

# **Liberty Specialty Markets Limited**

Annual Report and Financial Statements

31 December 2022

Registered number: 9023400



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## **Directors and Administration**

### **Directors**

N J Davenport	Executive Director
S Rijhwani	Director

### **Company Secretary**

A A Ocrah

### **Registered Office**

20 Fenchurch Street  
London  
EC3M 3AW  
England

### **Company Registration Number**

9023400

### **Registered Auditor**

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

## Strategic Report

The Directors present their Strategic Report for Liberty Specialty Markets Limited (the "Company" or "LSML") for the year ended 31 December 2022.

### Principal Activities

The Company continued its principal activity as an employing entity and expense processing administrator on behalf of the Liberty Specialty Markets ("LSM") and Liberty Mutual Reinsurance ("LMRe") segments within the Global Risk Solutions ("GRS") business unit.

### Business Review

The profit after taxation for the year was £20.1m (2021: £11.5m). The company paid dividends of £13.0m during the year (2021: nil) to its immediate parent company, Liberty UK and Europe Holdings Limited ("LUEH").

The Company's key financial and other performance indicators during the year were as follows:

	<b>2022</b>	<b>2021</b>
	<b>£000</b>	<b>£000</b>
Turnover	340,077	295,299
Operating profit before tax	24,646	9,564
Net assets	21,049	14,010
	<b>No.</b>	<b>No.</b>
Average staff number	1,177	1,004

During the year, the Company seconded employees to a number of affiliate entities. Substantially, all of the staff costs associated with these entities relate to Liberty Managing Agency Limited ("LMAL"), as managing agent for Lloyd's Syndicate 4472, and Liberty Mutual Insurance Europe Societas Europaea ("LMIE"). The other entities to which the Company seconded employees to are Liberty Corporate Capital Limited ("LCCL"), Liberty Specialty Markets Europe S.a r.l. ("LSME"), Liberty Specialty Markets MENA Limited ("MENA"), Liberty Specialty Services Limited ("LSSL") and Liberty Specialty Markets Europe Two S.a r.l. ("LSME2").

Turnover constitutes staff salary costs recharged to affiliated entities, service fees received in respect of seconded staff and fees charged for payment processing services. Turnover has increased by £44.8m in line with increases in administration costs in the year and associated mark-up. The increase in administration expenses of £33.1m is driven by the increase in staff numbers, Group re-charges, travel and entertainment expenses and other administrative expenses associated with high project costs during the year. The operating profit before tax is driven by the increase in mark-up and relative increase in expenses as well as a gain on foreign exchange of £4.7m (2021: £1.4m). The current year foreign exchange gain is driven by the retranslation of foreign currency intercompany balances into GBP, the functional currency of the Company, at year-end rates.

## Strategic Report (continued)

### Section 172 Statement

The below paragraphs demonstrate how directors have had regard for the matters set out in section 172(1) (a) to (f) ("S.172") of the Companies Act 2006 ("the Act") when performing their duty to promote the success of the Company for the benefit of its shareholders, which includes having regard to the interest of other stakeholders including the employees, suppliers and customers.

The Board is responsible for establishing the Company's purpose, strategy, and culture, and satisfying itself that these are aligned with those of LSM and LMRe, the operating segments of which it is a part of. The Board determines the strategic objectives and policies of the Company, ensuring there is a sustainable business model to support the delivery of long-term value. The Board is collectively responsible for the success of the Company, with a focus on ensuring that it continues to create value for the mutual advantage of all stakeholders.

The below paragraphs explain how the Directors of the Company consider, both individually and together, that they have acted in accordance with their duties under S.172.

#### *(i) Shareholder Engagement*

As a wholly owned subsidiary, the Board of LSML duly considers the views of its ultimate shareholder Liberty Mutual Holding Company Inc. and the interests of Liberty Mutual Group (the "Group") when considering any major decisions and transactions undertaken by the Company.

#### *(ii) Customers*

The Company acts as the employing entity and expense processing administrator on behalf of the LSM and LMRe segments within the GRS business unit. Accordingly, it considers LMAL, as managing agent for Lloyd's Syndicate 4472 and the UK branch of LMIE to whom it provides these services to be key stakeholders. A common directorship across these key stakeholders provide channels of communication to ensure customer needs are understood and met.

