

Registration number: 11728557

Bishopsgate North American Binders Limited

Annual Report and Financial Statements

for the Year Ended 31 December 2021



Bishopsgate North American Binders Limited

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Bishopsgate North American Binders Limited

Company Information

Directors	G I Kilby J A F Masterton
Registered office	2 Minster Court Mincing Lane London EC3R 7PD United Kingdom
Auditor	Deloitte LLP 1 New Street Square London EC4A 3HQ United Kingdom

Bishopsgate North American Binders Limited

Strategic Report for the Year Ended 31 December 2021

The directors present their strategic report for the year ended 31 December 2021 for Bishopsgate North American Binders Limited ("the Company"). The Strategic Report provides a review of the business for the financial year and describes how the directors manage risks. The report outlines the performance of the Company during the financial year and its position at the end of the year. The report discusses the developments that have affected the Company and the main trends and factors that could affect its future. Following significant new equity investment as disclosed in note 14, the Company is now overseen by a new holding company, Ardonagh Group Holdings Limited. Prior to this and as at 31 December 2021, the Company was part of The Ardonagh Group Limited. The Company and its subsidiaries under the new and previous holding company are referred to as the Group.

Principal activities and business review

The principal activity of the Company is the provision of wholesale insurance services, being a Lloyd's broker.

The results for the Company show turnover of £4.0m (2020: £3.4m) and profit before tax of £1.9m (2020: £0.6m) for the year. At 31 December 2021 the Company had net assets of £3.4m (2020: £1.9m). The going concern note (part of accounting policies) on page 18 sets out the reasons why the directors continue to believe that the preparation of the financial statements on a going concern basis is appropriate.

Business strategy and objectives

The business strategy of the Company will focus on providing insurance intermediary services across niche and specialist lines of business, and whilst predominantly based in the UK the Company recognises the opportunity that European and North American expansion offers to add further distribution channels.

The Company continues to emphasise the fundamental importance of putting customers first. The Company has developed policies and processes with the aim of treating every customer fairly and consistently. This includes endeavouring to provide customers with the best products, advice and service, which can build loyalty and advocacy, that in turn strengthens reputation and supports profits. Serving customers well involves high standards of underwriting and pricing, a customer-focused approach pre and post transaction, and dealing with any concerns or complaints promptly and fairly. The development of strong customer relationships assists in sustained income growth. The Company focuses on increasing retention rates and attracting new customers.

The Company aspires to creating a high performance culture, and the delivery of excellent customer service through employing, developing and retaining highly engaged and capable people. The Company fosters a supportive environment in which our people continuously learn and develop. The Company's culture, development opportunities, and reward structure positions to attract and retain highly motivated staff. We create a shared understanding of the Company's strategic goals and objectives, building the capabilities of leaders to manage performance and ensuring every employee has the knowledge, skill and capability to perform their role.

Bishopsgate North American Binders Limited

Strategic Report for the Year Ended 31 December 2021 (continued)

Companies Act s.172 Duty

This Statement is made pursuant to s. 414 of the Companies Act 2006.

The Company forms part of The Ardonagh Group of Companies, a global insurance distribution provider and its activities are aligned to the strategy and risk management and control frameworks of the Group.

The directors of the Company are committed to lead and direct the affairs of the Company in order to promote the long-term sustainable success of the Company, generating value for its shareholder and ensuring sound and prudent management of the firm. The directors of the Company consider that, both individually and collectively, they have acted in a way, in good faith, that would most likely promote the success of the Company, for the benefit of its members (s. 172(1)), also having regard to the long-term consequences of any decisions taken (172(1)(a)). Distributions to the Company's shareholder are only considered after a full assessment of capital adequacy and the Company's ability to continue as a going concern into the foreseeable future to ensure investment in the future growth of the Company, balanced with stable and sustainable returns to the shareholder. Sections 172(1)(b)-(e) do not apply to the Company as the Company does not have direct employees or supplier relationships. All employees are directly employed by Bishopsgate Insurance Brokers Limited, a fellow group company. The directors oversee the activities of Bishopsgate Insurance Brokers Limited in respect of employee and customer relationships.

The Group's Code of Conduct, applies to all directors of the Company and it embodies the Group's commitment to maintaining the highest ethical conduct and professional standards. These non-negotiable standards are outlined in the Code of Conduct and the Ardonagh Governance Framework, which emphasises the importance of building trust with colleagues, clients and the wider community.

