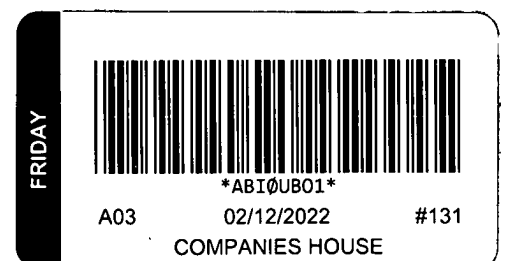


**ERGO UK SPECIALTY LIMITED**

**Report and Financial Statements**

**31 December 2021**



## **ERGO UK SPECIALTY LIMITED**

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**OFFICERS AND PROFESSIONAL ADVISERS**

**DIRECTORS**

Dirk Niemann  
Suzanne Mason

**SECRETARY**

Markus Student

**REGISTERED OFFICE**

Munich Re Group Offices – Thirteenth Floor  
10 Fenchurch Avenue  
London  
EC3M 5BN

**AUDITOR**

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

**BANKER**

National Westminster Bank PLC  
1 Princes Street  
London  
EC2R 8PA

## **STRATEGIC REPORT**

### **REVIEW OF BUSINESS AND FUTURE DEVELOPMENTS**

The profit for the year was £430,498 (2020: loss £83,005) and the net assets at year-end were £2,406,617 (2020: £1,976,119).

The company is an insurance intermediary, and it is regulated by the Financial Conduct Authority. In the 2021 financial year the Company held binding authority agreements with Great Lakes Insurance SE ("GLISE") and ERGO Versicherung AG, UK Branch ("ERGO UK Branch"), The latter being for After the Event ('ATE') business, although no new ATE policies were underwritten during the year. In addition, there were several service level agreements in place with other group companies.

#### **Strategic Objectives**

The directors are satisfied with the results for the year. The main strategic objective in 2021 was to continue to ensure that the Company had appropriate processes and procedures in place and working efficiently to underwrite UK business on GLISE paper, plus continue administering European business on behalf of the ERGO UK Branch.

#### **Key Performance Indicators**

The overall performance in 2021 was in line with budget. Turnover was £8,423,188 (2020: £5,840,614). The result before taxation improved by £659,505 from a loss before taxation of (£101,975) to a profit before taxation of £557,530.

#### **Company Position**

Equity shareholders' funds increased by £430,498 (22%) from £1,976,119 to £2,406,617.

#### **Monthly average number of employees (excluding directors)**

The average number of employees (excluding directors) was 37 during the year to 31 December 2021 (2020: 9), with 34 employees (including directors) in total by year-end. These individuals have been employed to get the business fit-for-purpose for its future planned activities. Other services are performed by ERGO UK Branch staff and cross-charged to the Company as per the service level agreements 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 directors are 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.

## **STRATEGIC REPORT (Continued)**

### ***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.

### ***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 2021 the Company held a binding authority agreement with GLISE to provide underwriting capacity for the UK business that had been shifted from ERGO UK Branch paper to GLISE paper. This shift commenced in 2019 and continued in 2020, with the final balance of business to be shifted 1<sup>st</sup> January 2021. All business written on GLISE paper is reinsured 100% into ERGO Versicherung AG, which is also the Company's parent. The Company mitigates this group risk by always ensuring close cooperation with GLISE and ERGO Versicherung AG, providing regular reporting on all business.

### **Brexit**

Significant changes to the Company's operations began to come into effect during 2019 and continued in 2020, as part of a Munich RE Group internal restructuring project necessitated by Brexit:

- The Company now acts as a Managing General Agent with business written via coverholders on GLISE paper. Specialty is paid an override by GLISE under this arrangement. The business began to be shifted during 2019, with one client beginning to write on GLISE paper in November 2019. A number of other clients shifted on 1 January 2020, with those remaining shifting in January 2021.
- The Company administers the European risks previously written by the ERGO UK Branch, which are now written on ERGO Versicherung AG paper with effect from 1<sup>st</sup> April 2019. There is a service level agreement

## **STRATEGIC REPORT (Continued)**

in place between the Company and ERGO Versicherung AG for this work. The Company is remunerated for administering this business on a commission basis.

- All relevant assets and liabilities held by the ERGO UK Branch were transferred back to the Company on 1<sup>st</sup> January 2021 (the “reverse asset deal”). All employees of the ERGO UK Branch were moved back to the Company pursuant to the TUPE regulations. After that date the ERGO UK Branch remained open for the remaining run-off business, and any work required, such as claims handling, will be carried out by the Company resources and an appropriate recharge will be invoiced for these services.

