Company Registration No. 4516776

ERGO UK SPECIALTY LIMITED
(FORMERLY KNOWN AS THREE LIONS UNDERWRITING LIMITED)

Report and Financial Statements

31 December 2018

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OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

Dirk Niemann

SECRETARY

Johanna Griffin

REGISTERED OFFICE

Plantation Place – Third Floor
30 Fenchurch Street
London
EC3M 3AJ

AUDITOR

KPMG LLP
Chartered Accountants
15 Canada Square
London E14 5GL

BANKER

National Westminster Bank PLC
1 Princes Street
London
EC2R 8PA

STRATEGIC REPORT

REVIEW OF BUSINESS AND FUTURE DEVELOPMENTS

Despite the loss in the previous year, the development of the Company's business during the year and the position at the end of the year were better than anticipated. The profit for the year was £183,670 (2017: loss £314,374) and the net assets at year-end are £1,287,018 (2017: £1,103,348).

In the 2018 financial year the Company entered into binding authority agreements with Great Lakes Reinsurance (UK) SE and ERGO Versicherung AG, UK Branch.

Strategic Objectives

The directors are satisfied with the results for the year. The main strategic objectives were to continue to develop the in-house After The Event (ATE) insurance business and to continue to manage the existing run-off business.

Key Performance Indicators

The overall performance in 2018 was better than the expectations set at the start of the year due to a higher turnover figure than originally budgeted. Turnover was £731,762 (2017: £375,471). Profit before taxation increased by £618,346 from a loss before taxation of (£389,247) to a profit before taxation of £229,099.

Company Position

Equity shareholders' funds increased by £183,670 (17%) from £1,103,348 to £1,287,018.

Monthly average number of employees (excluding directors)

The average number of employees was 2 during the year to 31 December 2018 (2017: 2). These individuals have been employed to look after ATE business written in-house. Other services related to run off business are performed by Ergo Versicherung AG, UK Branch staff and cross-charged to the Company as per the service agreement in place.

PRINCIPAL RISKS AND UNCERTAINTIES

The company's operating activities are exposed to various operational, financial, legal and regulatory risks. These include the key risk factors summarised below. The company manages these risks within a key risk and control framework ensuring that they are mitigated where possible.

Legal and Regulatory Risk

The Company is exposed to potential claims and litigation arising out of the ordinary course of business relating to alleged errors and omissions, or non-compliance with laws and regulations. The director is satisfied, based on present information and assessed probability of claims, that the Company has adequate insurance to meet such claims. However, like all businesses of our type, the risk exists that an increase in future claims for errors and omissions could have a material effect on the Company's reported results.

Financial Risks

The Company is exposed to financial risk through its financial assets and liabilities. The key financial risk is that the proceeds from financial assets are not sufficient to fund the obligations arising from liabilities as they fall due. The most important components of financial risk are currency risk, credit risk, liquidity risk, cash flow risk and interest rate risk.

Currency risk

The Company is exposed to currency risk in respect of assets and liabilities denominated in currencies other than Sterling. Due to the nature of insurance broking balances, the Company is able to largely mitigate this risk by matching the currencies in which insurance broking assets and liabilities are held.

Credit risk

Credit risk is the risk that a counterparty will be unable to pay amounts in full when due. Full risk transfer mitigates this risk to the Company.

STRATEGIC REPORT (Continued)

Liquidity and cash flow risk

Liquidity and cash flow risk is the risk that cash may not be available to pay obligations when they fall due. The Company has put in place appropriate financial and cash flow management structures so that it is able to anticipate demand for cash and meet obligations as they arise. The Company operates in a high cash flow business and the controls in place over insurance funds help to ensure that the Company has appropriate cash resource to meet its obligations as they fall due.

Interest Rate Risk

The Company's operating income is subject to the risk that interest rate fluctuations have on the interest earned on the Company's own funds and insurance balances.