Outlook

The Company will focus on increasing retention rates and attracting new customers through placing fundamental importance on putting customers first. The Company also aspires to create a high performance culture, creating excellent customer service through highly engaged employees.

Key performance indicators

The Company's key financial and other performance indicators during the year were as follows:

	Unit	2021	2020
Revenue	£m	4.0	3.4
Profit before tax	£m	1.9	.6
Net assets	£m	3.4	1.9

These key performance indicators are used throughout Ardonagh Specialty and so management deem these sufficient for the review of performance. Trading has increased during the year resulting in an increase in revenue from £3.4m in 2020 to £4.0m in 2021.

The Company actively encourages all employees to become involved in Company affairs and is also keen to encourage two-way communications on relevant business issues. This is achieved through regular employee meetings and by presentations by senior management, supported by a Group-wide communication plan. Further discussion of employee matters can be found in the directors' report.

Principal risks and uncertainties

The Company faces a broad range of risks and uncertainties that are described in more detail in this section. These are the risks that are the focus of the Group Risk Committee.

Additional risks and uncertainties are not currently known to us, or that we currently consider immaterial, may also materially and adversely affect our business operations.

Bishopsgate North American Binders Limited

Strategic Report for the Year Ended 31 December 2021 (continued)

The principal risks and their mitigation are as follows:

Strategic and commercial risk

There are risks of changes to the competitive and economic environment. This is mitigated by a robust strategy and planning process, regular monitoring of the economic and competitive environment and by diversification of product lines and channels.

Financial risk

There is the risk of an adverse impact on business value or earnings capacity as well as the risk of inadequate cash flows to meet financial obligations. These risks are mitigated by proactive management of the business plan, by regular monitoring of cash flows against risk appetite and by a focus on debt collection.

The Group and Company has demonstrated its resilience from an economic shock and demonstrated operational and financial resilience in response to the Covid-19 pandemic.

The Group and Company has sufficient liquidity to withstand a period of potential poor trading resulting from a sustained economic decline, although this has not materialised to date and the Group would respond to income declines by seeking cost savings. The Group had available liquidity of £794.7m at 30 September 2022 and closely monitors available liquidity on an ongoing basis.

Insurance broking is a resilient and defensive market, which has historically had limited impact from past economic or capital market downturns. Ardonagh is highly diversified and not materially exposed to a single carrier, customer or market sector.

Breach of regulatory requirements

If we fail to comply with regulatory requirements, we may not be able to conduct our business or may be subject to substantial fines or other sanctions that may have an adverse effect on our results of operations and financial condition. The Group operates a robust risk and control framework (underpinned by the three line of defence governance model set out in the annual report of The Ardonagh Group Limited for the year ended 31 December 2021) and closely monitors changes to the regulatory environment.

Litigation

We are subject to various actual and potential claims, lawsuits and other proceedings relating principally to alleged errors, omissions or unfair provisions in connection with the placement of insurance or the provision of financial services advice in the ordinary course of business.

We maintain professional indemnity insurance for errors and omissions claims. The terms of this insurance vary by policy year and our ability to obtain professional indemnity insurance in the future may be adversely impacted by general developments in the market for such insurance, or by our own claims experience. If our insurance coverage proves inadequate or unavailable, there is an increase in liabilities for which we self-insure.

Bishopsgate North American Binders Limited

Strategic Report for the Year Ended 31 December 2021 (continued)

Insurance market volatility

Volatility or declines in premiums, as well as declines in commission rates, may seriously undermine our business and results of operations.

We derive most of our revenue from commissions and fees for underwriting and broking services. Our commissions are generally based on insurance premiums, which are cyclical in nature and may vary widely based on market conditions. A significant reduction in commissions, along with general volatility or declines in premiums, could have a significant adverse effect on our business.

On a longer time horizon, the insurance markets might be disrupted by new technologies, “open finance” or new distribution structures, which may give rise to both risks and opportunities for the Group.

Retention and wellbeing of staff

The loss of several senior management or a significant number of our client-facing employees could have a material adverse effect on our business. The inability to attract and retain qualified personnel could also have a material adverse effect on our business. The Company maintains appropriate performance management, remuneration, succession planning and other HR policies that are proportionate for their respective businesses.

The business also had to respond to the changing nature of ways of working with the emergence of hybrid or remote working becoming more mainstream which has required us to focus on risk management around data, cyber, capability and wellbeing of employees.

