

Acrisure Re UK Limited
Annual Report and Consolidated Financial Statements
For the year ended 31 December 2022
Company Number 10755170

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Acrisure Re UK Limited
Strategic Report
For the year ended 31 December 2022

The Directors present their Strategic Report together with the audited consolidated financial statements of Acrisure Re UK Limited for the year ended 31 December 2022.

Principal activities, trading review and future developments

The Company was incorporated in the United Kingdom on 5 May 2017 under company number 10755170 and is a 100% owned subsidiary of Acrisure Re Holdings Limited (the parent), a Company registered in the UK, company number 09269699. The ultimate parent is Acrisure, LLC, a company incorporated in Delaware, USA.

The consolidated financial statements of the Company include the accounts of the Company and the accounts of its subsidiaries (together the "Group").

The Company operates in the UK as a global insurance and reinsurance intermediary that works with brokers, insurance companies and clients to find other (re)insurance companies to share the risk of their insurance portfolios. The Group delivers services in three key areas: Reinsurance, Portfolio and Advisory.

The Company is authorized and regulated by the Financial Conduct Authority ("FCA") under Part IV of the Act to carry out regulated financial service activities, firm reference number 922997.

The Company and its subsidiaries continue to be supported by Acrisure Re Canada Limited, a sister company, under the terms of Service Level Agreements.

Revenue for the year ended 31 December 2022 was US\$30.9M (2021 - US\$21.5M), profit before income taxes was US\$6.5M (2021 - US\$4.5M), and total net and comprehensive profit was US\$6.4M (2021 - US\$3.7M). The Group's primary strategic focus is UK and International clients. The Group saw its revenue and net income increase to reflect new business as well as uplifts in existing business.

The parent has guaranteed the Group's obligations, duties, undertakings, covenants and conditions until such are satisfied.

The Directors, individually and collectively, have considered the requirements of Section 172 of the Companies Act to perform their duties in good faith and in a way most likely to promote the success of the Company for the benefit of its shareholder having regard to the stakeholders and matters set out in s172(1)(a-f) of Companies Act 2006. The following paragraphs summarise how the directors fulfil their duties under the Section 172 requirements.

Consequences of any decisions in the long term

The Group's long-term model reflects its determination to share success and to grow in a responsible, sustainable way. This goes beyond environmental and social impacts; it influences the products that the Group offers, the talent it hires and how the Group manages its future. The Directors strive for a balance between growth through acquisition, organic growth, cashflow and liquidity considerations, performance and reward, culture at work, diversity and inclusion, well-being and equal pay.

Decisions discussed and reached in board meetings are reported against agreed strategic objectives. The Directors maintain regular contact with executive management, which allows the Directors to appreciate the context of current projects and to be on hand to assist and advise where necessary.

Interests of the Company's employees

Employees are recognised as being fundamental to the success of the Company and the Group. This includes the approach to remuneration and the health, safety and wellbeing of employees. A lifting of the restrictions and cautions following COVID-19 has seen a continuation of hybrid working arrangements where employees share their working time between the home and office.

Acrisure Re UK Limited
Strategic Report
For the year ended 31 December 2022

Need to foster the Company's business relationships with suppliers, customers and others

The Group actively seeks to encourage and assist diverse suppliers interested in competing for opportunities to supply goods and services and encourages all of our suppliers to take similar action.

We recognise that by partnering with diverse suppliers, we can create more value for our clients, and the communities we serve. By driving the desired culture throughout the Group, management aims to continuously deliver a quality service to clients, including welcoming employees' creativity to deliver high class expertise.

The impact of the Company's operations on the community and environment

The Company, and the Group as a whole, recognises that in a world facing increasing risk and uncertainty, supporting our communities is more important than ever before. Across the Group's subsidiaries we organise various fund-raising events supporting variety of charities like Young Minds and Parkinson's UK and also work with London chapter of Sponsors for Educational Opportunities (SEO). The Group is having continual discussions to explore what more actions can be taken on this and how employees can be encouraged to participate in these initiatives.

Maintaining a reputation for high standards of business conduct

The Directors are responsible for setting high standards of business conduct, to ensure that the Group's commitments to stakeholders are met. The Group abides by the Modern Slavery Statement and is committed to ensuring that its business dealings are carried out in compliance with the relevant laws. In doing so, the Board endorses the implementation and promotion of ethical business practices, to protect workers from being abused and exploited.

Principal risks and uncertainties

The management of the business and the continued execution of the Group's strategy are subject to several risks. The key business risks and uncertainties affecting the Group relate to:

- Competition from other insurance and reinsurance intermediaries;
- Failures in client service, in particular those related to errors or omissions;
- Cyclical factors that affect the insurance market;
- The relative value of the key currency comprising the Group's cost base, notably Sterling against the key currency in which revenues are generated, notably the US Dollar;
- Tax and regulatory risk, the principal impact of which is to impose high levels of compliance costs on the business;
- IT and Cyber Risks;
- Loss of key clients; and
- Attraction and retention of staff

The business operates in a very competitive environment and is focused on specific sectors in which it can successfully distinguish itself and compete. Continuing investments in new leadership, production teams, individuals and development of products, also allow for enhanced breadth of service and diversification of service offering. The reward strategy and development opportunities offered to staff are designed to mitigate the risk of losing or failing to attract key staff.

The Group uses several internal performance indicators to monitor and assess its business. Key performance metrics include new business, renewal and attrition rates.

Acrisure Re UK Limited
Strategic Report
For the year ended 31 December 2022

It is possible that legal action can be taken against the Group as a result of the Group's actions, inactions, products, services or other events. Errors and omissions claims, lawsuits, and other proceedings arising in the ordinary course of business are covered in part by professional indemnity or other appropriate insurance. The Group, in the normal course of conducting its business, monitors any matters or pending litigation against it.

The Directors are satisfied that the Group is adequately positioned to manage risks and react to market developments.

Financial risk management objectives

The Group is exposed to financial risk through its financial assets and financial liabilities. The most important components of this financial risk are currency, credit and liquidity risk.

The Group manages its currency, credit, and liquidity risks through Board approved policies and procedures.

Currency risk

The Group is exposed to currency risk in respect of its brokerage, commission and fees and operating costs incurred in currencies other than US dollar. The most significant currencies to which the Group is exposed are the Sterling, and Euro. The Group seeks to neither make a profit nor loss on exposure to currency and accordingly will sell excess currency positions into required operating currencies.

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Group is mainly exposed to credit risk with respect to amounts due from clients or markets representing the Group's fees, commissions or brokerage and from voluntary or involuntary funding of insurance balances. The Group has a growing number of counterparties, including other brokers, and monitors these regularly for credit worthiness and otherwise seeks to promptly collect amounts due, in accordance with terms of trade.

Liquidity risk

Liquidity risk is the risk that cash may not be available to pay obligations, when due, at a reasonable cost. As at 31 December 2022, the Group does not have exposure to third-party credit facilities. Management and the Board regularly monitor cash flow and cash flow projections.

Investment portfolio

The Group does not hold financial investments such as equities or debt and the Group's cash holdings are in a major UK bank.