Operational Risk

Operational risk is the risk of loss due to factors such as inadequate systems and internal controls, management failure, fraud and human error. The Company mitigates these risks through a system of internal controls, internal audit and compliance functions, back-up procedures, contingency planning and insurance.

The Board has ultimate responsibility for the system of internal control maintained by the Company to manage operational, regulatory and financial risks.

Group Risk

In 2018 the Company has been reliant upon the requirements of ERGO Versicherung AG, UK Branch to provide underwriting capacity for the in-house ATE business. The Company mitigates this risk by ensuring close cooperation with the ERGO UK Branch at all times, providing regular reporting on all business.

Brexit

The Company's medium to long term future is inextricably bound up with what its parent company, ERGO Versicherung AG ("ERGO"), decides about continuing to do business in the UK after the UK's exit from the EU. There will be significant changes to the Company's operations as a result of internal restructuring in the Munich RE Group necessitated by Brexit; further details are provided below.

Statement of Future Plans

- The Company will act as a Managing General Agent for new business (of the classes currently underwritten by ERGO's UK Branch) to be written via coverholders on the paper of another Munich RE Group subsidiary, Great Lakes Insurance SE (GLISE);
- The Company will re-assume responsibility in relation to the run-off of that part of the portfolio of business which it transferred to the ERGO UK Branch at the end of 2014, by providing claims management services (or supervising coverholders who provide such services); and
- All relevant assets and liabilities held by the ERGO UK Branch will in due course, but before the Branch is formally closed, be transferred back to the Company, and all employees of the ERGO UK Branch will be moved back to the Company pursuant to the TUPE Regulations.

The major impact of the above changes will be that the volume of business transacted by the company will increase materially, to encompass most if not all of the business currently underwritten by the ERGO UK Branch.

In addition to the expanded business described above, the Company will continue to administer the run off of all existing business. The Company has however decided to withdraw from the ATE market.

As matters are dependent upon political developments over which Munich RE Group has no influence, the effective date for these plans are still to be determined. We note that the effective date will be no later than the end of the Brexit "implementation" period, or alternatively if there is no transitional agreement in place, the cessation of ERGO's underwriting new business under the Temporary Permissions Regime.

STRATEGIC REPORT (Continued)

Events after the End of the Reporting Period
On 12 June 2019 the Board, with the agreement of ERGO Versicherung AG, the parent company, has proceeded to issue new ordinary shares of £1 each up to the full amount of the authorised capital of the Company, that is 950,000 further such shares.

The Company formally changed its name from Three Lions Underwriting Limited to ERGO UK Specialty Limited on 24 July 2019.

Approved by the Board of Directors
and signed on behalf of the Board on 8 August 2019

D. Niemann

D Niemann
Chairman

DIRECTORS' REPORT

The director presents the annual report and the audited financial statements for the year ended 31 December 2018 for ERGO UK Specialty Limited formerly known as Three Lions Underwriting Limited ('the Company') (registered number 4516776).

PRINCIPAL ACTIVITY

The Company's principal activity is that of an underwriting agency.

PRINCIPAL RISKS AND UNCERTAINTIES

The Company's operating activities are exposed to various operational, financial, legal and regulatory risks. These include the key risk factors summarised above in the Strategic Report.

GOING CONCERN

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report. The director has a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future, based on his assessment of the forecast cash flows for a period of at least 12 months from the date of approval of these financial statements. Therefore the going concern basis of accounting in preparing the annual financial statements has been adopted.

DIVIDEND

The amount that the director recommends should be paid by way of a dividend was £nil (2017: £nil).

DIRECTORS AND THEIR INTERESTS

The present director and the director who served during the year are set out on page 1.

The director does not have any interests in the shares of the Company.

The Company maintains cover for the risk of errors and omission at a level considered by the Board to be appropriate and which satisfied its regulators. The Director benefits from a group wide qualifying third party indemnity provision, which was in place during the financial year and at the date of this report.

POLITICAL DONATIONS

There were no political donations during the year (2017: £nil).