Business Continuity Plans are in place across the Company’s operating segment, which include policies to manage employee absences, to ensure access to the wider network of offices, to maintain the efficiency and stability of the infrastructure, and to facilitate home working for a significant portion of our employee base. Leadership teams and working groups led by senior managers are in place to support operational resilience and the taking of common-sense precautions with a view to ensuring the wellbeing of colleagues. We continue to review this approach in line with the latest developments and government guidance.

Global political tensions

As a result of Russia invading Ukraine, we have seen significant new sanctions legislation from a range of legislators (including the US, EU and UK), with newly sanctioned entities and individuals, and new (or wider in scope) sectoral sanctions targeting Russia (and Belarus). The Ardonagh Group has no appetite for potential breaches of applicable sanctions regimes. Most of the Group’s inherent risk exposure relates to international ‘London Market’ insurance business within Ardonagh Specialty. Our robust framework and sophisticated control environment, which includes enhanced due diligence on Russian-linked business (prior to accepting the client relationships) and automated daily screening of all existing clients against relevant sanctions lists are dynamically updated as they change. The Group has also reviewed its defences against cyber risks in the context of anticipated increases in such threats to Western companies from Russia and has reviewed its procurement processes and supplier relationships for Russian links. Our mandatory due diligence on potential acquisitions also includes pre-completion screening of full client and supplier lists. We continue to actively monitor the situation as it develops and will respond accordingly as new sanctions are enacted.

Bishopsgate North American Binders Limited

Strategic Report for the Year Ended 31 December 2021 (continued)

Approved by the Board on 19 December 2022 and signed on its behalf by:



.....
J A F Masterton
Director

Bishopsgate North American Binders Limited

Directors' Report for the Year Ended 31 December 2021

The directors present their annual report and the audited financial statements for the year ended 31 December 2021.

Directors of the Company

The directors, who held office during the year and up to the date of signing, were as follows:

G I Kilby

J A F Masterton

J T Bassett (resigned 22 July 2022)

Dividends

The directors do not recommend a final dividend payment to be made in respect of the financial year ended 31 December 2021 (2020: £Nil).

Financial risk management objectives and policies

Details of financial risk management objectives and policies can be found in the Strategic Report within the 'Principal risks and uncertainties' section on page 3.

Future developments

Details of future developments can be found in the Strategic Report within the 'Outlook' section on page 3.

Political donations

The Company has not made any political donations during the year (2020: £Nil).

Subsequent events

Details of subsequent events can be found in the Notes to the financial statements within the 'Subsequent events' section on page 27.

Going concern

The Company's business activities, together with the factors likely to affect its future development are described in the Strategic Report on page 2. The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for a period of at least twelve months from the date of approval of the financial statements. Thus, they continue to adopt the going concern basis of accounting in preparing the annual financial statements. Further details of this assessment can be found in note 2 to these financial statements.

Directors' indemnities

All directors of the Company and fellow Group companies benefit from qualifying third-party indemnity provisions, subject to the conditions set out in the Companies Act 2006, which were in place during the financial year and at the date of this report.

Disclosure of information to the auditor

Each director has taken steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information. The directors confirm that there is no relevant information that they know of and of which they know the auditor is unaware.

Reappointment of auditor

The auditor, Deloitte LLP, is deemed to be reappointed under section 487 (2) of the Companies Act 2006.

Bishopsgate North American Binders Limited

Directors' Report for the Year Ended 31 December 2021 (continued)

Approved by the Board on 19 December 2022 and signed on its behalf by:



.....
J A F Masterton
Director

Bishopsgate North American Binders Limited

Statement of Directors' Responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 101 "Reduced Disclosure Framework".

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that year. In preparing these financial statements, the directors are required to:

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

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

Bishopsgate North American Binders Limited

Independent Auditor's Report to the members of Bishopsgate North American Binders Limited

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Bishopsgate North American Binders Limited (the 'Company'):

- give a true and fair view of the state of the Company's affairs as at 31 December 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, which comprise:

- the Statement of Comprehensive Income for the year ended 31 December 2021;
- the Statement of Financial Position as at 31 December 2021;
- the Statement of Changes in Equity for the year ended 31 December 2021; and
- the notes to the financial statements 1 to 14.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

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

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

Conclusions relating to going concern

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

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

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

Bishopsgate North American Binders Limited

Independent Auditor's Report to the members of Bishopsgate North American Binders 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 our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

