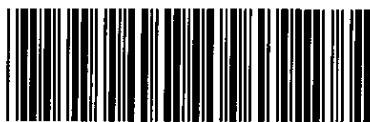


**Besso Limited**  
**Annual report and financial statements**  
For the year ended 31 December 2020

Registered number: 00910680

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*See note 13 on page 41 and note 22 on page 46 regarding Subsidiaries.*

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## Company information

Directors	H W Green (Chairman) C G Bird R R Caxton-Spencer R W Dowman S J Hovey R B Nichols S P Greene A P Hulse J Singh
Secretary	D J Field
Registered office	8-11 Crescent London EC3N 2LY
Company number	00910680
Auditor	Ernst & Young LLP 25 Churchill Place Canary Wharf London E14 5EY

## Chairman's statement

Besso Limited and its subsidiaries ("Besso Limited Group" or "the Group") has had a challenging year in 2020, with reductions in brokerage and EBITDA. This is predominantly due to the effect of the COVID-19 pandemic. Despite the reduction in brokerage the net asset position of the business remains strong, and we are showing positive growth in 2021.

Staff continue to be a key part of the success of the Group and as ever their loyalty and hard work have contributed to the results seen in this report, and we congratulate them on their efforts once again. This has continued to be the case during the recent months, and we thank all our staff, who have continued to work from home to make this business profitable and successful during these difficult times.

### Performance Summary

#### *Turnover*

Total income has decreased to £49.3m (2019: £52.2m) for the year ending 31<sup>st</sup> December 2020, a negative impact of 5.5%. Despite the effect of the pandemic on the we have continued to invest in new teams and expect a return to growth in the coming year.

#### *Profit Margins*

The internal profit measure is EBITDA (Earnings before interest, tax, depreciation and amortisation). This has deteriorated by 28.0% to £10.1m\* during 2020 (2019: £14.0m), due to decreased brokerage.

Profit before tax decreased by 28.7% to £7.7m (2019: £10.8m), the decrease in brokerage being the main driver of the reduction in profitability.

### Finance, Governance and Operational Development

The Board have continued to develop new operational structures and business lines during the year, and I thank them for their efforts once again. We look forward to working together to continue to develop and enhance the Group moving forward.

### Business Overview

We continue to develop strategies to ensure we can grow over the coming years, acquiring new teams and producers. The pandemic has had a significant impact on the results for 2020 and overshadowed some of the investments made in recent years. However, we continue to invest and are already seeing some recovery in 2021. We remain very profitable and continue to build on the foundations laid over a number of years.

Our Brexit solution came into effect on 1<sup>st</sup> January 2021, and the transition of European business to the new Cypriot broker was very efficient, with no impact on our ability to service European clients.

*\* EBITDA is operating profit of £7.6m (2019: £10.4m), adjusted for amortisation of intangible assets £1.6m (2019: £1.5m), depreciation of tangible assets £0.5m (2019: £0.4m), foreign exchange losses £23k (2019: £0.4) and non-recurring expenses of £0.3m (2019: £1.3m).*

## **Chairman's statement (continued)**

We have recently become part of The Ardonagh Group which will bring new opportunities for growth and investment. This is a very exciting time for the Group and we look forward to creating a valued and long-lasting relationship with our new shareholders and other partners within the Ardonagh Group.

We thank BGC Group for their support over the last few years.

We also thank our staff for their continued support throughout the change in working practices over the last year and look forward to a return to a more normal operating environment over the coming months.



Howard W Green  
**Chairman**

## **Strategic report**

The Directors present their strategic report for Besso Limited (the “Company”) and its subsidiary undertakings (together referred to as the “Group”) for the year ended 31 December 2020.

### **Principal activities and review of the business**

The Company continued its principal activities through the current year, which are those of insurance and reinsurance broking.

### **Key performance indicators**

Management use a range of performance measures to monitor and manage the business. The performance measures are as set out below.

#### *Turnover*

Turnover has decreased during the year to £49.3m, a reduction of 5.5% (2019: £52.2m ). This decrease was driven by the effect of the COVID-19 pandemic, predominantly in the International division.

#### *Profit margins*

The internal profit measure used is EBITDA (Earnings before interest, tax, depreciation and amortisation). This excludes net expenses considered non-recurring during the year of £277k (2019: net expenses £1.3m), which consists of legal fees relating to a matter from some years ago. In 2019 the net expenses considered non-trading consisted of a write-off of balances created during the purchase of the Group by BGC that are now considered irrecoverable.

#### *Net assets*

At 31 December 2020 the Group’s net assets have increased to £15.5m (2019: £12.5m). This increase is driven by the profitability of the business, offset by the declaration of a dividend to the Parent Company, Besso Insurance Group Limited, of £4.75m

### **Nonfinancial**

#### *Regulatory and compliance issues*

Regulatory and compliance issues form a key part of the business in today’s complex regulatory environment. Management has enhanced resources in these areas and continually reviews and updates procedures to ensure any potential breaches are identified and appropriate action is taken as necessary.

#### *Credit control and terms of trade*

The Company closely monitors its insurance debtors, creditors and cash balances to ensure adherence with all regulatory considerations, including CASS 5 (client money) financial crime and sanctions checking. Additionally, every effort is made to ensure that premium is received in a timely fashion from clients in order for it to be settled to underwriters in accordance with terms of trade.

## Strategic report (continued)

### Principal risks and uncertainties facing the business

Management continually monitor the key risks facing the Company together with assessing the controls used for managing these risks. The board of Directors formally reviews and documents the principal risks facing the business at least annually.

The principal risks and uncertainties facing the Group are as follows:

#### *Business and regulatory risk*

The Group businesses operate in a dynamic and sometimes volatile environment that has also seen a number of business and regulatory reforms. We believe that the Group's strategy of product diversification helps mitigate the exposure to any one business sector and this coupled with its expertise, resources and financial strength should enable the Group to succeed in such a business environment. These and other business risks are identified, measured and monitored by senior management.

#### *Foreign currency risk*

A significant proportion of the Group's activities are derived from international sources and thus the Group is exposed to currency risk in respect of transactions denominated in currencies other than Sterling. The most significant currency to which the Group is exposed is the US Dollar. Historically the Group sought to mitigate the risk through the use of foreign exchange forward contracts. This risk is now managed by the ultimate parent company.

#### *Liquidity risk*

The Group's working capital is comprised principally of insurance debtors, creditors and cash. Investments of cash surpluses, borrowings and derivative instruments are made through banks and companies which must fulfil credit rating criteria approved by the Board.

#### *Interest rate risk*

The Group manages its cash and borrowing requirements centrally to maximise interest income and minimise interest expense, whilst ensuring that the Group has sufficient liquid resources to meet the operating needs of its business. The Group is exposed to interest rate risk on floating rate deposits, bank overdrafts and loans.

#### *Credit risk*

All customers who wish to trade on credit terms are subject to credit verification procedures. Receivable balances are monitored on an ongoing basis and provision is made for doubtful debts where necessary. Investments of cash surpluses, borrowings and derivative instruments are made through banks and companies which must fulfil credit rating criteria approved by the Board.

#### *Operating risk*

The internal control environment is constantly reviewed by the Risk and Audit Committee to ensure that the appropriate controls are in place. Risks are identified, assessed and appropriate remedial action decided upon by the Committee through the use of a risk register software tool and a bespoke risk matrix relating to the Group's business. Regular review of controls and testing of those controls take place via the internal audit function and risk assurance monitoring. The Group maintains errors and omissions insurance.

## Strategic report (continued)

### Section 172

The Directors of the Group act in the way they consider, in good faith, would be most likely to promote the success of the Group for the benefit of its members and its other stakeholders and the wider Besso Group, as a whole, and *in doing so have regard to the matters set out in s172(1) (a-f)*. The Directors recognise the need to review regularly the identity of its stakeholders as it makes decisions on behalf of the Group, and in particular: the interests of the Group's staff; the Group is an organization built upon strong values of integrity and employee engagement.

The Directors consider the key stakeholders of the Group to be its employees, shareholders, clients, insurers/carriers and its regulator. In assessing the strategic and operational impacts of decisions made, the Directors have considered the interests of the different stakeholders and engaged with them in the appropriate way. Examples of these are included below:

#### *Employees:*

The Group has an entrepreneurial culture that allows it to attract and retain key staff. The staff are at the core of all that the Group does and set the tone for its business. This relationship with its people aligns its staff and management with shareholders and encourages a collaborative and entrepreneurial culture, the need to foster the Group's business relationships with its clients, insurers, suppliers and other stakeholders; in all of the Group's relationships, the directors require its staff to demonstrate a steadfast commitment to:

- integrity and fair dealing;
- high standards of professionalism and service;
- creating meaningful relationships and understanding how those will need to evolve to meet changing needs
- avoidance of fraud, abuse, manipulation, concealment, or other unfair practices;
- honest and ethical conduct, including the avoidance and proper handling of potential, actual or apparent conflicts of interest between personal and professional relationships; and
- compliance with applicable governmental laws, rules and regulations.

#### *Shareholders:*

Matters pertaining to the Group such as how the strategy and priorities are aligned to the shareholders' best interests are discussed by the Directors at regular Board meetings.

The Group's immediate parent is Besso Insurance Group Limited and the ultimate parent company during the year and as at 31 December 2020 was Cantor Fitzgerald L.P. The results of the Group at that date are also included in the consolidated results of BGC Partners, Inc., a listed entity.