DISCLOSURE OF INFORMATION TO AUDITOR

The director who held office at the date of approval of this directors' report confirm that, so far as he is aware, there is no relevant audit information of which the Company's auditor is unaware; and the director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

AUDITOR

Pursuant to Section 487 of the Companies Act 2006, the Auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

Approved by the Board of Directors
and signed on behalf of the Board on 8 August 2019

D. Niemann

D Niemann
Chairman

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE STRATEGIC REPORT, THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS

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

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), 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 then apply them consistently;
- make judgements and 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;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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 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, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ERGO SPECIALTY LIMITED (FORMERLY KNOWN AS THREE LIONS UNDERWRITING LIMITED)

Opinion

We have audited the financial statements of ERGO UK Specialty Limited (formerly known as Three Lions Underwriting Limited) ("the company") for the year ended 31 December 2018 which comprise the Statement of Comprehensive Income; Statement of Financial Position; Statement of Changes in Equity; Statement of Cash Flows and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; 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 are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the company or to cease its operations, and as they have concluded that the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model, including the impact of Brexit, and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

Strategic report and Directors' report

The directors are responsible for the Strategic report and the Directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the Strategic report and the Directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the Strategic report and the Directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ERGO SPECIALTY LIMITED (FORMERLY KNOWN AS THREE LIONS UNDERWRITING LIMITED)

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required 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.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 6, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; 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; 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 they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

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.

David Maddams (Senior Statutory Auditor)

for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

15 Canada Square, London, E14 5GL

9 August 2019

STATEMENT OF COMPREHENSIVE INCOME
Year ended 31 December 2018

	Notes	2018	2017
		£	£
TURNOVER	2	731,762	375,471
Other operating income		5,653	1,136
Administrative expenses		(508,316)	(765,854)
OPERATING PROFIT/(LOSS) BEFORE TAXATION	3	229,099	(389,247)
Tax on profit on ordinary activities	5	(45,429)	74,873
PROFIT/(LOSS) AFTER TAXATION		183,670	(314,374)
OTHER COMPREHENSIVE INCOME			
Other comprehensive income for the year, net of tax		-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		183,670	(314,374)

CONTINUING OPERATIONS

Turnover and operating profit derive from continuing operations.

The notes on pages 13 to 19 form part of these financial statements.

STATEMENT OF FINANCIAL POSITION
At 31 December 2018

	Notes	2018	2017 (Restated)
		£	£
CURRENT ASSETS			
Debtors	6	381,586	424,983
Cash at bank and in hand	7	2,438,922	4,123,513
		2,820,508	4,548,496
CREDITORS: amounts falling due within one year	8	(1,533,490)	(3,445,148)
NET CURRENT ASSETS		1,287,018	1,103,348
TOTAL ASSETS LESS CURRENT LIABILITIES		1,287,018	1,103,348
NET ASSETS		1,287,018	1,103,348
CAPITAL AND RESERVES			
Called up share capital	9	50,000	50,000
Profit and loss account		1,237,018	1,053,348
EQUITY SHAREHOLDERS' FUNDS		1,287,018	1,103,348

The Board of Directors approved these financial statements on 8 August 2019.

Signed on behalf of the Board of Directors

D. Niemann

D Niemann
Chairman

The notes on pages 13 to 19 form part of the financial statements.

Please refer to note 1 for details of the restatement of the 2017 figures.

STATEMENT OF CHANGES IN EQUITY
Year ended 31 December 2018

	Called up share capital	Profit and loss account	Total
	£	£	£
At 1 January 2018	50,000	1,053,348	1,103,348
Profit/(Loss) for the year	-	183,670	183,670
Other comprehensive income	-	-	-
Total comprehensive income for the period	-	183,670	183,670
At 31 December 2018	50,000	1,237,018	1,287,018
At 1 January 2017	50,000	1,367,722	1,417,722
Profit/(Loss) for the year	-	(314,374)	(314,374)
Other comprehensive income	-	-	-
Total comprehensive income for the period	-	(314,374)	(314,374)
At 31 December 2017	50,000	1,053,348	1,103,348

The notes on pages 13 to 19 form part of these financial statements.

