> |
| Contribution by the acquired businesses for the reporting period since acquisition: | | | £000 |
| Revenue | | | 1,140 |
| Profit/(loss) before tax | | | <u>(92)</u> |

If this acquisition had completed on the first day of the reporting period, Group revenues would have been reported as £158,652k and loss before tax as £25,609k.

Goodwill represents the assembled workforce, IT synergies and the opportunity to cross-sell group products.

The contingent consideration is linear based on a percentage of EBITDAE and therefore the minimum payment is nil and the maximum is unlimited

PIB GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

30 Acquisitions of a business

On 20 November 2020 the Group acquired 100% of the issued share capital of WDB SA, a commercial insurance broker operating from Poland:

| | Book Value £000 | Adjustments £000 | Fair Value £000 |
|---|--------------------|---------------------|--------------------|
| Intangible fixed assets | 45 | 14,024 | 14,069 |
| Property, plant and equipment | 96 | - | 96 |
| Right-of-use assets | 323 | - | 323 |
| Investment in associated undertakings | 183 | - | 183 |
| Trade and other receivables | 999 | - | 999 |
| Cash and cash equivalents | 175 | - | 175 |
| Trade and other payables | (439) | - | (439) |
| Lease liabilities | (323) | - | (323) |
| Deferred tax | (73) | (2,665) | (2,738) |
| Total identifiable net assets | 986 | 11,359 | 12,345 |
| Goodwill | | | 3,402 |
| Total consideration | | | 15,747 |
| The consideration was satisfied by: | | | £000 |
| Cash | | | 13,986 |
| Deferred consideration | | | 178 |
| Equity | | | 1,583 |
| | | | 15,747 |
| Contribution by the acquired businesses for the reporting period since acquisition: | | | £000 |
| Revenue | | | 373 |
| Profit/(loss) before tax | | | (158) |

If this acquisition had completed on the first day of the reporting period, Group revenues would have been reported as £154,274k and loss before tax as £23,203

Goodwill represents the assembled workforce, IT synergies and the opportunity to cross-sell group products.

The contingent consideration is linear based on a percentage of EBITDAE and therefore the minimum payment is nil and the maximum is unlimited

PIB GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

30 Acquisitions of a business

The Group acquired employee benefit books from Sanlam Wealth Planning UK on 2 January 2020 and Avidus Scott Lang on 1 April 2020. It also acquired a risk management book from Arthur Adams Safety & Training Services on 7 December 2020.

| | Book Value £000 | Adjustments £000 | Fair Value £000 |
|-------------------------------------|--------------------|---------------------|--------------------|
| Intangible fixed assets | - | 990 | 990 |
| Deferred tax | - | (188) | (188) |
| | <u>-</u> | <u>-</u> | <u>-</u> |
| Total identifiable net assets | - | 802 | 802 |
| | <u>-</u> | <u>-</u> | <u>-</u> |
| Goodwill | | | 297 |
| | | | <u>297</u> |
| Total consideration | | | 1,099 |
| | | | <u>1,099</u> |
| The consideration was satisfied by: | | | £000 |
| Cash | | | 66 |
| Contingent consideration | | | 1,033 |
| | | | <u>1,033</u> |
| | | | <u>1,099</u> |

31 Merger

On 1 December 2020, the Group merged with Barbeck Topco Limited, which is the holding company of the Barbon Insurance Group. The registered office of Barbeck Topco Limited is 44 Esplanade, Helier, Jersey, JE4 9WG.

This transaction has been treated as a common control transaction as the ultimate controlling party of Barbeck Topco Limited was the Carlyle Group which was also the ultimate controlling party of PIB Group Limited at the date of the transaction.

PIB GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

32 Financial risk management

Credit risk

Credit risk is the risk that a counterparty fails to discharge an obligation to the group.