The major impact of the above changes is that the volume of business transacted by the Company increased materially in 2020. There was a further increase with effect from the beginning of 2021 because the Brexit “implementation” period (during which EEA passporting arrangements continue in effect and ERGO may still write UK risks via its UK Branch) ended on 31<sup>st</sup> December 2020; at that point, the ERGO UK Branch ceased underwriting new business and its remaining business transferred to the Company under the arrangements described above.

In addition to the expanded business referred to above, the Company will continue to administer the run-off of all in-force policies written by the ERGO UK Branch.

### **Covid-19**

From an operational perspective, all employees can work on Company business from home and have been doing so since the beginning of the lockdown period in the UK which began on 23 March 2020. The Company has been able to manage and administer its business virtually as normal, with staff working from their remote working locations. It is envisaged that this can continue until the UK government decides to ease restrictions.

From a financial perspective the Company is projecting that there will be no decrease of premiums due to Covid-19, and therefore no decrease in income. The Company has reverse stress tested the business plan and considered how long it would be able to continue trading in the extremely unlikely scenario that it had no income and costs remained unchanged. The Company considers it would have a more than reasonable amount of time to formulate alternative revenue streams and identify cost reductions.

## **STATEMENT PURSUANT TO SECTION 172 (1) COMPANIES ACT 2006**

In performing his duty to promote the success of the Company in accordance with section 172 of the Act, the Director has had regard to the matters set out in section 172(1), as outlined below:

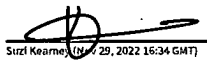
- The Company has considered the likely consequences in the long term when determining its post-Brexit plans, ensuring that it is still able to continue relationships with coverholders, underwrite UK business on GLISE paper and administer European business written on ERGO Versicherung AG paper going forward.
- During the Company’s post-Brexit planning, its coverholders and the impact of any changes on them have remained of the utmost importance. The Company has been able to ensure that its future plans would meet the needs of its coverholders.
- Given the Company’s small headcount, it has been its practice to consult both individually and collectively with employees on matters affecting their interests.
- The Company has ensured that the regulator has been fully informed about its post-Brexit plans and the expected future impact on the Company.
- The nature of the company’s business means that it has limited if any interaction with members of the community who are not engaged in the insurance market. The Company considers its impact on the environment, when possible, through the encouragement of paperless working and the promotion of recycling of waste in its offices.
- The Company adheres to the Munich Re Group Code of Conduct, a set of clearly defined rules, applicable to all employees of Munich Re (including ERGO) Group companies. The Code of Conduct promotes a consistent, ethical, sustainable and lawful corporate culture across the entire Group, therefore demonstrating the Company’s desire to maintain a reputation for high standards of business conduct, along with the rest of the Group.

**STRATEGIC REPORT (Continued)**

**EVENTS AFTER THE END OF THE REPORTING PERIOD**

On 6<sup>th</sup> April 2022 all employees of JRP Insurance Management Ltd were moved to the Company pursuant to the TUPE regulations.

Approved by the Board of Directors  
and signed on behalf of the Board on 29 November 2022

  
Suzi Kearney (11/11/2022 16:34 GMT)

S Mason  
Director

## **DIRECTORS' REPORT**

The director presents the annual report and the audited financial statements for the year ended 31 December 2021 for ERGO UK Specialty 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**

In considering the appropriateness of the going concern basis, the Directors have undertaken a risk assessment of the potential impact of the Covid-19 pandemic on the Company's expected future operational and financial performance and capital position. The risk assessment considered the operational actions currently being taken to mitigate the risk to the Company's employees and customers and to maintain business as usual operations to the extent possible. Based upon their own analysis of the available information, and as further disclosed in the Basis of Preparation in Note 1 to the financial statements, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future, which is twelve months from the signing of these financial statements. Thus, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

### **DIVIDEND**

The amount that the director recommends should be paid by way of a dividend was £nil (2020: £nil).

### **DIRECTORS AND THEIR INTERESTS**

The present directors and the directors 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 (2020: £nil).

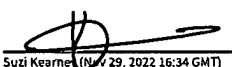
### **DISCLOSURE OF INFORMATION TO AUDITOR**

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

### **AUDITOR**

Ernst & Young LLP were appointed as auditor for financial periods incepting on or after January 2020. Pursuant to Section 487 of the Companies Act 2006, the Auditor will be deemed to be reappointed and Ernst & Young LLP will therefore continue in office.