On 1 November 2021 Besso Group and Ed Broking Group (collectively known as Corant Global) were sold to The Ardonagh Group for a total estimated consideration of \$500m. The sale has resulted in a change of ownership structure.

#### *Clients:*

The Directors consider that it is of fundamental importance for the Group to act in the best interests of its clients at all times. The Directors monitor the implementation of the Group's obligations to clients by oversight at the Board meetings and Board committee meetings, including through regular reports by the second and third line of defence functions.

#### *Insurers / Carriers:*

Besso's relationships with insurers is critical to the Company's ability to successfully deliver on the needs of its employees and clients. The Directors work with management to select insurers and maintain relationships that are *in the best interests of the Company and to enable it to promote the success of the Group*.

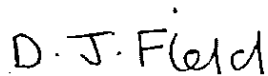
#### *Regulator:*

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## Strategic report (continued)

The Group operates in a regulated environment and engages with the regulator in an open and transparent manner. The Directors, through the board and various committees, have put in place a set of internal controls to assist in minimising the risk and help promote the success of the Group.

Approved on behalf of the board on 17 December 2021 and signed on its behalf by



D J Field  
Secretary

## **Directors' report (continued)**

The Directors present their report and the financial statements for the Group for the year ended 31 December 2020.

There have not been any significant changes in the Group's principal activities in the year under review. The Directors are not aware, at the date of this report, of any likely major changes in the Group's principal activities in the forthcoming year.

The company's principal activity is that of a registered Lloyd's insurance broker and it is authorised and regulated by the Financial Conduct Authority.

The business is grouped into a number of divisions comprising US Property, Casualty, Professional Liability, International, Marine, Aviation and Reinsurance. Besso Limited's primary expertise lies in providing insurance for unusual or difficult risks, utilising its in-depth knowledge of the insurance market to provide specialised products to retail insurance agents and brokers.

### **Business development**

The overall strategic goal of the Group is to provide a complete scope of the insurance markets to its clients, primarily other brokers located overseas, over a wide variety of insurance classes.

The ability to place a wide variety of insurance classes provides an alternative to much larger brokers operating in the London insurance market.

The development of each business core market will be our main focus; expansion into new regions and countries; continued development of the underwriting market; increased penetration of producer base and diversification of product coverage.

### **Competitive environment**

The challenging environment continues, with the uncertain economic outlook overshadowing business in general. We are seeing some hardening of the market in some lines of business, but this is matched by a reduction in capacity, leading to similar brokerage levels.

The Group continues to look for opportunities to attract producers with viable books of business and develop client relationships.

In response to market conditions and increasing regulatory costs, the market is also continuing to see consolidation of broking companies. The Group perceives this as an opportunity to increase its business through the acquisition of teams and other businesses.

### **Brexit**

The UK formally left the European Union on 31 January 2020 and the transition period ended on 31 December 2020. To date, there have been no matters that warrant adjustments to either the financial statements as at 31 December 2020 and for the year then ended as a result of Brexit.

*Besso Insurance Brokers European Services Limited, a Cyprus based broker was incorporated on 25 March 2020 and is wholly owned by the parent of Besso Limited. It has a London branch that commenced trading on 1 January 2021 and now provides services to our European clients.*

## **Directors' report (continued)**

### **Future developments**

The Group continues to focus on its growth areas by investing in new producers and new client relationships to grow revenues. The Group continues to monitor and reduce costs where appropriate without damaging the infrastructure of the firm.

### **Dividends**

A dividend of £4,750,000 (2019: £16,000,000) was paid during the year.

### **Directors**

The Directors of the Company during the year, and to the date of this report, are as follows:

H W Green (Chairman)  
C G Bird (Non-executive)  
R R Caxton-Spencer  
R W Dowman (Joint Chief Executive)  
S P Greene (Non-executive)  
S J Hovey (Chief Financial and Operations Officer)  
A P Hulse (Non-executive)  
R B Nichols (Joint Chief Executive)  
J Singh  
R B Stevens (Non-executive, resigned 1 November 2021)

### **Employment policies**

The Board recognises that the continuing success of the Group depends on its employees and its policies are designed to attract, motivate and retain employees of the highest calibre.

The Group is an equal opportunities employer and bases decisions on individual ability regardless of race, religion, gender, age, disability or any other non-job related factor. The Group's equal opportunities policy is designed to ensure that disabled persons are given the same consideration as others when they apply for jobs, and enjoy the same training, career development and prospects as other employees.

Information is then disseminated to all staff via divisional and team meetings. All employees are encouraged to provide feedback and suggestions to colleagues and managers, both on a formal and informal basis.

The Group operates a discretionary bonus scheme for all employees through which they are rewarded based on Group and individual performance, managed through our performance management process.

Some employees have individual arrangements where their reward structure is based directly on their contribution to Group income.

## Directors' report (continued)

### Streamlined energy and carbon reporting

The Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018, required large companies and LLPs, as defined in the Companies Act 2006, who have consumed more than 40,000 kilowatt-hours (kWh), in the reporting period, to report on its energy usage and carbon emissions.

### Methodology

The SECR submission has been compiled using the 2019 HM Government Environmental Reporting Guidelines.

Emission have been grouped according to the GHG Protocol Reporting Standard.

We have used the following data sources for the reports;-

- Energy and Fuel data – Energy supplier billing data

CO2 emissions have been calculated using the 2020 UK Government Conversion Factors for Company Reporting.

Total usage for the year is shown in the table below.

Scope	Description	2020 consumption kWh	2020 emissions tCO <sub>2</sub> e
Scope 1	Combustion of gas	125,327	23.041
Scope 1	Fuel for transport	14,115	4.023
Scope 2	Purchased electricity	303,117	77.476
Scope 3	Transmission and distribution	-	-
<b>Total</b>		<b>442,559</b>	<b>104.540</b>

Carbon intensity: All scope's emissions of tCO<sub>2</sub>e/£m turnover 2.122

### Going concern

The Directors have a reasonable expectation that the Company has adequate resources from the date of signing the financial statements to 31 December 2022. They have therefore assessed that the going concern basis of accounting is appropriate in preparing the financial statements and there are no material uncertainties to disclose.

## **Directors' report (continued)**

### **Going concern (continued)**

A going concern assessment has been performed at the Besso Insurance Group level, which includes all Besso subsidiaries. This assessment includes consideration of the impacts of the ongoing COVID-19 pandemic on the Group's financial, liquidity and capital positions. In making the going concern assessment, management have taken into account the following:

- The current business performance has been compared against budget and re-forecast over the calendar year 2021 and 2022. For 2021 and 2022 management have forecast revenue growth in excess of costs and there is limited capital expenditure planned;
- Besso Limited's ability to provide a parental guarantee to its subsidiaries for the year ending 31 December 2020. Under the parental guarantee, Besso Limited guarantees all outstanding liabilities to which the subsidiary companies are subject at the end of the financial year, until they are satisfied in full. Refer to Note 13 for further details.
- The principal risks facing the Group, including ability to attract and retain high calibre staff, the highly competitive environment it operates in and financial and operational impacts of COVID-19, have largely remained unaffected.

The key assumptions management have made in preparing the financial results and cashflow forecasts are:

- Revenue generation remains resilient based on actual trading results for the eleven months to November 2021;
- No unbudgeted capital expenditure is expected; and
- Additional steps could be taken if necessary, including scaling back investment and reducing discretionary spend.

Following this assessment, the Directors are not aware of any material uncertainties that cast significant doubt on the Group's financial resilience and according to the Company's ability to continue as a going concern from the date of signing the financial statements to 31 December 2022 and for the foreseeable future thereafter.

### **Risk**

The management of risks associated with financial risk management policies and objectives are dealt with in the strategic report.

### **Liability insurance**

During the year, the Company maintained liability insurance for the Directors and other officers of all group companies as permitted by Section 233 of the Companies Act 2006.

### **Events after the reporting period**

On 1 November 2021, The Ardonagh Group Limited ("Ardonagh") completed its acquisition of Ed Broking Group Limited and Besso Insurance Group Limited, including all their subsidiaries (collectively known as Corant Global) from BGC Partners Inc. for a total estimated consideration of \$500m.

A dividend of £2,211,425 was declared to Besso Insurance Group Limited on 27<sup>th</sup> October 2021, this was required as part of the completion mechanics associated with the sale to Ardonagh.

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## **Directors' report (continued)**

### **Statement of directors' responsibilities**

The Directors are responsible for preparing the strategic report, the directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, including 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 Group and Company and of the profit or loss of the Group for that period.

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

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

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

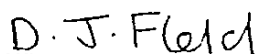
### **Statement as to disclosure of information to auditor**

So far as each person who is a Director is aware, there is no relevant audit information of which the Group's auditor is unaware. Each Director has taken all steps that he ought to have taken in his duty as a Director in order to make himself aware of any relevant audit information and to establish that the Group's auditor is aware of that information.

### **Auditors**

Ernst & Young LLP will be proposed for reappointment at the Company's board meeting in accordance with section 485 of the Companies Act 2006.

Approved on behalf of the board 17 December 2021 and signed on its behalf by



D J Field  
**Secretary**

## **Independent auditor's report to the members of Besso Limited**

### **Opinion**

We have audited the financial statements of Besso Limited ('the parent company') and its subsidiaries (the 'group') for the year ended 31 December 2020 which comprise the Consolidated income statement, the Consolidated statement of comprehensive Income, the Consolidated statement of financial position, the Company statement of financial position, the Consolidated statement of changes in equity, the Company statement of changes in equity, the Consolidated statement of cash flows, and the related notes 1 to 25, 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 FRS 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 group's and of the parent company's affairs as at 31 December 2020 and of the group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group 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 group and parent company's ability to continue as a going concern for the period to 31 December 2022.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group's ability to continue as a going concern.