Extent to which the audit was considered capable of detecting irregularities, including fraud

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

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

Bishopsgate North American Binders Limited

Independent Auditor's Report to the members of Bishopsgate North American Binders Limited (continued)

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

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

We discussed among the audit engagement team regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

As a result of performing the above, we identified the greatest potential for fraud in the following area, and our specific procedures performed to address it are described below:

- Manipulation of revenue submission(Cut-off) : As EBITDA is the primary driver for the bonus decisions, there is a risk of manipulation around the submission of revenue based on budget vs actual performance. We have performed the following:

- o Performed an analysis of the performance regarding revenue actual vs budget throughout the year, to determine any unusual trends in reporting;
- o Sampled and tested transactions processed/reversed in January and December and for any months in the year with outlying trends identified; and
- o Conducted additional testing over post year end debits to revenue.

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

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

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

Bishopsgate North American Binders Limited

Independent Auditor's Report to the members of Bishopsgate North American Binders Limited (continued)

Report on other legal and regulatory requirements

Opinion on other matter prescribed by the Companies Act 2006

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

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

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

Matters on which we are required to report by exception

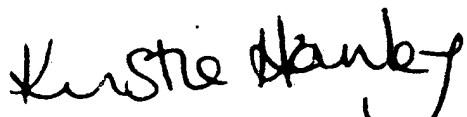
Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

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

We have nothing to report in respect of these matters.

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.



Kirstie Hanley (Senior Statutory Auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom

Date: 19 December 2022

Bishopsgate North American Binders Limited

Statement of Comprehensive Income for the Year Ended 31 December 2021

	Note	2021 £	2020 £
Commission and fees	4	3,972,110	3,398,154
Administrative expenses		<u>(2,028,755)</u>	<u>(2,755,726)</u>
Operating profit	5	<u>1,943,355</u>	<u>642,428</u>
Profit before tax		1,943,355	642,428
Income tax expense	8	<u>(375,082)</u>	<u>(139,540)</u>
Profit for the year		<u><u>1,568,273</u></u>	<u><u>502,888</u></u>

The above results arise from continuing operations. There was no other comprehensive income in the current or prior year.

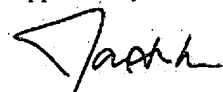
Bishopsgate North American Binders Limited

(Registration number: 11728557)

Statement of Financial Position as at 31 December 2021

	Note	2021 £	2020 £
Current assets			
Trade and other receivables	9	4,249,316	2,305,961
Current liabilities			
Tax liabilities		<u>(820,016)</u>	<u>(444,934)</u>
Net current assets		<u>3,429,300</u>	<u>1,861,027</u>
Total assets less current liabilities		<u>3,429,300</u>	<u>1,861,027</u>
Net assets		<u>3,429,300</u>	<u>1,861,027</u>
Capital and reserves			
Share capital	11	1,000	1,000
Retained earnings		3,295,813	1,727,540
Other reserves		<u>132,487</u>	<u>132,487</u>
Total equity		<u>3,429,300</u>	<u>1,861,027</u>

Approved by the Board on 19 December 2022 and signed on its behalf by:



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J A F Masterton
Director

Bishopsgate North American Binders Limited

Statement of Changes in Equity for the Year Ended 31 December 2021

	Share capital £	Other reserves £	Retained earnings £	Total £
At 1 January 2021	1,000	132,487	1,727,540	1,861,027
Net profit for the year	-	-	1,568,273	1,568,273
At 31 December 2021	<u>1,000</u>	<u>132,487</u>	<u>3,295,813</u>	<u>3,429,300</u>

	Note	Share capital £	Other reserves £	Retained earnings £	Total £
At 1 January 2020		1,000	77,290	1,224,652	1,302,942
Share-based payment	10	-	55,197	-	55,197
Net profit for the year		-	-	502,888	502,888
At 31 December 2020		<u>1,000</u>	<u>132,487</u>	<u>1,727,540</u>	<u>1,861,027</u>

Other reserves relates to a share-based payment reserve. See note 10 for further details.

The notes on pages 17 to 27 form an integral part of these financial statements.

Bishopsgate North American Binders Limited

Notes to the Financial Statements for the Year Ended 31 December 2021

1 General information

The Company is a private company limited by share capital, that is incorporated and registered in England, United Kingdom under the Companies Act 2006. The details of the Company's registered office address can be found on page 1. The principal activity of the Company is disclosed on page 2 within the 'Strategic Report' section.