STATEMENT OF CASH FLOWS
Year ended 31 December 2018

	2018 £	2017 (Restated) £
Operating activities		
Profit/(Loss) for the year	183,670	(314,374)
Adjustments for:		
Interest receivable and similar income	(5,516)	(643)
Taxation	45,429	(74,873)
	223,583	(389,890)
(Increase)/decrease in trade and other debtors	(32,627)	150,002
Increase/(decrease) in trade and other creditors	(1,911,658)	(175,191)
	(1,944,285)	(25,189)
Tax paid/(refund)	30,595	6,397
Net cash inflow/(outflow) from operating activities	**(1,690,107)**	**(408,682)**
Investing activities		
Interest received	5,516	643
Receipts from sales of intangible fixed assets	-	-
Net cash inflow/(outflow) from investing activities	**5,516**	**643**
Increase/(decrease) in cash and cash equivalents	(1,684,591)	(408,039)
Effect of exchange rates on cash and cash equivalents	-	-
Cash and cash equivalents at 1 January	**4,123,513**	**4,531,552**
Cash and cash equivalents at 31 December	**2,438,922**	**4,123,513**

The notes on pages 13 to 19 form part of these financial statements.

Please refer to note 1 for details of the restatement of the 2017 figures.

NOTES TO THE ACCOUNTS
Year ended 31 December 2018

1. ACCOUNTING POLICIES

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements.

Statement of compliance

ERGO UK Specialty (formerly known as Three Lions Underwriting Limited) "the Company" is a limited liability company incorporated in England. The Registered Office is Munich Re Group offices, Plantation Place, 3rd Floor, 30 Fenchurch Street, London, EC3M 3AJ.

The Company's financial statements have been prepared in compliance with Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS102" as issued on March 2018).

Basis of preparation

The financial statements were authorised for issue by the Board of Directors on 8 August 2019. The financial statements are prepared under the historical cost convention and in accordance with applicable United Kingdom accounting standards. The financial statements are prepared in sterling which is the functional currency of the Company.

All amounts in the financial statements have been rounded to the nearest £1.

Going concern

The financial statements have been prepared on the going concern basis. The director has reviewed the budget and cash flow forecasts of the company for a period of not less than 12 months from the date of approving these financial statements and is confident that they show the company will have sufficient resources to meet their liabilities as they fall due.

Accordingly the director believes that it remains appropriate to prepare the financial statements on a going concern basis.

Cash flow statement

As per FRS 102 3.17(d) requirement to present a statement of cash flows for the reporting period this has been included above, prior to the accounting policies. The Company has calculated its cash flows using the indirect method (FRS102.7.8).

Judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates. The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements:

Turnover

Turnover represents commissions receivable from underwriters on whose behalf the Company binds insurance risks. Where the Company has contractual obligations to perform post placement activities, an appropriate portion of the commission is deferred to future periods and recognised over the period over which contractual obligations are performed.

Profit Commission

Profit commission is taken to income when the right to profit commission is achieved and is capable of reliable measurement. Any adjustments are dealt with in subsequent periods.

NOTES TO THE ACCOUNTS
Year ended 31 December 2018

1. ACCOUNTING POLICIES (CONTINUED)

Taxation

The charge for taxation is based on the result for the year, at current rates of tax. Deferred taxation is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered.

The company anticipates future year's results to be in profit rather than loss therefore the deferred tax asset will be covered. Deferred tax assets and liabilities are not discounted.

Financial assets and liabilities

FRS 102 Section 11 and 12 in full have been applied in accounting for all Company's financial instruments. Trade and other debtors and creditors are recognised initially at transaction price, including transaction costs. Transaction costs are added to the amount recognised initially for financial assets and deducted from the amount recognised initially for financial liabilities.