Approved by the Board of Directors  
and signed on behalf of the Board on 29 November 2022

  
Suzi Kearney (Nov 29, 2022 16:34 GMT)

S Mason  
Director



## **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 UK SPECIALTY LIMITED**

## **Opinion**

We have audited the financial statements of ERGO UK Specialty Ltd for the year ended 31 December 2021, which comprise the Statement of comprehensive income, the Balance Sheet, the Statement of changes in equity, Statement of cash flows, and the related notes 1 to 13, 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 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

## **Basis for opinion**

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

## **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

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ERGO UK SPECIALTY LIMITED**

misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of 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 in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept or returns adequate for our audit have not been received from branches not visited by us; or
- the 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 7, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ERGO UK SPECIALTY LIMITED

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

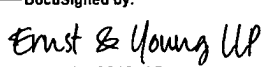
Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not 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.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", Companies Act 2006, the regulations of the Financial Conduct Authority and UK tax legislation.
- We understood how Ergo UK Specialty Limited is complying with those frameworks by making enquiries of management and those responsible for legal and compliance matters of the company. In assessing the effectiveness of the control environment, we also reviewed significant regulatory correspondence with the company, and reviewed Board minutes.
- 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 also considered areas of significant judgement, including complex transactions, performance targets, external pressures and their potential to influence management to manage earnings or influence the perceptions of investors and stakeholders. These procedures were designed to provide reasonable assurance that the financial statements were materially free from fraud or error.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved making enquiry of those charged with governance and senior management for their awareness of any non-compliance with laws or regulations, inspecting significant regulatory correspondence, and testing a sample of journal entries.

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

### **Use of our report**

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

DocuSigned by:  
  
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Angus Millar (Senior statutory auditor)  
for and on behalf of Ernst & Young LLP, Statutory Auditor  
London  
30 November 2022

**STATEMENT OF COMPREHENSIVE INCOME**  
**Year ended 31 December 2021**

	Notes	2021	2020
		£	£
<b>TURNOVER</b>	2	8,423,188	5,840,614
Other operating income		9,444	(16,482)
Administrative expenses		<u>(7,875,102)</u>	<u>(5,926,107)</u>
<b>OPERATING PROFIT/(LOSS) BEFORE TAXATION</b>	3	557,530	(101,975)
Tax credit/(charge) on loss on ordinary activities	5	<u>(127,032)</u>	<u>18,970</u>
<b>PROFIT/(LOSS) AFTER TAXATION</b>		<u>430,498</u>	<u>(83,005)</u>
<b>OTHER COMPREHENSIVE INCOME</b>			
Other comprehensive income for the year, net of tax		-	-
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<u>430,498</u>	<u>(83,005)</u>

**CONTINUING OPERATIONS**

Turnover and operating profit derive from continuing operations.

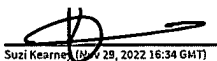
The notes on pages 15 to 22 form part of these financial statements.

**STATEMENT OF FINANCIAL POSITION**  
**At 31 December 2021**

	Notes	2021	2020
		£	£
<b>FIXED ASSETS</b>			
Tangible assets	6	<u>173,244</u>	<u>2,168</u>
<b>CURRENT ASSETS</b>			
Debtors	7	1,199,455	1,604,106
Cash at bank and in hand	8	<u>12,065,030</u>	<u>12,904,258</u>
		13,264,485	14,508,364
<b>CREDITORS: amounts falling due within one year</b>	9	<u>(11,017,889)</u>	<u>(12,534,413)</u>
<b>NET CURRENT ASSETS</b>		<u>2,246,596</u>	<u>1,973,951</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		2,419,840	1,976,119
<b>PROVISION FOR LIABILITIES AND CHARGES</b>	11	(13,223)	-
<b>NET ASSETS</b>		<u><u>2,406,617</u></u>	<u><u>1,976,119</u></u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	10	1,000,000	1,000,000
Profit and loss account		<u>1,406,617</u>	<u>976,119</u>
<b>EQUITY SHAREHOLDERS' FUNDS</b>		<u><u>2,406,617</u></u>	<u><u>1,976,119</u></u>

The Board of Directors approved these financial statements on 29 November 2022.

