

Registration number: 03277391

Groves, John & Westrup Limited

Annual Report and Financial Statements

for the Year Ended 31 December 2020



Groves, John & Westrup Limited

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Groves, John & Westrup Limited

Company Information

| | | |
|------------------|----------------------|-----------------|
| Directors | C A E Burgess FCCA | (Non-executive) |
| | T Coskun MSc, ACA | |
| | M Hincal | |
| | D J R Hoare BA, ACII | (Non-executive) |
| | A S Lay | |
| | L A Osman | |
| | C Simson | |

Company secretary J E Cooper

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England
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Auditors Ernst & Young LLP
25 Churchill Place
Canary Wharf
London
E14 5EY

Groves, John & Westrup Limited

Strategic Report for the Year Ended 31 December 2020

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

Principal activity

The principal activity of Groves, John & Westrup Limited ("GJW" or the "Company") in the year under review was that of underwriting agents. The Company is a subsidiary of Munich Re Specialty Group Limited ("MRSG") and acts principally on behalf of the Munich Re Syndicate Limited ("MRSL") managed Syndicate 457 ("the Syndicate").

Fair review of the business

GJW is authorised and regulated by the Financial Conduct Authority ("FCA"). Firm Reference Number 310496.

GJW is remunerated by the Syndicate through a management fee.

As of 01.01.2020, all staff within Munich Re Specialty Group ("MRSG") sub group are now employed by the same "one employer". MRSG UK Services Limited ("MRSGUKS") is the sole employer and employees are seconded to the respective entities that they carry out work for and employee costs recharged out to those entities.

As part of the "one employer" project, all UK IT staff previously employed within MRSG entities were transferred to a UK IT Shared Services Organisation (UK IT SSO) within MRSGUKS at 01.01.2020. The UK IT SSO is part of Munich Re Global's IT Concept which provides the Munich Re Global IT platform and core services through intra-group outsourcing to Munich Re Group (MR AG) companies in different global regions, including other UK companies. The UK IT SSO responds to any local business requirements within MRSG entities for the provision and support of entity specific IT infrastructure and applications in addition to the core IT platform and services provided centrally by Munich Re Group. These arrangements are formalised by way of Service Delivery Orders and related Service Descriptions from the UK IT SSO to MRSG entities.

Principal risks and uncertainties

The Company's primary source of income is generated from fees charged to the Syndicate. The Company has two subordinated loans, one from its parent company, MRSG of £150,000 and another from the Syndicate of £700,000, both of which are unsecured and cannot be repaid until such other creditors have been satisfied in full and requires the prior written consent of the FCA or two years notice. The loan provided by the Syndicate is interest bearing, however the directors of the Company believe that the interest rate risk is not material. Apart from the above GJW has no other debt finance.

With the current uncertainty surrounding COVID 19 it should be noted that an integral part of GJW's business model is the agreement with the Syndicate in which it is stipulated that all expenses incurred by GJW will be covered by the Syndicate. This arrangement has been discussed and agreed by the MRSL board and will continue in the foreseeable future which is envisaged to be at least 12 months from the date when these accounts were authorised and signed for issuance. Therefore, the GJW board are comfortable that these statutory accounts can be prepared and signed on a going concern basis.

Compliance

GJW has a robust compliance regime linked with a strong training and competence programme. The Company is required to comply with the requirements of the FCA. The Compliance Officer monitors regulatory developments and assesses the impact on Board policy.

Groves, John & Westrup Limited

Strategic Report for the Year Ended 31 December 2020

Business environment

On 31 January 2020, the UK officially left the European Union (EU) and entered into a transition period lasting until 31 December 2020. On 24 December 2020, a new trade deal between the UK and the EU was agreed which comes into force on 1 January 2021. However, as GJW only writes UK business we do not envisage this causing any issues to our business.

Future developments

In 2020, a new line of high net worth property business were added to the portfolio. This is seen as a good expansion opportunity for the Company during 2021.

The MRSB Board have agreed the merger of NMU (Specialty) Ltd ("NMU") and GJW into one legal entity, with effect from 1st January 2022. The GJW business will be absorbed into NMU, however the client facing brands of "NMU", "GJW Direct" and "Groves John Westrup Private Clients" will remain unchanged.

