

Bspoke Underwriting Ltd
(Formerly known as UK General Insurance Limited)
Annual Report and Financial Statements
for the period ended 30 March 2023

SATURDAY



A03 *ACIZVCIW* #206
23/12/2023
COMPANIES HOUSE

Company Registration No. 4506493

Contents	Page
Officers and Advisers	2
Strategic Report for the period ended 30 March 2023	3
Directors' Report for the period ended 30 March 2023	7
Independent Auditor's Report to the members of Bspoke Underwriting Ltd	10
Profit and Loss Account for the period ended 30 March 2023	14
Balance Sheet as at 30 March 2023	15
Statement of Changes in Equity for the period ended 30 March 2023	16
Notes to the Financial Statements for the period ended 30 March 2023	17

Officers and Advisers

Directors	Mr R M Gill	
	Mr T J Smyth	
	Mr J A Tweedie	(resigned 24 October 2022)
	Mr C R Hunter	(appointed 18 January 2023)
	Mr J Turner	(appointed 8 December 2023)
Secretary	Mrs P J Fullerton	(appointed 1 June 2022)
	Mrs E A Brophy	(Resigned 31 May 2022)
Principal bankers	HSBC Bank UK City of London Corporate Banking Centre Level 6 71 Queen Victoria Street London EC4V 4AY	
Independent auditors	Crowe U.K. LLP Chartered Accountants and Statutory Auditors 3 rd Floor The Lexicon Mount Street Manchester M2 5NT	
Registered office	Brookfield Court Selby Road Leeds West Yorkshire LS25 1NB	
Company Registration number	4506493	

Strategic Report for the period ended 30 March 2023

The Directors present their Strategic Report on the Company for the 12 month period ended 30 March 2023.

Principal activities

The Company's principal activities are that of an insurance intermediary.

Review of the business

Bspoke Underwriting Ltd is a UK specialist personal lines insurance provider operating as a Managing General Underwriter (MGU) with authority to bind insurance business on behalf of certain insurance companies and is the sole trading subsidiary of Chicago Holdco Limited. The Company offers a diverse product range through a broad distribution network, which includes retail intermediaries, introducers, affinities and wholesale brokers. The strategic vision for the Company is to create long term value by combining multi-channel distribution with an attractive range of products and to deliver sustainable underwriting profitability through the provision of stable, high quality insurance capacity.

The results for the Company as set on page 14 show a turnover of £2,522,621 (2022: 107,575) and operating loss of £3,169,445 (2022: loss of £8,374,518) before exceptional credits of £1,509,070 (2022: cost of £908,684) resulting in an operating loss after exceptional items of £1,660,375 (2022: loss of £9,283,202). Total equity of the Company is £2,417,159 (2022: £3,371,068).

Trading results for the period reflect the ongoing transformation of the business alongside the impact of restructuring certain aspects of the Company's balance sheet as a result of the Group's acquisition by Bspoke Insurance Group Ltd. The strategy to deliver sustainable growth through focusing on niche and specialist product lines and profitable underwriting continues to make progress and the runoff of legacy contracts nears conclusion.

Gross written premiums of £53.8m (2022: £55.9m) delivered improved underwriting results and turnover for the period, despite exited business lines. Turnover was reduced by £2.1m due to the return of commissions to a capacity partner from historic underwriting. Costs associated with administration activities reduced significantly during the period due to the reducing impact of legacy contracts and delivery of ongoing operational efficiencies.

The Board is focused on executing its strategy to produce measured sustainable growth in the Company and has confidence the resources and new business opportunities available to deliver profitable returns in the future. The business enjoys a strong new business pipeline which will drive improvement in underwriting profitability, its investment in data, technology and people and understanding the customer will create value for the shareholders, capacity providers and our customers.

Future outlook

The Board are optimistic for the Company's future prospects and its ability to deliver profitable growth under its strategy to focus on profitable underwriting in targeted niche and specialist products. In addition the runoff of legacy contracts which are nearing conclusion will result in further cost reduction. As part of the wider Bspoke Insurance Group of companies, the Company has significant opportunities to scale up by growing its client base, product range and distribution channels as well as leverage increased investment, access to group resource and expertise, and the ability to drive operational synergies and efficiencies.

Strategic Report for the period ended 30 March 2023 (continued)**Statement by the Directors in performance of their statutory duties in accordance with s172(1) Companies Act 2006**

The Directors believe they have acted in a way they consider would be the most likely to promote the success of the Company for the benefit of its members as a whole having regard to, but not limited to, matters set out in s172(1) of the Companies Act 2006.

In doing this, section 172 requires a Director to have regard, among other matters, to: the likely consequences of any decision in the long term; the interests of the Company's employees; the need to foster the Company's business relationships with suppliers, clients, and others; the impact of the Company's operations on the community and the environment; the desirability of the Company for high standards of business conduct; and the need to act fairly with members of the Company.

The Directors give careful consideration to the factors set out above in discharging their duties under section 172. The stakeholders considered in this regard are the people who work for the Company, its customers and client partners, shareholders, regulatory bodies and those that live in the societies within which the Company operates. The Directors recognise that building strong relationships with stakeholders will help to deliver the strategy in line with the Company's long-term values and operate the business in a sustainable way. The Directors are committed to doing business responsibly and for the long term.