Revenue and profitability

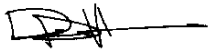
The Group is an insurance and reinsurance intermediary, and its activities and success are influenced by prevailing market conditions. Its ongoing earnings capacity, including its ability to renew and generate new business, is directly tied to the underlying commercial health and appetite of its clients and their desire to seek and secure sources of underwriting coverage and reinsurance capital. Along with pandemic-caused developments, management is also monitoring additional impacts of current geopolitical upheavals, inflationary forces, and other fundamentals shifts affecting the availability of risk-bearing capital. During 2022, the timing of contractual placements largely preserved Company revenues and there was marked growth in certain lines of business. Management continues in the short term to monitor for pressure on cashflows and in the medium term, for pressure on premium and commission/brokerage levels. The Group will continue to monitor trends, insurance market challenges and economic activity. Short and medium-term scenarios have been modelled to assess the impact of these forces on the Group's profitability.

Acrisure Re UK Limited
Strategic Report
For the year ended 31 December 2022

Going Concern

The Directors remain of the view that it is appropriate to prepare the consolidated financial statements on the basis of a going concern as the group has been able to demonstrate that its business model is robust, profitable and sustainable.

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



Dexter Des Vignes
Director
Date: 16 August 2023

**Acrisure Re UK Limited
Directors' Report
For the year ended 31 December 2022**

The Directors present their report together with the audited consolidated financial statements of *Acrisure Re UK Limited* for the year ended 31 December 2022.

The above Strategic Report sets out a review of the business, including the Group's principal activities, trading review and future developments, as well as principal risks facing the business and the management of financial risks.

Directors

The Directors who served during the year and to the date of this report were:

D Des Vignes

S Farrell

R Hobbs

S Hedley

J Howard

J Singh

(appointed 9 February 2023)

S Holliday

(appointed 3 April 2023)

S Wood

(resigned 26 April 2023)

The secretary who served during the year and to the date of this report was:

P Makwana

Directors' responsibilities

The Directors are responsible for preparing the report and consolidated 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 are required to prepare the Group financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006.

The Directors have also chosen to prepare the parent company and consolidated financial statements in accordance with International Financial Reporting Standards. Under company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing the consolidated and parent Company 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 IFRS Standards 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 Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Acrisure Re UK Limited
Directors' Report for the year ended
31 December 2022

Auditors

Each of the Directors at the date of approval of this report confirms that:

- so far as the Director is aware, there is no relevant audit information of which the Group's auditor is unaware; and
- the Director has taken all the steps that they ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the Group's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

Deloitte LLP have expressed their willingness to continue in office as auditor and a resolution to reappoint them will be proposed at an upcoming meeting of the Board.

Dividend recommendation

The Directors of a subsidiary company recommended a dividend payment of \$993,373 for the period (2021 - \$nil).

Qualifying Indemnity Provisions

Directors' insurance and indemnities

The Directors have the benefit of the indemnity provisions contained in the Group's Articles of Association ('Articles'), and the Group has maintained throughout the year Directors' and Officers' liability insurance for the benefit of the Group, the Directors and its officers. The Group has entered into qualifying third-party indemnity arrangements for the benefit of all its Directors in a form and scope which comply with the requirements of the Companies Act 2006 and which were in force throughout the year and remain in force.

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



Dexter Des Vignes
Director
Date: 16 August 2023

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ACRISURE RE UK LIMITED

Independent auditor's report to the members of Acrisure Re Holdings Limited

Report on the audit of the financial statements

Opinion

In our opinion:

- the financial statements of Acrisure Re UK 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 2022 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with United Kingdom adopted international accounting standards 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 adopted international accounting standards and as applied in accordance with the provisions of the Companies Act 2006; 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 statement of comprehensive Income (Loss);
- the consolidated statement of financial position;
- the consolidated cash flow statement;
- the consolidated statements of changes in shareholders' equity;
- the related notes 1 to 16;
- the parent company statement of comprehensive Income (Loss);
- the parent company statement of financial position;
- the parent company cash flow statement;
- the parent company statements of changes in shareholders' equity; and
- the related notes 1 to 3.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom adopted international accounting standards and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

Basis for opinion

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

We are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the 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.

Other information

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

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

We have nothing to report in this regard.

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.

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, internal audit and the directors about their own identification and assessment of the risks of irregularities, including those that are specific to the group's business sector.

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 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.

We discussed among the audit engagement team 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 in the following area, and our procedures performed to address it are described below:

- Revenue – recognition and cut off – we have tested the design and implementation of controls surrounding recognition of revenue including the identification and calculation of amounts that should be deferred to future period, obtaining an understanding of how management identifies and determines the revenue amount, assessed management's paper on the revenue recognition policy for the different insurance and re-insurance products and revenue streams for compliance with IFRS 15 standard and performed substantive test of detail on a sample basis and obtained evidence to understand the nature of the service provided and appropriateness of the revenue amount deferred.

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, internal audit and external 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.

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.

Matters on which we are required to report by exception

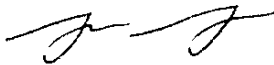
Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- 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.



James A Boyle, CA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Edinburgh, United Kingdom
16 August 2023

Acrisure Re UK Limited
Consolidated Statement of Comprehensive Income
(Denominated in U.S. Dollars)

| For the year ended 31 December | 2022 | 2021 |
|---|---------------------|---------------------|
| Revenue | | |
| Commissions, fees and interest income (Note 3) | \$ 30,919,623 | \$ 21,538,852 |
| Operating expenses | | |
| Management fees (Note 4) | 23,245,008 | 16,663,872 |
| Professional fees | 289,457 | 244,853 |
| Amortization (Note 5) | 47,653 | 47,653 |
| Office and general | 116,531 | 53,167 |
| Salaries, bonus and benefits (Note 11) | 162,169 | 12,789 |
| Travel and vehicle | 5,605 | 6,631 |
| Bank charges | 47,998 | - |
| Telephone and communications | 1,593 | - |
| Promotion and entertainment | 4,073 | 4,999 |
| Foreign exchange loss | 501,780 | 3,291 |
| | <u>24,421,867</u> | <u>17,037,255</u> |
| Profit before income taxes | 6,497,756 | 4,501,597 |
| Income taxes (Note 9) | | |
| Current | 83,129 | 627,612 |
| Deferred | - | 151,258 |
| | <u>83,129</u> | <u>778,870</u> |
| Net profit and comprehensive profit | <u>6,414,627</u> | <u>3,722,727</u> |
| Net profit and comprehensive profit attributed to: | | |
| Majority shareholder | 5,205,859 | 2,494,314 |
| Non-controlling interest (Note 6) | <u>1,208,768</u> | <u>1,228,413</u> |
| Net profit and comprehensive profit | <u>\$ 6,414,627</u> | <u>\$ 3,722,727</u> |

Acrisure Re UK Limited
Consolidated Statement of Financial Position as at 31 December 2022

(Denominated in U.S. Dollars)

31 December 2022 31 December 2021

Assets

Current

| | | |
|-----------------------------------|-------------------|-------------------|
| Cash | \$ 7,753,278 | 4,371,912 |
| Accounts receivable | 549 | - |
| Due from trust fund (Note 10) | 8,824,051 | 5,967,224 |
| Prepaid expenses | 25,600 | 8,616 |
| Due from related parties (Note 4) | 1,555,243 | 1,721,873 |
| | <u>18,158,721</u> | <u>12,069,625</u> |