FRS102 Section 11 adopts a rules based approach to the classification of financial instruments as "basic" or "other". The Company has only "basic" instruments, therefore subsequent to initial recognition they are measured at amortised cost using the effective interest method applied to expected future cash flows over the expected life of the instrument. Short term debt instruments (receivable or payable within one year) that are not financing transaction are measured at their undiscounted amounts receivable or payable.

Financial assets are derecognised when the contractual rights to cash flow expire, are settled or are transferred and the transfer meets certain conditions. Financial liabilities are derecognised when the obligation is discharged, cancelled or expires.

Foreign currencies

Assets and liabilities in foreign currencies have been translated into sterling at the rates ruling at the balance sheet date. Differences arising on the translation of such items are dealt with in the profit and loss account.

Restatement

During the year the Company reviewed the basis on which it recognised debtors and creditors on the inception of new insurance policies.

Previously, when a policy was written, a debtor for the full amount of the premium payable by the insured was recognised, together with a corresponding creditor to the underlying insurer. As the Company acts as an agent on behalf of the insurer it should not have recognised a debtor and creditor for the gross amount.

As a result the prior years' Debtor and Creditor balances were both reduced by £14,149,461. The above has no effect on either net current assets or profit and loss for the period.

Trade debtors and creditors

Insurance intermediaries usually act as agents in placing the insurable risks of their clients with insurers and, as such, generally are not liable as principals for amounts arising from such transactions

Other than the commission due to the Company, no recognition of the insurance transactions occurs until the Company receives cash in respect of premiums or claims, at which time a corresponding liability is established in favour of the insurer or the client.

NOTES TO THE ACCOUNTS
Year ended 31 December 2018

2. TURNOVER

Turnover is derived from the principal activity of acting as an underwriting agency. The entire turnover arises in the United Kingdom.

3. OPERATING PROFIT

Operating profit is stated after charging:	2018	2017
	£	£
Amounts receivable by the auditor and their associates in respect of:		
Audit of these financial statements pursuant to legislation	26,071	26,945

4. DIRECTORS AND EMPLOYEES

Staff costs (including directors)

	2018	2017
	£	£
Wages, salaries and bonuses	173,009	264,618
Social security costs	22,377	35,596
Defined contribution pension scheme contributions	6,000	500
Other staff costs	569	-
	201,955	300,714

The aggregated emoluments shown above include all directors. There were £6,000 outstanding pension contributions as at 31 December 2018 (2017 – £500). All members of staff have transferred on 1st of January 2015 to Ergo Versicherung UK Branch. Services are performed by Ergo Versicherung AG, UK Branch staff and cross-charged to the Company as per the service agreement in place. During 2018 two members of staff have been employed to look after the in-house ATE business.

Monthly average number of employees

The average number of employees was 2 during the year to 31 December 2018 (2017: 2).

NOTES TO THE ACCOUNTS
Year ended 31 December 2018

5. TAXATION

	2018	2017
Analysis of charge in the year	**£**	**£**
UK corporation tax		
Current tax (credit)/charge	44,834	(75,652)
Adjustments in respect of previous periods	-	-
Total current tax	44,834	(75,652)
Deferred tax		
Origination and reversal of timing differences	595	726
Effect of decreased tax rate on opening liability	-	53
Total deferred tax	595	779
Tax on profit on ordinary activities	45,429	(74,873)

	2018	2017
Factors affecting tax charge for the year	**£**	**£**
Profit/(Loss) before tax	229,099	(389,247)
Profit/(Loss) multiplied by standard rate of corporation tax in the UK of 19% (2017 – 19.25%)	43,529	(74,917)
Effects of:		
Disallowed expenditure	1,900	-
Effects of change in rate of tax	-	44
Adjustments in respect of previous periods	-	-
Total tax charge/(credit) for the year	45,429	(74,873)

The prior year amounts in the 'factors affecting tax charge for the year' have been updated to ensure comparability with the current year amounts.