Principal risks and uncertainties

The process of risk acceptance and risk management is addressed through a framework of policies, procedures and internal controls. Key policies are subject to Board approval and ongoing review by Directors delegated with the appropriate responsibilities. Compliance with regulations, legal and ethical standards is a high priority for the Company. The Senior Management Team holds regular meetings to review and report back to the Board on all risk related issues.

Notable strategic risks and uncertainties related to the Company's business model and trading environment are:

- the Company's continued delivery of improved underwriting results in a competitive marketplace;
- the availability of stable, high-quality insurance capacity on acceptable commercial terms;
- changes to regulations which undermine the Company's business model;
- the entrance of significant competitors and/or 'disrupters' in the Company's core markets

Financial Risk Management**Underwriting risk**

The Company's commission income, and therefore financial performance, is directly linked to the underwriting results of its portfolio of business within a pre-defined range. Underwriting risk arises from the inaccurate assessment of risks associated with writing an insurance contract, which may result in increased claims relative to premium. Investment in the business has improved the management of underwriting risk through implementing a more robust control framework, process improvement and investment in data quality and analytics. This is enhanced by a framework of regular performance monitoring at distributor, product, scheme and portfolio levels. The Company alongside its capacity partners also purchases reinsurance contracts to mitigate the risk of factors outside its control, such as weather-related events.

Strategic Report for the period ended 30 March 2023 (continued)**Financial Risk Management (continued)****Credit risk**

Credit risk is the risk that a counterparty will be unable to pay amounts in full when due. Key areas where the Company is exposed to credit risk are amounts due from group undertakings, insurers, reinsurers and insurance intermediaries. The Company manages the levels of credit risk it accepts by placing limits on its exposure to a single counterparty, and such risks and tolerances are subject to regular review. Management assesses the creditworthiness of all insurers, reinsurers and intermediaries by reviewing credit grades provided by rating agencies and other publicly available financial information. Each account is closely monitored by the credit control function.

Liquidity risk

Liquidity risk is the risk that cash may not be available to pay obligations when due. The primary liquidity risk of the Company is the obligation to pay insurers. All insurance-related monies are held in non-statutory trust accounts for the sole benefit of the relevant insurers. Regular forecasts are performed to ensure that the Company maintains an appropriate level of liquidity. There are sufficient working capital facilities available within the Group to support amounts owed from Group undertakings.

Interest rate risk

Interest rate risk arises from loans to/from group companies. The Company monitors interest rates on a monthly basis and reviews the materiality of the impact of any changes.

Currency risk

The Company manages its foreign exchange risk against its functional currency. Foreign exchange arises when future commercial transactions or recognised assets and liabilities are denominated in a currency that is not the Company's functional currency.

The Company's exposure to currency risk is limited and relates to legacy liabilities under policies of insurance denominated in currencies other than sterling. The most significant currency to which the Company is exposed is the Euro, and the Company seeks to mitigate the risk by monitoring the materiality of this source of income and regularly reviewing the impact of changes in exchange rate.

Key performance indicators

Financial key performance indicators include gross written premiums of 2023: £53,801,633 (2022: £55,882,741) turnover 2023: £2,522,621 (2022: £107,575) and operating loss before exceptional items 2023: £3,169,445 (2022: £8,243,798). Non-financial key performance indicators are focused on customer outcomes, service levels, conduct risk and operational effectiveness. These are monitored on a regular basis by management and form part of the monthly reporting cycle.

Financial Risk Management (continued)**Going Concern**

The Directors have assessed the appropriateness of the going concern basis of preparation, including review and appraisal of future prospects of the Company, working capital facilities available to the Company via its group relationships and consideration of assets at its disposal and its ability to settle future liabilities as they arise.

The Directors have modelled cashflows over the next 12 months based on a number of potential scenarios and performed sensitivity analysis on the projections. Following this analysis the Directors consider that it is appropriate for the accounts to be prepared on a going concern basis of accounting.

Approved by the Board and signed on its behalf by:



.....
Mr C R Hunter

Director

Date: 22 December 2023

Directors' Report for the period ended 30 March 2023

The Directors present their Annual Report and Financial Statements for the 12-month period ended 30 March 2023.

Dividends

During the year £nil interim dividends were paid (2022: £nil). The Directors do not recommend payment of a final dividend (2022: £nil).

Charitable and political donations

During the year the Company made no charitable or political donations (2022: £nil).

Directors

The Directors of the Company who were in office during the year and up to the date of signing the financial statements were:

Mr R M Gill

Mr T J Smyth

Mr J A Tweedie (resigned 24 October 2022)

Mr C R Hunter (appointed 18 January 2023)

Mr J Turner (appointed 8 December 2023)

Secretary

Mrs P J Fullerton (appointed 1 June 2022)

Mrs E A Brophy (resigned 31 May 2022)

Future Developments

Future developments are discussed in the strategic report on pages 3.

Financial Risk Management

Financial risks are discussed in the strategic report on pages 5-6.