Directors Section 172 Statement

Under section 172 of the Companies Act 2006, a director of a company 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 members as a whole, and in doing so have regard (amongst other matters) to 6 specific areas which are broken down.

Section 172(1)(a) - The likely consequences of any decision in the long term

As part of The Company's commitment to long term profitability and growth, we have a long term strategy (MRSB2025). Regular updates on the progress made towards meeting the targets set out as part of this strategy are communicated. Further details of the Company's initiatives to continue to grow and be profitable can be found in the Principal Activity and Business review section.

Principal risks and uncertainties are identified and closely monitored on an ongoing basis as part of our forward-looking approach. Please see the section of the Directors' Report relating to this for a more in depth analysis.

The Company has recently introduced a new approach to performance management called Continuous Conversations. This approach is made up of three elements – Commitment, Feedback and Development, and helps the company to adapt to the rapidly changing market requirements and transform strategy into action. The approach is future focused and centred around learning and growth.

Groves, John & Westrup Limited

Strategic Report for the Year Ended 31 December 2020

Section 172(1)(b) - The interests of the company's employees

Striving to provide a good work-life balance to all employees is an important factor to the Company and we are keen to support both the physical and mental wellbeing of employees. As part of this, the benefit offering to employees includes Private Medical Insurance, private health checks and a wellbeing benefit. Wellbeing workshops are also regularly offered. During 2020 and to support staff during the pandemic, a company called Mindberry was engaged to offer all staff access to virtual counselling/coaching sessions. This was amongst a number of other new wellbeing centric initiatives.

A Culture committee was formed at the end of 2019 with the view of taking ideas around improving the culture of the Company and continuing to make it an enjoyable place to work forward and deciding which initiatives to implement with the aim to define, live and embed them into our corporate values.

The Company values a working environment that is built on inclusivity and diversity. We continue to be dedicated to providing a workplace where employees are safe, respected and treated with dignity.

We are committed to fostering diversity and inclusion. We must not ignore issues when they become apparent and should make use of our voice to speak up where we find ourselves or see others not living up to our values. No one should be afraid to do so, and without all of our voices coming together to challenge the status quo, injustice will continue and real change will be frustrated. By speaking out against the long history of racism, we can help others feel safe and strive to build a future with diversity and inclusion, that we can all be proud to be part of. We cannot tolerate racism and bigotry in our society and our working life.

In addition to the above, we are also committed to ensuring that employees continue to develop their knowledge and skills, both for individual development and with regard to the commitments that we have made to Lloyd's and the FCA. A wide range of internal and external courses are offered as well as support with professional qualifications and other initiatives such as Mentoring programmes.

Section 172(1)(c) - The need to foster the company's business relationships with suppliers, customers and others

The experience and motivation to deliver innovative and reliable solutions to our clients is part of who we are and forms part of our core values.

To support this, we strive to place our people closer to clients which allows for greater communication on a local level, therefore strengthening our ability to meet unique underwriting needs and deliver solutions to provide clients with a competitive edge.

Customers are at the core of our business and we have designed and published a Customer Promise explaining how we intend to continuously deliver the highest quality of service. The Customer Promise outlines the ways in which we deal with our customers through the relationship with their brokers and our network of distributors and claims service providers and can be found at <https://www.munichre.com/syndicate457/en/business-solutions/client-services/customer-promise.html>.

Groves, John & Westrup Limited

Strategic Report for the Year Ended 31 December 2020

Section 172(1)(d) - The impact of the company's operations on the community and the environment

The Company recognises that it is part of the wider community and wishes to play its role in supporting charitable organisations. During 2019 a Charity Committee was established with the aim of directing funds in a manner and towards those organisations that promote community activity and can make a real difference to people's lives.

During 2020, the Charity Committee supported a number of initiatives to raise money for worthy causes such as the London Community Foundation, Alzheimer's Society, NHS Charities Together and the Prince's Trust Women Supporting Women. In addition to this, the Company fund matched individual staff's own fundraising efforts and also made stand-alone donations to The Big Issue, Children in Need, Help Musicians and Poets in the City.

We also have a commitment to sustainability and an obligation to society as a whole. We support environmental related initiatives both financially and through our corporate and individual responsibilities.