#### *(iii) Employees*

The Board recognises that employees are key to the Company's strength and success. The Directors are committed to ensuring high levels of employee engagement. Employee surveys are regularly conducted, and results taken into account to identify and implement actions for improvement. The Directors are committed to putting people first by providing an environment of conscious inclusion, where everybody feels that they are valued and belong. A range of inclusive, family friendly policies that support its people to be their unique selves at work and promote a healthy work-life balance are in place. The Directors are also committed to their responsibility to ensure that the Company's operations comply with applicable laws and regulations, including health and safety standards and practices in the workplace.

#### *(iv) Suppliers*

The Board reviews the actions taken to prevent modern slavery and associated practices in any part of the supply chain and approves a Modern Slavery Statement in accordance with the Modern Slavery Act 2015 each year. Further detail on actions taken by the Company in compliance with the Modern Slavery Act 2015 is set out on the LSM website. The Company adopts a policy on responsible procurement and a Suppliers Code of Conduct as part of its commitment to being a responsible business; all suppliers are expected to comply with these.

## Strategic Report (continued)

### Section 172 Statement (continued)

#### (v) *Community and Environment*

LSM and LMRe rely on a thoughtful and thorough approach to managing Environmental, Social and Governance ("ESG") issues and the Company subscribes to this approach. ESG is integral to the purpose of LSM/LMRe which strive to foster a sustainability mindset across its global enterprise by adopting a Responsible Business Strategy and Framework to help to guide its actions. LSM/LMRe also has a long history of delivering on an agenda of Corporate Social Responsibility ("CSR"), with a strategic goal of 'Improving Lives and Communities' focusing on advancing security, furthering opportunity, and building strong communities through philanthropy. This CSR agenda is supported by policies and programmes covering a range of support and activities, all with the overarching aim of helping the communities in which the Company operates to prosper. Global charity partners chosen in 2022 reflect LSM/LMRe's support of improved resiliency to the climate crisis. ShelterBox provides emergency shelter and other essential items to families who have lost their homes to disasters and CoolEarth works with rainforest communities to halt deforestation and its impact on climate change.

In 2022, LSM/LMRe committed to an operational net zero target by 2050 which includes measuring, reducing and disclosing our Scope 1-2 and material Scope 3 emissions. LSM/LMRe also work to reduce other environmental impacts; working with our suppliers and engaging our colleagues on environmental impact.

### Business Conduct

The Group Code of Business Ethics and Conduct embodies the Company's commitment to maintaining the highest ethical conduct and professional standards. The Group Code of Business Ethics and Conduct sets out the guiding principles of honesty, integrity and "doing the right thing", and governs interactions with key stakeholders. The Code of Business Ethics and Conduct also emphasises the importance of being a responsible business. There is a clear policy in place for whistleblowing and this ensures that employees feel empowered to raise concerns in confidence and without fear of unfair treatment.

### Principal Risks and Uncertainties

The Company is committed to ensuring that it manages its risk profile effectively across all parts of the business, subject to the environment in which it operates in.

The principal risk categories and uncertainties facing the Company arise from two sources:

1. The Company is dependent on other members of the Group, principally LMAL, as managing agent for Lloyd's Syndicate 4472, and LMIE, for its turnover in terms of expense administration service fees received. As such, risks that are inherent to the operation of other group members also impact the Company. These are outlined in the financial statements of each entity, copies of which can be obtained from the registered office of this Company.
2. Risks resulting from its own activities. The activities of the Company itself give rise to certain risks which are outlined below.

The risk management framework in place, within the legal entities, outlines the risk management strategy as well as the principles and approach to managing risk. The framework enables a consistent mechanism in which risks, that may have an adverse impact on the achievement of business objectives, are identified, assessed, managed, monitored and reported. Risk management activities ensure risks are managed within defined risk appetites while retaining the ability to implement longer-term business plans.