The Group's maximum exposure to credit risk is limited to the carrying value of financial assets which are set out below:

| | 2020 £000 | 2019 £000 |
|----------------------------------|----------------|----------------|
| Cash and cash equivalents | 139,975 | 77,584 |
| Derivative financial instruments | 19 | 50 |
| Trade receivables | 38,374 | 20,491 |
| Other debtors | 3,400 | 2,356 |
| Amounts due from related parties | 2,834 | 655 |
| Profit commission | 9,779 | 6,137 |
| | <u>194,381</u> | <u>107,273</u> |

The credit risk on cash and cash equivalents, derivative financial instruments and profit commissions is limited as the counterparties are banks or insurance companies with high credit ratings.

Other debtors mainly comprise landlord security deposits, staff loans, overrides and advance payments on the apprenticeship levy, none of which are rated or deemed to have significant credit risk.

The Group's largest credit risk relates to trade receivables. The Group applies a lifetime expected credit loss to trade receivables. It estimates the expected credit loss by reference to historical experience, the profile of overdue debt and available information relating to counterparties with a distressed financial situation. The Group mitigates credit losses by maintaining a credit control department that monitors outstanding debt and categorises it as being not past due or the number of days overdue.

The carrying amount of trade receivables is set out below:

| | 2020 £000 | 2019 £000 |
|-----------------------|---------------|---------------|
| Gross carrying amount | 39,303 | 20,873 |
| Credit loss allowance | (929) | (382) |
| Net carrying amount | <u>38,374</u> | <u>20,491</u> |

PIB GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

32 Financial risk management

Ageing information of trade receivables is as set out below:

| | Not past due £000 | 0-3 months £000 | More than 3 months £000 | Total £000 |
|-------------------------------|----------------------|--------------------|-------------------------------|---------------|
| As at 31 December 2020 | | | | |
| Trade receivables | 9,151 | 23,932 | 5,291 | 38,374 |

| | Not past due £000 | 0-3 months £000 | More than 3 months £000 | Total £000 |
|-------------------------------|----------------------|--------------------|-------------------------------|---------------|
| As at 31 December 2019 | | | | |
| Trade receivables | 6,674 | 12,109 | 1,708 | 20,491 |

The Group has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

Interest rate risk

Interest rate risk is the risk that future cashflows of a financial instrument will fluctuate because of changes in interest rates.

The Group's largest exposure to interest rate risk is on the loan from a related party set out in note 23 which has a variable interest rate linked to 6 month LIBOR. A 1% change in 6 month LIBOR would result in a £2,789k change in profit before tax based on the amount borrowed as at 31 December 2020 (2019: £1,331k).

Liquidity risk

Liquidity risk is the risk that the group might not be able to meet its obligations.

In order to maintain liquidity to ensure that sufficient funds are available for on-going operations and future developments, the Group uses a mixture of long-term and short-term debt finance.

PIB GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

32 Financial risk management

The following are the Group's remaining undiscounted contractual maturities excluding lease payments and excluding interest payments. The contractual maturities of lease payments are disclosed in note 14. The contractual maturity is based on the earliest date on which the Group may be required to pay the outstanding balance.

| | Less than 1 year £000 | 1-5 years £000 | More than 5 years £000 | Total £000 |
|-------------------------------|---|-------------------------------|--|---------------------------|
| As at 31 December 2020 | | | | |
| Loans from related parties | - | 278,877 | - | 278,877 |
| Loan notes | - | - | 7,826 | 7,826 |
| Trade and other payables | 132,365 | 5,131 | - | 137,496 |
| | <u>132,365</u> | <u>284,008</u> | <u>7,826</u> | <u>424,199</u> |
| | | | | |
| | Restated Less than 1 year £000 | Restated 1-5 years £000 | Restated More than 5 years £000 | Restated Total £000 |
| As at 31 December 2019 | | | | |
| Loans from related parties | - | - | 133,066 | 133,066 |
| Loan notes | - | - | 7,826 | 7,826 |
| Trade and other payables | 101,994 | 644 | - | 102,638 |
| | <u>101,994</u> | <u>644</u> | <u>140,892</u> | <u>243,530</u> |

Foreign currency risk

Foreign currency risk is the risk that movements in exchange rates impact the financial performance of the Group and arises where assets and liabilities of a subsidiary are denominated in a currency other than the functional currency of that subsidiary.

