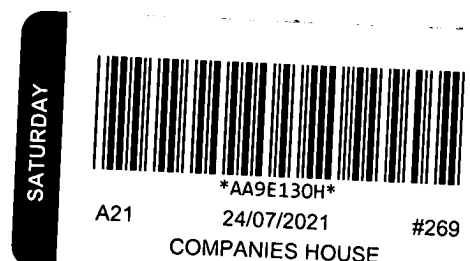


CDCM (No 2) Limited

Financial Statements

For the year ended
31 December 2020

Company Number 02947508



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Directors and Officers

Directors

Peter A Bilsby
Ryan R Warren

Company Secretary

David C Turner

Registered Office

21 Lombard Street
London
EC3V 9AH

Independent Auditors

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
7 More London Riverside
London
SE1 2RT

Strategic report

For the year ended 31 December 2020

The directors present their strategic report for the year ended 31 December 2020.

Review of business

The principal activity of the Company was formerly that of a member at Lloyd's, underwriting solely on Syndicate 1208's ("the Syndicate") 2007 year of account. With the closure of the 2007 year of account of the Syndicate as at 31 December 2011, the Company ceased to trade.

Results

The results for the year ended 31 December 2020 are set out on page 8.

Key performance indicators (KPIs)

As the Company ceased trading following the closure of the 2007 year of account the directors do not believe it is appropriate to disclose KPIs for the Company.

Principal risks and uncertainties

As the Company ceased trading following the closure of the 2007 year of account the directors do not believe that the Company is exposed to any significant risks or uncertainties.

Directors' Section 172 Companies Act statement

The board of directors of CDCM (No 2) Limited, both individually and collectively must act in the way they consider, in good faith, would be most likely to promote the success of the company for the benefit of its shareholders as a whole and, in doing so have regard to matters set out in s172(1)(a-f) as below:

- the likely consequences of any decisions in the long-term;
- the interests of the company's employees;
- the need to foster the company's business relationships with suppliers, customers and others;
- the impact of the company's operations on the community and environment;
- the desirability of the company maintaining a reputation for high standards of business conduct; and
- the need to act fairly as between shareholders of the Company.

The company is a wholly owned subsidiary of ERS Insurance Group Limited ("ERS IGL"), with its ultimate parent company being ERS DGB Limited ("ERS DGB"). The Company was formerly a member at Lloyd's, has ceased to trade, has no employees or suppliers and as such the Directors primarily consider the interests of the sole member ERS IGL, and the ultimate parent company, ERS DGB with regard to performing their duties on matters set out under Section 172 as outlined above.

The key board decisions approved during the year were made in line with the strategic goals and objectives of both the Company and the ultimate parent company ERS DGB. Please refer to the *"Directors' Section 172 UK Companies Act 2006 Statement"*, in the Financial Statements of ERS DGB Limited available at www.ers.com to see how the Directors of the company have discharged their duties in respect of the requirements of s172(1)(a-f).

Future developments

The strategic direction of the Company is set by the directors of the Company. The directors consider that the Company's principal activities will continue unchanged for the foreseeable future.

On behalf of the Board:



Ryan R Warren

Director

7 May 2021

Directors' report

For the year ended 31 December 2020

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

Directors

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

| | |
|----------------|------------------------------|
| Peter A Bilsby | (Appointed 25 November 2020) |
| Ian D Parker | (Resigned 30 November 2020) |
| Ryan R Warren | |

Principal activities and review of business

Principal activities and a review of the business of the Company are discussed in the strategic report on page 2.

Going concern

The Company has no plans to resume trading in the future, however as the Company carries on "insurance market activity" it is not entitled to an audit exemption in accordance with section 481 of the Companies Act and therefore cannot be made dormant. Accordingly, the directors believe that it is appropriate for these financial statements to be prepared on a going concern basis.

Results

The results for the year ended 31 December 2020 are set out on page 8. The Company has no retained earnings available for distribution.

Employees

During the year all staff were employed by ERS Administration Services Limited ("ERS ASL"), a fellow subsidiary undertaking of ERS DGB Limited ("ERS DGB"). The amount recharged to the Company by ERS ASL in respect of employee costs was £nil (2019: £nil).

Directors' and officers' liability insurance

As permitted by the Companies Act 2006, the Group has maintained insurance cover for directors and officers against liabilities arising in relation to the ERS DGB group.

