

**REVISED**

**ERGO UK SPECIALTY LIMITED**

**Report and Financial Statements**

**31 December 2022**

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COMPANIES HOUSE

## **ERGO UK SPECIALTY LIMITED**

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**OFFICERS AND PROFESSIONAL ADVISERS**

**DIRECTORS**

Dirk Niemann  
Suzanne Mason (Resignation 15/09/2023)  
Arthur Hoffmann (Non-Executive appointed 06/03/2023)

**SECRETARY**

Markus Student (Resignation 21/03/2023)  
Fatima Forster (appointed 21/03/2023)

**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 £603,398 (2021: profit £430,498) and the net assets at year-end were £3,010,015 (2021: £2,406,617). The company is an insurance intermediary, and it is regulated by the Financial Conduct Authority. In the 2022 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 2022 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 2022 was in line with budget. Turnover was £14,582,816 (2021: £8,423,188). The result before taxation increased by £203,943 from a profit before taxation of £557,473 to a profit before tax of £761,473.

#### **Company Position**

Equity shareholders' funds increased by £603,398 (25%) from £2,406,617 to £3,010,015.

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

The average number of employees (excluding directors) was 45 during the year to 31 December 2022 (2021: 37), with 50 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.

### **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. The counter parties are part of Munich RE and consequently they monitor performance and liquidity of the Company.

### ***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 2022 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 shifted by 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 in place between the Company and ERGO Versicherung AG for this work. The Company is remunerated for administering this business on a commission basis.

**STRATEGIC REPORT (Continued)**

- 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.

**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 14<sup>th</sup> February 2023 the Company purchased the 52% stake from JRP Insurance Management Limited and the remaining 48% stake in MPL Claims Management Ltd from a third party. This was financed by a loan granted by Ergo Versicherung AG of £3,000,000.

Approved by the Board of Directors  
and signed on behalf of the Board on 14 December 2023

A handwritten signature in black ink, appearing to read 'Dirk Niemann', written in a cursive style.

Dirk Niemann  
Director

## **DIRECTORS' REPORT**

The director presents the annual report and the audited financial statements for the year ended 31 December 2022 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**

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 (2021: £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 (2021: £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 14 December 2023



Dirk Niemann  
Director



## DIRECTORS' REPORT

### Director

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 Limited for the year ended 31 December 2022 which comprise the Statement of Comprehensive Income, the Statement of financial position, the Statement of Changes in Equity, and the related notes 1 to 14 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 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 2022 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 misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If,

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

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...], 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.

### ***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

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

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 the legal and compliance matters of the company. In assessing the effectiveness of the control environment, we also considered 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.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved making enquiries of 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:  
 15 December 2023  
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Angus Millar (Senior statutory auditor)  
for and on behalf of Ernst & Young LLP, Statutory Auditor  
London  
15 December 2023

**STATEMENT OF COMPREHENSIVE INCOME**  
**Year ended 31 December 2022**

	Notes	2022	2021
		£	£
<b>TURNOVER</b>	2	14,582,816	8,423,188
Other operating income		31,052	9,444
Administrative expenses		(13,852,395)	(7,875,102)
<b>OPERATING PROFIT/(LOSS) BEFORE TAXATION</b>	3	761,473	557,530
Tax credit/(charge) on loss on ordinary activities	5	(158,075)	(127,032)
<b>PROFIT/(LOSS) AFTER TAXATION</b>		<u>603,398</u>	<u>430,498</u>
<b>OTHER COMPREHENSIVE INCOME</b>			
Other comprehensive income for the year, net of tax		-	-
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<u>603,398</u>	<u>430,498</u>

**CONTINUING OPERATIONS**

Turnover and operating profit derive from continuing operations.

The notes on pages 14 to 22 form part of these financial statements.

**STATEMENT OF FINANCIAL POSITION**  
**At 31 December 2022**

	Notes	2022	2021
		£	£
<b>FIXED ASSETS</b>			
Tangible assets	6	<u>215,852</u>	<u>173,244</u>
<b>CURRENT ASSETS</b>			
Debtors	7	3,482,525	1,199,455
Cash at bank and in hand	8	<u>12,613,611</u>	<u>12,065,030</u>
		16,096,136	13,264,485
<b>CREDITORS: amounts falling due within one year</b>	9	<u>(13,280,817)</u>	<u>(11,017,889)</u>
<b>NET CURRENT ASSETS</b>		<u>2,815,319</u>	<u>2,246,596</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		3,031,171	2,419,840
<b>PROVISION FOR LIABILITIES AND CHARGES</b>	11	(21,156)	(13,223)
<b>NET ASSETS</b>		<u>3,010,015</u>	<u>2,406,617</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	10	1,000,000	1,000,000
Profit and loss account		<u>2,010,015</u>	<u>1,406,617</u>
<b>EQUITY SHAREHOLDERS' FUNDS</b>		<u>3,010,015</u>	<u>2,406,617</u>

The Board of Directors approved these financial statements on 14 December 2023.