Qualifying third-party indemnity provisions

The Directors are protected by an indemnity insurance provision as defined by Section 234 of the Companies Act 2006. The indemnity cover has been in place for the last and current financial year. The cover is still in place at the date of signing this report.

Directors' Report for the period ended 30 March 2023 (continued)**Employees**

The Company's employees represent a wide variety of skills and abilities. The Directors endeavor to provide training, safe and pleasant working conditions, good communication and teamwork, and a sense of pride and purpose that enables each individual to flourish.

Recruitment and promotion is undertaken without prejudice to age, sex or race and, in particular, the Company recognises the contribution which can be made by disabled employees and gives them consideration for employment equal to that of the able-bodied, taking account of job requirements and the practical accommodations which can be made.

The Company places value on the involvement of its employees and has continued to keep them informed of matters affecting them as employees and on the various factors affecting the performance of the Company. This is achieved through formal and informal meetings and the Company's intranet.

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law). 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 financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for 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.

Directors' Report for the period ended 30 March 2023 (continued)**Directors' confirmations**

In the case of each Director in office at the date the Directors' Report is approved:

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

Independent auditors

The Company has elected to dispense with the requirement to hold an Annual General Meeting and reappoint auditors annually. Accordingly, Crowe U.K. LLP, having indicated their willingness to do so, will continue as the company's auditors.

Approved by the Board and signed on its behalf by:



.....
Mr C R Hunter

Director

Date: 22 December 2023

Independent auditors' report to the members of Bspoke Underwriting Ltd**Opinion**

We have audited the financial statements of Bspoke Underwriting Limited for the year ended 30 March 2023 which comprise the profit and loss account; the balance sheet as at 30 March 2023; and the statement of changes in equity for the period then ended, and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 March 2023 and of its loss for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether 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.

Independent auditors' report to the members of Bspoke Underwriting Ltd (continued)**Opinion on other matter prescribed by the Companies Act 2006**

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

- the information given in the Directors' report for the financial period for which the financial statements are prepared is consistent with the financial statements; and
- the Directors' report has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

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

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

- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the Directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies exemption in preparing the Directors report and from the requirement to prepare a strategic report.

Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement [set out on page 8], 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 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 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.

Independent auditors' report to the members of Bspoke Underwriting Ltd (continued)**Auditor's responsibilities for the audit of the financial statements (continued)**

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

We obtained an understanding of the legal and regulatory frameworks that are applicable to the Company and determined the most significant are the appropriate accounting standards in conformity with the requirements of the Companies Act 2006 and the Financial Services legislation.

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our sector experience, through discussion with the Directors, and from inspection of the Company's board minutes and legal and regulatory correspondence. We discussed the policies and procedures regarding compliance with laws and regulations with the Group Head of Finance.

We assessed the susceptibility of the financial statements to material misstatement, including how fraud might occur, by meeting with management from relevant parts of the business to understand where management considered there was a susceptibility to fraud. We also considered the potential for management to manage earnings and influence the perceptions of the financial statements.

We identified the greatest risk of material impact on the financial statements from irregularities, including fraud, to be the override of controls by management and the timing of recognition of income.

Audit procedures performed by the engagement team included:

- Evaluation of the design of controls established to address the risks related to material irregularities in the financial statements; Testing manual journal entries, in particular journal entries relating to management estimates and entries determined to be large or relating to non-routine transactions.
- Evaluation of income recognition policies and any judgements made around income recognition; reviewing the income system for significant deficiencies or susceptibility to fraud;
- Challenging assumptions and judgements made by management in their significant accounting estimates;
- Agreement of the financial statement disclosures to underlying supporting documentation;
- Making enquiries of management;
- Review of minutes of board meetings throughout the period;

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

Independent auditors' report to the members of Bspoke Underwriting Ltd (continued)**Auditor's responsibilities for the audit of the financial statements (continued)**

Owing to the inherent limitations of an audit there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. We are not responsible for preventing non-compliance and cannot be expected to detect non-compliance with all laws and regulations. These inherent limitations are particularly significant in the case of misstatement resulting from fraud as this may involve sophisticated schemes designed to avoid detection, including deliberate failure to record transactions, collusion or the provision of intentional misrepresentations.

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

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.



Michael Jayson
Senior Statutory Auditor
For and on behalf of
Crowe U.K. LLP
Statutory Auditor
The Lexicon
Mount Street
Manchester
M2 5NT
22 December 2023

**Profit and Loss Account
for the period ended 30 March 2023**

		Period ended 30 March 2023 £	Period ended 30 March 2022 £
Turnover	6	2,522,621	107,575
Administration activities		(5,692,066)	(8,482,093)
Operating loss before exceptional items		(3,169,445)	(8,374,518)
Exceptional items	9	1,509,070	(908,684)
Operating (loss) / profit	7	(1,660,375)	(9,283,202)
Interest receivable and similar income	10	755,738	635,595
(Loss) / profit before taxation		(904,637)	(8,647,607)
Tax on (Loss) / profit	11	(49,272)	1,241,157
(Loss) / profit for the financial year		(953,909)	(7,406,450)

The notes to the financial statements on pages 17 to 31 form an integral part of these financial statements.