Signed on behalf of the Board of Directors

  
 Suzi Kearney (14/11/2022 16:34 GMT)

S Mason  
 Director

The notes on pages 15 to 22 form part of the financial statements.

**STATEMENT OF CHANGES IN EQUITY**  
**Year ended 31 December 2021**

	<b>Called up share capital</b>	<b>Profit and loss account</b>	<b>Total</b>
	<b>£</b>	<b>£</b>	<b>£</b>
<b>At 1 January 2021</b>	1,000,000	976,119	1,976,119
Increase in share capital	-	-	-
Profit/(Loss) for the year	-	430,498	430,498
Other comprehensive income	-	-	-
Total comprehensive income for the period	-	430,498	430,498
<b>At 31 December 2021</b>	<u>1,000,000</u>	<u>1,406,617</u>	<u>2,406,617</u>
 <b>At 1 January 2020</b>	 1,000,000	 1,059,124	 2,059,124
Increase in share capital	-	-	-
Profit/(Loss) for the year	-	(83,005)	(83,005)
Other comprehensive income	-	-	-
Total comprehensive income for the period	-	(83,005)	(83,005)
<b>At 31 December 2020</b>	<u>1,000,000</u>	<u>976,119</u>	<u>1,976,119</u>

The notes on pages 15 to 22 form part of these financial statements.

**STATEMENT OF CASH FLOWS**  
**Year ended 31 December 2021**

	2021	2020
	£	£
<b><i>Operating activities</i></b>		
Profit/(Loss) for the year	430,498	(83,005)
<i>Adjustments for:</i>		
Depreciation	96,971	1,858
Loss on sale of tangible assets	17,462	-
Interest receivable and similar income	(1,639)	(4,607)
Interest paid	771	-
Taxation	127,032	(18,970)
	<u>671,095</u>	<u>(104,724)</u>
(Increase)/decrease in trade and other debtors	319,401	(1,008,532)
Increase/(decrease) in trade and other creditors	(1,516,524)	11,291,368
Increase/(decrease) in provisions	13,223	-
	<u>(1,183,900)</u>	<u>10,282,836</u>
Tax paid/(refund)	(41,782)	(63,445)
	<u>(554,587)</u>	<u>10,114,667</u>
<b><i>Net cash inflow/(outflow) from operating activities</i></b>		
<b><i>Investing activities</i></b>		
Interest received	1,639	4,607
Payments to acquire fixed assets	(285,509)	-
Receipts from sales of intangible assets	-	-
	<u>(283,870)</u>	<u>4,607</u>
<b><i>Net cash inflow/(outflow) from investing activities</i></b>		
<b><i>Financing activities</i></b>		
Interest paid	(771)	-
Proceeds from issuing ordinary shares at £1 each	-	-
	<u>(771)</u>	<u>-</u>
<b><i>Net cash inflow/(outflow) from financing activities</i></b>		
Increase/(decrease) in cash and cash equivalents	(839,228)	10,119,274
Effect of exchange rates on cash and cash equivalents	-	-
	<u>12,904,258</u>	<u>2,784,984</u>
<b>Cash and cash equivalents at 1 January</b>		
	<u>12,904,258</u>	<u>2,784,984</u>
<b>Cash and cash equivalents at 31 December</b>	<u>12,065,030</u>	<u>12,904,258</u>

The notes on pages 15 to 22 form part of these financial statements.



## NOTES TO THE ACCOUNTS

Year ended 31 December 2021

### 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 "the Company" is a limited liability company incorporated in England. The Registered Office is Munich Re Group Offices, 13th Floor, 10 Fenchurch Avenue, London, England, EC3M 5BN.

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 29 November 2022. 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 Company's business activities, together with the factors likely to affect its future development, performance, and position, are set out above and in the Strategic report. The Company's Statement of financial position shows net current assets of £2,246,596 and net assets of £2,406,617.

In considering the appropriateness of the going concern basis, the Directors have undertaken a risk assessment of the potential impact of the Covid-19 pandemic on the Company's expected future operational and financial performance. The risk assessment considered possible forward-looking scenarios for a period of over 12 months from the date of this report, taking account of actions already taken to mitigate the risks to the Company's employees and operations, as well as actions available in the future as needed. Based upon this analysis and the available information, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future, which is twelve months from the signing of these financial statements, thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

#### 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 2021****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.

**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.

**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.

**NOTES TO THE ACCOUNTS**

**Year ended 31 December 2021**

**2. TURNOVER**

Turnover is derived from the principal activity of acting as an underwriting agency.