Signed on behalf of the Board of Directors



D Niemann  
Director

The notes on pages 14 to 20 form part of the financial statements.

**STATEMENT OF CHANGES IN EQUITY**  
**Year ended 31 December 2022**

	Called up share capital	Profit and loss account	Total
	£	£	£
<b>At 1 January 2022</b>	1,000,000	1,406,617	2,406,617
Profit/(Loss) for the year	-	603,398	603,398
Other comprehensive income	-	-	-
Total comprehensive income for the period	-	603,398	603,398
<b>At 31 December 2022</b>	<u>1,000,000</u>	<u>2,010,015</u>	<u>3,010,015</u>
<b>At 1 January 2021</b>	1,000,000	976,119	1,976,119
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>

The notes on pages 14 to 20 form part of these financial statements.

**NOTES TO THE ACCOUNTS**  
**Year ended 31 December 2022**

**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 private 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 in March 2018).

**Basis of preparation**

The financial statements were authorised for issue by the Board of Directors on 14 December 2023. 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. As permitted by FRS 102, the company as qualifying entry has taken advantage of the following exemptions:

- a) From preparing a statement of cash flows, on the basis that it is wholly owned subsidiary of Munich Re, whose statutory accounts are publicly available as stated in Note 14
- b) From disclosing transactions with related parties, as required by FRS102.

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 £2,815,319 (2021: £2,246,596 and net assets of £3,010,015 (2021: £2,406,617). From a financial perspective the directors continue to assess the Company's ability to continue as a going concern. In doing so, the directors have made reference to the latest available forecasts for the Company. The directors have concluded that the Company has adequate financial resources to continue as a going concern for the foreseeable future, which is twelve months from the signing of these financial statements.

**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 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 2022**

### **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.

#### **Insurance transactions, client money and insurer money**

The Company acts as an agent in placing insurance risks and is not liable as principal for amounts arising from such transactions. Accordingly, receivables from insurance broking transactions are not included within the assets and liabilities of the Company except for the commission earned by the Company on these transactions. The Company is entitled to retain the investment income on money held on behalf of insurers in relation to the insurance broking transactions. Consequently, money held on behalf of insurers is included in the cash at bank and in hand balance shown in these financial statements with the corresponding payable included as a liability. Amounts held in trust cannot be called upon on insolvency of the Company.

**NOTES TO THE ACCOUNTS**  
**Year ended 31 December 2022**

**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>2022</b>	<b>2021</b>
	<b>£</b>	<b>£</b>
Amounts receivable by the auditor and their associates in respect of: Audit of these financial statements pursuant to legislation	24,672	33,558
Depreciation of tangible fixed assets	<u>107,235</u>	<u>96,971</u>

**4. DIRECTORS AND EMPLOYEES**

**Staff costs (including directors)**

	<b>2022</b>	<b>2021</b>
	<b>£</b>	<b>£</b>
Wages, salaries and bonuses	7,089,702	3,259,253
Social security costs	1,002,334	344,115
Defined contribution pension scheme contributions	644,826	248,167
Other staff benefits	39,237	22,636
Other staff costs	<u>115,426</u>	<u>114,391</u>
	<u>8,891,495</u>	<u>3,988,562</u>

**The director's remuneration for the year was as follows:**

	<b>2022</b>	<b>2021</b>
	<b>£</b>	<b>£</b>
Directors, emoluments	521,087	290,000
Company contributions to pension schemes	<u>1,535</u>	<u>26,583</u>
	<u>522,622</u>	<u>316,583</u>

The emoluments for the highest paid director for the year were £290,000 (2021: £290,000), in addition to pension contributions of £0 (2021: £26,583)

On 6th April 2022 all employees of JRP Insurance Management Limited were moved to the Company pursuant to the TUPE regulations.

**Monthly average number of employees**

The average number of employees was 47 during the year to 31 December 2022 (2021: 39).