Statement of disclosure of information to auditors

Each of the persons who is a director at the date of this report confirms that:

- 1) so far as each of them is aware, there is no relevant information of which the Company's auditors are unaware; and
- 2) the director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

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

Independent auditors

The auditors PricewaterhouseCoopers LLP have indicated their willingness to continue in office and a resolution that they be reappointed will be proposed and approved by the Board.

Directors' report (continued)

For the year ended 31 December 2020

Statement of directors' responsibilities

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

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

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

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

The directors are 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.

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

Future developments

Future developments of the Company are discussed in the strategic report on page 2.

On behalf of the Board:



David C Turner
Company Secretary
7 May 2021

Independent Auditors' report
to the Members of CDCM (No 2) Limited
For the year ended 31 December 2020

Report on the audit of the financial statements

Opinion

In our opinion, CDCM (No 2) Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2020 and of its result for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the CDCM (No 2) Limited Financial Statements (the "Annual Report"), which comprise: the Balance sheet as at 31 December 2020; the Statement of comprehensive income and the Statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

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.

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.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the company's ability to continue as a going concern.

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

Independent Auditors' report to the Members of CDCM (No 2) Limited

For the year ended 31 December 2020

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. 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 based on these responsibilities.

With respect to the Strategic report and Directors' report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic report and Directors' report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' report for the year ended 31 December 2020 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they 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.

Independent Auditors' report to the Members of CDCM (No 2) Limited For the year ended 31 December 2020

Responsibilities for the financial statements and the audit (continued)

Auditors' 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 auditors' 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.

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.

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to breaches of the Companies Act 2006, and we considered the extent to which non-compliance might have a material or direct effect on the financial statements. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting of inappropriate journals. Audit procedures performed by the engagement team included:

- Discussions with management, internal audit and the compliance function, including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- Assessment of matters reported on the whistleblowing helpline and management's investigation of such matters;
- Reviewing relevant meeting minutes;
- Identifying and testing journal entries, in particular, journal entries posted with unusual account combinations, posted by senior management or unusually backdated; and
- Designing audit procedures to incorporate unpredictability around the nature, timing and extent of our testing.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, 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.

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 auditors' report.

Independent Auditors' report
to the Members of CDCM (No 2) Limited
For the year ended 31 December 2020

Responsibilities for the financial statements and the audit (continued)

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.



Paul Pannell (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
10 May 2021

Statement of comprehensive income

For the year ended 31 December 2020

The company has not traded during the year or the preceding financial year. During these years, the company received no income and incurred no expenditure and therefore made neither profit nor loss. Accordingly, there is nothing to disclose in the statement of comprehensive income.

Balance sheet

As at 31 December 2020

| | Note | 31 December 2020 £ | 31 December 2019 £ |
|--|------|--------------------------|--------------------------|
| Investments | | | |
| Shares in group undertakings | 4 | - | - |
| Current assets | | | |
| Debtors | 5 | 7,560,447 | 7,560,447 |
| | | 7,560,447 | 7,560,447 |
| Creditors: | | | |
| Amounts falling due within one year | 6 | (7,560,347) | (7,560,347) |
| Net current assets | | 100 | 100 |
| Total assets less current liabilities | | 100 | 100 |
| Capital and reserves | | | |
| Called up share capital | 7 | 100 | 100 |
| Total shareholders' funds | | 100 | 100 |

The financial statements on pages 9 to 14 were approved by the Board of directors on 5 May 2021 and were signed on its behalf by:



Ryan R Warren
Director
7 May 2021

The notes on pages 12 to 14 form an integral part of these financial statements.

Statement of changes in equity

For the year ended 31 December 2020

| | Called up share capital £ | Profit and loss account £ | Total shareholders' funds £ |
|---------------------|------------------------------------|---------------------------------|--------------------------------------|
| At 1 January 2019 | 100 | - | 100 |
| At 31 December 2019 | 100 | - | 100 |

| | Called up share capital £ | Profit and loss account £ | Total shareholders' funds £ |
|---------------------|------------------------------------|---------------------------------|--------------------------------------|
| At 1 January 2020 | 100 | - | 100 |
| At 31 December 2020 | 100 | - | 100 |

Notes to the financial statements

For the year ended 31 December 2020

1. Statement of accounting policies

General information

CDCM (No 2) Limited is a company limited by shares, domiciled and incorporated in the United Kingdom.