## **Independent auditor's report to the members of Besso Limited (continued)**

### **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 this 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 there is 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 the other information, we are required to report that fact.

We have nothing to report in this regard.

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

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

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

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

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

## Independent auditor's report to the members of Besso Limited (continued)

### Responsibilities of directors

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

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

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

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

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. 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 or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

Our approach was as follows:-

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are the direct laws and regulations related to elements of company law and tax legislation, and the financial reporting framework. Our considerations of other laws and regulations that may have a material effect on the financial statements included permissions and supervisory requirements of the Financial Conduct Authority ('FCA').
- We understood how the Group and the Company is complying with those frameworks by making enquiries of management, internal audit, and those responsible for legal and compliance matters. In assessing the effectiveness of the control environment, we also reviewed significant correspondence between the Company and UK regulatory bodies, reviewed minutes of the Board and Risk and Audit Committees and gained an understanding of the Company's approach to governance.

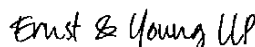
## Independent auditor's report to the members of Besso Limited (continued)

- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur by considering the controls established to address risks identified by the entity, or that otherwise seek to prevent, deter or detect fraud. We also considered areas of significant judgement, including complex transactions, performance targets, external pressures and the impact these have on the control environment and their potential to influence management to manage earnings or influence the perceptions of stakeholders. The fraud risk was considered to be higher within revenue recognition – brokerage and commission subject to manual elements and cut off
- Based on this understanding we designed our audit procedures to identify noncompliance with such laws and regulations. Our procedures involved:
  - Considering the effectiveness of management's controls designed to address the risk of fraud
  - Testing of journal entries and other adjustments in the preparation of the financial statements
  - Assessing accounting estimates for evidence of management bias
  - Evaluating the business rationale for significant and / or unusual transactions
  - In addition, we considered the impact of Covid-19 on the company, including an assessment of the consistency of operations and controls in place as they transitioned to operating remotely for a significant proportion of 2020, making enquiries with management via the use of video conferencing.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://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.

DocuSigned by:  
  
761F4B486BF8436

Neeta Ramudaram (Senior statutory auditor)  
for and on behalf of Ernst & Young LLP, Statutory Auditor  
London  
17 December 2021

## Consolidated income statement

For the year ended 31 December 2020

	Note	2020 £	2019 £
Turnover	3	49,265,543	52,169,665
Administrative expenses		(41,631,584)	(41,815,761)
<b>Operating profit</b>	4	<b>7,633,959</b>	<b>10,353,904</b>
Interest receivable and similar income	7	88,946	419,212
Interest payable and similar charges	8	(31,603)	(25,001)
<b>Profit on ordinary activities before taxation</b>		<b>7,691,302</b>	<b>10,748,115</b>
Taxation	9	116,961	367,833
<b>Profit for the year</b>		<b>7,808,263</b>	<b>11,115,948</b>
Attributable to:			
The owners of the parent company		7,808,263	11,064,164
The non-controlling interest	13	-	51,784
		<b>7,808,263</b>	<b>11,115,948</b>

The notes on pages 24 to 48 are an integral part of these financial statements.

## Consolidated statement of comprehensive income

For the year ended 31 December 2020

Other comprehensive income	Note	2020 £	2019 £
Profit for the year		7,808,263	11,115,948
Profits arising on derivative financial instruments designated as cash flow hedges	18	-	312,889
Taxation arising on derivative financial instruments designated as cash flow hedges	19	-	(59,449)
<b>Total comprehensive income for the year</b>		<b>7,808,263</b>	<b>11,369,388</b>
Attributable to:			
The owners of the parent company		7,808,263	11,317,604
The non-controlling interest	13	-	51,784
		<b>7,808,263</b>	<b>11,369,388</b>

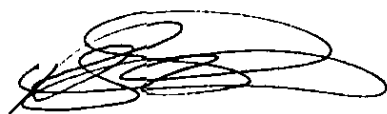
The notes on pages 24 to 48 are an integral part of these financial statements.

## Consolidated statement of financial position

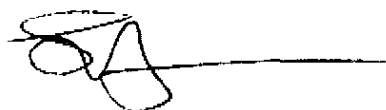
As at 31 December 2020

	Note	2020 £	2019 £
<b>Fixed assets</b>			
Intangible assets	10	2,673,150	4,336,182
Tangible assets	12	632,168	852,422
		<u>3,305,318</u>	<u>5,188,604</u>
<b>Current assets</b>			
Debtors: amounts falling due within one year	14	30,410,170	30,157,509
Cash at bank and in hand	16	79,973,560	81,189,089
		<u>110,383,730</u>	<u>111,346,598</u>
Creditors: amounts falling due within one year			
Trade and other creditors	17	(98,154,611)	(104,059,028)
		<u>(98,154,611)</u>	<u>(104,059,028)</u>
<b>Net current assets</b>		<u>12,229,119</u>	<u>7,287,570</u>
<b>Total assets less current liabilities</b>		<u>15,534,437</u>	<u>12,476,174</u>
<b>Net assets</b>		<u>15,534,437</u>	<u>12,476,174</u>
<b>Capital and reserves</b>			
Called up share capital	20	7,000,000	7,000,000
Profit and loss account		8,534,437	5,476,174
<b>Total equity</b>		<u>15,534,437</u>	<u>12,476,174</u>

These financial statements were approved by the board of directors and authorised for issue on 17 December 2021.



R B Nichols  
Director



S J Hovey  
Director

The notes on pages 24 to 48 are an integral part of these financial statements.

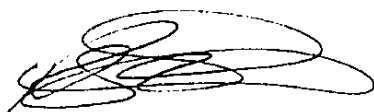
## Company statement of financial position

As at 31 December 2020

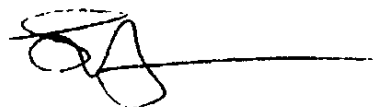
	Note	2020 £	2019 £
<b>Fixed assets</b>			
Intangible assets	10	1,022,858	1,405,541
Tangible assets	12	632,168	852,422
Investments in subsidiary undertakings	13	8,449,003	8,449,003
		<u>10,104,029</u>	<u>10,706,966</u>
<b>Current assets</b>			
Debtors: amounts falling due within one year	14	31,270,912	31,414,745
Cash at bank and in hand	16	79,973,560	81,189,089
		<u>111,244,472</u>	<u>112,603,834</u>
<b>Creditors: amounts falling due within one year</b>			
Trade and other creditors	17	(101,715,467)	(108,398,684)
		<u>(101,715,467)</u>	<u>(108,398,684)</u>
<b>Net current assets</b>		<u>9,529,005</u>	<u>4,205,150</u>
<b>Total assets less current liabilities</b>		<u>19,633,034</u>	<u>14,912,116</u>
<b>Net assets</b>		<u>19,633,034</u>	<u>14,912,116</u>
<b>Capital and reserves</b>			
Called up share capital	20	7,000,000	7,000,000
Profit and loss account		12,633,034	7,912,116
<b>Total equity</b>		<u>19,633,034</u>	<u>14,912,116</u>

The Company has elected to take the exemption permitted under Section 408 of the Companies Act 2006 not to present the Company's profit and loss account. The Company's profit for the year was £9,470,918 (2019: £12,032,769). The Company total comprehensive income was £9,470,918 (2019: £12,286,209 profit) comprising the profit for the year and the profit arising on derivative financial instruments designated as cash flow hedges of £nil (2019: £312,889 profit) and taxation arising on derivative financial instruments designated as cash flow hedges £nil (2019: £59,449 loss).

These financial statements were approved by the board of directors and authorised for issue on 17 December 2021.



R B Nichols  
Director



S J Hovey  
Director

The notes on pages 24 to 48 are an integral part of these financial statements.

## Consolidated statement of changes in equity

As at 31 December 2020

	Called up share capital £	Cash flow hedge reserve net of deferred tax £	Profit and loss account £	Equity attributable to the owners of the parent company £	Non- controlling Interest £	Total £
<b>At 1 January 2019</b>	<b>7,000,000</b>	<b>(253,440)</b>	<b>10,412,010</b>	<b>17,158,570</b>	<b>404,555</b>	<b>17,563,125</b>
Profit for the year	-	-	11,064,164	11,064,164	51,784	11,115,948
Other comprehensive income	-	253,440	-	253,440	-	253,440
Minority transferred to the Group					(456,339)	(456,339)
Total comprehensive income	-	-	11,064,164	11,317,604	(404,555)	10,913,049
Dividends payable	-	-	(16,000,000)	(16,000,000)	-	(16,000,000)
<b>At 31 December 2019</b>	<b>7,000,000</b>	<b>-</b>	<b>5,476,174</b>	<b>12,476,174</b>	<b>-</b>	<b>12,476,174</b>
Profit for the year	-	-	7,808,263	7,808,263	-	7,808,263
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income	-	-	7,808,263	7,808,263	-	7,808,263
Dividends payable	-	-	(4,750,000)	(4,750,000)	-	(4,750,000)
<b>At 31 December 2020</b>	<b>7,000,000</b>	<b>-</b>	<b>8,534,437</b>	<b>15,534,437</b>	<b>-</b>	<b>15,534,437</b>

### Reserves

#### *Cash flow hedge reserve*

The cash flow hedge reserve represents the cumulative amount of gains and losses on hedging instruments deemed effective in cash flow hedge arrangements. All hedging instruments were closed out in 2019.