Non-current

| | | |
|-------------------------------|---------|---------|
| Share subscription receivable | - | 100 |
| Intangible asset (Note 5) | 518,736 | 566,389 |

| | | |
|---------------------|----------------------|-------------------|
| Total assets | \$ 18,677,457 | 12,636,114 |
|---------------------|----------------------|-------------------|

Liabilities and Shareholder's Equity

Current

| | | |
|--|-------------------|------------------|
| Accounts payable and accrued liabilities | \$ 248,400 | 164,306 |
| Deferred revenue | 12,882 | - |
| Due to related parties (Note 4) | 11,123,931 | 6,425,977 |
| | <u>11,385,213</u> | <u>6,590,283</u> |

Non-current

| | | |
|--------------------|--------|---------|
| Income tax payable | 83,129 | 693,316 |
|--------------------|--------|---------|

| | | |
|--------------------------|-------------------|------------------|
| Total liabilities | 11,468,342 | 7,283,599 |
|--------------------------|-------------------|------------------|

Shareholder's equity

| | | |
|------------------------|-----------|-----------|
| Share capital (Note 6) | 1,100 | 1,100 |
| Share premium (Note 6) | 624,000 | 624,000 |
| Retained earnings | 5,199,350 | 3,503,956 |

| | | |
|--|------------------|------------------|
| Equity attributable to the majority shareholder | 5,824,450 | 4,129,056 |
|--|------------------|------------------|

| | | |
|-----------------------------------|-----------|-----------|
| Non-controlling interest (Note 6) | 1,384,665 | 1,223,459 |
|-----------------------------------|-----------|-----------|

| | | |
|-----------------------------------|------------------|------------------|
| Total Shareholder's equity | 7,209,115 | 5,352,515 |
|-----------------------------------|------------------|------------------|

| | | |
|---|----------------------|-------------------|
| Total Liabilities and Shareholder's equity | \$ 18,677,457 | 12,636,114 |
|---|----------------------|-------------------|

Dexter Des Vignes
Director



Approved: 16 August 2023

Acrisure Re UK Limited
Consolidated Statement of Cash Flows
(Denominated in U.S. Dollars)

| For the year ended 31 December | 2022 | 2021 |
|---|---------------------|------------------|
| Cash provided by (used in) | | |
| Operating activities | | |
| Net comprehensive profit for the year | \$ 6,414,627 | 3,722,727 |
| Adjustments required to reconcile total comprehensive income with net cash provided from operating activities | | |
| Amortization - intangible assets (Note 5) | 47,653 | 47,653 |
| Changes in operating account balances | | |
| Accounts receivable | (549) | - |
| Prepaid expenses | (16,984) | (8,616) |
| Deferred tax asset | - | 151,258 |
| Accounts payable and accrued liabilities | 84,094 | 53,608 |
| Deferred revenue | 12,882 | (76,655) |
| Due from trust fund | (2,856,827) | (5,967,224) |
| Due from related parties | 166,630 | (628,779) |
| Due to related parties | 4,697,954 | 5,725,924 |
| Income tax payable | (610,187) | 693,316 |
| Cash flow from operating activities | 7,939,293 | 3,713,212 |
| Investing activities | | |
| Share subscription receivable | 100 | (100) |
| Dividend payment | (999,373) | - |
| Purchase of shares in subsidiary from non-controlling interest | (3,566,487) | - |
| Cash flow used in investing activities | (4,565,760) | (100) |
| Financing activities | | |
| Issue of share capital | 7,833 | - |
| Cash flow used in financing activities | 7,833 | - |
| Increase in cash during the year | 3,381,366 | 3,713,112 |
| Cash, beginning of year | 4,371,912 | 658,800 |
| Cash, end of year | \$ 7,753,278 | 4,371,912 |

Acrisure Re UK Limited
Consolidated Statement of Changes in Shareholder's Equity
(Denominated in U.S. Dollars)

| | Share Capital | Share Premium | Retained Earnings | Equity Attributable to Majority Shareholder | Non- Controlling Interest | Total Shareholder's Equity |
|--|------------------|-------------------|----------------------|--|---------------------------------|----------------------------------|
| 1 January 2022 | \$ 1,100 | \$ 624,000 | \$ 3,503,956 | \$ 4,129,056 | \$ 1,223,459 | \$ 5,352,515 |
| Net profit and comprehensive profit for the year | - | - | 5,205,859 | 5,205,859 | 1,203,768 | 6,414,627 |
| Contributions by and distributions to the owner | | | | | | |
| Share buy-back | - | - | (3,510,465) | (3,510,465) | (56,022) | (3,566,487) |
| Issue of share capital | - | - | - | - | 7,833 | 7,833 |
| Dividend paid | - | - | - | - | (999,373) | (999,373) |
| Total contributions by and distributions to the owner | - | - | - | (3,510,465) | (1,047,562) | (4,558,027) |
| 31 December 2022 | \$ 1,100 | \$ 624,000 | \$ 5,199,350 | \$ 5,824,450 | \$ 1,384,665 | \$ 7,209,115 |

| | Share Capital | Share Premium | Retained Earnings | Equity Attributable to Majority Shareholder | Non- Controlling Interest | Total Shareholder's Equity |
|---|------------------|-------------------|----------------------|--|---------------------------------|----------------------------------|
| 1 January 2021 | \$ 1,100 | \$ 624,000 | \$ 1,009,642 | \$ 1,634,742 | (\$4,554) | \$ 1,629,788 |
| Net profit and comprehensive profit for the year | - | - | 2,494,314 | 2,494,314 | 1,228,413 | 3,722,727 |
| 31 December 2021 | \$ 1,100 | \$ 624,000 | \$ 3,503,956 | \$ 4,129,056 | \$ 1,223,459 | \$ 5,352,515 |

Acrisure Re UK Limited
Notes to Consolidated Financial Statements
(Denominated in U.S. Dollars)

31 December 2022

1. Nature of Operations and Summary of Significant Accounting Policies

Reporting Entity

Acrisure Re UK Limited (the "Company") is a UK company that is a wholly-owned subsidiary of Acrisure Re Holdings Limited (the "Parent"). The ultimate parent undertaking is Acrisure, LLC (the "Ultimate Parent"), a company incorporated in the USA.

The Company was incorporated on 5 May 2017 under the Companies Act 2006. The registered address of the Company is New London House, 6 London Street, London, United Kingdom, EC3R 7LP, company number 10755170.

The consolidated financial statements of the Company include the accounts of the Company and the accounts of its subsidiaries described below, together the "Group".

The Group is a global insurance and reinsurance broker that works with insurance companies and other clients to find other (re)insurance companies to share the risk of their insurance portfolios.

Basis of Presentation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the International Accounting Standards Board ("IASB") and as applied in accordance with the provisions of the Companies Act 2006 as set out below. Non-consolidated financial statements for the Group have been prepared on pages 31 - 35.

These financial statements were prepared on a historical cost basis.

The Group's functional and presentation currency is the United States Dollar.

The preparation of consolidated financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgment in applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 2.