Basis of preparation

The individual financial statements of CDCM (No 2) Limited have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102") and the Companies Act 2006.

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

The principal accounting policies are set out below and have been applied consistently to all years presented.

(i) Cash flow statement

The Company has taken advantage of the exemption, under FRS 102 paragraph 1.12(b), from preparing a statement of cash flows, on the basis that it is a qualifying entity and its ultimate parent company, ERS DGB includes the Company's cash flows in its consolidated financial statements.

(ii) Related parties

The Company is exempt under the terms of FRS 102 paragraph 1.12(e), from disclosing related party transactions with entities that are part of the group, as it is a wholly owned subsidiary of ERS DGB, whose consolidated financial statements are publicly available.

(iii) Taxation

Current tax

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

Deferred tax

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

Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be recovered.

2. Directors' emoluments

The directors are remunerated by ERS ASL for their services to the Group as a whole. The recharges from ERS ASL for their services as directors of this Company amounted to £nil (2019: £nil). The remuneration of the highest paid director amounted to £nil (2019: £nil).

The Group operates a single defined contribution pension plan for its employees. The recharges from ERS ASL to the Company in respect of the pension contributions of the directors during the year amounted to £nil (2019: £nil).

There was one director (2019: one) in the Group's defined contribution scheme.

Notes to the financial statements (continued)

For the year ended 31 December 2020

3. Auditors' remuneration

Auditors' remuneration costs are borne by ERS ASL. Disclosures of the full amounts are shown in the notes to the financial statements of ERS ASL. The auditors' remuneration for the audit of the Company's financial statements, which is incurred by ERS ASL, is £2,500 (2019: £2,500).

4. Shares in Group undertakings

| | 2020 £ | 2019 £ |
|-----------------------|-------------|-------------|
| Cost | 7,923,000 | 7,923,000 |
| Diminution in value | (7,923,000) | (7,923,000) |
| Net book value | - | - |

The Company owns shares in a fellow subsidiary, ERS Corporate Member Limited ("ERS CML"). During 2004 the directors believed that the investment would not add future economic value to the Company. The value of this investment was therefore fully provided against.

5. Debtors

| | 2020 £ | 2019 £ |
|------------------------------------|------------------|------------------|
| Amounts owed by group undertakings | 7,560,447 | 7,560,447 |
| Total | 7,560,447 | 7,560,447 |

At 31 December 2020, no interest was receivable on amounts owed by group undertakings and all balances were due within one year.

6. Creditors: amounts falling due within one year

| | 2020 £ | 2019 £ |
|------------------------------------|------------------|------------------|
| Amounts owed to group undertakings | 7,560,347 | 7,560,347 |
| Total | 7,560,347 | 7,560,347 |

As at 31 December 2020, no interest was payable on amounts owed to group undertakings and all balances were due within one year.

Notes to the financial statements (continued)

For the year ended 31 December 2020

7. Called up share capital

| | 2020 £ | 2019 £ |
|--|-----------|-----------|
| Authorised: | | |
| 5,000,000 (2019: 5,000,000) ordinary shares of 0.1p each | 5,000 | 5,000 |
| Allotted, issued and fully paid: | | |
| 100,000 (2019: 100,000) ordinary shares of 0.1p each | 100 | 100 |

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

8. Post balance sheet event

On 10 March 2021 ERS announced a US\$350m capital raise led by Abry Partners, a Boston-based private equity firm. Alongside Abry, an Aquiline-led investor group will also be participating in the capital raise. The capital raise will support ERS as it becomes a diversified, specialist (re)insurer and builds on its recent backing of Lloyd's Syndicate 1856.

The financing will accelerate ERS' growth strategy and expansion into specialty (re)insurance business lines, allowing it to take advantage of the attractive market opportunity, subject to Lloyd's business plan approval. In addition to the specialty business written out of Lloyd's Syndicates 218 and 1856, ERS will launch a Bermuda-based specialty (re)insurance vehicle and an ILS manager over the coming months, both subject to Bermuda Monetary Authority approval.

9. Controlling parties

The immediate parent undertaking is ERS Insurance Group Limited ("ERS IGL").

The ultimate UK parent undertaking and the smallest and largest group to consolidate these financial statements is ERS DGB. Copies of ERS DGB's consolidated financial statements can be obtained from the Company Secretary at 21 Lombard Street, London, EC3V 9AH.