The Group is broadly matched in terms of assets and liabilities in all currencies except euros. As at 31 December 2020, the group had euro net assets amounting to €857k (2019: €4,821k). The Group has used currency forwards to sell euros and buy sterling in order to mitigate foreign exchange risk. Details relating to currency forwards can be found in note 21. A 10% change in the euro exchange rate would result in a £58k change in profit before tax based on the hedged position as at 31 December 2020 (2019: £167k).

Capital management

The group manages its capital to ensure that the group is able to continue to meet its liabilities and sufficient capital is maintained to support the planned growth in the business. The objective is to maintain an optimal capital structure that reduces the cost of capital. The capital structure consists of equity in the form of share capital, share premium and retained earnings. Debt consists of loan notes and a long-term loan from the parent company.

PIB GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

32 Financial risk management

Although the PIB Group is not regulated directly by the FCA, it holds restricted cash in a segregated account to satisfy the FCA's Threshold Condition 2.4. The segregated cash ensures that there are funds available to pay any costs and expenses necessary to achieve an orderly wind down of the Group. All UK regulated entities are able to utilise this ringfenced cash when necessary to facilitate their orderly wind down. In addition, certain subsidiaries have minimum capital levels required by the Financial Conduct Authority and these have been complied with during the year.

33 Contingent Liabilities

The Group have become aware of a potential claim from an insurer that a series of inner limits and revised schedules had allegedly been provided to the Group for implementation within a binder but these had not been implemented as requested ahead of a number of claims being made by policy holders. A third party review has been commissioned to establish whether the Group has any exposure in relation to this claim. At the date of publishing the financial statements, the extent of any exposure has not been established, and as such it is not possible to establish an estimate with reasonable certainty of any potential risk, the associated financial impact and hence outflow. The Group would reasonably expect any exposure arising to be covered by our Professional Indemnity insurance.

34 Related party transactions

Compensation of key management personnel

Compensation awarded to key management, which is defined as the board of directors and executive committee, is as follows:

| | 2020 | 2019 |
|------------------------------|--------------|--------------|
| | £000 | £000 |
| Short-term employee benefits | 2,134 | 1,887 |
| Post-employment benefits | 23 | 58 |
| | <u>2,157</u> | <u>1,945</u> |

Directors shareholdings

As at 31 December 2020, the directors B McManus, C Giles and R Brown held a total of 2,324 (2019: 2,324) ordinary B shares, 50 (2019: 50) ordinary F shares and 5,379,263 (2019: 5,379,263) preference shares in the Group's ultimate parent company, Ivy Topco Limited.

Transactions with related parties

Ivy Topco Limited is the Group's ultimate parent company. Ivy Debtco Limited, Ivy Midco Limited and Ivy Sub-Midco Limited are intermediate holding companies to the Group. Ivy Finco Limited is the company's immediate parent company.

PIB GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

34 Related party transactions

As at 31 December 2020, the following balances were held with these related parties which were unsecured, repayable on demand and do not attract interest.:

| | 2020 | 2019 |
|-----------------------------------|-------|-------|
| | £000 | £000 |
| Balance due from the Group | | |
| Ivy Topco Limited | 2,615 | 452 |
| Ivy Debtco Limited | 28 | 23 |
| Ivy Midco Limited | 164 | 158 |
| Ivy Submidco Limited | 27 | 22 |
| | <hr/> | <hr/> |
| | 2,834 | 655 |
| | <hr/> | <hr/> |

These balances result from the payment of invoices by the Group on behalf of these companies.

In addition, the Group has a loan from Ivy Finco Limited. For further information relating to this loan, refer to note 23.