#### *Profit and loss account*

The profit and loss account represents cumulative profits and losses of the Group.

#### *Non-controlling interest*

The non-controlling interest represents the share of the interest held by the non-controlling shareholders of the subsidiary undertakings. There was no non-controlling interest as at 31 December 2019 or 31 December 2020. For further details please refer to note 13.

## Company statement of changes in equity

As at 31 December 2020

	Called up share capital £	Cash flow hedge reserve net of deferred tax £	Profit and loss account £	Total £
<b>At 1 January 2019</b>	<b>7,000,000</b>	<b>(253,440)</b>	<b>11,879,347</b>	<b>18,625,907</b>
Profit for the year	-	-	12,032,769	12,032,769
Other comprehensive income	-	253,440	-	253,440
Total comprehensive income	-	-	12,032,769	12,286,209
Dividends payable	-	-	(16,000,000)	(16,000,000)
<b>At 31 December 2019</b>	<b>7,000,000</b>	<b>-</b>	<b>7,912,116</b>	<b>14,912,116</b>
Profit for the year	-	-	9,470,918	9,470,918
Other comprehensive income	-	-	-	-
Total comprehensive income	-	-	9,470,918	9,470,918
Dividends payable	-	-	(4,750,000)	(4,750,000)
<b>At 31 December 2020</b>	<b>7,000,000</b>	<b>-</b>	<b>12,633,034</b>	<b>19,633,034</b>

### Reserves

#### *Cash flow hedge reserve*

The cash flow hedge reserve represents the cumulative amount of gains and losses on hedging instruments deemed effective in cash flow hedge arrangements. All hedging instruments were closed out in 2019.

#### *Profit and loss account*

The profit and loss account represents cumulative profits and losses of the Company.

The notes on pages 24 to 48 are an integral part of these financial statements.

## Consolidated statement of cash flows

For the year ended 31 December 2020

	Note	2020 £	2019 £
<b>Profit for the year</b>		<b>7,808,263</b>	<b>11,115,948</b>
Adjustments for:			
Interest receivable and similar income	7	(88,946)	(419,212)
Interest payable and similar charges	8	31,603	25,001
Amortisation of intangible assets	10	1,552,757	1,513,552
Depreciation of tangible assets	12	495,428	409,848
Taxation	9	(116,961)	(367,833)
Operating cash flow before movement in working capital		9,682,144	12,277,304
(Increase) in trade and other debtors	14	(1,712,934)	(2,777,695)
Decrease in net trade asset	15	1,528,448	626,843
(Decrease) / increase in trade and other creditors	17	(5,576,220)	29,705,725
Interest received	7	88,946	419,212
Income tax paid		48,786	(507,067)
<b>Net cash flows from operating activities</b>		<b>4,059,170</b>	<b>39,744,322</b>
<b>Investing activities</b>			
Disposal/(Purchase) of intangible assets	10	110,275	(1,074,171)
Payment of deferred consideration	11	(328,197)	(2,052,174)
Purchase of tangible assets	12	(275,174)	(412,646)
<b>Net cash flows from investing activities</b>		<b>(493,096)</b>	<b>(3,538,991)</b>
<b>Financing activities</b>			
Interest paid	8	(31,603)	(25,001)
Members' Capital		-	400
Dividends paid		(4,750,000)	(16,000,000)
<b>Net cash flows from financing activities</b>		<b>(4,781,603)</b>	<b>(16,024,601)</b>
<b>Net increase in cash and cash equivalents</b>		<b>(1,215,529)</b>	<b>20,180,730</b>
Cash and cash equivalents at the beginning of the year		81,189,089	61,008,359
<b>Cash and cash equivalents at the end of the year</b>		<b>79,973,560</b>	<b>81,189,089</b>

The notes on pages 24 to 48 are an integral part of these financial statements.

## Notes to the financial statements

For the year ended 31 December 2020

### 1 Accounting policies

#### 1.1 General information

Besso Limited ("the Company") is a private limited company incorporated in the United Kingdom and registered in England and Wales. The address of its registered office and principal place of business is 8-11 Crescent, London, EC3N 2LY.

The Company is a parent undertaking and therefore these consolidated financial statements present the financial information of the Company and its subsidiary undertakings (together "the Group"), as well as the Company's individual financial statements.

These consolidated and Company financial statements have been presented in Pounds Sterling, which is the Company's functional currency, being the primary economic environment in which the Company operates.

Besso Limited has provided a parental guarantee to its subsidiaries under sections 479A-C of the Companies Act 2006 for the year ending 31 December 2020. Under the parental guarantee, Besso Limited guarantees all outstanding liabilities to which the subsidiary companies are subject at the end of the financial year, until they are satisfied in full. As a result of the parental guarantee, management have used the audit exemption available to them for the subsidiaries. Details of the subsidiaries subject to the parental guarantee is given in Note 13 and further detail on the guarantee given is provided in Note 22.

#### 1.2 Basis of preparation

These financial statements have been prepared in accordance with FRS 102 *The Financial Reporting Standard Applicable in the UK and Republic of Ireland* ("FRS 102") and applicable legislation, as set out in the Companies Act 2006 and The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008. These financial statements have been prepared under the historical cost convention and where applicable, as modified for the fair value of certain financial instruments.

FRS 102 allows a qualifying entity certain disclosure exemptions, subject to certain conditions, which have been complied with.

In preparing the Company individual financial statements, the Company has taken advantage of the following exemptions:

- from disclosing key management personnel compensation, as required by paragraph 7 of Section 33 *Related Party Disclosures*;
- from presenting a statement of cash flows, as required by Section 7 *Statement of Cash Flows*.

On the basis that equivalent disclosures are given in the consolidated financial statements of Cantor Fitzgerald L.P. the ultimate parent of the Company, the Company has also taken advantage of the exemption not to provide:

- the disclosure requirements of Section 11 *Basic Financial Instruments* and Section 12 *Other Financial Instrument Issues*.

## **Notes to the financial statements (continued)**

**For the year ended 31 December 2020**

### **1 Accounting policies (continued)**

#### **1.3 Basis of consolidation**

These consolidated financial statements incorporate the results of the Company and its subsidiary undertakings for the year ended 31 December 2020. A subsidiary undertaking is an entity controlled by the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Where the Group holds less than the majority of the voting powers but controls the financial and operating policies of an entity by virtue of the contractual arrangement, it accounts for that entity as a subsidiary.

The financial statements of subsidiaries that are acquired or disposed of within the financial year are included within, or excluded from, the consolidation from the date that the Company obtains, or loses control.

All intra-group transactions, balances, income and expenses are eliminated on consolidation. Where necessary, adjustments are made to the financial statements of Group entities to bring the accounting policies used in line with those used by the Group.

#### **1.4 Going concern**

The financial statements have been prepared on a going concern basis under the historical cost convention, and in accordance with the Companies Act 2006 and with the Financial Reporting Standard 102 (FRS102) issued by the Financial Reporting Council.

A going concern assessment has been performed at the Besso Insurance Group level, which includes all Besso subsidiaries. This assessment, from the date of signing the financial statements to 31 December 2022, includes consideration of the impacts of the COVID-19 pandemic on the Group's financial, liquidity and capital positions. In making the going concern assessment management have taken into account the following:-

- The current business performance has been compared against budget and forecasts over the calendar year 2021 and 2022. For 2021 and 2022 management have forecast revenue growth in excess of costs and there is limited planned capital expenditure;
- Besso Limited's ability to provide a parental guarantee to its subsidiaries for the year ending 31 December 2020. Under the parental guarantee, Besso Limited guarantees all outstanding liabilities to which the subsidiary companies are subject at the end of the financial year, until they are satisfied in full. Refer to Note 13 for further details.
- The principal risks facing the Group, including ability to attract and retain high calibre staff, the highly competitive environment it operates in and financial and operational impacts of COVID-19, have largely remained unaffected.

The key assumptions management have made in preparing the financial results and cashflow forecasts are:-

- Revenue generation remains resilient based on actual trading results for the eleven months to November 2021;
- No unbudgeted capital expenditure is expected; and
- Additional steps could be taken if necessary, including scaling back investment and reducing discretionary spend.

Following this assessment, the Directors are not aware of any material uncertainties that cast significant doubt on the Company's ability to continue as a going concern from the date of signing the financial statements to 31 December 2022 and for the foreseeable future thereafter.

## Notes to the financial statements (continued)

For the year ended 31 December 2020

### 1 Accounting policies (continued)

#### 1.5 Revenue recognition

*Revenue from the provision of insurance intermediary services*

The Group generates revenue from commission and fees associated with placing insurance contracts.

Revenue relating to insurance broking is recognised at the later of the inception date of the coverage or when the placement has been completed and confirmed. Where there is an expectation of future servicing requirements, an element of income relating to the policy is deferred to cover the associated contractual obligation.

Other income represents management fees and other income receivable for services provided and are recognised over the period in which they are performed and when they can be measured with reasonable certainty.

All revenue arises from the provision of services.

*Dividend income*

Dividend income is recognised when the right to receive the distributions has been established.

*Interest income*

Interest income is recognised on an accrued basis.