The financial statements for the year ended 31 December 2021 were authorised for issue by the Board on and the Statement of Financial Position was signed on the board's behalf by J A F Masterton.

2 Accounting policies

Summary of significant accounting policies and key accounting estimates

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

Basis of preparation

These financial statements were prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework'.

The financial statements are presented in GBP sterling (£), which is also the Company's functional currency.

These financial statements have been prepared under the historical cost convention, as modified to use a different measurement basis where necessary to comply with FRS 101.

No amendments to standards and interpretations that are mandatorily effective for annual periods beginning on 1 January 2021 have had a material effect on the Company's financial statements.

Summary of disclosure exemptions

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting standards as adopted by the UK (Adopted IFRS), but makes amendments where necessary in order to comply with the Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

In these financial statements, the Company has taken advantage of the following disclosure exemptions under FRS 101 where relevant:

- the requirements of paragraphs 45(b) and 46 to 52 of IFRS 2 Share-based Payment concerning details of the number and weighted average exercise price of share options and how the fair value of goods or services received was determined;
- the requirements of IFRS 7 Financial Instruments: Disclosures and of paragraphs 91-99 of IFRS 13 Fair Value Measurement;
- the requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15 Revenue from Contracts with Customers;

Bishopsgate North American Binders Limited

Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

2 Accounting policies (continued)

- the requirements in paragraph 10(d) and 111 of IAS 1 Presentation of Financial Statements to prepare a Cash flow statement and the requirements in IAS 7 Statement of Cash Flows regarding the same;
- the requirements of paragraphs 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134 to 136 of IAS 1 Presentation of Financial Statements;
- the requirements of paragraphs 30 and 31 in IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors regarding disclosure of new IFRS standards not yet effective at the reporting date and their potential impact;
- the requirements in paragraphs 17 and 18A of IAS 24 Related Party Disclosures and the requirements in IAS 24 to disclose related party transactions entered into between two or more members of the Group, provided that any subsidiary which is party to the transaction is wholly owned by such a member;

Equivalent disclosures are included in the Group's consolidated financial statements, as required by FRS 101 where exemptions have been applied.

Judgements made by the directors in the application of these accounting policies that have a significant effect on the financial statements, and estimates with a significant risk of material adjustment in the next year, are discussed in the Critical accounting judgements and key sources of estimation uncertainty disclosure on page 22.

Going concern

As shown in account note 13, the Company was a member of a group ("the Group") of which The Ardonagh Group Limited ("TAGL") was the ultimate parent company and the highest level at which results were consolidated for the year ended 31 December 2021. In performing their going concern assessment, the directors consider both the position of the standalone company and the group as a whole.

The financial statements of the Company have been prepared on a going concern basis. At 31 December 2021 the Company had net assets of £3.4m (2020: £1.9m) and net current assets of £3.4m (2020: £1.9m). The net current assets include amounts receivable from related parties of £4.2m (2020: £2.3m), and amounts due to related parties of £Nil (2020: £Nil). The Company reported a profit before tax £1.9m (2020: £0.6m). The directors are satisfied that, given the net asset position and profitability of the company, and their assessment of the likelihood of future profitability, the going concern basis is appropriate.

The directors have assessed the Group's financial position and its ability to meet its obligations as and when they fall due. In making the going concern assessment the directors have taken into account the following:

- The Group's capital structure, operations and liquidity.
- Base case and stressed cash flow forecasts over the calendar years 2022 and 2023.
- The impact on the base case and stressed cashflow forecasts arising from subsequent material acquisitions.
- The principal risks facing the Group, and its systems of risk management and internal control.
- Actual trading and cashflows of the Company and Group including those of the group of companies previously owned by TAGL.

Bishopsgate North American Binders Limited

Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

2 Accounting policies (continued)

Key assumptions that the directors have made in preparing the base case cash flow forecasts are that:

- The Group will continue to benefit from a £191.5m Revolving Credit Facility that is not drawn at the date of this report.
- Client retention and renewal rates remain robust, despite the current economic uncertainty, as the 2022 trading performance continues to demonstrate resilience across the Group, including that of the group of companies previously owned by TAGL.
- Interest costs should be modelled using current forward interest rates and current FX rates.