35 Controlling party

As at 31 December 2020, the company's immediate and ultimate parent companies were Ivy Finco Limited (registered company number 120451) and Ivy Topco Limited (registered company number 120448) respectively, both registered in Jersey with a registered office at 44 Esplanade, St. Helier, Jersey JE4 9WG. As at 31 December 2020, those companies were ultimately owned by entities trading as 'the Carlyle Group'.

The smallest and largest consolidated set of financial statements to include the Group are those of Ivy Topco Limited. These consolidated financial statements are available from the registered offices of Ivy Topco Limited.

For further information relating to changes in the controlling party after the year end, refer to note 38.

PIB GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

36 Cash generated from operations

| | 2020 £000 | Restated 2019 £000 |
|--|---------------|--------------------------|
| Profit for the year after tax | (23,202) | (9,715) |
| Adjustments for: | | |
| Taxation credited | (1,536) | (4,450) |
| Finance costs | 17,081 | 9,161 |
| Investment income | (438) | (704) |
| Other gains and losses | (1,816) | - |
| Loss on disposal of property, plant and equipment | 31 | 8 |
| Amortisation and impairment of intangible assets | 29,122 | 19,434 |
| Depreciation and impairment of property, plant and equipment | 1,696 | 1,466 |
| Depreciation of right-of-use assets | 2,729 | 2,970 |
| Increase/(decrease) in provisions | 209 | (217) |
| Movements in working capital: | | |
| Increase in inventories | - | 39 |
| (Increase)/decrease in trade and other receivables | 6,560 | (2,044) |
| Increase/(decrease) in trade and other payables | 5,582 | 6,584 |
| (Increase)/decrease in contract assets | (3,912) | 695 |
| Increase/(decrease) in contract liabilities | 823 | 1,204 |
| Cash absorbed by operations | 32,929 | 24,431 |

37 Restatement of prior year

Certain prior year amounts have been restated which relate to contingent payment arrangements arising from acquisitions where those payments would automatically be forfeited if the vendor were to leave employment prior to an agreed earnout period. Such arrangements are now accounted for as compensation for post-combination services rather than additional consideration for an acquisition. This is consistent with a conclusion reached on this subject by the IFRS Interpretations Committee. The restatement only affects acquisitions after the date of transition to IFRS.

The following tables summarise the impact on the group's consolidated financial statements:

PIB GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

37 Restatement of prior year

Consolidated statement of financial position

| As at 31 December 2019 | As previously reported | Adjustments | As restated |
|--------------------------------------|------------------------|----------------|----------------|
| Goodwill | 97,793 | (6,015) | 91,778 |
| Other non-current assets | 202,224 | - | 202,224 |
| Current assets | 113,763 | - | 113,763 |
| Total assets | 413,780 | (6,015) | 407,765 |
| Current trade and other payables | 104,043 | (2,049) | 101,994 |
| Other current liabilities | 7,780 | - | 7,780 |
| Non-current trade and other payables | 1,667 | (1,023) | 644 |
| Other non-current liabilities | 180,164 | - | 180,164 |
| Total liabilities | 293,654 | (3,072) | 290,582 |
| Net assets | 120,126 | (2,943) | 117,183 |
| Retained earnings | (42,945) | (2,943) | (45,888) |
| Other equity | 163,071 | - | 163,071 |
| Total equity | 120,126 | (2,943) | 117,183 |

The impact on the opening balance sheet is not material and therefore no balance sheet as at 31 December 2018 has been presented.