The consolidated financial statements include the accounts of the Group. Its subsidiaries are described below. Proportion of voting risks and shares held was as at 31 December 2022.

Acrisure London Wholesale Limited
Registered number: 12038556
Country of incorporation: United Kingdom
Address: New London House, 6 London Street, London, EC3R 7LP
Proportion of voting rights and shares held: 75%
Nature of the business: Activities of insurance agents and brokers

Acrisure Re Netherlands B.V.
Registered number: 78664438
Country of incorporation: Netherlands
Address: 36a Arcadialaan, Alkmaar, 1813 KN
Proportion of voting rights and shares held: 100%
Nature of the business: Activities of insurance agents and brokers

Acrisure Re UK Limited
Notes to Consolidated Financial Statements
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Acrisure Re International Facultative Limited
Registered number: 13433742
Country of incorporation: United Kingdom
Address: New London House, 6 London Street London, England, EC3R 7LP
Proportion of voting rights and shares held: 75%
Nature of the business: Activities of insurance agents and brokers

The subsidiaries' asset, liabilities, and operations are included in these consolidated financial statements and all intercompany transactions have been eliminated.

Significant Accounting Policies

Revenue Recognition

The Group's revenue comprises brokerage, commissions, and fees receivable in connection with the placement of (re)insurance for clients and the provisions of related advisory and consultancy services.

The transaction price is determined based on the contractual amount to which the Group is entitled in exchange for the promised services rendered to clients and markets. For certain contracts, the ultimate transaction price can be affected by a number of factors not initially known at the time of placement. These amounts become known over time as the underlying business develops and are generally billed and recognized once known or reasonably estimable.

The Group manages the delivery of services in three key categories: Reinsurance, Portfolio and Advisory. Under its Reinsurance offering, the Group acts as a specialized intermediary using a full suite of transactional and analytical skills to place and manage clients' reinsurance requirements, through the traditional reinsurance treaty, retrocession or facultative, as well as, assisting in the execution of insurance linked security transactions or obtaining industry loss warranty protection. Revenues in this category will derive from both treaty and facultative contracts. The Portfolio category provides wholesale solutions to individual large and/or complex open market risks via an international client base of independent retail and wholesale brokers. Portfolio also comprises services to Delegated Authority and Managing General Agent (MGA) clients, as well as enhancing underlying structures and security using tailored facultative solutions. Revenues in this category will include delegated authority (binder) contracts, as well as contracts supporting consortium and insurance facilities. Lastly, the Advisory category sees the Group act as an independent advisor in several specialized areas including structural optimization, capital efficiency, benchmarking, and catastrophe modelling. Revenues in this area are supported by specific analytics and advisory consulting contracts.

Brokerage commission is recognized at the later of the date the contract is placed and the inception date of the contract, but an element of that commission is deferred to be recognized as post-placement services, principally relating to handling claims, are delivered. Consultancy and advisory fee revenues are recognized as the services concerned are provided and invoiced.

Acrisure Re UK Limited
Notes to Consolidated Financial Statements
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31 December 2022

1. Nature of Operations and Summary of Significant Accounting Policies (continued)

Significant Accounting Policies (continued)

Financial Instruments

Classification

All financial assets are initially recognized at fair value and are subsequently classified and measured at fair value through profit or loss ("FVTPL"), fair value through other comprehensive income ("FVOCI") or amortized cost based on The Group's assessment of the business model within which the financial asset is managed and the financial asset's contractual cash flow characteristics.

A financial asset is measured at amortized cost if it is held within a business model of holding financial assets and collecting contractual cash flows and those cash flows are comprised solely of payments of principal and interest. The Group classifies all financial assets at amortized cost.

All financial liabilities are initially recognized at fair value and are subsequently classified either as measured at amortized cost using the effective interest rate method or as FVTPL, which are recorded at fair value. The Group classifies all financial liabilities at amortized cost.

There are no financial assets or liabilities subsequently classified as FVOCI.

Impairment - Financial Assets

The Group recognizes loss allowances for expected credit loss ("ECL") on financial assets measured at amortized cost. For accounts receivable, the Group applies the simplified approach of allowing for expected lifetime losses. In determining the ECL allowance, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. The Group also considers any available objective evidence that it will be unable to collect all of the amounts due from particular customers.

In determining the ECL allowance, management relies on estimates and exercises judgment regarding matters for which the ultimate outcome is unknown. These judgments include changes in circumstances that may cause future assessments of expected credit losses to be materially different from current assessments, which could require an increase or decrease in the ECL allowance.

Cash and cash equivalents

Cash and cash equivalents consist of cash at bank and in hand and other short-term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value. Such investments are those with less than twelve months' maturity from the date of acquisition, or which are redeemable on demand with only an insignificant change in their fair values.

Acrisure Re UK Limited
Notes to Consolidated Financial Statements
(Denominated in U.S. Dollars)

31 December 2022

1. Nature of Operations and Summary of Significant Accounting Policies (continued)

Significant Accounting Policies (continued)

Impairment of Non-financial Assets

Non-financial assets are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount, which is the higher of value in use and fair value less costs to sell, the asset is written down accordingly with a charge to comprehensive income.

For the purpose of 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.

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the asset's cash-generating unit, which is the lowest group of assets in which the asset belongs for which there are separately identifiable cash flows.

Income Taxes

Income tax expense comprises of current and deferred tax. Current tax and deferred tax are recognized in comprehensive income except to the extent that it relates to a business combination, or items recognized directly in equity.

Current income taxes are recognized for the estimated income taxes payable or receivable on taxable income or loss for the current year and any adjustment to income taxes payable in respect of previous years. Current income taxes are determined using tax rates and tax laws that have been enacted or substantively enacted by the year-end date.

Deferred tax assets and liabilities are recognized where the carrying amount of an asset or liability differs from its tax base, except for taxable temporary differences arising on the initial recognition of goodwill and temporary differences arising on the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting or taxable profit or loss.

Recognition of deferred tax assets for unused tax losses, tax credits and deductible temporary differences is restricted to those instances where it is probable that future taxable profit will be available against which the deferred tax asset can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

The amount of the deferred tax asset or liability is measured at the amount expected to be recovered from or paid to the taxation authorities. This amount is determined using tax rates and tax laws that have been enacted or substantively enacted by the year-end date and are expected to apply when the liabilities / (assets) are settled / (recovered).

Acrisure Re UK Limited
Notes to Consolidated Financial Statements
(Denominated in U.S. Dollars)

31 December 2022

1. Nature of Operations and Summary of Significant Accounting Policies (continued)

Significant Accounting Policies (continued)

Intangible assets

Externally acquired intangible assets are initially recognised at cost and subsequently amortized on a straight-line basis over their useful economic lives.

The significant intangible asset acquired separately and recognized by the Group has the following useful economic lives and amortization methods:

| Intangible asset | Useful economic life | Amortization method |
|-------------------------|-----------------------------|----------------------------|
| Customer relationships | 15 years | Straight-line |

Foreign Currency Translation

At the transaction date, each asset, liability, revenue and expense denominated in a foreign currency is translated into United States dollars by the use of the exchange rate in effect at that date. At the year-end date, unsettled monetary assets and liabilities denominated in a foreign currency are translated into United States dollars by using the exchange rate in effect at that date and the related translation differences are recognized in comprehensive income.