**NOTES TO THE ACCOUNTS**  
**Year ended 31 December 2022**

**5. TAXATION**

	2022 £	2021 £
<b>Analysis of charge in the year</b>		
UK corporation tax		
Current tax (credit)/charge	168,854	135,961
Adjustments in respect of previous periods	-	-
<b>Total current tax</b>	<u>168,854</u>	<u>135,961</u>
Deferred tax		
Origination and reversal of timing differences	(10,779)	(8,929)
Effect of decreased tax rate on opening liability	-	-
<b>Total deferred tax</b>	<u>(10,779)</u>	<u>(8,929)</u>
<b>Tax on profit on ordinary activities</b>	<u>158,075</u>	<u>127,033</u>
<b>Factors affecting tax charge for the year</b>	2022 £	2021 £
Profit/(Loss) before tax	761,473	557,529
Profit/(Loss) multiplied by standard rate of corporation tax in the UK of 19%	144,680	105,932
Effects of:		
Difference between depreciation and capital allowances	-	-
Disallowed expenditure	13,395-	21,101
Effects of change in rate of tax	-	-
Adjustments in respect of previous periods	-	-
<b>Total tax charge/(credit) for the year</b>	<u>158,075</u>	<u>127,033</u>

In the Spring Budget 2021, the UK Government announced that the UK corporation tax rate increase to 25% which was effective 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 2022**

**5. TAXATION (CONTINUED)**

<b>Movement in deferred taxation asset</b>	<b>2022</b>	<b>2021</b>
	<b>£</b>	<b>£</b>
Balance at the beginning of the year	11,208	2,279
Deferred tax credit in Statement of Comprehensive Income	10,779	8,929
	<u>21,987</u>	<u>11,208</u>
Balance at the end of the year (see note 7)	<u>21,987</u>	<u>11,208</u>
 <b>Composition of deferred taxation asset</b>	 <b>2022</b>	 <b>2021</b>
	<b>£</b>	<b>£</b>
Depreciation in excess of capital allowances	<u>21,987</u>	<u>11,208</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 2021	125,101	9,958	119,974	18,589	273,622
Additions	-	-	149,550	1,140	150,690
Disposals	-	-	(1,794)	-	(1,794)
	<u>125,101</u>	<u>9,958</u>	<u>267,730</u>	<u>19,729</u>	<u>422,518</u>
At 31 December 2022	<u>125,101</u>	<u>9,958</u>	<u>267,730</u>	<u>19,729</u>	<u>422,518</u>
<b>Accumulated depreciation</b>					
At 31 December 2021	39,505	1,752	52,677	6,444	100,378
Charge for the period	39,505	1,752	59,427	6,551	107,235
Disposals	-	-	(947)	-	(947)
	<u>79,010</u>	<u>3,504</u>	<u>111,157</u>	<u>12,995</u>	<u>206,666</u>
At 31 December 2022	<u>79,010</u>	<u>3,504</u>	<u>111,157</u>	<u>12,995</u>	<u>206,666</u>
<b>Net book value</b>					
At 31 December 2022	<u>46,091</u>	<u>6,455</u>	<u>156,573</u>	<u>6,734</u>	<u>215,852</u>
At 31 December 2021	<u>85,596</u>	<u>8,206</u>	<u>67,297</u>	<u>12,145</u>	<u>173,244</u>

**NOTES TO THE ACCOUNTS**  
**Year ended 31 December 2022**

**7. DEBTORS**

	2022 £	2021 £
Prepayments and accrued income	3,350,393	1,148,692
Deferred tax asset (see note 5)	21,987	11,208
Corporation tax receivable	110,145	39,555
	<u>3,482,525</u>	<u>1,199,455</u>

Accrued income includes £475,000 (2021 £25,018) from Group companies which are due after more than one year

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

	2022 £	2021 £
Insurance accounts	9,125,250	9,507,476
Other accounts	3,488,361	2,557,554
	<u>12,613,611</u>	<u>12,065,030</u>

The insurance accounts are maintained as trust accounts.

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

	2022 £	2021 £
Trade creditors - fellow subsidiary	9,102,982	9,486,415
Other creditors including taxation and social security	993,558	347,134
Accruals and deferred income	3,184,277	1,184,340
	<u>13,280,817</u>	<u>11,017,889</u>

**10. CALLED UP SHARE CAPITAL**

	2022 £	2021 £
<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

**NOTES TO THE ACCOUNTS**  
**Year ended 31 December 2022**

1,000,000      1,000,000

**11. PROVISIONS**

	2022 £	2021 £
Dilapidations	21,157	13,223
	<u>21,157</u>	<u>13,223</u>

**12. LEASE COMMITMENTS**

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

	2022 £	2021 £
Not later than one year	70,007	70,007
Later than one year and not later than five years	14,966	74,831
	<u>84,973</u>	<u>144,838</u>

The amount of non-callable operating lease payments recognised as an expense during the year was £48,401 (2021: £48,401).

**13. POST BALANCE SHEET EVENTS**

MPL Claims Management Ltd was 52% owned by JRP Insurance Management Limited, which was acquired in 2019. On 14th February 2023 the Company purchased the 52% stake from JRP Insurance Management Limited and the remaining 48% stake in MPL Claims Management Ltd from a third party. A loan with interest was agreed with ERGO Versicherung AG for £3m to facilitate acquisition of MPL for a period of 5 years.

**14. ULTIMATE PARENT UNDERTAKING**

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.