Statement of comprehensive income

| For the year ended 31 December 2019 | As previously reported | Adjustments | As restated |
|-------------------------------------|------------------------|----------------|-----------------|
| Gross profit | 106,453 | - | 106,453 |
| Salaries and associated costs | (57,622) | (2,048) | (59,670) |
| Other operating amounts | (52,063) | - | (52,063) |
| Operating loss | (3,232) | (2,048) | (5,280) |
| Financial income and costs | (8,457) | - | (8,457) |
| Other gains and losses | (557) | 129 | (428) |
| Loss before tax | (12,246) | (1,919) | (14,165) |
| Income tax credit | 4,450 | - | 4,450 |
| Loss for the year | (7,796) | (1,919) | (9,715) |

PIB GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

38 Events after the reporting date

On 17 March 2021, following the acquisition of Ivy Topco Limited by funds advised by Apax Partners, those Apax Funds became the ultimate owner of the company and Paisley EquityCo Limited, a company registered in Guernsey, became the ultimate parent company.

On the same day, the existing loan facility entered into by Ivy Finco Limited was cancelled and replaced with a new facility entered into by Paisley BidCo Limited, an intermediate parent company. The new facility is a £632m long term loan due to mature in 2028 with an initial interest rate of 6.25%. In addition, there is a £35m revolving facility due to mature in 2027 with an initial interest rate of 2.75%, plus a commitment fee on any undrawn amount of the facility. Both are subject to a ratchet starting on 17 March 2022 that would result in an interest rate of between 5.5% and 6.5% on the long term loan and between 2.25% and 2.75% on the revolving facility.

Following the reporting date, the Group acquired 100% of the share capital of the following companies:

| Acquisition | Date |
|--|----------------|
| UK & Ireland Insurance Services Limited | 4 January 2021 |
| Element Hinton (Insurance Brokers) Limited | 2 March 2021 |
| Acquinity Partners Limited | 19 March 2021 |
| Creane and Creane Limited | 1 April 2021 |
| CBC Insurance (Jersey) Limited | 10 May 2021 |

At the time of the issue of the financial statements, the accounting for the acquisitions is incomplete and therefore the fair value of the consideration has not been disclosed.

PIB GROUP LIMITED

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PIB GROUP LIMITED

COMPANY STATEMENT OF FINANCIAL POSITION


AS AT 31 DECEMBER 2020

| | Notes | 2020 £000 | 2019 £000 |
|--|-------|--------------|--------------|
| Fixed assets | | | |
| Investments | 4 | 454,687 | 336,138 |
| Current assets | | | |
| Debtors | 5 | 48,495 | 24,107 |
| Cash at bank and in hand | | 7,830 | 831 |
| | | 56,325 | 24,938 |
| Creditors: amounts falling due within one year | 6 | (53,746) | (53,809) |
| Net current assets/(liabilities) | | 2,579 | (28,871) |
| Total assets less current liabilities | | 457,266 | 307,267 |
| Creditors: amounts falling due after more than one year | 7 | (265,545) | (146,591) |
| Provisions for liabilities | 8 | (16,684) | (9,208) |
| Net assets | | 175,037 | 151,468 |
| Capital and reserves | | | |
| Called up share capital | 9 | 300 | 167 |
| Share premium account | | 200,686 | 162,918 |
| Profit and loss reserves | | (25,949) | (11,617) |
| Total equity | | 175,037 | 151,468 |

As permitted by S408 Companies Act 2006, the company has not presented its own income statement and related notes. The company's loss for the year was £14,332k (2019:£8,498k).

The accompanying notes are an integral part of the financial statements.

The financial statements were approved by the board of directors and authorised for issue on 28 July 2021 and are signed on its behalf by:



R Brown
Director

Company Registration No. 09900466

PIB GROUP LIMITED

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2020

| | Notes | Share capital £000 | Share premium account £000 | Profit and loss reserves £000 | Total £000 |
|-------------------------------------|-------|-----------------------|-------------------------------|----------------------------------|---------------|
| Balance at 1 January 2019 | | 164 | 160,104 | (3,119) | 157,149 |
| Year ended 31 December 2019: | | | | | |
| Loss for the year | | - | - | (8,498) | (8,498) |
| Issue of share capital | 9 | 3 | 2,814 | - | 2,817 |
| Balance at 31 December 2019 | | 167 | 162,918 | (11,617) | 151,468 |
| Year ended 31 December 2020: | | | | | |
| Loss for the year | | - | - | (14,332) | (14,332) |
| Issue of share capital | 9 | 133 | 37,768 | - | 37,901 |
| Balance at 31 December 2020 | | 300 | 200,686 | (25,949) | 175,037 |

PIB GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies

Company information

PIB Group Limited is a private company limited by shares incorporated in England and Wales. The registered office is Rossington's Business Park, West Carr Road, Retford, Nottinghamshire, DN22 7SW.