The Company is committed to the 10 principles of the UN Global Compact which cover the areas of human rights, labour standards (covering modern slavery), environmental protection and corruption prevention. Further information can be found in our Modern Slavery Act Statement which is published on our website and in the Corporate Social Responsibility section of the Munich Re Group website.

Section 172(1)(e) - The desirability of the company maintaining a reputation for high standards of business conduct

As part of the Munich Re Group, it is important that we continue to be known for our all-round professionalism and the quality of our service.

Section 172(1)(f) - The need to act fairly as between members of the company

The Company has only one ultimate shareholder which is Munich Re.

Approved by the Board on 17 June 2021 and signed on its behalf on 17 June 2021 by:



.....
J E Cooper
Company secretary

Groves, John & Westrup Limited

Directors' Report for the Year Ended 31 December 2020

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

Results for year ended 31 December 2020

The results of the Company are set out in the financial statements on pages 13 to 25. The profit before tax amounted to £28,932 (2019: profit £74,859)

Principal activities

The principal activity of the Company is contained within the Strategic Report.

Business review

An analysis of the performance of the Company is contained within the Strategic Report.

Risk review

An analysis of the principal risks and uncertainties facing the Company is contained within the Strategic Report.

Future developments

An assessment of the likely future developments is contained within the Strategic Report.

Directors of the Company

The directors who held office during the year were as follows:

C A E Burgess FCCA (Non-executive)

P Clarke (ceased 6 January 2020)

T Coskun MSc, ACA

M Hincal

D J R Hoare BA, ACII (Non-executive)

A S Lay (appointed 10 September 2020)

L A Osman

C Simson (appointed 17 June 2020)

Dividends

The directors do not recommend the payment of a dividend (2019: £Nil).

Political donations

No political donations were made by the Company (2019: £Nil)

Going concern

The Company acts as an international distribution company (IDC) to the Syndicate on a nil profit/loss basis. This relationship will continue to be maintained for at least the next 12 months and the financial position of the Company as disclosed on the balance sheet shows net current assets of £799,755 (2019: £817,955) and net assets of £18,008 (2019: £18,008). The directors therefore have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future which is envisaged to be at least 12 months from the date of these signed account. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Groves, John & Westrup Limited

Directors' Report for the Year Ended 31 December 2020

Disclosure of information to the auditors

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 auditors are aware of that information. The directors confirm that there is no relevant information that they know of and of which they know the auditors are unaware.

Independent Auditor

Ernst & Young LLP has been appointed for the first time as Statutory auditor for financial periods incepting on or after January 2020. Ernst & Young LLP has signified its willingness to continue in office as the independent auditor to the Company and it is the Company's intention to reappoint Ernst & Young LLP for a further year.

Approved by the Board on 17 June 2021 and signed on its behalf on 17 June 2021 by:



.....
J E Cooper
Company secretary

Groves, John & Westrup Limited

Statement of Directors' Responsibilities

The directors acknowledge their responsibilities 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 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

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 these financial statements, the directors are required to:

- select suitable accounting policies and 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 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.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the group's website. Legislation in the United Kingdom governing the preparation and dissemination of Annual Report and Financial Statements may differ from legislation in other jurisdictions.

Groves, John & Westrup Limited

Independent Auditor's Report to the Members of Groves, John & Westrup Limited

Opinion

We have audited the financial statements of Groves, John & Westrup Limited (the "company") for the year ended 31 December 2020 which comprise the Profit and Loss Accounts and Other Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity and the related notes 1 to 20, 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 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; 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 company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

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

Groves, John & Westrup Limited

Independent Auditor's Report to the Members of Groves, John & Westrup Limited

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 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 where 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 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.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 8, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Groves, John & Westrup Limited

Independent Auditor's Report to the Members of Groves, John & Westrup Limited

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 a general understanding of the legal and regulatory frameworks that are applicable to the company and determined that the relevant 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 company included permissions and supervisory requirements of the Financial Conduct Authority.
- We understood how the company is complying with those frameworks by making enquiries of management, internal audit, and those responsible for legal and compliance matters of the company. In assessing the effectiveness of the control environment, we also reviewed significant correspondence between the company and regulatory bodies, reviewed minutes of the board to identify any non-compliance with laws and regulations; and gained an understanding of the company's approach to governance.
- The company operates in the insurance industry which is a highly regulated environment. As such the Senior Statutory Auditor considered the experience and expertise of the engagement team to ensure that the team had the appropriate competence and capabilities, which included the use of specialists where appropriate.
- We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur by considering the controls that the company has established to address risks identified by the company, or that otherwise seek to prevent, deter or detect fraud. We tested manual journals, including segregation of duties, and tested specific transactions backing to source documentation or independent confirmation, ensuring appropriate authorisation of the transactions. These procedures were designed to provide reasonable assurance that the financial statements were materially free from fraud or error.