## **Strategic Report (continued)**

### **Principal Risks and Uncertainties (continued)**

The principal risks and uncertainties facing the Company are:

#### **Credit Risk**

Credit risk is the risk of financial change in value, due to actual credit losses deviating from expected credit losses, due to the failure of another party to meet its contractual debt obligations to the Company. The principal source of credit risk arises from the inability of fellow group companies to meet their contractual obligations if they become due.

Credit risk is managed through a number of preventative, detective and directive controls. These encompass due diligence and continued monitoring to ensure the appropriate selection of counterparties and risk appetites to prevent inappropriate credit risk concentrations.

#### **Liquidity Risk**

Liquidity risk is defined as the potential risk of loss arising from situations where the Company either has insufficient cash or liquid funds to meet its financial obligations as they fall due or is required to sell assets below their fair value to meet cash demands.

Liquidity risk is managed through the cashflow forecasting process, which determines the timing of expense payments and aligns these with settlements from intercompany positions due. Any surplus cash is held in current accounts, or short-term money market and liquidity funds, to which the Company has immediate access.

#### **Market Risk**

The principal source of market risk for the Company is currency risk, which is the risk of fluctuations in net asset values due to changes in the level and volatility of currency exchange rates, and mismatches between the assets and liabilities principally on intercompany accounts.

Currency risk is predominately managed using currency trades or drawdowns from the investment portfolio. Managing the timing of expense payments, along with robust analysis, including currency matching, helps determine the most efficient way to make payments and manage the risk.

#### **Operational Risk**

Operational risk is the risk of loss to the Company resulting from the inadequate or failed internal processes, people and systems, or from external events. This includes cyber and security issues, and risks arising from outsourced functions as well as legal and non-dispute risks.

In the normal course of business, the Company may receive legal claims against it in different jurisdictions and may be subject to regulatory investigations and proceedings from time to time. The Company currently considers none of the ongoing claims, investigations or proceedings to be material. However, in light of the uncertainties involved in such matters there can be no assurance that the outcome of a particular matter or matters currently not considered to be material may not ultimately be material to the Company's results in a particular reporting period depending on, among other things, the amount of the loss resulting from the matter(s) and the results otherwise reported for such a period. Where the Company can look to another party to pay some or all of the expenditure required to settle a provision, any reimbursement is recognised when, and only when, it is virtually certain that it will be received.

Operational risk is mitigated through the use of the three lines of defence model in conjunction with a system of documented, monitored and tested internal controls. The model aims to provide clarity over roles and responsibilities within the Company, ensuring that all key risk activities are managed effectively.

## Strategic Report (continued)

### Principal Risks and Uncertainties (continued)

#### Group Risk

Group risk is the risk of loss to the Company arising from its membership of both the Group, and LSM/LMRe.

Group risk is mitigated through the monitoring of the Group's financial strength and business strategy developments. In addition, the chairman of any committee reviewing risk information ensures that due attention is given to each legal entity within LSM and LMRe, even in times of stress to one entity.

#### Strategic risk

Strategic risk is the risk of loss to the Company arising from key business decisions, improper implementation of decisions or lack of responsiveness to industry changes.

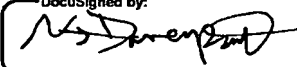
Strategic risk is mitigated through the development and implementation of the Company's strategy, and through controls relating to the development of new business opportunities.

### Significant events during the reporting period and up to the date of the report

#### Macroeconomic and geopolitical challenges

Many observers predict that the conflict between Russia and Ukraine will continue for some time. Sanctions continue to be applied and are actively monitored. The backdrop of this "long War" along with the aftereffects of the pandemic, the resulting impact of the energy crisis and sustained high levels of inflation have required a shift in monetary policy. The notable rise in economic inflation above Central Banks' targets was originally caused by factors including the post Covid-19 stimulus, supply chain restrictions, rising energy prices and labour shortages. This in turn is impacting debt servicing for governments, companies and individuals, leading to global concerns regarding recession, the cost of living crisis and civil unrest. Additionally, the current volatility in the banking sector has increased market uncertainty which will be managed through our approach to counter market risk. We continue to monitor the situation with regards to these systemic risk environment factors in accordance with our Risk Management Framework.