These financial statements present information about the company as an individual undertaking.

1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £000.

The financial statements have been prepared under the historical cost convention, modified to include the revaluation of certain financial instruments at fair value. The principal accounting policies adopted are set out below.

This company is a qualifying entity for the purposes of FRS 102, being a member of a group where the parent of that group prepares publicly available consolidated financial statements, including this company, which are intended to give a true and fair view of the assets, liabilities, financial position and profit or loss of the group. The company has therefore taken advantage of exemptions from the following disclosure requirements:

- Section 7 'Statement of Cash Flows' – Presentation of a statement of cash flow and related notes and disclosures;
- Section 11 'Basic Financial Instruments'- Paragraphs 11.42, 11.44, 11.45, 11.47, 11.48 (a) (iii), 11.48 (a) (iv), 11.48 (b), and 11.48 (c).
- Section 33 'Related Party Disclosures' – Compensation for key management personnel.

This information will be included in the consolidated financial statements of PIB Group Limited which are available from Registrar of Companies (England and Wales), Companies House, Crown Way, Cardiff CF14 3UZ.

1.2 Going concern

At the time of approving the financial statements, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. The assessment of future performance included the collation and review of in depth annual budgets, review of the company's structure and detailed cash flow plans.

In light of the additional uncertainty regarding the impact of Covid-19 the Company has further considered its financial position and future performance. The Company has sufficient cash resources and has no concerns over the ability to meet its commitments. Well established business continuity plans have been used and the Company is able to continue to support its clients and expects to be able to do so for the foreseeable future. Thus the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

PIB GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies

1.3 Fixed asset investments

Interests in subsidiaries, associates and jointly controlled entities are initially measured at cost and subsequently measured at cost less any accumulated impairment losses. The investments are assessed for impairment at each reporting date and any impairment losses or reversals of impairment losses are recognised immediately in profit or loss.

A subsidiary is an entity controlled by the company. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

1.4 Cash and cash equivalents

Cash and cash equivalents are basic financial assets and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

1.5 Financial instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the company's statement of financial position when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic financial assets

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

Impairment of financial assets

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the company transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

PIB GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies

Classification of financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

Basic financial liabilities

Basic financial liabilities, including creditors, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Derecognition of financial liabilities

Financial liabilities are derecognised when the company's contractual obligations expire or are discharged or cancelled.

1.6 Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of direct issue costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

1.7 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

Deferred tax

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

PIB GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies

1.8 Provisions

Provisions are recognised when the company has a legal or constructive present obligation as a result of a past event, it is probable that the company will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting end date, taking into account the risks and uncertainties surrounding the obligation.

Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at present value. When a provision is measured at present value the unwinding of the discount is recognised as a finance cost in profit or loss in the period it arises.

1.9 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

1.10 Retirement benefits

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

1.11 Foreign exchange

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Gains and losses arising on translation are included in the income statement for the period.

PIB GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

2 Critical accounting judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

Critical judgements

There were no critical judgements made that had a significant effect on the amounts recognised in the financial statements.

Key sources of estimation uncertainty

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are as follows.

Impairment of assets

The Company tests annually whether investments in subsidiaries have suffered any impairment.