The Company has no recognised gains or losses other than the (loss) / profit for the financial year included above and therefore no separate statement of other comprehensive income has been presented.

Balance Sheet
as at 30 March 2023

	Note	2023 £	2022 £
Fixed assets			
Intangible assets	12	97,620	196,148
Tangible assets	13	20,905	38,757
		<u>118,525</u>	<u>234,905</u>
Current assets			
Debtors	14	7,576,146	11,871,912
Cash at bank and in hand	15	2,282,248	2,250,893
		<u>9,858,394</u>	<u>14,122,805</u>
Creditors: amounts falling due within one year	16	(1,982,363)	(7,956,805)
Net current assets		<u>7,876,031</u>	<u>6,166,001</u>
Total assets less current liabilities		<u>7,994,556</u>	<u>6,400,906</u>
Creditors: amounts falling due after more than one year	17	(5,333,989)	(2,553,972)
Provisions for liabilities and charges	18	(243,408)	(475,866)
Net assets		<u>2,417,159</u>	<u>3,371,068</u>
Capital and reserves			
Called up share capital	19	2,301,000	2,301,000
Retained earnings		116,159	1,070,068
Total equity		<u>2,417,159</u>	<u>3,371,068</u>

The notes to the financial statements on pages 17 to 31 form an integral part of these financial statements.

The financial statements on pages 14 to 31 were approved by the Board on 22nd December 2023 and signed on its behalf by:



.....
Mr C R Hunter
Director

Bspoke Underwriting Ltd
Company registration number: 4506493

**Statement of Changes in Equity
for the period ended 30 March 2023**

	Called up share capital £	Retained earnings / (Accumulated losses) £	Total equity £
Balance as at 31 March 2021	2,301,000	8,476,518	10,777,518
Loss for the financial year	-	(7,406,450)	(7,406,450)
Total comprehensive expense for the year		(7,406,450)	(7,406,450)
Balance as at 30 March 2022	2,301,000	1,070,068	3,371,068
Balance as at 31 March 2022	2,301,000	1,070,068	3,371,068
Loss for the financial year	-	(953,909)	(953,909)
Total comprehensive expense for the year		(953,909)	(953,909)
Balance as at 30 March 2023	2,301,000	116,159	2,417,159

The notes to the financial statements on pages 17 to 31 form an integral part of these financial statements.

**Notes to the Financial Statements
for the period ended 30 March 2023****1. General Information**

Bspoke Underwriting Ltd changed its name from UK General Insurance Limited on 13th April 2023 and operates as an insurance intermediary.

The Company is a private company limited by shares and is incorporated in the United Kingdom. The address of its registered office is Brookfield Court, Selby Road, Leeds, West Yorkshire, LS25 1NB.

2. Statement of compliance

The financial statements of Bspoke Underwriting Ltd have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" (FRS 102) and the Companies Act 2006.

3. Summary of significant accounting policies

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

Basis of preparation

These financial statements have been prepared on the going concern basis, under the historical cost convention.

The preparation of financial statements in conforming to FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 5.

Exemptions for qualifying entities under FRS 102

FRS 102 allows a qualifying entity certain disclosure exemptions, subject to certain conditions, which have been complied with, including notification of, and no objection to, the use of exemptions by the Company's shareholders.

These exemptions are:

- a reconciliation of the number of shares outstanding at the beginning and end of the period. (FRS 102 para 4.12(a)(iv));
- the requirement to prepare a statement of cash flows. (Section 7 of FRS 102 and para 3.17(d));
- certain financial instrument disclosures providing equivalent disclosures are included in the consolidated financial statements of the Group in which the entity is consolidated. (FRS 102 paras 11.39 – 11.48A, 12.26 – 12.29).

The financial statements take advantage of the exemption from disclosing key management personnel compensation. (FRS 102 paras 1.12(e), 33.7).

**Notes to the Financial Statements
for the period ended 30 March 2023 (continued)****3. Summary of significant accounting policies (continued)****Turnover**

The Company generates turnover principally from commissions associated with operating as an insurance underwriting agent. Turnover from brokerage, commissions and fees from insurance intermediary businesses are recognised at the later of when notification of the policy sale has been received or the effective commencement date of the related policy. This is in accordance with FRS 102 that requires recognition no earlier than the effective commencement date.

Insurance underwriting commissions are subject to adjustment based on the performance of the underlying insurance products and that in order to estimate this assumptions are required in relation to the future performance of the policies written.

Profit or volume based commission, which is received periodically, is recognised when the amount can be measured with reasonable certainty.

Where there is an expectation of future servicing requirements for the policies in force an element of income is deferred to cover the estimated fair value of the associated contractual obligation.

Exceptional items

The Company classifies certain one-off charges or credits that have a material impact on the financial results as 'exceptional items'. These are disclosed separately to provide further understanding of the financial performance.

Foreign currencies

The Company's functional and presentation currency is the pound sterling.