#### 1.6 Taxation

The tax expense for the year comprises current and deferred tax. Tax currently payable, relating to UK corporation tax, is calculated on the basis of the tax rates and laws that have been enacted or substantively enacted as at the reporting date.

Deferred tax is recognised on all timing differences that have originated but not reversed at the reporting date. Transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future give rise to a deferred tax liability or asset. Timing differences are differences between taxable profits and total comprehensive income as stated in the financial statements that arise from the inclusion of income and expenses in tax assessments in years different from those in which they are recognised in the financial statements.

Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted as at the reporting date, that are expected to apply to the reversal of the timing difference. The tax expense is recognised in the same component of comprehensive income or equity as the transaction or other event that resulted in the tax expense.

Deferred income tax assets are recognised only to the extent that, on the basis of all available evidence, it is deemed probable that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Current and deferred tax assets and liabilities are offset only when there is a legally enforceable right to set off the amounts and there is the intention either to settle on a net basis or to realise the asset and settle the liability simultaneously.

## Notes to the financial statements (continued)

For the year ended 31 December 2020

### 1 Accounting policies (continued)

#### 1.7 Foreign currencies

Foreign currency transactions are translated into the functional currency of the reporting entity using the exchange rate prevailing at the date the transactions took place. Income and expenses items are translated using an average exchange rate for the year where there are limited fluctuations in foreign exchange rates.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are reported at the rates of exchange prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at the reporting date of monetary assets and liabilities are reported in profit or loss.

For the purpose of presenting the consolidated financial statements, the assets and liabilities of the foreign entities and operations are translated at the exchange rates prevailing at the balance sheet date. Income and expense items are translated at the month end exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used. Exchange differences arising are recognised through other comprehensive income.

#### 1.8 Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of a business combination is the fair value of the consideration given, liabilities incurred or assumed and of equity instruments issued plus the costs directly attributable to the business combination.

Goodwill recognised represents the excess of the consideration and directly attributable costs of the purchase consideration over the fair value of the Group's interest in the identifiable assets, liabilities and contingent liabilities acquired.

Goodwill is amortised over its expected useful life. The useful life of goodwill is 8 to 20 years.

Goodwill is assessed for impairment where an indication of impairment exists at the reporting date.

## Notes to the financial statements (continued)

For the year ended 31 December 2020

### 1 Accounting policies (continued)

#### 1.9 Intangible assets

Intangible assets comprise of acquired software and goodwill.

Intangible assets are initially recognised at cost, which is the purchase price plus any directly attributable costs. Subsequently intangible assets are measured at cost less any accumulated amortisation and impairment losses.

Amortisation is charged on a straight line basis to administrative expenses in profit or loss over the shorter of the useful life of the asset or the contractual or legal rights arising on acquisition. The useful life of acquired software and amortisation rates are amended prospectively to reflect new circumstances, where factors, such as technological advancement, indicate that residual value or useful life have changed. The useful lives are as follows:

Computer software	3 years
Goodwill	8 – 20 years

Intangible assets are tested for impairment where an indication of impairment exists at the reporting date. A number of the goodwill items referred to above pre-date the effective date of FRS 102 and as such have a useful life of 20 years. Intangible assets recognised after the effect of FRS 102 are written off over a useful life of 10 years or less.

#### 1.10 Tangible assets

Tangible assets comprise computer hardware, fixtures, fittings and office equipment and motor vehicles which are initially recognised at cost, being the purchase price plus any directly attributable costs, and are subsequently measured at cost less accumulated depreciation and impairment losses.

Depreciation is charged on a straight-line basis to administrative expenses in profit or loss so as to allocate the asset's cost, less its estimated residual value, over its estimated useful life. The useful lives are as follows:

Computer hardware	3 years
Fixtures, fittings and office equipment	3 – 5 years
Leasehold improvements	Over the period of the lease
Motor vehicles	5 years

Tangible assets are tested for impairment where an indication of impairment exists at the reporting date.

#### 1.11 Investments in subsidiary undertakings

Investments in subsidiary undertakings are recognised at cost less accumulated impairment losses in the Company financial statements. On an annual basis, the directors assess whether there are indicators of impairment. Where an indicator of impairment exists the directors carry out an impairment review to determine the recoverable amount based on cash flow forecasts and longer term assessments of profitability.

## Notes to the financial statements (continued)

For the year ended 31 December 2020

### 1 Accounting policies (continued)

#### 1.12 Impairment of assets

At each reporting date, the Group reviews the carrying value of its assets and cash generating units, to determine whether there is any indication that those assets, or cash generating units, have suffered an impairment loss. If any such indication exists the recoverable amount is estimated in order to determine the extent of the impairment loss.

The recoverable amount of an asset, or cash generating unit, is the higher of fair value less costs to sell and value in use. Value in use is the present value of the future cash flows expected to be derived from the asset, or cash generating unit. The present value calculation involves estimating the future cash inflows and outflows to be derived from continuing use of the asset, and from its ultimate disposal, applying an appropriate discount rate to those future cash flows.

Where the recoverable amount of an asset is less than the carrying amount an impairment loss is recognised immediately in profit or loss. An impairment loss recognised for all assets is reversed in a subsequent year if, and only if, the reasons for the impairment loss have ceased to apply.

#### 1.13 Financial instruments

Financial assets and liabilities are recognised when the Group becomes party to the contractual provisions of the financial instrument. The Group holds basic and non-basic financial instruments, which comprise cash and cash equivalents, trade and other debtors, loans and borrowings, trade and other creditors, and derivative financial instruments. The Group has applied the measurement and recognition provisions of Section 11 *Basic Financial Instruments* and Section 12 *Other Financial Instrument Issues* in full.

#### Financial assets – classified as basic financial instruments

##### *Cash and cash equivalents*

Cash and cash equivalents including cash in hand, deposits held with banks, other short-term highly liquid investments with original maturities of three months or less.

##### *Trade and other debtors*

Trade and other debtors are initially recognised at the transaction price, including any transaction costs, and are subsequently measured at amortised cost using the effective interest method, less any provision for impairment.

Amounts that are receivable within one year are measured at the undiscounted amount of the amount expected to be receivable, net of any impairment.

At the end of each reporting year, the Group assesses whether there is objective evidence that any financial asset amount may be impaired. A provision for impairment is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the financial assets. The amount of the provision is the difference between the asset's carrying amount and the present value of the estimated future cash flows. The amount of the provision is recognised immediately in profit or loss.

## Notes to the financial statements (continued)

For the year ended 31 December 2020

### 1 Accounting policies (continued)

#### 1.13 Financial instruments (continued)

##### *Financial liabilities – classified as basic financial instruments (continued)*

###### *Trade and other creditors and loans and borrowings*

Trade and other creditors and loans and borrowings are initially measured at the transaction price, including any transaction costs, and are subsequently measured at amortised cost using the effective interest method.

Amounts that are payable within one year are measured at the undiscounted amount of the amount expected to be payable.

Where a financial liability constitutes a financing transaction it is initially measured at present value and subsequently measured at the fair value of the future payments, discounted at a market rate of interest.

##### *Derivative financial instruments – classified as non-basic financial instruments*

Derivative financial instruments comprise forward foreign exchange contracts that are initially recognised at fair value at the date the derivative contract is entered into and are subsequently measured at fair value at each reporting date.

The previous periods the Group used forward currency contracts to manage exposure to foreign exchange risk associated with foreign denominated forecast transactions. These derivative financial instruments were designated as the hedging instrument in cash flow hedges. The effective portion of the gains or losses on the hedging instrument was recognised through other comprehensive income in the cash flow hedge reserve, while any ineffective portion was recognised immediately in profit or loss.

Amounts recognised as other comprehensive income were transferred to profit or loss when the hedged transaction affects profit or loss, such as when the forecast transaction occurs. On the effective date of the contract any resulting exchange gain or loss was recognised in the profit and loss.

#### 1.14 Insurance broking debtors and creditors

Insurance brokers act as agents in placing the insurable risks of their clients with insurers and as such, generally, are not liable as principals for the amounts arising from such transactions. Accordingly, receivables arising from insurance broking transactions are not included as assets of the Company. Other than the receivable for fees and commissions earned on the transaction which is recognised within trade receivables, no recognition of the insurance transaction occurs until the Company receives cash in respect of premiums or claims, at which time a corresponding liability is established in favour of the insurer or client and recognised on the statement of financial position as insurance payables.

Cash arising from insurance broking transactions is included within fiduciary funds. The Company is entitled to retain the investment income on any cash flows arising from insurance related transactions.

## Notes to the financial statements (continued)

For the year ended 31 December 2020

### 1 Accounting policies (continued)

#### 1.15 Share capital and dividends

Equity share capital is classified as ordinary shares.

Incremental costs directly attributable to the issue of new ordinary shares are shown in equity as a deduction, net of tax from the proceeds. Dividends and other distributions to the Group's shareholders are recognised as a liability in the financial statements in the period in which the dividends and other distributions are approved by the shareholders. These amounts are recognised in the statement of changes in equity.

#### 1.16 Employee benefits

##### *Short-term benefits*

Short-term benefits, including holiday pay, interest free loans and other similar benefits, are recognised as an expense in the period in which the service is received. An accrual is recognised for short term compensated absences where entitlement has accumulated, but has not been taken, at the reporting date.

#### 1.17 Lease arrangements

Lease arrangements are classified as a finance lease where the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other lease arrangements are classified as an operating lease.