Trust funds

The Group holds cash in client and trust accounts on behalf of clients and reinsurance companies to be disbursed in the normal course of operations. The balances related to these trust activities are separated from the Group's general operating activities and summarized in Note 10. The Group's economic interest in the trust fund balances is limited to the amount shown as the amounts due from the trust funds; accordingly, the gross trust fund balances are not included in the Consolidated Statement of Financial Position.

Defined contribution pension plan

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

The contributions are recognized as an expense when they are due. Amounts not paid are shown in accounts payable and accrued liabilities on the balance sheet. The assets of the plan are held separately from those of the Company, in independently administered funds.

Going concern

Management is modelling estimated and stressed future scenarios to assess the sustainability of the Group's cash position. Future scenarios reflect judgments as to the impact of geopolitical and macroeconomic forces on the economic environment in which the Group operates, in particular with regards to the potential impact on the Group's customers and trading partners, and therefore revenue. Management recognizes that as the foreseeable scenarios change, decisions may need to be made in relation to the scale of the Group's activity and the level of finance maintained to support that activity.

Acrisure Re UK Limited
Notes to Consolidated Financial Statements
(Denominated in U.S. Dollars)

31 December 2022

1. Nature of Operations and Summary of Significant Accounting Policies (continued)

Significant Accounting Policies (continued)

Going concern (continued)

As at the date of signing these financial statements, management's forecasts indicate that the Group will be able to maintain liquidity and meet all liabilities as they fall due in the normal course of business and will therefore be able to continue to trade as a going concern.

Changes in accounting policies and disclosures

Accounting standards issued but not yet effective

There are a number of standards, amendments to standards, and interpretations which have been issued by the IASB, of which the following amendments are effective for the period beginning 1 January 2022 or thereafter:

| | |
|---|--|
| IFRS 17 (including the June 2021 Amendments to IFRS 17) | <i>Insurance Contracts</i> |
| Amendments to IFRS 10 and IAS 28 | <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> |
| Amendments to IAS 1 | <i>Classification of Liabilities as Current or Non-current</i> |
| Amendments to IAS 1 and IFRS Practice Statement 2 | <i>Disclosure of Accounting Policies</i> |
| Amendments to IAS 8 | <i>Definition of Accounting Estimates</i> |
| Amendments to IAS 12 | <i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i> |

Management does not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Company in future periods.

Acrisure Re UK Limited
Notes to Consolidated Financial Statements
(Denominated in U.S. Dollars)

31 December 2022

1. Critical Accounting Estimates and Judgments

The Group makes estimates and judgments about the future that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and judgments.

Estimates

The effect of a change in an accounting estimate is recognized prospectively by including it in comprehensive income in the year of the change, if the change affects that year only; or in the year of the change and future periods, if the change affects both.

The estimates and assumptions that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Intangible Assets

The Group accounts for intangible assets in accordance with IAS 38 Intangible Assets, which requires the Group to assess whether the useful life of an intangible is finite or indefinite, and if finite, the length of the useful life. See Note 5.

The Group's customer relationships have been assessed to have a useful life of 15 years.

Accrued and Deferred Revenue

The Group accrues commission receivable but not yet invoiced in respect to the minimum premiums for the relevant contract period, normally one year, on reinsurance contracts it has placed prior to the reporting period end. The accrual is estimated based on the terms of the reinsurance contracts recorded as having incepted.

In accordance with IFRS 15, Revenue from Contracts with Customers management has made numerous assessments, estimates and assumptions as it relates to the various contracts with customers that result in revenue to the Group. Most notably, management has to estimate the degree and timing of service obligations on its contracts with customers. Further estimates could be involved in assessing the transaction price and allocation of this price to service obligations. The resulting valuation of this future service obligation is reflected in deferred revenue on the consolidated statement of financial position.

There are no critical judgements.

Acrisure Re UK Limited
Notes to Consolidated Financial Statements
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2. Revenue from contracts with customers

Disaggregation of revenue from contracts with customers

The Group's key service categories include Reinsurance, Portfolio and Advisory. Reinsurance includes treaty, industry loss warranty and insurance linked security and facultative contracts. Portfolio includes binder, consortium and facility. Reported revenues with the Group's customers by contract type for the year ended 31 December 2022 and 2021 were as follows:

| | 2022 | 2021 |
|--|---------------|---------------|
| Treaty | \$ 6,801,866 | \$ 5,258,188 |
| Industry loss warranty and insurance linked security | 21,157 | - |
| Facultative | 1,872,046 | 715,229 |
| Binder, consortium, wholesale and facility | 20,809,261 | 15,450,961 |
| Advisory | 1,188,843 | 114,474 |
| Total contract revenue - commission and fees | 30,693,173 | 21,538,852 |
| Interest income | 226,450 | - |
| Total commission, fees and interest income | \$ 30,919,623 | \$ 21,538,852 |

During the year ended 31 December 2022 the Group earned total contract revenue from related parties amounting to \$1,657,188 (2021 - \$1,500,000) as described in Note 4. The majority of the Group's revenues are attributable to the Group's UK operations.

Assets and liabilities related to contracts with customers

The Group recognized the following assets and liabilities related to contracts with customers:

| | 2022 | 2021 |
|---------------------------------|--------------|--------------|
| Current contract receivables | \$ 8,854,747 | \$ 5,993,421 |
| Provision for doubtful accounts | (30,696) | (26,197) |
| Total due from trust fund | \$ 8,824,051 | \$ 5,967,224 |

3. Related Party Transactions

Amounts due from related parties are as follows. These amounts are unsecured, non-interest bearing, and have no fixed terms of repayment.

| | 2022 | 2021 |
|--|--------------|--------------|
| Acrisure, LLC | \$ 1,543,095 | \$ 1,543,095 |
| Acrisure International Holdings Limited | 12,148 | 2,373 |
| Acrisure Re Corporate Advisory & Solutions Limited | - | 176,405 |
| | \$ 1,555,243 | \$ 1,721,873 |

Acrisure Re UK Limited
Notes to Consolidated Financial Statements
(Denominated in U.S. Dollars)

31 December 2022

4. Related Party Transactions (continued)

Amounts due to related parties are as follows. These amounts are unsecured, non-interest bearing, and are due on demand.

| | 2022 | 2021 |
|--|----------------------|---------------------|
| Acrisure Re Canada Limited | \$ 9,841,942 | \$ 6,201,196 |
| Acrisure International Holdings Limited | - | 11,518 |
| Acrisure Re Corporate Advisory & Solutions Limited | 1,275,271 | - |
| Raetsheren van Orden B.V. | 6,718 | 213,263 |
| | <u>\$ 11,123,931</u> | <u>\$ 6,425,977</u> |

The due to related party balances include intercompany revenue and management fees, which are charged to the Company and its subsidiaries in exchange for administrative and operational services.

| | 2022 | 2021 |
|---------------------------|------------------------|------------------------|
| Revenue | | |
| Commissions & fees | \$ 1,657,188 | \$ 1,500,000 |
| Operating Expenses | | |
| Management fee | 23,245,008 | 16,663,872 |
| | <u>\$ (21,587,820)</u> | <u>\$ (15,163,872)</u> |

The Group also entered into the following transactions with key management personnel. These costs are included in management fees on the consolidated statement of comprehensive income.

| | 2022 | 2021 |
|--|-------------------|-------------------|
| Compensation and short-term employee benefits | \$ 893,310 | \$ 983,864 |
| Share-based compensation | - | 11,835 |
| <i>Total compensation and fees - directors</i> | <u>\$ 893,310</u> | <u>\$ 995,699</u> |

The total amount payable to the highest paid Director in respect of remuneration for all Group companies was \$612,329 (2021 - \$676,907).