Monetary assets and liabilities in foreign currencies are expressed in sterling at exchange rates ruling at the balance sheet date. Income and expenses in foreign currencies are translated into sterling at either rates of exchange ruling at the date on which the transactions occur or at the average rate of exchange during the period where this is a suitable approximation. Any exchange differences arising on transactions in foreign currencies during the period are dealt with through the profit and loss account.

Goodwill

Business combinations are accounted for by applying the purchase method.

Goodwill recognised represents the excess of the fair value and directly attributable costs of the purchase consideration over the fair values in the identifiable net assets, liabilities and contingent liabilities acquired. On acquisition, goodwill is allocated to cash-generating units ('CGUs') that are expected to benefit from the combination. Goodwill prior to FRS 102 adoption is amortised over its expected useful life which is 20 years. Goodwill post FRS 102 adoption is amortised over its expected useful life which is 10 years.

As part of the formation of these financial statements the Company has considered whether intangible assets and/or goodwill are to be impaired.

**Notes to the Financial Statements
for the period ended 30 March 2023 (continued)****3. Summary of significant accounting policies (continued)****Intangible assets**

Computer software is stated at cost less accumulated amortisation and accumulated impairment losses. Intangible assets relating to software are written off on a straight line basis over their estimated useful lives of 4 years.

Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Company are recognised as intangible assets when the following criteria are met:

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

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

Where factors, such as technological advancement or changes in market price, indicate that residual value or useful life have changed, the residual value, useful life or amortisation rate are amended prospectively to reflect the new circumstances.

Tangible assets

Tangible assets are stated at cost (or deemed cost) less accumulated depreciation and accumulated impairment losses. Cost includes the original purchase price, costs directly attributable to bringing the asset to its working condition for its intended use, dismantling and restoration costs and borrowing costs capitalised.

Depreciation

Tangible fixed assets, including assets held under finance leases and hire purchase contracts, are written off on a straight-line basis over their estimated useful lives of 4 years, or the period of the finance lease/hire purchase agreement if shorter.

Operating leases

At inception the Company assesses agreements that transfer the right to use assets. The assessment considers whether the arrangement is, or contains, a lease based on the substance of the arrangement. Leases that do not transfer all the risks and rewards of ownership are classified as operating leases. Payments under operating leases are charged to the profit and loss account on a straight-line basis over the period of the lease. Rentals payable under operating leases are charged on a straight-line basis over the term of the lease.

**Notes to the Financial Statements
for the period ended 30 March 2023 (continued)****3. Summary of significant accounting policies (continued)****Taxation**

Taxation expense for the period comprises current and deferred tax recognised in the reporting period. Current or deferred taxation assets and liabilities are not discounted.

i) Current tax

Current tax is the amount of income tax payable in respect of the taxable profit for the year or prior years. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the year end.

ii) Deferred tax

Deferred tax arises from timing differences that are differences between taxable profits and total comprehensive income as stated in the financial statements. These timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements.

Deferred tax is recognised on all timing differences at the reporting date. Unrelieved tax losses and other deferred tax assets are only recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the year end and that are expected to apply to the reversal of the timing difference.

Employee benefits

The Company provides a range of benefits to employees, including annual bonus arrangements, paid holiday arrangements and defined contribution pension plans.

Short term benefits, including holiday pay and other similar non-monetary benefits, are recognised as an expense in the period in which the service is received.

The Company operates a non-contributory defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payment obligations. The contributions are recognised as an expense when they are due. Amounts not paid are shown in accruals in the balance sheet. The assets of the plan are held separately from the Company in independently administered funds.

Cash and cash equivalents

Cash and cash equivalents include cash in hand available to the Company and excludes designated insurer bank accounts which comprise premium due to insurer partners, claims floats provided by insurer partners and commissions due to trading partners.

**Notes to the Financial Statements
for the period ended 30 March 2023 (continued)****3. Summary of significant accounting policies (continued)****Provisions and contingencies**

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount of the obligation can be estimated reliably.

Restructuring provisions are recognised when the Company has a detailed, formal plan for the restructuring and has raised a valid expectation in those affected by either starting to implement the plan or announcing its main features to those affected and therefore has a legal or constructive obligation to carry out the restructuring.

Contingent liabilities are not recognised. Contingent liabilities arise as a result of past events when (i) it is not probable that there will be an outflow of resources or that the amount cannot be reliably measured at the reporting date or (ii) when the existence will be confirmed by the occurrence or non-occurrence of uncertain future events not wholly within the Company's control. Contingent liabilities are disclosed in the financial statements unless the probability of an outflow of resources is remote.

Contingent assets are not recognised. Contingent assets are disclosed in the financial statements when an inflow of economic benefits is probable.

Financial instruments

The Company has chosen to adopt Sections 11 and 12 of FRS 102 in respect of financial instruments.

Basic financial assets, including trade and other receivables, cash and bank balances, are initially recognised at transaction price, 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. Such assets are subsequently carried at amortised cost using the effective interest method.

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. 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.

Basic financial liabilities, including trade and other payables, 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 receipts discounted at a market rate of interest. Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

**Notes to the Financial Statements
for the period ended 30 March 2023 (continued)****3. Summary of significant accounting policies (continued)****Financial instruments (continued)**

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

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

Financial assets and liabilities are offset and 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.