The recoverable amount of investments in subsidiaries is determined based on value-in-use calculations prepared on the basis of management's assumptions and estimates. This determination requires significant judgement. In making this judgement, the Company evaluates, among other factors, the duration and extent to which the fair value of a subsidiary is less than its cost; and the financial health of and near-term business outlook for the subsidiary, including factors such as industry and sector performance, changes in regional economies and operational and financing cash flow.

As a result of this assessment, an impairment loss of £Nil (2019: £Nil) was recognised in the year.

PIB GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

3 Directors' remuneration

| | 2020 £000 | 2019 £000 |
|---|--------------|--------------|
| Remuneration for qualifying services | 763 | 775 |
| Company pension contributions to defined contribution schemes | - | 25 |
| | <u>763</u> | <u>800</u> |

The number of directors who received remuneration for qualifying services was 3 (2019: 3).

Remuneration disclosed above include the following amounts paid to the highest paid director:

| | 2020 £000 | 2019 £000 |
|--------------------------------------|--------------|--------------|
| Remuneration for qualifying services | <u>403</u> | <u>378</u> |

Apart from the Directors, there were no other employees or staff costs.

4 Fixed asset investments

| | 2020 £000 | 2019 £000 |
|------------------------------|----------------|----------------|
| Shares in group undertakings | <u>454,687</u> | <u>336,138</u> |

Please refer to note 17 in the Group financial statements for a full list of subsidiaries at the reporting date.

Movements in fixed asset investments

| | Shares in group undertakings £000 |
|--------------------------|---|
| Cost or valuation | |
| At 1 January 2020 | 336,138 |
| Additions | <u>118,549</u> |
| At 31 December 2020 | <u>454,687</u> |
| Carrying amount | |
| At 31 December 2020 | <u>454,687</u> |
| At 31 December 2019 | <u>336,138</u> |

Please refer to note 30 in the Group financial statements for further information relating to the additions in the year.

PIB GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

5 Debtors

| | 2020 | 2019 |
|--|---------------|---------------|
| | £000 | £000 |
| Amounts falling due within one year: | | |
| Corporation tax recoverable | 691 | 690 |
| Amounts due from subsidiary undertakings | 43,440 | 22,878 |
| Amounts due from related parties | 2,291 | 324 |
| Prepayments and accrued income | - | 154 |
| Other debtors | 728 | 61 |
| | <u>47,150</u> | <u>24,107</u> |
| Deferred tax asset | 1,345 | - |
| | <u>48,495</u> | <u>24,107</u> |

Amounts due from subsidiary undertakings and related parties are unsecured, interest free and repayable on demand.

6 Creditors: amounts falling due within one year

| | 2020 | 2019 |
|------------------------------------|---------------|---------------|
| | £000 | £000 |
| Amounts due to group undertakings | 41,273 | 33,959 |
| Amounts due to related parties | 264 | - |
| Other taxation and social security | 714 | 238 |
| Deferred consideration | 11,495 | 19,570 |
| Other creditors | - | 42 |
| | <u>53,746</u> | <u>53,809</u> |

Deferred consideration relates to future non contingent payments resulting from business combinations.

Amounts due to group undertakings and related parties are unsecured, interest free and repayable on demand.

7 Creditors: amounts falling due after more than one year

| | 2020 | 2019 |
|--------------------------------|----------------|----------------|
| | £000 | £000 |
| Loan notes | 13,347 | 11,917 |
| Amounts due to related parties | 252,198 | 134,674 |
| | <u>265,545</u> | <u>146,591</u> |

The loan notes represent a principal of £7,826k (2019: £7,826k) plus accrued interest which is compounded annually on 31 December. The loan notes carry an effective interest rate of 12% and are redeemable in 2026 in full.

PIB GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

7 Creditors: amounts falling due after more than one year

Ivy Finco Limited, the company's immediate parent company, has a borrowing facility in place which it draws down on and on lends to the company on similar terms. As at the year end, the facility consisted of a £449m senior term loan due to mature in 2025 and a £25m revolving credit facility due to mature in 2024. The interest rate on the senior term loan was 6 month LIBOR + 5.75 to 6.25% and the interest rate on the revolving credit facility was 6 months LIBOR + 2.75% plus a commitment fee on any undrawn amount.