Acrisure Re UK Limited
Notes to Consolidated Financial Statements
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| 5. Intangible Asset | Customer Relationships | Customer Relationships |
|---------------------------------|------------------------|------------------------|
| | 2022 | 2021 |
| Cost | | |
| Balance at 1 January | \$ 714,803 | \$ 714,803 |
| Additions | - | - |
| Balance at 31 December | 714,803 | 714,803 |
| Accumulated Amortization | | |
| Balance at 1 January | 148,414 | 100,761 |
| Amortization | 47,653 | 47,653 |
| Balance at 31 December | 196,067 | 148,414 |
| Net book value | | |
| 31 December | \$ 518,736 | \$ 566,389 |

6. Shareholders' Equity

(a) Share capital

Authorized:

Unlimited Ordinary shares, voting and participating, \$1 (2021 - \$1) nominal value.

Issued:

| | 2022 | 2021 |
|--------------------------------------|-----------------|-----------------|
| 1,100 Ordinary Shares (2021 - 1,100) | \$ 1,100 | \$ 1,100 |

(b) Share Premium

Share premium amounts to \$624,000 as at 31 December 2022 (2021 - \$624,000). No shares were issued in 2022.

(c) Non-controlling interest

The non-controlling interest represents the share capital owned by and the cumulative net comprehensive profit relating to the management shareholders of Acrisure London Wholesale Limited (ALW) who control 25% (2021 - 33.3%) of the outstanding share capital, and the management shareholders of Acrisure Re International Facultative Ltd (ARIF) who control 30% (2021 - 0%) of the outstanding share capital.

On February 28, 2022 ARIF issued 30,000 B Ordinary shares to the minority interest holders, representing \$7,833 of new minority share capital and premium.

Under the terms of a Shareholder's Agreement dated 22 August 2019, between the Company, as majority shareholder, the holder A Ordinary shares of ALW, and the management shareholders, the holder B Ordinary shares of ALW, the Company has the option to purchase a portion of the B Ordinary shares over a four-year period beginning in 2022. In 2022, Acrisure Re UK Limited acquired 8.325% with an original paid value of \$56,022 of B Ordinary shares, changing Acrisure Re UK Limited's ownership from 66.7% to 75%.

Acrisure Re UK Limited
Notes to Consolidated Financial Statements
(Denominated in U.S. Dollars)

31 December 2022

6. Shareholders' Equity (continued)

Further information about the non-controlling interests is given below:

| | 2022 | 2021 |
|---------------------------|--------------|--------------|
| Balance as at 1 January | \$ 1,223,459 | \$ (4,954) |
| Share of profits | 1,208,768 | 1,228,413 |
| Purchase of shares | (56,022) | - |
| Dividend payout | (999,373) | - |
| Issue of share capital | 7,833 | - |
| Balance as at 31 December | \$ 1,384,665 | \$ 1,223,459 |

7. Financial Instruments

Currency Risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's currency risk is primarily attributable to its cash, accounts receivable, due from trust fund, accounts payable and accrued liabilities and income taxes recoverable.

The Group is primarily exposed to currency risk with transactions in British Pounds (GBP), Euro (EUR) and Canadian dollar (CAD) and other currencies in which the Group enters into sales and service arrangements.

In addition to United States dollars, the Group earns revenue and incurs expenses denominated in GBP, EUR and CAD and is exposed to foreign exchange risk from fluctuations in GBP, EUR and CAD monetary working capital balances. The United States dollar equivalent of amounts included in the consolidated statement of financial position which are denominated in these foreign currencies were as follows:

| 31 December 2022 | CAD | EUR | GBP | Total |
|--|-------------|------------|------------|--------------|
| Cash | \$ 37 | \$ 372,562 | \$ 154,537 | \$ 527,136 |
| Accounts receivable | - | - | 9,453 | 9,453 |
| Due from trust fund | 24,653 | 375,804 | 707,281 | 1,107,738 |
| Accounts payable and accrued liabilities | (46,014) | (21,832) | (114,050) | (181,896) |
| Income tax payable | - | (5,058) | (78,071) | (83,129) |
| | \$ (21,324) | \$ 721,476 | \$ 679,150 | \$ 1,379,302 |

| 31 December 2021 | CAD | EUR | GBP | Total |
|--|------------|------------|--------------|--------------|
| Cash | \$ - | \$ 370,758 | \$ 733,084 | \$ 1,103,842 |
| Due from trust fund | 147,180 | 10,941 | 612,967 | 771,088 |
| Accounts payable and accrued liabilities | - | (6,368) | (80,121) | (86,489) |
| | \$ 147,180 | \$ 375,331 | \$ 1,265,930 | \$ 1,788,441 |

Acrisure Re UK Limited
Notes to Consolidated Financial Statements
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31 December 2022

7. Financial Instruments (continued)

The effect of a 20% strengthening of the Canadian dollar against the United States dollar at the reporting date, with all other variables held constant, would result in a decrease in net profit of \$4,265 (2021 - increase of \$29,436). A 20% weakening in the exchange rate, on the same basis, would increase net profit by \$4,265 (2021 - decrease of \$29,436).

The effect of a 20% strengthening of the British Pound against the United States dollar at the reporting date, with all other variables held constant, would result in an increase in net profit of \$135,830 (2021 - increase of \$253,186). A 20% weakening in the exchange rate, on the same basis, would decrease net profit by \$135,830 (2021 - decrease of \$253,186).

Similarly, the effect of a 20% strengthening of the Euro against the United States dollar at the reporting date, with all other variables held constant, would result in an increase in net profit of \$144,295 (2021 - \$75,066). A 20% weakening in the exchange rate, on the same basis, would decrease net profit by \$144,295 (2021 - \$75,066).

Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Group is exposed to credit risk resulting from the possibility that a counterparty to a financial instrument may default on their financial obligations; if there is a concentration of transactions carried out with the same counterparty; or if financial obligations have similar economic characteristics such that they could be similarly affected by changes in economic conditions. As at 31 December 2022, the Group's financial instruments that are exposed to concentrations of credit risk relate primarily to the due from trust fund and they amount to \$8,824,051 (2021 - \$5,967,224) as presented on the consolidated statement of financial position.

Liquidity Risk

Liquidity risk is the risk that the Group will not be able to meet all cash outflow obligations as they come due. The Group mitigates this risk by monitoring cash activities and expected inflows and outflows. As at 31 December 2022 the Group does not have any significant liquidity risk as management has determined that there are no material liabilities that can be called unexpectedly at the demand of a lender other than amounts due to related parties. The Group has no material commitments for capital expenditures and there is no need for such material expenditures in the normal course of business.