Related party transactions

The Company discloses transactions with related parties which are not wholly owned within the same group. It does not disclose transactions with members of the same group that are wholly owned.

Insurance balances

Insurance balances, being amounts ultimately receivable from policyholders in respect of net written premiums and payable to the insurer and insurance monies held in designated insurance money accounts are only recognised to the extent that the Company retains the risks and rewards of ownership. Under FRS 102 management consider these amounts are not included as an asset or liability as they do not meet the criteria for recognition of a financial asset or liability.

Share capital

Ordinary shares are classified as equity.

Interim dividends on ordinary shares are recognised in equity in the period in which they are paid. Final dividends on these shares are recognised when they have been approved by shareholders.

4. Going concern assessment

The Directors have assessed the appropriateness of the going concern basis of preparation, including review and appraisal of future prospects of the Company, working capital facilities available to the Company via its group relationships and consideration of assets at its disposal and its ability to settle future liabilities as they arise.

The Directors have modelled cashflows over the next 12 months based on a number of potential scenarios and performed sensitivity analysis on the projections. Following this analysis the Directors consider that it is appropriate for the accounts to be prepared on a going concern basis of accounting.

Notes to the Financial Statements for the period ended 30 March 2023 (continued)

5. Critical accounting judgements and estimation uncertainty

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

Where contracts contain judgement based on underwriting performance, which directly impacts commission income, accruals are recognised when the amount can be measured with reasonable certainty based on data driven actuarial analysis and techniques. This requires management's best estimate of the income or costs that will be incurred based on contractual arrangements and expected timing of settlement.

Management assess that the key estimates contained within these financial statements relate to insurance liabilities with capacity providers and such contracts are currently accrued at the relevant exposure for business written to 30 March 2023.

Included within these financial statements is a provision relating to a previously disclosed customer contact and remediation exercise where management have accounted for potential premiums applicable.

6. Turnover

All turnover and (loss) / profit before taxation is derived from the Company's principal activities of an underwriting agency within the United Kingdom and the rest of Europe.

	2023	2022
	£	£
UK	<u>2,522,621</u>	<u>107,575</u>
	<u>2,522,621</u>	<u>107,575</u>

7. Operating (loss) / profit

Operating (loss) / profit is stated after charging:

	2023	2022
	£	£
Amortisation of intangible assets - software	104,781	97,804
Depreciation of owned tangible fixed assets	23,422	32,916
Operating lease payments	92,644	200,475
Foreign exchange (gains) / losses	9,616	12,977
Auditors' fees payable for the audit of the financial statements	55,000	78,975

Notes to the Financial Statements
for the period ended 30 March 2023 (continued)

8. Information regarding Directors and employees

Emoluments for three Directors (2022: Two) were paid by the Company for the period ended 30 March 2023 as follows:

	2023	2022
	£	£
Emoluments	495,453	475,264
Contributions to money purchase pension schemes	25,868	42,500
Total emoluments	<u>521,319</u>	<u>517,764</u>

Two Directors (2022: Two) were members of a defined contribution pension scheme.

The emoluments of the highest paid Director included in the amounts shown are:

	2023	2022
	£	£
Emoluments	243,958	288,796
Contributions to money purchase schemes	-	-
Total emoluments	<u>243,958</u>	<u>288,796</u>

Employee costs for the Company were as follows:

	2023	2022
	£	£
Wages and salaries	2,517,884	4,330,432
Social security costs	297,157	463,228
Other pension costs	212,010	330,659
	<u>3,027,051</u>	<u>5,124,319</u>

The average number of persons employed by the Company (including Directors) during the year was as follows:

No.	No.
<u>56</u>	<u>79</u>

Notes to the Financial Statements
for the period ended 30 March 2023 (continued)

9. Exceptional items

	2023	2022
	£	£
Restructuring and other one off (credits) / costs	(2,713,048)	816,292
Recovery of costs relating to review of specific ARs	-	(42,045)
Release of provision for a customer contact and remediation exercise	(124,597)	(298,341)
Impairment of Asset - Amounts owed by group undertakings	-	432,778
Disposal of trade	(733,926)	-
Event impact on underwriting commissions	2,062,501	-
Total exceptional Items	<u>(1,509,070)</u>	<u>908,684</u>

One-off (credits) / charges that have a material impact on the financial results are classified as exceptional items. One off costs activities include advice, costs and restructuring activities completed as part of the sale of the Company and its parent to Bspoke Insurance Group in October 22.

The Company was negatively impacted by a freeze event in December 22 resulting in adverse underwriting performance across a number of exited business lines leading to the return of commissions to a capacity partner. The total net impact of the event on the Company was £2,062,501 incorporating underwriting losses and reinsurance protections in place.