**3. OPERATING PROFIT**

Operating profit is stated after charging:	<b>2021</b>	<b>2020</b>
	<b>£</b>	<b>£</b>
Amounts receivable by the auditor and their associates in respect of: Audit of these financial statements pursuant to legislation	33,558	26,637
Depreciation of tangible fixed assets	<u>96,971</u>	<u>1,858</u>

**4. DIRECTORS AND EMPLOYEES**

**Staff costs (including directors)**

	<b>2021</b>	<b>2020</b>
	<b>£</b>	<b>£</b>
Wages, salaries and bonuses	3,259,253	985,897
Social security costs	344,115	126,889
Defined contribution pension scheme contributions	248,167	47,338
Other staff benefits	22,636	-
Other staff costs	<u>114,391</u>	<u>27,481</u>
	<u>3,988,562</u>	<u>1,187,605</u>

There were £21,025 outstanding pension contributions as at 31 December 2021 (2020 – £10,633). On 1<sup>st</sup> January 2021 all staff were transferred from the ERGO UK Branch to the Company.

**Monthly average number of employees**

The average number of employees was 39 during the year to 31 December 2021 (2020: 9).

**NOTES TO THE ACCOUNTS**

**Year ended 31 December 2021**

**5. TAXATION**

	<b>2021</b>	<b>2020</b>
	<b>£</b>	<b>£</b>
<b>Analysis of charge in the year</b>		
UK corporation tax		
Current tax (credit)/charge	135,961	(19,017)
Adjustments in respect of previous periods	-	-
	<u>135,961</u>	<u>(19,017)</u>
Total current tax	<u>135,961</u>	<u>(19,017)</u>
Deferred tax		
Origination and reversal of timing differences	(8,929)	47
Effect of decreased tax rate on opening liability	-	-
	<u>(8,929)</u>	<u>47</u>
Total deferred tax	<u>(8,929)</u>	<u>47</u>
Tax on profit on ordinary activities	<u>127,033</u>	<u>(18,970)</u>
	<u>127,033</u>	<u>(18,970)</u>
	<b>2021</b>	<b>2020</b>
	<b>£</b>	<b>£</b>
<b>Factors affecting tax charge for the year</b>		
Profit/(Loss) before tax	557,529	(101,975)
	<u>557,529</u>	<u>(101,975)</u>
Profit/(Loss) multiplied by standard rate of corporation tax in the UK of 19%	105,932	(19,375)
Effects of:		
Difference between depreciation and capital allowances	-	-
Disallowed expenditure	21,101	405
Effects of change in rate of tax	-	-
Adjustments in respect of previous periods	-	-
	<u>21,101</u>	<u>405</u>
Total tax charge/(credit) for the year	<u>127,033</u>	<u>(18,970)</u>

In the Spring Budget 2021, the UK Government announced that the UK corporation tax rate will increase to 25% with effect from 1 April 2023. This is unlikely to have a material effect on the Company's balance sheet.

**NOTES TO THE ACCOUNTS**  
**Year ended 31 December 2021**

**5. TAXATION (CONTINUED)**

<b>Movement in deferred taxation asset</b>	<b>2021</b>	<b>2020</b>
	<b>£</b>	<b>£</b>
Balance at the beginning of the year	2,279	2,326
Deferred tax credit in Statement of Comprehensive Income	8,929	(47)
	<u>11,208</u>	<u>2,279</u>
Balance at the end of the year (see note 7)		
	<u>11,208</u>	<u>2,279</u>
 <b>Composition of deferred taxation asset</b>	 <b>2021</b>	 <b>2020</b>
	<b>£</b>	<b>£</b>
Depreciation in excess of capital allowances	<u>11,208</u>	<u>2,279</u>