For further information relating to changes in the Group borrowing arrangements after the year end, refer to Note 12

8 Provisions for liabilities

| | 2020 £000 | 2019 £000 |
|--------------------------|--------------|--------------|
| Contingent consideration | 16,684 | 9,208 |

Contingent consideration relates to estimated future earn out payments resulting from business combinations. Earn out payments are linear based on either revenue or EBITDAE and typically cover a period of one to two years. Estimates of these payments are made by reference to detailed reviews of historical performance, forecasts and expected customer retention.

Reconciliation of movement during the year:

| | Contingent consideration £000 |
|-----------------------------------|----------------------------------|
| At 1 January 2020 | 9,208 |
| Additional provisions in the year | 15,166 |
| Utilisation of provision | (3,769) |
| Unwinding of discount | 389 |
| Other movements | (4,310) |
| At 31 December 2020 | 16,684 |

9 Share capital

| | 2020 £000 | 2019 £000 |
|---------------------------------------|--------------|--------------|
| Ordinary share capital | | |
| Issued and fully paid | | |
| 296,012,439 Ordinary A of £0.001 each | 296 | 163 |
| 4,000 Ordinary B of £1 each | 4 | 4 |
| | 300 | 167 |

The Company has two classes of ordinary shares neither of which carry a right to fixed income. All shares classes have full voting rights, the right to receive a dividend and the right on a distribution of capital (including on a winding up) to participate equally with the other shares in issue.

PIB GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

10 Related party transactions

The company has taken advantage of the exemption available in FRS102 to not disclose related party transactions with subsidiary undertakings wholly owned within the group.

11 Controlling party

As at 31 December 2020, the company's immediate and ultimate parent companies were Ivy Finco Limited (registered company number 120451) and Ivy Topco Limited (registered company number 120448) respectively, registered in Jersey, registered office 44 Esplanade, St. Helier. Jersey JE4 9WG. As at 31 December 2020, that company was ultimately owned by entities trading as 'the Carlyle Group'.

The smallest consolidated set of financial statements to include the company are those of PIB Group Limited. The largest consolidated set of financial statements to include the company are those of Ivy Topco Limited. These consolidated financial statements are available from the registered offices of PIB Group Limited and Ivy Topco Limited.

For further information relating to changes in the controlling party after the year end, refer to note 12.

12 Events after the reporting date

On 17 March 2021, following the acquisition of Ivy Topco Limited by funds advised by Apax Partners, those Apax Funds became the ultimate owner of the company and Paisley EquityCo Limited, a company registered in Guernsey, became the ultimate parent company.

On the same day, the existing loan facility entered into by Ivy Finco Limited was cancelled and replaced with a new facility entered into by Paisley BidCo Limited, an intermediate parent company. The new facility is a £632m long term loan due to mature in 2028 with an initial interest rate of 6.25%. In addition, there is a £35m revolving facility due to mature in 2027 with an initial interest rate of 2.75%, plus a commitment fee on any undrawn amount of the facility. Both are subject to a ratchet starting on 17 March 2022 that would result in an interest rate of between 5.5% and 6.5% on the long term loan and between 2.25% and 2.75% on the revolving facility.

Following the reporting date, the company acquired 100% of the share capital of the following companies:

| Acquisition | Date |
|--|----------------|
| UK & Ireland Insurance Services Limited | 4 January 2021 |
| Element Hinton Insurance Brokers Limited | 2 March 2021 |
| Acquinity Partners Limited | 19 March 2021 |
| Creane and Creane Limited | 1 April 2021 |
| CBC Insurance (Jersey) Limited | 10 May 2021 |

Other than the events above, the directors are not aware of any post balance sheet events prior to the financial statements being signed that need to be disclosed or adjusted.