10. Interest receivable and similar income

	2023	2022
	£	£
Group interest receivable	609,318	633,765
Bank interest receivable	146,420	1,830
Total interest receivable and similar income	<u>755,738</u>	<u>635,595</u>

11. Tax on (loss) / profit

(a) Analysis of tax charge / (credit) in the year

	2023	2022
	£	£
Current tax:		
Based on the loss for the year at 19% (2022:19%)	-	(179,543)
Adjustment to tax in respect of prior periods	-	(904,801)
Current tax charge / (credit) for the year	-	(1,084,344)
Deferred tax:		
Deferred tax charge / (credit) for the year (note 11(d))	49,272	176,878
Adjustments in respect of previous years	-	(1,473)
Adjustments due to change in tax rate	-	(332,218)
Total deferred tax	49,272	(156,813)
Total tax charge / (credit) for the period	<u>49,272</u>	<u>(1,241,157)</u>

Notes to the Financial Statements
for the period ended 30 March 2023 (continued)

11. Tax on (loss) / profit (continued)

(b) Reconciliation of tax charge / (credit)

The tax assessed for the period differs from the standard rate of corporation tax in the UK at 19% (2022: 19%). The differences are explained below:

	2023 £	2022 £
Profit / (Loss) on ordinary activities before tax	(904,638)	(8,647,607)
Profit / (Loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2022: 19%)	(171,881)	(1,643,045)
<u>Effects of:</u>		
Permanent differences	2,692	601,450
Unrecognised deferred tax and deferred tax of group transfer of assets	-	1,038,930
Adjustment to tax in respect of prior periods - group relief	-	(904,801)
Adjustment to tax in respect of prior periods - deferred tax	-	(1,473)
Adjustment due to change in UK tax rate	(53,428)	(332,218)
Remeasurement of deferred tax – Adjustment to estimated future profits	271,889	-
Total tax charge / (credit) for the period (note 11(a))	(49,272)	(1,241,157)

(c) Tax rate change:

On 3 March 2021 it was announced that the UK corporation tax rate would increase from 19% to 25% from 01 April 2023, and the change was substantively enacted on 24 May 2021. As such, all deferred tax assets/liabilities have been restated and recognised at 25% to the extent they are expected to reverse after 1 April 2023.

Notes to the Financial Statements
for the period ended 30 March 2023 (continued)

11. Tax on (loss) / profit (continued)

(d) Deferred Tax Asset:

	2023	2022
	£	£
Accelerated capital allowances	1,126,399	1,339,707
Other timing differences	(2,768)	44,535
Carried forward tax losses	211,339	-
Undiscounted deferred tax asset	<u>1,334,970</u>	<u>1,384,242</u>
Deferred tax asset at the start of the period	1,384,242	1,227,429
Deferred tax (charge) / credit in profit and loss account for period (note 11(a))	(49,272)	(176,878)
Prior period adjustment	-	1,473
Rate change impact	-	332,218
Deferred tax asset at the end of the period	<u>1,334,970</u>	<u>1,384,242</u>

Deferred tax is calculated on temporary differences under the liability method using the tax rate of 25% (2022: 19%).

Deferred tax assets have been recognised to the extent that they are deemed more likely than not to be recovered, based on forecasts of future taxable profits, resulting in an asset of £1,334,970 (2022: £1,384,242) recognised at 25% in relation to depreciation in excess of capital allowances and carried forward tax losses.

There is an unrecognised deferred tax asset of £3,638,207 (2022: £4,512,071) in respect of depreciation in excess of capital allowances and carried forward tax losses.

12. Intangible assets

	Goodwill	Software	Total
	£	£	£
Cost			
As at 30 March 2022	9,414,749	414,562	9,829,311
Additions	0	6,253	6,253
Disposals	0	0	0
As at 30 March 2023	<u>9,414,749</u>	<u>420,815</u>	<u>9,835,564</u>
Accumulated amortisation			
As at 30 March 2022	9,414,749	218,414	9,633,163
Charge for the year	0	104,781	104,781
Disposals	0	0	0
As at 30 March 2023	<u>9,414,749</u>	<u>323,195</u>	<u>9,737,944</u>
Net book value			
As at 30 March 2022	0	196,148	196,148
As at 30 March 2023	<u>0</u>	<u>97,620</u>	<u>97,620</u>

**Notes to the Financial Statements
for the period ended 30 March 2023 (continued)**

13. Tangible assets

	Computer Equipment & Fixtures	Total
	£	£
Cost		
As at 30 March 2022	171,875	171,875
Additions	5,570	5,570
Disposals	0	0
As at 30 March 2023	<u>177,445</u>	<u>177,445</u>
Accumulated amortisation		
As at 30 March 2022	133,118	133,118
Charge for the year	23,422	23,422
Disposals	0	0
As at 30 March 2023	<u>156,540</u>	<u>156,540</u>
Net book value		
As at 30 March 2022	<u>38,757</u>	<u>38,757</u>
As at 30 March 2023	<u>20,905</u>	<u>20,905</u>

14. Debtors

	2023	2022
	£	£
Insurance debtors	406,990	109,733
Amounts owed by group undertakings	5,308,291	3,069,008
Trade and Other debtors	276,340	6,970,380
Corporation tax	20	20
Deferred tax asset (Note 11 (d))	1,334,970	1,384,242
Prepayments and accrued income	249,535	338,530
	<u>7,576,146</u>	<u>11,871,913</u>

Insurance debtors under FRS 102 represent commissions due to the Company only and exclude premiums due from policy holders and claims due from underwriters collected on behalf of the principal.