Key stress scenarios that the directors have considered include cumulative stresses to the base plan as a result of:

- Shortfalls in base case projected income throughout 2022 and 2023.
- Deterioration in base case cash conversion rates over and above the shortfalls in income.
- An inflationary cost increase of 2% over the base case assumptions.
- Mitigating actions within management control including delayed capital expenditure, a reduction in discretionary spend and measured reductions in employee headcount and remuneration.

The directors have also modelled reverse stress scenarios, including assessing those that result in a default on the Group's term debt facilities that would require a technical repayment obligation and those that would exhaust available liquidity. The stresses needed for these outcomes to happen significantly exceed the key stress scenarios above and the directors consider such conditions to be a remote possibility. Other mitigations which may be possible in the stress scenarios but have not been included in the analysis include seeking shareholder support, securitising premium receivables and further incremental and more prolonged cost reductions.

The directors continue to consider the wider operational and financial consequences and ramifications of global political and economic tensions (including related to the Ukrainian conflict, foreign exchange rates, inflation and increasing interest rates). In particular:

- Insurance broking is a resilient and defensive market, which has historically had limited impact from past economic or capital market downturns. The Group is highly diversified and not unduly exposed to a single carrier, customer or market sector.
- Although economic developments remain fluid, the stress testing demonstrates the Group's financial resilience and operating flexibility.
- As a result of Russia invading Ukraine, we have seen significant new sanctions legislation from a range of legislators (including the US, EU and UK), with newly sanctioned entities and individuals, and new (or wider in scope) sectoral sanctions targeting Russia (and Belarus). The Ardonagh Group has no appetite for potential breaches of applicable sanctions regimes and applies appropriate controls including automated screening of clients against relevant sanctions lists. We continue to actively monitor the situation as it develops and will respond accordingly as new sanctions are enacted.
- The Group continues to monitor the risk of cyberattacks, but the Group has not identified any significant cybersecurity risks during the period ended 30 September 2022.

Following the assessment of the Company and Group's financial position and its ability to meet its obligations as and when they fall due, including the further potential financial implications of economic uncertainty included in stress tests, the directors are not aware of any material uncertainties that cast significant doubt on the Company's ability to continue as a going concern.

Bishopsgate North American Binders Limited

Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

2 Accounting policies (continued)

Financial instruments

Recognition and initial measurement

Financial assets and financial liabilities when the company becomes party to the contractual provisions of the financial instrument, and they are measured initially at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs not directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Derecognition

Financial assets

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or the Company transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in the Statement of Comprehensive Income. On derecognition of an investment in an equity instrument which the Company has elected on initial recognition to measure at fair value through other comprehensive income, the cumulative gain or loss previously accumulated in the investment revaluation reserve is not reclassified to the Statement of Comprehensive Income, but is transferred to retained earnings.

Classification and subsequent measurement of financial assets

Financial assets classified as amortised cost

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance.

The Company's financial assets measured at amortised cost include advances to related parties.

Reclassifications

Financial assets are not reclassified subsequent to their initial recognition. They would only be reclassified if the Company were to change its business model for managing its financial assets, in which case the affected financial assets would be reclassified following that change.

Bishopsgate North American Binders Limited

Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

2 Accounting policies (continued)

Impairment of financial assets

The Company assesses, on a forward-looking basis, the expected credit losses (ECL) associated with its financial assets carried at amortised cost. The Company recognises a loss allowance for such losses at each reporting date.

The Company recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on the financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to 12 months ECL.

The Company assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if i) the financial instrument has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term, and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. 12 months ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

Lifetime ECL is measured on a collective basis to cater for cases where evidence of significant increases in credit risk at the individual instrument level may not yet be available.

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Revenue

Revenue is measured based on the consideration to which the Company expects to be entitled in a contract with a customer (net of refunds) and excludes amounts collected on behalf of third parties. The Company recognises revenue when it transfers control of a service to a customer. This revenue is recognised in the accounting period when the services are rendered at an amount that reflects the consideration to which the entity expects to be entitled in exchange for fulfilling its performance obligations to customers.

Bishopsgate North American Binders Limited

Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

2 Accounting policies (continued)

Commission and fees

Revenue includes commission and fees receivable by the Company. Commission and fees relate mainly to placement or underwriting of policies on behalf of insurers or policyholders and are recognised at the later of policy inception date or when the policy placement has been completed and confirmed.