Approved by the Board of Directors and signed on behalf of the Board by:

DocuSigned by:  


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**Nigel Davenport**

Director

20 April 2023

Company registration number: 9023400

20 Fenchurch Street  
London  
EC3M 3AW  
England



## Directors' Report

The Directors present their Annual Report and the audited financial statements of Liberty Specialty Markets Limited for the year ended 31 December 2022.

### Directors and Directors' Interests

The current Directors are listed on page 2. Directors who held office between 1 January 2022 and the date of signing the financial statements were:

N J Davenport	Executive Director	
J C Reeves	Director	Resigned 11 February 2022
S Rijhwani	Director	Appointed 8 February 2022

According to the Register of Directors' Interests, no Director had any beneficial interest in the issued share capital of the Company or related companies at any time during the period.

### Results and Dividends

The Company reported a net profit before tax of £24.6m (2021: £9.6m). The key driver of the profit was the increase in turnover of £44.8m (2021: £56.1m) relative to the increase in administration costs of £33.1m (2021: £49.9m) as well as a gain on foreign exchange of £4.7m (2021: £1.4m). The Company paid dividends of £13.0m during the year (2021: nil) to its immediate parent company, LUEH.

### Future Developments

The Company continues its provision of human resources and expense administration services to the LSM and LMRe segments within the GRS business unit and it is expected that the level of services provided will grow as the activities of the wider group are expanded.

### Going Concern

The Directors are satisfied that the Company has adequate resources to continue in business for the foreseeable future. In assessing whether the going concern basis is appropriate, the Directors have considered the information contained in the financial statements, the Company's latest management information and the Company's current solvency calculations. As LSML's business operations are predominantly dependent on the performance of LMIE and Lloyd's Syndicate 4472, the Directors have reviewed the current capital strength of both and are satisfied that their capital strength would be sufficient to support the operations of LSML. In addition, given the capital strength and available liquidity within the wider LSM/LMRe group, the Directors are satisfied that this would be sufficient to support the operations of LSML in the future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements for at least 12 months from the date of approval of these financial statements to 20 April 2024.

### Charitable Contributions

There were £439k (2021: £430k) of charitable donations made during the year under review.

## **Directors' Report (continued)**

### **Disabled Employees**

The Company gives full consideration to employment applications from disabled persons where the applicant's particular aptitudes and abilities are consistent with adequately meeting the requirements of the job. Opportunities are available to disabled employees for training, career development and promotion as outlined in the Company's Equal Opportunities Policy.

Where existing employees become disabled, it is the Company's policy to provide continuing employment wherever practicable, in the same or an alternative position, and to provide appropriate training and any adjustments to working conditions to achieve this aim.

### **Employee Involvement**

The Company operates a framework for employee information and consultation which complies with the requirements of the Information and Consultation of Employees Regulations 2004. During the period, the policy of providing employees with information about the organisation, including key challenges and business performance, has been continued through the fortnightly, firm wide staff email communications made by the President and Managing Director.

Regular meetings are held between management and employees to allow a free flow of information and ideas.

Employees are encouraged to contribute to the overall success of the organisation, which is consistent with the Company's remuneration policy, where variable pay is determined partly on individual performance and partly on the performance of the business.

### **Disclosure of Information to Auditors**

So far as each person who was a Director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquires of fellow Directors and the Company's auditor, the Directors have all taken the steps that they are obliged to take as Directors in order to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

### **Reappointment of Auditors**

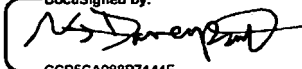
Ernst & Young LLP are deemed to be reappointed in accordance with an elective resolution made under Section 485 of the Companies Act 2006. Consequently, the Company has dispensed with the requirement to hold an Annual General Meeting and re-appoint the auditors. Ernst & Young LLP have expressed their willingness to continue in office and so have been invited to do so.

## Directors' Report (continued)

### Energy Consumption and Greenhouse Gas Emissions

The Company is exempt from providing disclosures in relation to greenhouse gas emissions, energy consumption and energy efficiency action under the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018, which came into force on 1 April 2019, and apply to financial years starting on or after 1 April 2019. The Company consumed less than 40,000 kWh of energy in the United Kingdom during the year ended 31 December 2022, therefore the disclosure is not required.