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 management transitioned to operating remotely for a significant proportion of 2020.

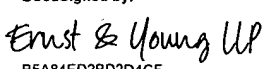
A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Groves, John & Westrup Limited

Independent Auditor's Report to the Members of Groves, John & Westrup Limited

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:

.....B5A84ED28D2D4CF.....
Angus Millar (Senior Statutory Auditor)
For and on behalf of Ernst & Young LLP, Statutory Auditor

London

Date: 22 June 2021

1. The maintenance and integrity of the company's web site is the responsibility of the directors, the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.
2. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdiction.

Groves, John & Westrup Limited

Profit and Loss Accounts and Other Comprehensive Income for the Year Ended 31 December

| | Note | 2020 £ | 2019 £ |
|--|------|--------------------|--------------------|
| Turnover | 4 | 4,416,421 | 5,772,373 |
| Administrative expenses | | <u>(4,375,965)</u> | <u>(5,684,406)</u> |
| Operating profit | 5 | 40,456 | 87,967 |
| Interest receivable | | 312 | 533 |
| Interest payable | | <u>(11,836)</u> | <u>(13,641)</u> |
| Profit on ordinary activities before taxation | | 28,932 | 74,859 |
| Tax on profit on ordinary activities | 8 | <u>(28,932)</u> | <u>(74,859)</u> |
| Total comprehensive income for the financial year | | <u><u>-</u></u> | <u><u>-</u></u> |

All balances shown above are in relation to continuing operations.

There were no recognised gains and losses in the year other than those reported in Profit and Loss Account and Other Comprehensive Income.

Groves, John & Westrup Limited

Balance Sheet as at 31 December

(Registration number: 03277391)

| | Note | 2020 £ | 2019 £ |
|--|------|------------------|------------------|
| Fixed assets | | | |
| Tangible assets | 9 | 88,290 | 139,654 |
| Current assets | | | |
| Debtors | 10 | 1,341,054 | 5,664,337 |
| Cash at bank and in hand | | <u>648,186</u> | <u>1,186,549</u> |
| | | 1,989,240 | 6,850,886 |
| Creditors: Amounts falling due within one year | 12 | <u>1,190,145</u> | <u>6,032,931</u> |
| Net current assets | | 799,095 | 817,955 |
| Debtors - amounts falling due after more than one year | 11 | <u>49,547</u> | <u>11,306</u> |
| Total assets less current liabilities | | 936,932 | 968,915 |
| Creditors: Amounts falling due after more than one year | 12 | 871,814 | 916,484 |
| Provisions for liabilities | 13 | <u>47,110</u> | <u>34,423</u> |
| Net assets | | <u>18,008</u> | <u>18,008</u> |
| Capital and reserves | | | |
| Called up share capital | 14 | 450,000 | 450,000 |
| Profit and loss account | | <u>(431,992)</u> | <u>(431,992)</u> |
| Shareholders' funds | | <u>18,008</u> | <u>18,008</u> |

Approved and authorised by the Board on 17 June 2021 and signed on its behalf on 17 June 2021 by:



L A Osman
Director

Groves, John & Westrup Limited

Statement of Changes in Equity

| | Share capital £ | Profit and loss account £ | Total £ |
|----------------------------|--------------------|---------------------------------|---------------|
| At 1 January 2020 | 450,000 | (431,992) | 18,008 |
| Total comprehensive income | - | - | - |
| At 31 December 2020 | <u>450,000</u> | <u>(431,992)</u> | <u>18,008</u> |

| | Share capital £ | Profit and loss account £ | Total £ |
|----------------------------|--------------------|---------------------------------|---------------|
| At 1 January 2019 | 450,000 | (431,992) | 18,008 |
| Total comprehensive income | - | - | - |
| At 31 December 2019 | <u>450,000</u> | <u>(431,992)</u> | <u>18,008</u> |

Groves, John & Westrup Limited

Notes to the Financial Statements for the Year Ended 31 December 2020

1 General information

Groves, John & Westrup Limited (the "Company") is a private company limited by share capital, incorporated in UK.