Payments made under operating lease arrangements are charged to profit or loss on a straight-line basis over the lease term. Benefits receivable as operating lease incentives are recognised within profit or loss on a straight-line basis over the lease term.

#### 1.18 Provisions

Provisions are recognised when there is a present obligation (legal or constructive) as a result of a past event, it is probable that the obligation will be required to be settled, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Provisions are discounted when the time value of money is material.

#### 1.19 Non-controlling interests

Non-controlling interests are stated at the share of net assets attributed to the non-controlling interest holder at the time of acquisition, adjusted for the relevant share in subsequent changes in equity.

#### 1.20 Deferred consideration

Deferred consideration arises when settlement of all or any part of the cost of a business combination is deferred. It is stated at fair value at the date of acquisition which is determined by discounting the amount due to the present value at that date. At each balance sheet date deferred consideration comprises the remaining deferred consideration valued at acquisition. Where deferred consideration previously measured has been adjusted the amounts are recognised as an adjustment to goodwill and investment in subsidiary undertakings in the Group and Company financial statements respectively.

## Notes to the financial statements (continued)

For the year ended 31 December 2020

### 2 Critical accounting judgements and key sources of estimation uncertainty

In applying the Group's accounting policies, the Directors are required to make judgements, estimates and assumptions in determining the carrying amounts of assets and liabilities. The Directors' judgements, estimates and assumptions are based on the best and most reliable evidence available at the time when the decisions are made, and are based on historical experience and other factors that are considered to be applicable. Due to the inherent subjectivity involved in making such judgements, estimates and assumptions, the actual results and outcomes may differ.

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

#### 2.1 Critical judgements in applying the Group's accounting policies

The critical judgements that the Directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the financial statements are discussed below.

##### *Assessing indicators of impairment*

On an annual basis, the directors assess whether there are indicators of impairment. Where an indicator of impairment exists the directors carry out an impairment review to determine the recoverable amount based on cash flow forecasts and longer term assessments of profitability.

##### *Assessing the functional currency*

The Directors are required to identify the functional currency of the Company and each subsidiary undertaking. In making this judgement the Directors have considered factors such as the currency which mainly influences both sales and cost prices, and the countries whose competitive forces and regulations affect those prices. Where the functional currency is not clearly identifiable, the Directors have used judgement to determine which currency most faithfully represents the economic effects of the underlying transactions, events and conditions.

##### *Determining control, joint control or significant influence*

When determining whether the Group has control, joint control or significant influence in an investment interest, the Directors must examine the individual facts and circumstances surrounding the nature of the Group's interest in an entity and use judgement to classify the investment. The outcome of this judgement will influence the accounting treatment adopted and consequently may impact the reported profit for the period and the assets and liabilities at the reporting date.

## Notes to the financial statements (continued)

For the year ended 31 December 2020

### 2 Critical accounting judgements and key sources of estimation uncertainty (continued)

#### 2.2 Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

##### *Measuring deferred brokerage*

The Group defers brokerage in respect of future servicing requirements associated with business placed. As future servicing requirements are unknown at the reporting date the Directors have established an estimate of the brokerage to be deferred based on historic patterns in post-placement activities and experience of similar business placed. Variations to estimates would result in the over or under recognition of revenue.

##### *Recoverability of receivables*

A provision for debtors is established where it is estimated that the debtors are not considered to be fully recoverable. When assessing recoverability, the Directors consider factors such as the ageing of the receivables, past experience of recoverability, and the credit profile of individual or groups of customers.

##### *Estimating value in use*

Where an indication of impairment exists, the Directors have carried out an impairment review to determine the recoverable amount, which is the higher of fair value less cost to sell or value in use. The value in use calculation requires the Directors to estimate the future cash flows expected to arise from the asset or the cash generating unit and a suitable discount rate in order to calculate present value.

##### *Recognition of deferred tax asset*

A deferred tax asset is recognised only to the extent that it will be recoverable against the future profits of the Group. The Directors have reviewed the business plans and forecasts of the Group and applied judgement in the recognition of the deferred tax asset.

##### *Assessing measurement of deferred consideration*

In arriving at deferred consideration, the Directors have exercised their judgement in estimating the future consideration payable in relation to acquisition of new businesses where future consideration is dependent upon certain performance targets being achieved.

### 3 Turnover

An analysis of the Group's turnover by category of business is as follows:

	2020 £	2019 £
Brokerage and commissions	48,669,479	50,988,816
Other income	596,064	1,180,849
	<u>49,265,543</u>	<u>52,169,665</u>

The analysis of turnover by geographical market required by paragraph 68(2) of Schedule 1 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 has not been provided as, in the opinion of the Directors' such disclosure would be seriously prejudicial to the interests of the Group.

## Notes to the financial statements (continued)

For the year ended 31 December 2020

### 4 Operating profit

This is stated after charging:

	Note	2020 £	2019 £
Amortisation of intangible assets	10	1,552,757	1,513,552
Depreciation of tangible assets	12	495,428	412,324
Foreign exchange losses / (gains)		23,805	400,957
Operating lease expenses – land and buildings		935,936	937,473
Operating lease expenses – other		274,731	262,760
Auditor's remuneration		178,000	242,200
		<b>3,460,657</b>	<b>3,769,266</b>
An analysis of the auditor's remuneration is as follows:			
Fees payable to the Company's auditors and their associates for the audit of the Company's annual accounts:		115,000	84,500
Fees payable to the Company's auditors and their associates for other services:			
Audit of the accounts of subsidiaries		-	65,700
Audit related assurance services		63,000	92,000
		<b>178,000</b>	<b>242,200</b>

### 5 Employee benefits

Staff are employed by Besso Insurance Services Limited, a fellow Group entity. Within the P&L £18,379,637 (2019: £20,914,433) of staff costs have been recharged to Besso Limited.

## Notes to the financial statements (continued)

For the year ended 31 December 2020

### 6 Directors' emoluments,

Director's remuneration in respect of qualifying services is disclosed below. The disclosures provided below relate to amounts paid by a fellow Besso group company, namely Besso Insurance Services Limited and recharged to the Company.

	2020 £	2019 £
<b>Remuneration:</b>		
Aggregate remuneration in respect of qualifying services	142,601	321,385
Pension contributions to defined contribution schemes	12,000	27,057
	<u>154,601</u>	<u>348,442</u>

There was 1 director (2019: 2) to who benefits are accruing under defined contribution pension schemes.

	2020 £	2019 £
<b>Remuneration of the highest paid director:</b>		
Aggregate remuneration in respect of qualifying services	142,601	145,532
Pension contributions to defined contribution schemes	12,000	15,056
	<u>154,601</u>	<u>160,588</u>

### 7 Interest receivable and similar income

	2020 £	2019 £
Interest receivable on cash at bank and in hand	88,946	419,212
	<u>88,946</u>	<u>419,212</u>

### 8 Interest payable and similar charges

	2020 £	2019 £
Interest payable on foreign exchange derivatives	31,603	25,001
	<u>31,603</u>	<u>25,001</u>

## Notes to the financial statements (continued)

For the year ended 31 December 2020

### 9 Taxation

The tax charge recognised in profit or loss comprises:

	2020 £	2019 £
<b>Current tax</b>		
UK corporation tax	-	-
Adjustments in respect of prior years	7,609	(2,236)
<b>Total current tax</b>	<u>7,609</u>	<u>(2,236)</u>
<b>Deferred tax</b>		
Origination and reversal of timing differences	(172,406)	(403,900)
Adjustment in respect of previous periods	88,279	(4,214)
Effect in changes in tax rates	(40,443)	42,517
<b>Total deferred tax</b>	<u>(124,570)</u>	<u>(365,597)</u>
<b>Total tax on profit</b>	<u>(116,961)</u>	<u>(367,833)</u>

The tax charge recognised in other comprehensive income:

	2020 £	2019 £
<b>Deferred tax</b>		
Origination and reversal of timing differences	-	59,449
<b>Total deferred tax</b>	<u>-</u>	<u>59,449</u>

Tax on profit on ordinary activities for the year is lower than the standard rate of corporation tax in the UK of 19% (2019: 19%). The differences are reconciled below:

	2020 £	2019 £
Profit on ordinary activities before taxation	<u>7,691,302</u>	<u>10,748,115</u>
Income tax calculated at 19% (2019: 19%)	1,461,349	2,042,142
Expenses not deductible for tax purposes	295,033	436,969
Tax rate changes	(40,442)	42,517
Adjustment from previous periods	95,887	(6,450)
Effects of Group relief received for no consideration	(2,048,210)	(2,883,011)
Partnership losses in respect of Marine Broking LLP	119,422	-
<b>Total tax credit</b>	<u>(116,961)</u>	<u>(367,833)</u>

## Notes to the financial statements (continued)

For the year ended 31 December 2020

### 9 Taxation (continued)

#### Factors that may affect future tax charges

The effective statutory corporation tax for the year ended 31 December 2020 is 19% (2019: 19%). The 2021 Budget provides that the rate of corporation tax will increase to 25% from April 2023. This rate was enacted in the Finance bill 2021 on 24 May 2021. If the rate of 25% was applied, the deferred tax asset would be £176k higher.