Fair Value Risk

Fair value risk is the risk of fluctuation in the value of the Group's assets and liabilities. Management believes that the fair value of all financial assets and liabilities approximates their carrying value, given the nature of these assets and liabilities.

Acrisure Re UK Limited
Notes to Consolidated Financial Statements
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8. Capital Management

The objectives of the Group's capital management initiatives are intended to safeguard the Group's ability to support its normal operating requirements on an ongoing basis and maximize the return to its shareholders. As at 31 December 2022, the capital of the Group consists of the items included in shareholder's equity. The Group manages the capital structure and makes adjustments in light of changes in economic conditions and the risk characteristics of the Group's assets. To effectively manage the entity's capital requirements, the Group has in place, a rigorous planning and budgeting process, to help determine the funds required to ensure the Group has the appropriate liquidity to meet its operating and growth objectives.

9. Income Taxes

The provision for income taxes differs from the result which would be obtained by applying the statutory income tax rates to income before taxes. This difference results from the following items:

| | 2022 | 2021 |
|---|--------------|--------------|
| Net profit before income taxes | \$ 6,497,756 | \$ 4,501,597 |
| Tax at domestic rates applicable to individual group entities (19%) | | |
| Current | 1,232,952 | 704,045 |
| Deferred | - | 151,258 |
| | 1,232,952 | 855,303 |
| Decrease in income tax resulting from: | | |
| Permanent difference | 2,721 | (10,970) |
| Refund from prior year | - | (65,122) |
| Group tax relief for nil consideration | (1,512,445) | (156,807) |
| Deferred tax not recognized | 387,845 | - |
| Other | (27,944) | 156,466 |
| Income tax expense | \$ 83,129 | \$ 778,870 |

There is an unrecognized deferred tax asset of \$643,198 for the year 2022.

10. Due From Trust Fund

The Group held the following amounts in trust, for the (re)insurance companies or other parties on whose behalf it acts as an intermediary at 31 December:

| | 2022 | 2021 |
|--|-----------------------|----------------------|
| Cash | \$ 66,178,263 | \$ 33,594,987 |
| Insurance and reinsurance amounts receivable | 226,892,187 | 60,469,463 |
| Total Assets | 293,070,450 | 94,064,450 |
| Insurance and reinsurance amounts payable | 284,246,399 | 88,097,226 |
| Due to general fund | 8,824,051 | 5,967,224 |
| Total Liabilities | \$ 293,070,450 | \$ 94,064,450 |

Acrisure Re UK Limited
Notes to Consolidated Financial Statements
(Denominated in U.S. Dollars)

Only the Due from trust fund is reported on the consolidated statement of financial position.

31 December 2022

11. Employee Costs

The Group had two employees (2021 - one) for the year ended 31 December 2022. The total salary and benefits costs were \$162,169 (2021 - \$12,789).

| | 2022 | 2021 |
|----------------------------|-------------------|-------------|
| Salaries and bonus | \$ 128,169 | \$ 11,259 |
| Pension and other benefits | 34,000 | 1,530 |
| Total employee costs | \$ 162,169 | \$ 12,789 |

12. Auditor's Remuneration

| | 2022 | 2021 |
|---|-------------------|-------------|
| For the audit of the Group's financial statements | \$ 103,768 | \$ 86,488 |
| For other assurance related services | 35,896 | 15,959 |
| | \$ 139,664 | \$ 102,407 |

Acrisure Re UK Limited Company Statement Information

In accordance with the Companies Act, the following financial statements detail the non-consolidated financial position of Acrisure Re UK Limited as at 31 December 2022. The non-consolidated financial disclosures below follow the same accounting policies for the consolidated Company as outlined above.

Acrisure Re UK Limited
Non-consolidated Statement of Comprehensive Income
(Denominated in U.S. Dollars)

| <i>For the year ended 31 December</i> | 2022 | 2021 |
|--|---------------------|-------------------|
| Revenue | | |
| Commissions, fees and interest income (Note 4) | \$ 9,130,934 | \$ 3,805,478 |
| Dividend income (Note 1) | <u>1,999,745</u> | <u>-</u> |
| | 11,130,679 | 3,805,478 |
| Operating expenses | | |
| Professional fees | 189,568 | 100,741 |
| Office and general | 80,455 | 29,206 |
| Promotion and entertainment | 3,895 | 4,999 |
| Bank charges | 40,574 | 14,037 |
| Management fees (Note 1) | 7,260,334 | 3,100,380 |
| Foreign exchange loss (gain) | <u>345,170</u> | <u>(3,143)</u> |
| | 7,919,996 | 3,246,220 |
| Net profit before income taxes | 3,210,683 | 559,258 |
| Income taxes credit | | |
| Current (Note 3) | <u>-</u> | <u>(65,703)</u> |
| Net comprehensive profit for the year | \$ 3,210,683 | \$ 624,961 |

| Acrisure Re UK Limited | | | |
|---|----------------------|---------------------|--|
| Non-consolidated Statement Financial Position as at 31 December 2022 | | | |
| (Denominated in U.S. Dollars) | | | |
| | 31 December | 31 December | |
| | 2022 | 2021 | |
| Assets | | | |
| Current | | | |
| Cash | \$ 6,727,366 | \$ 3,326,209 | |
| Accounts receivable | 616 | - | |
| Due from related parties (Note 1) | 110,352 | 280,911 | |
| Due from trust fund (Note 5) | 8,185,699 | 5,466,514 | |
| Prepaid expenses | 25,541 | 8,616 | |
| | 15,049,574 | 9,082,250 | |
| Non-current | | | |
| Share subscription receivable | - | 100 | |
| Investment in subsidiaries (Note 2) | 4,130,698 | 498,946 | |
| | 4,130,698 | 498,946 | |
| Total Assets | \$ 19,180,272 | \$ 9,581,296 | |
| Liabilities and Shareholder's Equity | | | |
| Current | | | |
| Accounts payable and accrued liabilities | \$ 172,992 | \$ 78,652 | |
| Share subscription payable | 8,610 | 1 | |
| Due to related parties (Note 1) | 13,069,874 | 6,784,530 | |
| | 13,251,476 | 6,863,183 | |
| Total liabilities | 13,251,476 | 6,863,183 | |
| Shareholder's equity | | | |
| Issue of share capital | 1,100 | 1,100 | |
| Share premium | 624,000 | 624,000 | |
| Retained earnings | 5,303,696 | 2,093,013 | |
| | 5,928,796 | 2,718,113 | |
| Total shareholder's equity | 5,928,796 | 2,718,113 | |
| Total shareholder's equity and liabilities | \$ 19,180,272 | \$ 9,581,296 | |