The financial statements are presented in Pound Sterling ("GBP"), which is the Company's functional currency. All amounts have been rounded to the nearest pound, unless otherwise indicated.

The address of its registered office is:

Walker House, 8th Floor

Exchange Flags

Liverpool

England

L2 3YL

United Kingdom

These financial statements were authorised for issue by the Board on 17 June 2021.

2 Accounting policies

Statement of compliance

These financial statements have been prepared in accordance with the Companies Act 2006, under the provision of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (SI 2008/410).

Basis of preparation

These financial statements were prepared in accordance with Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

These financial statements have been prepared using the historical cost convention except that as disclosed in the accounting policies certain items are shown at fair value.

The Company acts as an international distribution company (IDC) to the Syndicate on a nil profit/loss basis. This relationship will continue to be maintained for at least the next 12 months and the financial position of the Company as disclosed on the balance sheet shows net current assets of £799,095 (2019: £817,955) and net assets of £18,008 (2019: £18,008). The directors therefore have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future which is envisaged to be at least 12 months from the date of these signed account. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

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.

Turnover

The Company's main source of turnover is the management fee received from the Syndicate, in respect of acting as an underwriting agent.

Groves, John & Westrup Limited

Notes to the Financial Statements for the Year Ended 31 December 2020

Tangible assets

Tangible assets are stated in the balance sheet at cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

The cost of tangible assets includes directly attributable incremental costs incurred in their acquisition and installation.

Depreciation

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Items of equipment individually costing more than £500 are capitalised and depreciated by equal quarterly instalments over their estimated useful lives as follows:

| Asset class | Depreciation method and rate |
|-------------------------|------------------------------|
| Fixture and fittings | 5-10 years |
| Leasehold improvements | Period of lease |
| Computers and equipment | 2-6 years |
| Other assets | 3 years |

Depreciation methods, useful economic lives and residual values are reviewed if there is an indication of a significant change since the last annual reporting date.

Income tax

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the Statement of Profit and Loss except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense. Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax balances are not discounted. Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Leasing costs

Rentals paid under operating leases are recognised in the profit or loss account on a straight-line basis over the term of the lease. Lease incentives received are recognised in profit or loss over the term of the lease as an integral part of the total lease expense.

Leasing agreements, which transfer to the Company substantially all the benefits and risks of ownership of an asset are treated as if the asset had been purchased outright. The assets are included in fixed assets and the capital element of the leasing commitments is shown as obligations under finance leases. The lease rentals are treated as consisting of capital and interest elements. The capital element is applied to reduce the outstanding obligations and the interest element is charged against profit in proportion to the reducing capital element outstanding. Assets held under finance leases are depreciated over the useful lives of equivalent owned assets.

Groves, John & Westrup Limited

Notes to the Financial Statements for the Year Ended 31 December 2020

Provisions

A provision is recognised in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are recognised at the best estimate of the amount required to settle the obligation at the reporting date.

3 Critical accounting estimates and assumptions

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

Useful economic lives of tangible assets

The annual depreciation charge for tangible assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets. See note 9 for the carrying amount of the property plant and equipment, and note 2 for the useful economic lives for each class of assets.

Impairment of debtors

The Company makes an estimate of the recoverable value of trade and other debtors. When assessing impairment of trade and other debtors, management considers factors including the current credit rating of the debtor, the ageing profile of debtors and historical experience.

Provision for staff incentive schemes

The Company provides for bonuses due to staff. The amount of these provisions are determined by the underlying profitability of the Syndicate. There may be variation in the amounts that are actually determined from the amount actually provided as at the date of making the initial provision the final result and allocations of result across classes has not been fully determined.