The Company retains a portion of the policy premiums as commission. Premiums are typically collected on an annual basis - at or near contract inception (which could be up to 60 days from contract inception). In some cases, customers are offered to pay in instalments or are directed to a third-party premium credit provider. Some of the company's policies are rolling until the customer cancels the policy.

The Company utilises the practical expedient in IFRS 15 not to adjust the amount of consideration for the effects of a significant financing component if it expects, at contract inception, that the period between when the Company transfers a service to a customer and when the customer pays for that service will be one year or less.

Share-based payments

The Company operates share-based payment schemes. For equity-settled share-based payment schemes, the fair value of the services received in exchange for the grant of the shares is recognised as an expense, measured based on the grant date fair value of the shares and recognised on a straight-line basis over the vesting period, which generally depends on service and performance conditions being met. For cash-settled share-based payment schemes, the company recognises an expense and a corresponding liability over the vesting period based on the fair value of the shares at the reporting date.

Taxation

The tax expense for the period comprises current and deferred tax. Income tax is recognised in profit or loss, except that a change attributable to an item of income or expense recognised as other comprehensive income is also recognised directly in other comprehensive income. Similarly, income tax is charged or credited directly to equity if it relates to items that are credited or charged directly to equity.

Current tax

Current tax is recognised for the amount of tax payable in respect of the taxable profit for the current or past reporting periods using the tax rates and laws that have been enacted or substantively enacted by the reporting date.

3 Critical accounting judgements and key sources of estimation uncertainty

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the statement of financial position date and the amounts reported for revenues and expenses during the period.

There were no key sources of estimation uncertainty made in the preparation of these financial statements and no critical judgements that have a significant effect on the carrying amounts of assets and liabilities.

Bishopsgate North American Binders Limited

Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

4 Turnover

The analysis of the Company's turnover for the year from continuing operations is as follows:

	2021	2020
	£	£
Commission and fees	<u>3,972,110</u>	<u>3,398,154</u>

The analysis of the Company's turnover for the year by market is as follows:

	2021	2020
	£	£
North America	<u>3,972,110</u>	<u>3,398,154</u>

5 Operating profit

Arrived at after charging:

The audit fee of £5,977 (2020: £5,408) for the audit of the Company was paid by other group entities for which no recharge was made. There were no amounts receivable by the Company's auditor in respect of services to the Company, other than the audit of the Company's financial statements.

6 Staff costs

Staff are employed by a fellow subsidiary within the Group and £2,028,755 (2020: £2,577,402) was charged to the Company during the year in respect of these costs. Within this recharge were directors remuneration costs totalling £129,608 (2020: £673,354). See note 7.

Bishopsgate North American Binders Limited

Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

7 Directors' remuneration

The directors' remuneration for the year was as follows:

	2021 £	2020 £
Aggregate emoluments	129,608	673,354
Company contributions to money purchase pension scheme	-	-
	<u>129,608</u>	<u>673,354</u>

The aggregate emoluments of the highest paid director were £122,458 (2020: £471,845) and company pension contributions of £nil (2020: £nil) were made to a money purchase scheme on their behalf. During the current and prior year there were no directors who were accruing benefits under money purchase pension schemes.

8 Income tax

The Company's tax charge is the sum of the total current and deferred tax expense.

	2021 £	2020 £
Current taxation		
UK corporation tax	375,082	138,413
Adjustments in respect of prior periods	-	1,127
Total current taxation	<u>375,082</u>	<u>139,540</u>
Deferred taxation		
Origination and reversal of temporary differences	-	-
Adjustments in respect of prior periods	-	-
Effect of tax rate change on opening balance	-	-
Total deferred taxation	<u>-</u>	<u>-</u>
Tax charge in the Statement of Comprehensive Income	<u>375,082</u>	<u>139,540</u>

Bishopsgate North American Binders Limited

Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

8 Income tax (continued)

The following table reconciles the tax charge calculated at the UK statutory rate on the Company's profit before tax with the actual tax charge for the year.

	2021 £	2020 £
Profit before tax	<u>1,943,355</u>	<u>642,428</u>
Corporation tax at standard rate of 19% (2020: 19%)	369,237	122,061
Expenses not deductible for tax purposes	5,845	16,352
Adjustments to tax charge in respect of previous periods - current tax	<u>-</u>	<u>1,127</u>
Total tax charge	<u>375,082</u>	<u>139,540</u>

In the March 2021 Budget, it was announced that the UK Corporation Tax Rate will rise from its current rate of 19% to 25% with effect from April 2023.