15. Cash at bank and in hand

Cash at bank and in hand at 30 March 2023 was £2,282,248 (2022: £2,250,893). In addition to this the Company holds £7,290,453 (2022: £7,280,079) of cash in designated insurer bank accounts. These balances comprise premium due to insurer partners, claims floats provided by insurer partners and commissions due to trading partners. Under FRS 102 these monies are not presented on the balance sheet.

**Notes to the Financial Statements
for the period ended 30 March 2023 (continued)**

16. Creditors: amounts falling due within one year

	2023	2022
	£	£
Trade creditors	275,244	649,265
Other creditors	146,516	176,271
Accruals and deferred income	1,560,603	7,131,269
	<u>1,982,363</u>	<u>7,956,805</u>

17. Creditors: amounts falling due after more than one year

	2023	2022
	£	£
Accruals and deferred income	<u>5,333,989</u>	<u>2,553,972</u>

Accruals and deferred income include a provision for expected liabilities of £8,645,520 (2022: £3,076,069) under the terms of a capacity contract, offset by £7,960,204 (2022: £10,000,000) of collateral held as cash on the balance sheet.

18. Provisions for liabilities

The Company held the following provisions during the year:

	2023
	£
Opening Balance	475,866
Provision released	(170,345)
Amounts utilised	(62,113)
Closing Balance	<u>243,408</u>

The amounts released in the period relate to a reduction in the provision for bad and doubtful debts and a reduction in the provision for the customer contact and remediation exercise.. Amounts utilised in the period are associated with the customer contact and remediation exercise undertaken in the period. The remaining balance is comprised the remaining provision for the customer contact and remediation exercise and a dilapidations for the Company registered address.

19. Called up share capital

	2023	2022
	£	£
Allotted, called up and fully paid		
2,301,000,000 (2021: 2,301,000,000) Ordinary shares of		
0.1 pence each (2021: 0.1 pence each)	<u>2,301,000</u>	<u>2,301,000</u>
	<u>2,301,000</u>	<u>2,301,000</u>

There is a single class of ordinary shares. There are no restrictions on the distribution of dividends and the repayment of capital.

The Directors do not recommend payment of a final dividend (2022: £nil).

Notes to the Financial Statements for the period ended 30 March 2023 (continued)

20. Pension commitments

The Group operates non-contributory defined contribution grouped personal pension plans. The assets of the plans are held separately from those of the Group in independently administered funds. The pension cost charge represents contributions payable by the Company to the plans and the amount contributed during the period to 30 March 2023 was £212,010 (2022: £330,659) with £34,411 accrued contribution at 30 March 2023 (2022: £45,045).

21. Commitments under operating leases

As at 30 March 2023 the Company had land and buildings non-cancellable operating lease commitments as follows;

Land and buildings	2023	2022
	£	£
Non-cancellable operating leases due:		
No later than one year	-	72,900
Later than one year and not later than five years	-	-

22. Related party disclosures

As permitted under FRS 102 paragraph 33.1A, transactions between group companies which are wholly owned have not been disclosed. The ultimate holding company during the financial year and until the purchase by Bspoke Insurance Group Ltd was Primary Group Holdings 1, a company incorporated in Bermuda.

The Company provided services to RCHL Group Limited during the period April 22 to August 22, a Primary Group subsidiary of £111,604 (2022: £102,914) and received services in the same period of £155,310 (2022: £469,491). Of these services an amount of £nil was included in creditors or debtors at 30 March 2023 (2022: Creditor £78,251). The Company provided services of £63,362 and received services of £67,408 to Bspoke Central Services Ltd (formerly Precision Partnership Ltd) a Primary Group subsidiary prior its consolidation as part of the Bspoke Insurance Group during the period of August 22 to October 22. The Company received no services in the financial year from Canopy Specialty Insurance LLC a further subsidiary of the Primary Group (2022: £159,351).

The Company has an insurance capacity arrangement in runoff with a Primary Group subsidiary, Surestone DAC based in the Republic of Ireland. This represents a small proportion of underwriting capacity. All transactions were undertaken on an arm's length basis under standard commercial terms that been similarly applied to other insurance capacity providers used by the Company.

**Notes to the Financial Statements
for the period ended 30 March 2023 (continued)**

23. Ultimate parent undertaking

The immediate parent undertaking is Chicago Holdco Ltd.

On the 24th of October 2022, Chicago Holdco Limited and its subsidiaries were purchased by Bspoke Insurance Group Ltd on a going concern basis.

The ultimate holding company at the date on which the financial statements were approved was Bspoke Insurance Group Ltd, a company incorporated in the UK. In the opinion of the Directors, at the date on which the financial statements were approved, the ultimate controlling party was Bspoke Insurance Group Ltd.

At 30 March 2023 the largest group in which the results of the Company are consolidated is that of Bspoke Insurance Group Ltd. The consolidated financial statements of Bspoke Insurance Group Ltd can be obtained from 4th Floor 24 Old Bond Street, Mayfair, London, United Kingdom, W1S 4AW.