Acrisure Re UK Limited
Non-consolidated Statement of Cash Flows
(Denominated in U.S. Dollars)

| For the year ended 31 December | 2022 | 2021 |
|---|---------------------|---------------------|
| Cash provided by (used in) | | |
| Operating activities | | |
| Net comprehensive profit for the period | \$ 3,210,683 | \$ 624,961 |
| Change in operating account balances | | |
| Accounts receivable | (616) | - |
| Accounts payable and accrued liabilities | 94,340 | 5,576 |
| Deferred revenue | - | (819) |
| Due from trust fund | (2,719,185) | (5,466,514) |
| Prepaid expenses | (16,925) | (8,616) |
| Due to related parties | 6,285,344 | 6,776,576 |
| Due from related parties | 170,559 | 1,235,279 |
| Cash flow provided by operating activities | 7,024,200 | 3,166,443 |
| Investing activities | | |
| Investment in subsidiaries | (3,631,752) | (499,046) |
| Share subscription payable | 8,609 | - |
| Share subscription receivable | 100 | - |
| Cash flow used in investing activities | (3,623,043) | (499,046) |
| Increase in cash during the year | 3,401,157 | 2,667,397 |
| Cash, beginning of year | 3,326,209 | 658,812 |
| Cash, end of year | \$ 6,727,366 | \$ 3,326,209 |

Acrisure Re UK Limited
Non-consolidated Statement of Changes in Shareholder's Equity
(Denominated in U.S. Dollars)

| | Share Capital | Share Premium | Retained Earnings | Total Shareholder's Equity |
|---------------------------------------|---------------|---------------|-------------------|----------------------------|
| 1 January 2022 | \$ 1,100 | \$ 624,000 | \$ 2,093,013 | \$ 2,718,113 |
| Net Comprehensive profit for the year | - | - | 3,210,683 | 3,210,683 |
| 31 December 2022 | \$ 1,100 | \$ 624,000 | \$ 5,303,696 | \$ 5,928,796 |

| | Share Capital | Share Premium | Retained Earnings | Total Shareholder's Equity |
|---------------------------------------|---------------|---------------|-------------------|----------------------------|
| 1 January 2021 | \$ 1,100 | \$ 624,000 | \$ 1,468,053 | \$ 2,093,153 |
| Net Comprehensive profit for the year | - | - | 624,960 | 624,960 |
| 31 December 2021 | \$ 1,100 | \$ 624,000 | \$ 2,093,013 | \$ 2,718,113 |

Additional Notes Related to the Acrisure Re UK Limited Non-Consolidated Statements

1. Related Party Transactions

Amounts due from related parties are as follows. These amounts are unsecured, non-interest bearing and have no fixed terms of repayment.

| | 2022 | 2021 |
|--|-------------------|-------------------|
| Acrisure International Holdings Limited | \$ 2,212 | \$ - |
| Acrisure Re Netherlands B.V. | 65,046 | 61,411 |
| Acrisure Re Corporate Advisory & Solutions Limited | - | 176,406 |
| Acrisure, LLC | 43,094 | 43,094 |
| | <u>\$ 110,352</u> | <u>\$ 280,911</u> |

Amounts due to related parties are as follows. These amounts are unsecured, non-interest bearing and have no fixed terms of repayment.

| | 2022 | 2021 |
|--|----------------------|---------------------|
| Acrisure London Wholesale Limited | \$ 10,119,574 | 5,514,451 |
| Acrisure Re Canada Limited | 1,660,452 | 1,258,560 |
| Acrisure Re Corporate Advisory & Solutions Limited | 1,275,271 | - |
| Acrisure International Facultative Limited | 14,577 | - |
| Acrisure International Holdings Limited | - | 11,519 |
| | <u>\$ 13,069,874</u> | <u>\$ 6,784,530</u> |

The due to related party balances include management fees, which are charged to the Company and its subsidiaries in exchange for administrative and operational services.

| | 2022 | 2021 |
|---------------------------|---------------------|---------------------|
| Operating Expenses | | |
| Management fee | \$ 7,260,334 | \$ 3,100,380 |
| | <u>\$ 7,260,334</u> | <u>\$ 3,100,380</u> |

Dividend income of \$1,999,745 for the year ended 31 December 2022 is from a related subsidiary company.

2. Investment in Subsidiaries

Investment in subsidiaries includes the cost of shares in the Company's majority-owned subsidiaries, as follows: (a) Acrisure London Wholesale Limited of \$4,015,332 (2021 - \$448,846). This represents 75% (2021 - 66.7%) of the outstanding share capital of Acrisure London Wholesale Limited. The remaining 25% (2021 - 33.3%) is owned by its management group, (b) Acrisure Re International Facultative Limited of \$65,266 (2021 - \$1). This represents 70% (2021 - 100%) of the outstanding share capital of Acrisure Re International Facultative Limited. The remaining 30% (2021 - Nil) is owned by its management group, and (c) Acrisure Re Netherlands B.V. of \$50,100 (2021 - \$50,100).

Refer to note 1 of the Consolidated Financial Statements for a full listing of subsidiaries.

Additional Notes Related to the Acrisure Re UK Limited Non-Consolidated Statements

3. Income Taxes

The provision for income taxes differs from the result which would be obtained by applying the statutory income tax rates to income before taxes. This difference results from the following items:

| | 2022 | 2021 |
|--|--------------|-------------|
| Net profit before income taxes | \$ 3,210,683 | \$ 559,257 |
| Tax at domestic rate of 19% | 610,030 | 106,259 |
| Net decrease in income tax resulting from: | | |
| Permanent difference | 740 | 950 |
| Prior year refund | - | (65,122) |
| Group tax relief for nil consideration | (230,818) | (107,225) |
| Non taxable dividend income | (379,952) | - |
| Other | - | (565) |
| Income tax credit | \$ - | \$ (65,703) |

4. Revenue from contracts with customers

Disaggregation of revenue from contracts with customers

The Company's key service categories include Reinsurance, Portfolio and Advisory. Reinsurance includes treaty, industry loss warranty and insurance linked security and facultative contracts. Portfolio includes binder, consortium and facility. Reported revenues with the Company's customers by contract type for the years ended 31 December 2022 and 2021 were as follows:

| | 2022 | 2021 |
|--|--------------|--------------|
| Treaty | \$ 3,703,477 | \$ 3,051,403 |
| Industry loss warranty and insurance linked security | 20,000 | - |
| Facultative | 67,605 | 17,503 |
| Binder, consortium, wholesale and facility | 3,924,559 | 622,098 |
| Advisory | 1,188,843 | 114,474 |
| Total contract revenue - commission and fees | 8,904,484 | \$ 3,805,478 |
| Interest income | 226,450 | - |
| Total commission, fees, and interest income | \$ 9,130,934 | \$ 3,805,478 |

Additional Notes Related to the Acrisure Re UK Limited Non-Consolidated Statements

5. Due From Trust Fund

The Company held the following amounts in trust, for the (re)insurance companies or other parties on whose behalf it acts as an intermediary as at 31 December:

| | 2022 | 2021 |
|---|----------------------|----------------------|
| Cash | \$ 62,010,573 | \$ 32,143,521 |
| Insurance and reinsurance amount receivable | 23,320,125 | 56,846,599 |
| Total Assets | 85,330,698 | 88,990,120 |
| Insurance and reinsurance amount payable | 77,144,999 | 83,523,606 |
| Due to general fund | 8,185,699 | 5,466,514 |
| Total Liabilities | \$ 85,330,698 | \$ 88,990,120 |

Only the Due from trust fund is reported on the Company's statement of financial position.