Deferred tax

The Company has nil recognised or unrecognised deferred tax assets.

9 Trade and other receivables

	2021 £	2020 £
Receivables from other Group companies	<u>4,249,316</u>	<u>2,305,961</u>

The directors believe that the intercompany receivables are recoverable. The balances are unsecured, interest free and repayable on demand.

10 Share-based payments

The Company operates a share-based payment scheme under which employees hold shares in the Company, but based on meeting certain service and performance conditions, they can be exchanged into shares of the Company's parent (Ardonagh Specialty Holdings Limited) which can then put back to the parent for a cash amount that is based on the value of the shares. Given that the scheme will not be settled in cash by the Company itself, it accounts for it as an equity-settled share-based payment and records an expense based on the grant-date fair value of the shares.

The number of shares held by employees at the end of the year is nil (2020: nil). The shares were settled during the prior year.

Bishopsgate North American Binders Limited

Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

11 Share capital

Allotted, called up and fully paid shares

	2021		2020	
	No.	£	No.	£
Ordinary shares of £0.10 each	<u>10,000</u>	<u>1,000</u>	<u>10,000</u>	<u>1,000</u>

The Ordinary shares have attached to them full voting, dividend and capital distribution (including on winding up) rights. They do not confer any rights of redemption.

12 Related party transactions

During the year the Company entered into transactions, in the ordinary course of business, with a number of related parties. The Company has taken the exemption under FRS 101 not to disclose transactions with fellow wholly owned subsidiaries or key management personnel.

13 Parent and ultimate parent undertaking

The immediate parent company of the Company is Ardonagh Specialty Holdings Limited and the ultimate parent company is Tara Topco Limited (note 14).

The Group's majority shareholder and ultimate controlling party at 31 December 2021 is HPS Investment Partners LLC. The parent company of the largest group that prepares group financial statements at 31 December 2021 that consolidate the Company is The Ardonagh Group Limited (incorporated in Jersey, registered office address 3rd Floor, 44 Esplanade, St Helier, Jersey, JE4 9WG). The parent company of the smallest group that prepares group financial statements at 31 December 2021 that consolidate the Company is Ardonagh Midco 2 plc (incorporated in Great Britain, registered office address 2 Minster Court, Mincing Lane, London, EC3R 7PD). Financial statements for The Ardonagh Group Limited and Ardonagh Midco 2 plc are available on request from:

2 Minster Court
Mincing Lane
London
EC3R 7PD

Bishopsgate North American Binders Limited

Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

14 Subsequent events

Following the satisfaction of closing conditions on 31 May 2022, Ardonagh has obtained a significant new equity investment into the Group led by existing long-term shareholders MDP and HPS, alongside new co-investors through accounts managed by MDP and HPS, including a wholly owned subsidiary of the Abu Dhabi Investment Authority ('ADIA'), and several other large global institutions. Under the terms of the transaction, funds affiliated with MDP have increased their shareholding in the Group, and HPS has reinvested in the Group. Co-investors, and several other large global institutions, have also acquired more than USD1 billion equity through accounts managed by MDP and HPS as part of the transaction, which gives an enterprise valuation for Ardonagh of USD7.5 billion. The new equity investment has resulted in The Ardonagh Group Limited merging into a newly created company Tara Topco Limited ('Tara') on 31 May 2022 following which the Ardonagh Group activities became overseen by a newly created subsidiary of Tara from 1 June 2022, Ardonagh Group Holdings Limited.

As a result of Russia invading Ukraine, we have seen significant new sanctions legislation from a range of legislators (including the US, EU and UK), with newly sanctioned entities and individuals, and new (or wider in scope) sectoral sanctions targeting Russia (and Belarus). The Ardonagh Group has no appetite for potential breaches of applicable sanctions regimes. Most of the Group's inherent risk exposure relates to international 'London Market' insurance business within Ardonagh Specialty. Our robust framework and sophisticated control environment, which includes enhanced due diligence on Russian-linked business (prior to accepting the client relationships) and automated daily screening of all existing clients against relevant sanctions lists are dynamically updated as they change. The Group has also reviewed its defences against cyber risks in the context of anticipated increases in such threats to Western companies from Russia and has reviewed its procurement processes and supplier relationships for Russian links. Our mandatory due diligence on potential acquisitions also includes pre-completion screening of full client and supplier lists. We continue to actively monitor the situation as it develops and will respond accordingly as new sanctions are enacted.