**6. TANGIBLE FIXED ASSETS**

	<b>Leasehold improvements</b>	<b>Furniture, fixtures &amp; fittings</b>	<b>Computer Equipment</b>	<b>Office machinery</b>	<b>Total</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
<b>Cost</b>					
At 31 December 2020	-	-	5,574	-	5,574
Additions	125,101	22,079	116,284	22,045	285,509
Disposals	-	(12,121)	(1,884)	(3,457)	(17,462)
	<u>125,101</u>	<u>9,958</u>	<u>119,974</u>	<u>18,588</u>	<u>273,621</u>
At 31 December 2021					
	<u>125,101</u>	<u>9,958</u>	<u>119,974</u>	<u>18,588</u>	<u>273,621</u>
<b>Accumulated depreciation</b>					
At 31 December 2020	-	-	3,406	-	3,406
Charge for the period	39,505	1,752	49,270	6,444	96,971
Disposals	-	-	-	-	-
	<u>39,505</u>	<u>1,752</u>	<u>52,677</u>	<u>6,444</u>	<u>100,378</u>
At 31 December 2021					
	<u>39,505</u>	<u>1,752</u>	<u>52,677</u>	<u>6,444</u>	<u>100,378</u>
<b>Net book value</b>					
At 31 December 2021	85,595	8,207	67,297	12,145	173,244
	<u>85,595</u>	<u>8,207</u>	<u>67,297</u>	<u>12,145</u>	<u>173,244</u>
At 31 December 2020	-	-	2,168	-	2,168
	<u>-</u>	<u>-</u>	<u>2,168</u>	<u>-</u>	<u>2,168</u>

**NOTES TO THE ACCOUNTS**  
**Year ended 31 December 2021**

**7. DEBTORS**

	2021 £	2020 £
Other debtors	-	328,584
Prepayments and accrued income	1,148,692	1,139,509
Deferred tax asset (see note 5)	11,208	2,279
Corporation tax receivable	39,555	133,734
	<u>1,199,455</u>	<u>1,604,106</u>

**8. CASH AT BANK AND IN HAND**

	2021 £	2020 £
Insurance accounts	9,507,476	11,708,049
Other accounts	2,557,554	1,196,209
	<u>12,065,030</u>	<u>12,904,258</u>

**9. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	2021 £	2020 £
Trade creditors - fellow subsidiary	9,486,415	11,692,994
- others	-	-
Other creditors including taxation and social security	347,134	133,168
Accruals and deferred income	1,184,340	708,251
	<u>11,017,889</u>	<u>12,534,413</u>

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

NOTES TO THE ACCOUNTS

Year ended 31 December 2021

10. CALLED UP SHARE CAPITAL

	2021 £	2020 £
<b>Authorised:</b>		
1,000,000 ordinary £1 shares	1,000,000	1,000,000
	<u>1,000,000</u>	<u>1,000,000</u>
<b>Called up, allotted, and fully paid:</b>		
1,000,000 ordinary £1 shares	1,000,000	1,000,000
	<u>1,000,000</u>	<u>1,000,000</u>

11. PROVISIONS

	2021 £	2020 £
Dilapidations	13,223	-
	<u>13,223</u>	<u>-</u>

12. 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 GLISE under which the Company earned a commission of £6,097,311 during the year (2020: £3,253,986), this commission is earned under an arms-length agreement. The Company and GLISE are both controlled by Munich Re.

During the year the Company has received remuneration under a number of arms-length service level agreements with other group entities:

The Company received £1,440,287 (2020: £834,873) from ERGO Versicherung AG in management recharges for administering European business written by ERGO Versicherung AG;

The Company received £273,669 (2020: £248,826) from ERGO UK Branch in management recharges.

The Company received £514,411 (2020: £531,875) from JRP Insurance Management Ltd in management recharges.

The company received £106,425 (2020: £nil) from ERGO UK Branch for the Reverse Asset Deal which took place on 1<sup>st</sup> January 2021.

The Company received £92,414 (2020: £1,213,456) from ERGO UK Branch, MGAD, JRP Insurance Management Ltd, MPL Claims Management Ltd and ITERGO in legal fees recharges.

During the year the Company paid Bell & Clements Limited £nil (2020: £nil) in management charges under an arms-length service agreement.

During the year the Company paid ERGO UK Branch £nil (2020: £2,905,242) in management recharges under an arms-length service agreement.

**NOTES TO THE ACCOUNTS**

**Year ended 31 December 2021**

**13. LEASE COMMITMENTS**

The Company had total future minimum commitments under non-cancellable operating leases as set out below:

	<b>2021</b>	<b>2020</b>
	<b>£</b>	<b>£</b>
Not later than one year	70,007	54,876
Later than one year and not later than five years	74,831	134,696
	<u>144,838</u>	<u>189,572</u>

The amount of non-callable operating lease payments recognised as an expense during the year was £48,401 (2020: £32,268).

**14. POST BALANCE SHEET EVENTS**

On 6<sup>th</sup> April 2022 all employees of JRP Insurance Management Ltd were moved to the Company pursuant to the TUPE regulations.