4 Turnover

| | 2020 | 2019 |
|--|------------------|------------------|
| | £ | £ |
| Recharges to the Syndicate and other group companies | 4,119,534 | 5,475,527 |
| Fees and commissions receivable | 296,887 | 296,846 |
| | <u>4,416,421</u> | <u>5,772,373</u> |

Groves, John & Westrup Limited

Notes to the Financial Statements for the Year Ended 31 December 2020

5 Operating profit

The operating profit is stated after charging:

| | Note | 2020 £ | 2019 £ |
|---|------|------------------|------------------|
| Fees payable to the Company's auditor for the audit of these financial statements | | 11,342 | 11,174 |
| Depreciation | | 55,826 | 55,941 |
| Operating lease costs | | 141,381 | 120,297 |
| Staff costs | 7 | <u>1,513,752</u> | <u>2,101,371</u> |

During the year expenses totalling £4,119,534 (2019: £5,475,527) were incurred by the Company and recharged to the managed syndicate.

6 Directors' emoluments

| | 2020 £000 | 2019 £000 |
|---------------------------------|--------------|--------------|
| Directors emoluments | 440 | 569 |
| Contributions to pension scheme | 6 | 21 |
| | <u>446</u> | <u>590</u> |

The aggregate of emoluments of the highest paid director was £374,991 (2019: £422,388) and the Company pension contributions of £5,500 (2019: £10,000) were made to a money purchase scheme on his behalf. The remuneration relates to three of the executive directors, the costs of other directors is borne by fellow Group companies.

Groves, John & Westrup Limited

Notes to the Financial Statements for the Year Ended 31 December 2020

7 Staff numbers and costs

The aggregate payroll costs (including directors' remuneration) were as follows:

| | 2020 £ | 2019 £ |
|-------------------------------------|------------------|------------------|
| Salaries, bonuses and related costs | 1,276,722 | 1,697,565 |
| Social security costs | 114,295 | 234,569 |
| Other pension costs | 122,735 | 169,237 |
| | <u>1,513,752</u> | <u>2,101,371</u> |

The above figures reflect total employment costs recharged to the Company by MRSGUKS during the year in respect of the Company's activities. The average number of staff employed by MRSGUKS, including Directors, and recharged to the Company during the year was as follows:

The average number of employees, including Directors, employed during the year was as follows:

| | 2020 Number | 2019 Number |
|--------------|----------------|----------------|
| Underwriting | 24 | 20 |
| Claims | 5 | 6 |
| Others | 4 | 7 |
| | <u>33</u> | <u>33</u> |

8 Income tax

Tax expense included in profit or loss

| | 2020 £ | 2019 £ |
|--|---------------|---------------|
| Current tax | | |
| UK Corporation tax on profits for the year | 29,188 | 64,082 |
| Adjustment in respect of prior periods | (12,254) | 4,657 |
| Total current tax | <u>16,934</u> | <u>68,739</u> |
| Deferred tax | | |
| Origination and reversal of timing differences | 17,431 | 6,120 |
| Impact of change in tax rate | (6,148) | - |
| Adjustment in respect of prior periods | 715 | - |
| Total deferred taxation | <u>11,998</u> | <u>6,120</u> |
| Tax on profit on ordinary activities | <u>28,932</u> | <u>74,859</u> |

Groves, John & Westrup Limited

Notes to the Financial Statements for the Year Ended 31 December 2020

Factors affecting the tax charge for the current period

Tax assessed for the period is the same as the rate of corporation tax in the UK last year of 19.00% (2019: 19.00%).

| | 2020 £ | 2019 £ |
|---|----------------------|----------------------|
| Profit on ordinary activities before tax | <u>28,932</u> | <u>74,859</u> |
| Corporation tax at standard rate | 5,498 | 14,223 |
| Impact of change in tax rate | (6,148) | - |
| Expenses not deductible for tax purposes | 41,121 | 55,979 |
| Adjustments to tax charge in respect of prior years | <u>(11,539)</u> | <u>4,657</u> |
| Total tax charge | <u><u>28,932</u></u> | <u><u>74,859</u></u> |

At Budget 2020, the government announced that the UK Corporation Tax rate would remain at 19% from April 2020 and not be reduced to the 17% previously enacted in 2016. The Finance Act 2020 confirming this received Royal Assent on 22nd July 2020. The deferred tax asset at 31 December 2020 has been calculated based on the relevant rate enacted at the Balance Sheet date when the asset is anticipated to become taxable.