Factors affecting future tax charges

A reduction in the UK corporation tax rate from 21% to 20% (effective from 1 April 2015) was substantively enacted on 2 July 2013. Further reductions to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015, and an additional reduction to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the company's future current tax charge accordingly. The deferred tax asset has been calculated based on these rates.

NOTES TO THE ACCOUNTS
Year ended 31 December 2018

5. TAXATION (CONTINUED)

Movement in deferred taxation asset	**2018**	**2017**
	£	**£**
Balance at the beginning of the year	3,305	4,084
Deferred tax credit in Statement of Comprehensive Income	(595)	(779)
Balance at the end of the year (see note 6)	2,710	3,305

Composition of deferred taxation asset	**2018**	**2017**
	£	**£**
Depreciation in excess of capital allowances	2,710	3,305

6. DEBTORS

	2018	**2017 (Restated)**
	£	**£**
Trade debtors - fellow subsidiary	-	-
- others	-	-
Other debtors	-	-
Prepayments and accrued income	330,250	297,623
Deferred tax asset (see note 5)	2,710	3,305
Corporation tax receivable	48,626	124,055
	381,586	424,983

7. CASH AT BANK AND IN HAND

	2018	**2017**
	£	**£**
Insurance accounts	1,314,188	2,852,978
Other accounts	1,124,734	1,270,535
	2,438,922	4,123,513

NOTES TO THE ACCOUNTS
Year ended 31 December 2018

8. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2018 £	2017 (Restated) £
Trade creditors - fellow subsidiary	1,303,741	2,881,274
- others	-	-
Other creditors including taxation and social security	19,607	387,663
Accruals and deferred income	210,142	176,211
	1,533,490	3,445,148

£3,000 of profit commission for the 2003 underwriting year is repayable to GLUK. This amount has been included in Other creditors including taxation and social security.

9. CALLED UP SHARE CAPITAL

	2018 £	2017 £
Authorised:		
1,000,000 ordinary £1 shares	1,000,000	1,000,000
	1,000,000	1,000,000
Called up, allotted, and fully paid:		
50,000 ordinary £1 shares	50,000	50,000
	50,000	50,000

NOTES TO THE ACCOUNTS
Year ended 31 December 2018

10. ULTIMATE PARENT UNDERTAKING AND RELATED PARTY TRANSACTIONS

The ultimate parent company and the parent company of the largest and smallest group of companies into which the company is consolidated is Münchener Rückversicherungs-Gesellschaft AG ("Munich Re"). Copies of Munich Re's financial statements are available from Königinstrasse 107, 80802 München, Germany.

The parent company is ERGO Versicherung AG, with the registered address ERGO-Platz 1, Düsseldorf, North Rhine Westphalia, 40477, Germany.

The Company has entered into a binding authority agreement with Great Lakes Reinsurance (UK) SE ("Great Lakes") under which the Company earned a commission of £311,605 during the year (2017: £265,540), this commission is earned under an arms-length agreement. The Company and Great Lakes are both controlled by Munich Re.

The Company also has a binding authority agreement with ERGO Versicherung AG, UK Branch under which the Company was paid commission of £429,999 during the year (2017: £48,542), this commission is earned under an arms-length agreement.

During the year the Company paid Bell & Clements Limited £nil (2017: £nil) in management charges under an arms-length service agreement. There was a balance due to Bell & Clements Limited at the end of the year of £136 in respect of items paid for by Bell & Clements Limited (2017: £140).

During the year the Company paid ERGO Versicherung AG UK Branch £224,552 (2017: £378,970) in management charges under an arms-length service agreement.

11. POST BALANCE SHEET EVENTS

On 12 June 2019 the Board, with the agreement of ERGO Versicherung AG, the parent company, has proceeded to issue new ordinary shares of £1 each up to the full amount of the authorised capital of the Company, that is 950,000 further such shares.

The Company formally changed its name from Three Lions Underwriting Limited to ERGO UK Specialty Limited on 24 July 2019.