### 10 Intangible assets

#### Group

	Acquired software £	Goodwill £	Total £
<b>Cost</b>			
At 1 January 2020	500,533	12,081,197	12,581,730
Disposals	(173,120)	-	(173,120)
At 31 December 2020	327,413	12,081,197	12,408,610
<b>Amortisation and impairment</b>			
At 1 January 2020	277,820	7,967,728	8,245,548
Amortisation for the year	48,918	1,503,839	1,552,757
Disposals	(62,845)	-	(62,845)
At 31 December 2020	263,893	9,471,567	9,735,460
<b>Carrying value</b>			
At 31 December 2020	63,520	2,609,630	2,673,150
At 31 December 2019	222,713	4,113,469	4,336,182

Included within the Group Goodwill total are books of business acquired by the Company from a number of third parties at a cost of £2,729,284 (2019: £2,729,284) as recorded below.

## Notes to the financial statements (continued)

For the year ended 31 December 2020

### 10 Intangible assets (continued)

#### Company

	Acquired Software £	Goodwill £	Total £
<b>Cost</b>			
At 1 January 2020	500,533	2,729,284	3,229,817
Disposals	(173,120)	-	(173,120)
At 31 December 2020	327,413	2,729,284	3,056,697
<b>Amortisation and impairment</b>			
At 1 January 2020	277,820	1,546,456	1,824,276
Amortisation for the year	48,918	223,490	272,408
Disposals	(62,845)	-	(62,845)
At 31 December 2020	263,893	1,769,946	2,033,839
<b>Carrying value</b>			
At 31 December 2020	63,520	959,338	1,022,858
At 31 December 2019	222,713	1,182,828	1,405,541

### 11 Deferred consideration

In previous years deferred consideration was recognised in relation to Eagle West Limited, Besso International (Specie) Limited, GWMJ Limited, Besso International (Re) Limited, Besso Marine Limited and Marathon Global Limited. In 2019 the deferred consideration due to all of the aforementioned subsidiaries was settled, except for £561,392 in respect of Marathon Global Limited. Of this amount £328,197 was paid during the year and the remaining amount of £233,195 was paid after year end in June 2021.

The remaining £233,195 was paid to Marathon Global in June 2021.

## Notes to the financial statements (continued)

For the year ended 31 December 2020

	Eagle West Limited £	Besso Int'l Specie Limited £	GWMJ Limited £	Besso Int'l Re Limited £	Besso Marine Limited £	Marathon Global Limited £	Total £
<b>At 31 December 2018</b>	234,032	186,412	1,630,935	-	562,187	-	2,613,566
Adjustment to valuation Instalments paid	- (234,032)	(5,001) (181,411)	- (1,630,935)	-	- (562,187)	849,589 (288,197)	844,588 (2,896,762)
<b>At 31 December 2019</b>	-	-	-	-	-	561,392	561,392
Instalments paid	-	-	-	-	-	(328,197)	(328,197)
<b>At 31 December 2020</b>	-	-	-	-	-	<b>233,195</b>	<b>233,195</b>

During 2019 the Group made a small adjustment of £5,001 to the value of the goodwill on a previously recognised book of business, Besso International (Specie) Limited, as a result of the performance of the company up to the effective trigger date.

In May 2019 the Group exercised its option to purchase the remaining shares in Marathon Global Limited from the non-controlling interests. The consideration paid of £849,589 resulted in additional goodwill of £393,250 arising on consolidation.

## Notes to the financial statements (continued)

For the year ended 31 December 2020

### 12 Tangible assets

#### Group and Company

	Computer equipment £	Fixtures, fittings and equipment £	Leasehold imp'ts £	Motor vehicles £	Total £
Cost					
At 1 January 2020	1,704,516	1,845,925	775,772	25,402	4,351,615
Additions	66,650	61,024	147,500	-	275,174
At 31 December 2020	1,771,166	1,906,949	923,272	25,402	4,626,789
Depreciation					
At 1 January 2020	1,547,780	1,557,644	368,367	25,402	3,499,193
Depreciation charge	145,530	96,472	253,426	-	495,428
At 31 December 2020	1,693,310	1,654,116	621,793	25,402	3,994,621
Carrying value					
At 31 December 2020	77,856	252,833	301,479	-	632,168
At 31 December 2019	156,736	288,281	407,405	-	852,422

### 13 Investment in subsidiary undertakings

Company	Subsidiary undertakings £
Cost	
At 1 January 2020	8,968,256
At 31 December 2020	8,968,256
Provision for impairment charged to profit or loss	
At 1 January 2020	519,253
Impairment charge	-
At 31 December 2020	519,253
Carrying value	
At 31 December 2020	8,449,003
At 31 December 2019	8,449,003

An impairment charge of £519,253 was recognised in 2019 relating to the Company's investment in Besso International (Specie) Limited, which was written down to nil. The impairment charge is recognised in the stand-alone Company statement of comprehensive income. The balance was written down based on an assessment of the value in use of the subsidiary and its recent trading history which indicated that the carrying value should be written down to nil.

## Notes to the financial statements (continued)

For the year ended 31 December 2020

### 13 Investment in subsidiary undertakings (continued)

The Group has the following investments in subsidiary undertakings, and Besso Limited has provided a parental guarantee under Section 479A-C of Companies Act 2006 for the year ending 31 December 2020, as detailed in Note 22, for the insurance intermediaries indicated below

Name	Company number	Parental guarantee applicable	Country of incorporation	Nature of business	Proportion of capital held
H. Bernstein Insurance Brokers Limited	00515681	N/A	England	Non trading	100%
Besso Risk Solutions Limited	05158123	Yes	England	Insurance intermediary	100%
Besso Re Limited	04910240	Yes	England	Insurance intermediary	100%
Besso Transportation Limited	05277247	Yes	England	Insurance intermediary	100%
Besso Special Groups Limited	05277286	Yes	England	Insurance intermediary	100%
Gladstone Underwriting Agency Limited	02275912	N/A	England	Non trading	100%
Besso Marine Limited	10220151	Yes	England	Insurance intermediary	100%
Eagle West Limited	08447254	Yes	England	Insurance intermediary	100%
Besso International Specie Limited	08746843	Yes	England	Insurance intermediary	100%
Besso International (Re) Limited	08883300	Yes	England	Insurance intermediary	100%
GWMJ Limited	09155471	Yes	England	Insurance intermediary	100%
Marathon Global Limited	10214487	Yes	England	Insurance intermediary	100%
Marine Broking LLP	OC426562	Yes	England	Insurance intermediary	100%*

\*Includes put and call options

The Group and Company assesses whether it has control over another entity in accordance with the provisions of Section 9 *Consolidated and Separate Financial Statements*.

The registered address of the subsidiaries noted above is 8-11 Crescent London EC3N 2LY.

### Non-controlling interests

There are no non-controlling interests within the Group as at the balance sheet date. The non-controlling interests as at 31 December 2018 represented the profit and net assets in Marathon Global Limited not held by the Group, the minority interest of £456,339 was transferred to the Group during 2019

## Notes to the financial statements (continued)

For the year ended 31 December 2020

### 14 Debtors

	Group 2020 £	Group 2019 £	Company 2020 £	Company 2019 £
<b>Amounts due within one year:</b>				
Net Trade Assets (note 15)	9,344,632	10,873,080	9,344,632	10,873,080
Amounts owed by parent group	2,712,991	831,059	2,712,991	831,059
Amounts owed by related undertakings	13,144,931	12,650,912	14,022,870	12,994,458
Other debtors	1,092,759	1,527,943	1,090,760	1,525,942
Prepayments and accrued income	3,546,619	3,774,452	3,540,329	3,760,733
Corporation tax debtor	2,732	59,127	2,733	997,446
Deferred tax (note 19)	565,506	440,936	556,597	432,027
	<u>30,410,170</u>	<u>30,157,509</u>	<u>31,270,912</u>	<u>31,414,745</u>

### 15 Net trade assets

#### Group and Company

	2020 £	2019 £
Uncollected insurance debtors	139,234,349	138,262,401
Insurance creditors in respect of uncollected insurance creditors	(129,889,717)	(127,389,321)
	<u>9,344,632</u>	<u>10,873,080</u>

Insurance debtors and creditors prior to cash transfer from clients, insurers, reinsurers are not included on the Company or Group's Balance Sheet. The net of these amounts represents uncollected brokerage earned by the Group. Brokerage is drawn when cash is received.

### 16 Cash at bank and in hand

	Group 2020 £	Group 2019 £	Company 2020 £	Company 2019 £
Own funds	7,871,451	6,056,565	7,871,451	6,056,565
Fiduciary funds	72,102,109	75,132,524	72,102,109	75,132,524
	<u>79,973,560</u>	<u>81,189,089</u>	<u>79,973,560</u>	<u>81,189,089</u>

Fiduciary funds are subject to contractual or regulatory restrictions. The Company considers that these monies are not readily available to be used for other purposes within the Company. A liability corresponding to this amount is included in note 17 within insurance creditors.

## Notes to the financial statements (continued)

For the year ended 31 December 2020

### 17 Trade and other creditors

	Group 2020 £	Group 2019 £	Company 2020 £	Company 2019 £
<b>Amounts due within one year:</b>				
Insurance creditors	72,102,109	75,132,524	72,102,109	75,132,524
Amounts owed to Immediate parent undertakings	13,799,659	16,126,555	11,249,485	13,576,381
Amounts owed to related undertakings	1,104,721	1,049,684	7,281,152	8,027,247
Other creditors	368,504	324,695	368,104	324,295
Tax and social security	589,631	581,561	589,631	581,561
Accruals and deferred income	9,956,792	10,282,617	9,891,791	10,195,284
Deferred consideration (note 11)	233,195	561,392	233,195	561,392
	<u>98,154,611</u>	<u>104,059,028</u>	<u>101,715,467</u>	<u>108,398,684</u>

### 18 Derivative financial instruments and cash flow hedge accounting

In periods prior to 2019, the Group used forward foreign exchange contracts to manage exposure to foreign exchange risk associated with foreign denominated forecast sale transactions.