Deferred tax

The elements of deferred taxation are as follows:

| 2020 | Asset £ |
|---|----------------------|
| Timing differences on staff incentive plans | 14,468 |
| Provisions | 8,951 |
| Decelerated capital allowances | <u>29,912</u> |
| | <u><u>53,332</u></u> |
| | |
| 2019 | Asset £ |
| Timing differences on staff incentive plans | 25,750 |
| Provisions | 8,399 |
| Decelerated capital allowances | <u>31,181</u> |
| | <u><u>65,330</u></u> |

The amount of the net reversal of deferred tax assets expected to occur during the year beginning after the reporting period is £40,236 (2019 - £48,177).

Groves, John & Westrup Limited

Notes to the Financial Statements for the Year Ended 31 December 2020

| | 2020 £ | 2019 £ |
|--|---------------|---------------|
| Deferred tax reconciliation | | |
| Opening balance | 65,330 | 71,450 |
| Movement in the current year | (17,431) | (6,120) |
| Movement in the prior year | (715) | - |
| Re-measurement of deferred tax - change in UK tax rate | 6,148 | - |
| Deferred tax asset | <u>53,332</u> | <u>65,330</u> |

9 Tangible fixed assets

| | Computers and equipment £ | Furniture and Fittings £ | Leasehold improvements £ | Total £ |
|-----------------------|---------------------------------|--------------------------------|--------------------------------|------------------|
| Cost | | | | |
| At 1 January 2020 | 107,476 | 60,814 | 145,373 | 313,663 |
| Additions | 4,462 | - | - | 4,462 |
| Disposals | <u>(4,109)</u> | <u>-</u> | <u>-</u> | <u>(4,109)</u> |
| At 31 December 2020 | <u>107,829</u> | <u>60,814</u> | <u>145,373</u> | <u>314,016</u> |
| Depreciation | | | | |
| At 1 January 2020 | (80,608) | (32,815) | (60,586) | (174,009) |
| Additions | (15,323) | (11,804) | (28,699) | (55,826) |
| Disposals | <u>4,109</u> | <u>-</u> | <u>-</u> | <u>4,109</u> |
| At 31 December 2020 | <u>(91,822)</u> | <u>(44,619)</u> | <u>(89,285)</u> | <u>(225,726)</u> |
| Net book value | | | | |
| 1 January 2020 | <u>26,868</u> | <u>27,998</u> | <u>84,788</u> | <u>139,654</u> |
| At 31 December 2020 | <u>16,007</u> | <u>16,195</u> | <u>56,088</u> | <u>88,290</u> |

At 31 December 2020 there are £Nil of outstanding commitments in respect of capital expenditure authorised and contracted for (2019: Nil).

10 Debtors amounts falling due within one year

| | 2020 £ | 2019 £ |
|----------------------------------|------------------|------------------|
| Due from associated undertakings | 1,048,499 | 4,523,553 |
| Other debtors and prepayments | 230,558 | 1,086,759 |
| Deferred tax assets | 3,785 | 54,025 |
| Income tax asset | <u>58,212</u> | <u>-</u> |
| | <u>1,341,054</u> | <u>5,664,337</u> |

Groves, John & Westrup Limited

Notes to the Financial Statements for the Year Ended 31 December 2020

11 Debtors amounts falling due after one year

| | 2020 £ | 2019 £ |
|---------------------|---------------|---------------|
| Deferred tax assets | 49,547 | 11,306 |
| | <u>49,547</u> | <u>11,306</u> |

12 Creditors

| | Note | 2020 £ | 2019 £ |
|--------------------------------|------|------------------|------------------|
| Taxation and social security | | - | 98,043 |
| Accruals and deferred income | | 336,002 | 431,606 |
| Due to parent undertaking | | - | 768,565 |
| Due to associated undertakings | 17 | 794,006 | 4,559,126 |
| Other creditors | | 60,137 | 175,591 |
| | | <u>1,190,145</u> | <u>6,032,931</u> |

Due after one year

| | | |
|------------------------------|----------------|----------------|
| Accruals and deferred income | 21,814 | 66,484 |
| Subordinated loans | 850,000 | 850,000 |
| | <u>871,814</u> | <u>916,484</u> |

On 23 December 2004 Munich Re Specialty Group Limited ("MRSG") provided the Company with a subordinated loan of £150,000. On the 31 December 2007 the Syndicate, through its agent Munich Re Syndicate Limited, provided a subordinated loan of £700,000. Both loans are unsecured, the first being non-interest bearing and the second bearing interest at LIBOR plus 100 basis points. Both loans are subordinated to all other creditors of the Company and cannot be repaid until such time other creditors have been satisfied in full and requires the prior written consent of the FCA or two years notice.