The fair value of the outstanding contracts at the end of 2020 was nil (2019: £nil) as all contracts were completed during 2019.

All of the Group's derivative financial instruments were designated as cash flow hedging instruments in a hedging relationship with a highly probable forecast transaction of foreign denominated brokerage income.

The terms of the foreign currency forward contracts matched the terms of the expected highly probable forecast transactions. As a result, no hedge ineffectiveness arose requiring recognition through profit or loss.

## Notes to the financial statements (continued)

For the year ended 31 December 2020

### 21 Operating leases

The Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases as at the reporting date as follows:

	Land and buildings 2020 £	Other 2020 £	Land and buildings 2019 £	Other 2019 £
Not later than one year	825,000	232,076	1,100,000	294,994
Later than one year not later than five years	-	-	825,000	232,076
Later than five years	-	-	-	-
Total	<u>825,000</u>	<u>232,076</u>	<u>1,925,000</u>	<u>527,070</u>

### 22 Contingent liabilities and other commitments

The Group is often involved in a variety of litigation and regulatory issues. A provision is established in respect of such issues to the extent that costs or losses are deemed probable and a reliable estimate can be established. On the facts known to the Directors, no provision is currently required for any of these issues.

For the period ending 31 December 2020, Besso Limited has provided a parental guarantee to its subsidiaries under sections 479A-C of the Companies Act 2006 for the year ending 31 December 2020. Under the parental guarantee, Besso Limited guarantees the outstanding liabilities of the subsidiary companies as at the end of the financial year, until they are satisfied in full. The list of subsidiary companies subject to this guarantee is detailed in Note 13. As a result of the parental guarantee, management have used the audit exemption available to them.

## Notes to the financial statements (continued)

For the year ended 31 December 2020

### 19 Deferred tax (continued)

#### Company

	Short term timing differences £	Fixed asset timing differences £	Derivative financial instruments £	Total £
At 1 January 2019	-	66,429	59,449	125,878
Adjustment in respect of prior years	-	4,215	-	4,215
Deferred tax charge to income statement for the year	323,956	37,427	-	361,383
Charged in the year recognised in other comprehensive income	-	-	(59,449)	(59,449)
At 31 December 2019	323,956	108,071	-	432,027
Adjustment in respect of prior years	(88,279)	-	-	(88,279)
Deferred tax charge to the income statement for the year	106,010	106,839	-	212,849
At 31 December 2020	<u>341,687</u>	<u>214,910</u>	<u>-</u>	<u>556,597</u>
Deferred tax assets	341,687	214,910	-	556,597
Net deferred tax	<u>341,687</u>	<u>214,910</u>	<u>-</u>	<u>556,597</u>

See Note 18 for a further explanation of the derivative financial instruments.

The Company has recognised deferred tax assets in respect of all deductible timing differences. There are no amounts unrecognised (2019: £nil).

A deferred tax asset has been recognised in respect of fixed asset timing differences and other short-term timing differences. As capital allowances are not expected to be claimed in the next 12 months, none of the recognised deferred tax asset is expected to be utilised over the next 12 months.

### 20 Called up share capital

#### Group and Company

	Number 2020	Number 2019	£ 2020	£ 2019
<b>Ordinary Shares of £1 each:</b>				
Allotted and called up	<u>7,000,000</u>	<u>7,000,000</u>	<u>7,000,000</u>	<u>7,000,000</u>

The ordinary shares have the right to receive notice of and attend and vote at any General Meeting duly convened, are entitled to participate in any winding up of the Company and have the right to receive a dividend when declared by the Company.

## Notes to the financial statements (continued)

For the year ended 31 December 2020

### 21 Operating leases

The Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases as at the reporting date as follows:

	Land and buildings 2020 £	Other 2020 £	Land and buildings 2019 £	Other 2019 £
Not later than one year	825,000	232,076	1,100,000	294,994
Later than one year not later than five years	-	-	825,000	232,076
Later than five years	-	-	-	-
Total	<u>825,000</u>	<u>232,076</u>	<u>1,925,000</u>	<u>527,070</u>

### 22 Contingent liabilities and other commitments

The Group is often involved in a variety of litigation and regulatory issues. A provision is established in respect of such issues to the extent that costs or losses are deemed probable and a reliable estimate can be established. On the facts known to the Directors, no provision is currently required for any of these issues.

For the period ending 31 December 2020, Besso Limited has provided a parental guarantee to its subsidiaries under sections 479A-C of the Companies Act 2006 for the year ending 31 December 2020. Under the parental guarantee, Besso Limited guarantees the outstanding liabilities of the subsidiary companies as at the end of the financial year, until they are satisfied in full. The list of subsidiary companies subject to this guarantee is detailed in Note 13. As a result of the parental guarantee, management have used the audit exemption available to them.

## Notes to the financial statements (continued)

For the year ended 31 December 2020

### 23 Related party transactions

The Company has taken advantage of the exemption conferred by Section 33 *Related Party Transactions* not to disclose transactions with other members of the Group that are wholly owned.

As at 31 December 2020, the Company had the following balances outstanding with other group companies:

	2020	2019
	£	£
Marathon Global Limited	(1,133,551)	(2,453,094)
Besso Transportation Limited	(569,246)	(391,698)
Besso Special Groups Limited	(1,128,040)	(1,916,463)
Besso Re Limited	258,188	200,855
Besso Risk Solutions Limited	42,423	42,423
Gladstone Underwriting Agency Limited	4,324	4,324
Besso International Re Limited	(1,068,964)	(1,740,816)
Besso International Specie Limited	65,799	78,564
Eagle West Limited	(378,598)	(269,532)
GWMJ Limited	(1,273,496)	(308,382)
Besso Marine Limited	(624,536)	(415,413)
Marine Broking LLP	262,583	-

As at 31 December 2020, the Group had the following balances outstanding with other companies of the Immediate Parent Group:

	2020	2019
	£	£
Besso Insurance Group Limited	(13,799,659)	(15,555,258)
Besso Affinity Groups Limited	(1,971)	(1,971)
Besso (Asia Pacific) Limited	-	(84,587)
Optex Group Limited	-	(445,290)
Besso LLP	6,030,203	5,407,005
Besso Insurance Services Limited	8,418	8,418
Besso Sigorta Reasurans Bokerligi Limited	310,543	306,775
Besso Brasil Participações Ltda	18,236	18,236
Besso Operational Support Services Limited	4,460,174	4,435,452
Besso Re (Middle East) Limited	29,245	20,364
Besso Grimme Insurance Brokers GmbH	2,134,222	1,948,496
Besso Cyrus B.V	140,158	-
Besso Insurance Brokers European Services Limited	13,731	-

## Notes to the financial statements (continued)

For the year ended 31 December 2020

### 23 Related party transactions (continued)

As at 31 December 2020, the Group had the following balances outstanding with other companies of the Ultimate Parent Group:

	2020 £	2019 £
Tower Bridge (One) Limited	760,231	247,077
Piiq Risk Partners Inc.	154,801	245,250
Piiq Risk Partners Limited	-	33,828
Cantor Fitzgerald Europe	(221,987)	165,347
Ed Broking LLP	797,775	139,557
Ed Broking Holdings (London) Limited	997,549	-
Globe Underwriting Limited	2,634	-
BGC Global Holdings	(880,762)	(317,395)

Following the acquisition by Ardonagh, Tower Bridge (One) Limited, Cantor Fitzgerald Europe and BGC Global Holdings are no longer related parties and the balances were settled as part of the completion of the sale on 1 November 2021.

The above balances are receivable/payable on demand.

### 24 Events after the reporting period

On 1 November 2021, The Ardonagh Group Limited ("Ardonagh") completed its acquisition of Ed Broking Group Limited and Besso Insurance Group Limited, including all their subsidiaries (collectively known as Corant Global) from BGC Partners Inc. for a total estimated consideration of \$500m.

A dividend of £2,211,425 was declared to Besso Insurance Group Limited on 27<sup>th</sup> October 2021, this was required as part of the completion mechanics associated with the sale to Ardonagh.

### 25 Parent undertaking and ultimate controlling party

The immediate parent company is Besso Insurance Group Limited, a company incorporated in England and Wales. Besso Insurance Group Limited is the parent of the smallest group of which the Company is a member. Copies of the report and financial statements for Besso Insurance Group Limited can be obtained from Companies House.

At 31 December 2020 the ultimate parent and controlling entity was Cantor Fitzgerald L.P., a Limited Partnership which is registered in the United States of America. For the year ended 31 December 2020 the smallest group to make its financial statements publicly available into which the results of the Company are consolidated is BGC Partners, Inc., which is registered at 499 Park Avenue, NY 10022, United States of America. The largest group into which the results of the Company are consolidated is Cantor Fitzgerald L.P.

Following the acquisition on 1 November 2021 by Ardonagh the ultimate parent company is The Ardonagh Group Limited (a company incorporated in Jersey, registered office address: 3<sup>rd</sup> Floor, 47 Esplanade, St Helier, Jersey, JE4 9WG).