13 Provisions

| | 2020 £ | 2019 £ |
|----------------|---------------|---------------|
| At 1 January | 34,423 | 21,771 |
| Movement | 12,687 | 12,652 |
| At 31 December | <u>47,110</u> | <u>34,423</u> |

An increase in provisions of £12,687 has been established to increase the estimated dilapidations on leased premises.

Groves, John & Westrup Limited

Notes to the Financial Statements for the Year Ended 31 December 2020

14 Called up share capital

Allotted, called up and fully paid shares

| | 2020 | | 2019 | |
|--|---------|---------|---------|---------|
| | No. | £ | No. | £ |
| Authorised, allotted, issued and fully paid of £1 each | 450,000 | 450,000 | 450,000 | 450,000 |

15 Leasing commitments

Commitments under operating leases

The Company had the following future minimum lease payments under non-cancellable operating leases for each of the following periods:

| | 2020 | 2019 |
|---|---------|---------|
| | £ | £ |
| Not later than one year | 111,020 | 115,812 |
| Later than one year and not later than five years | 71,102 | 182,122 |
| | 182,122 | 297,934 |

Operating lease includes the property lease of Walker House in Liverpool which expires on 04 July 2022 and Swanwick Marina in Southampton which expires on 06 March 2023.

16 Post-employment benefits

Employer contributions for the year ended 31 December 2020 were £145,527 (2019 : £161,731).

17 Related parties

There are no other related party transactions which require disclosure.

The Company has taken advantage of the exemption, under in FRS 102.33.1A, from disclosing transactions with other group entities which qualify as related parties. In addition, the Company has taken advantage of the exemption, under FRS 102.1.12(e), from disclosing total key management compensation.

18 Statement of Cash Flows

The Company has taken advantage of the exemption, under FRS 102.1.12(b), from preparing a Statement of Cash Flows, on the basis that it is a qualifying entity and its ultimate parent company, Münchener Rückversicherungs-Gesellschaft Aktiengesellschaft ('Munich Re') includes the Company's cash flows in its own consolidated financial statements.

Groves, John & Westrup Limited

Notes to the Financial Statements for the Year Ended 31 December 2020

19 Ultimate Holding Company

The Company's parent, Munich Re Specialty Group Limited, is a wholly owned subsidiary of Munich Re, a company registered in Germany. No consolidated financial statements have been prepared for the Munich Re Specialty Group Limited group of companies. Copies of the consolidated financial statements of Munich Re may be obtained from its main UK representative office at 10 Fenchurch Avenue, London, EC3M 5BN.

20 Events after the end of the reporting period

With the current uncertainty surrounding COVID 19, it should be noted that an integral part of GJW's business model is the agreement with the Syndicate in which it is stipulated that all expenses incurred by GJW will be covered by the Syndicate. This arrangement has been discussed and agreed by the MRSL board and will continue in the foreseeable future which is envisaged to be at least 12 months from the date of these signed account. Therefore, the GJW board are comfortable that these statutory accounts can be prepared and signed on a going concern basis.

The MRSG Board have agreed the merger of NMU and GJW into one legal entity, with effect from 1st January 2022. The GJW business will be absorbed into NMU, however the client facing brands of "NMU", "GJW Direct" and "Groves John Westrup Private Clients" will remain unchanged. The merger was approved by the GJW board during the 18 March 2021 board meeting

Finance Act 2020 received Royal Assent on 22nd July 2020 and confirmed that the UK corporation tax rate of 19% would remain in 2020 and 2021. The UK deferred tax asset as at 31 December 2020 has been calculated based on this rate. In the 3 March 2021 Budget it was announced that the UK tax rate will increase to 25% from 1 April 2023. This will have a consequential effect on the Company's future tax charge. If this rate change had been substantively enacted at the current balance sheet date the deferred tax asset would have increased by £7,085.