Approved by the Board of Directors and signed on behalf of the Board by:

DocuSigned by:  
  
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**Nigel Davenport**  
Director  
20 April 2023  
Company registration number: 9023400

20 Fenchurch Street  
London  
EC3M 3AW  
England

## Statement of Directors' Responsibilities

The Directors are responsible for preparing the Strategic Report, 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, the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 102 "The Financial Reporting Standard applicable to the UK and Republic of Ireland". The financial statements are required by law to give a true and fair view of the assets, liabilities, financial position and profit and loss of the Company for the period. In preparing the 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; and
- prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping proper accounting records that disclose, with reasonable accuracy at any time, the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom, governing the preparation and dissemination of financial statements, may differ from legislation in other jurisdictions.

## **Independent Auditor's Report to The Shareholder of Liberty Specialty Markets Limited**

### **Opinion**

We have audited the financial statements of Liberty Specialty Markets Limited ("the company") for the year ended 31 December 2022 which comprise of the Statement of Comprehensive Income, the Statement of Changes in Equity, the Statement of Financial Position and the related notes 1 to 11, 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) (UK GAAP).

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 at least 12 months from the date of approval of these financial statements to 20 April 2024.

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.

## **Independent Auditor's Report (continued) to The Shareholder of Liberty Specialty Markets Limited**

### **Other information**

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether 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 11, 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.

## **Independent Auditor's Report (continued) to The Shareholder of Liberty Specialty Markets Limited**

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

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

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

Our approach was as follows;

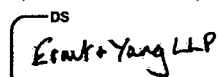
- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are the direct laws and regulations related to elements of Company law and tax legislation, and the financial reporting framework (UK GAAP).
- We understood how the Company is complying with those frameworks by making enquiries of management and those responsible for legal and compliance matters. We also reviewed minutes of the Board of directors; and gained an understanding of the Company's approach to governance, demonstrated by the Board's approval of the Company's governance framework.
- 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 entity, or that otherwise seek to prevent, deter or detect fraud. Further, we performed audit procedures which included testing the appropriateness of journal entries recorded in the general ledger, with a focus on manual journals and evaluating the business rationale for significant and/or unusual transactions.
- Based on this understanding we designed our audit procedures to identify noncompliance with such laws and regulations. Our procedures involved making enquiries of those charged with governance and senior management for their awareness of any non-compliance of laws or regulations, inquiring about the policies that have been established to prevent non-compliance with laws and regulations by officers and employees, and inquiring about the Company's methods of enforcing and monitoring compliance with such policies.

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.

## **Independent Auditor's Report (continued) to The Shareholder of Liberty Specialty Markets Limited**

### **Use of our report**

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

<sup>DS</sup>  
 Ernst & Young LLP

Robert Bruce (Senior Statutory Auditor)  
for and on behalf of Ernst & Young LLP, Statutory Auditor  
London  
24 April 2023



## Income Statement

for the year ended 31 December 2022

	Notes	2022 £000	2021 £000
Turnover	2	340,077	295,299
Administrative expenses	3	(320,243)	(287,120)
<b>Profit on ordinary activities before interest and taxation</b>		<b>19,834</b>	<b>8,179</b>
Interest receivable and similar income		85	4
Gain on foreign exchange translation		4,727	1,381
<b>Profit on ordinary activities before taxation</b>		<b>24,646</b>	<b>9,564</b>
Tax (charge)/credit on profit on ordinary activities	5	(4,579)	1,912
<b>Profit on ordinary activities</b>		<b>20,067</b>	<b>11,476</b>

The amounts above are in respect of continuing operations. There are no other components of comprehensive income.

The notes on pages 19 to 28 form part of these financial statements.

## Statement of Changes in Equity

for the year ended 31 December 2022

<b>2022</b>	<b>Called up share capital £000</b>	<b>Profit and loss account £000</b>	<b>Total £000</b>
At 1 January	100	13,910	14,010
Dividends paid	-	(13,028)	(13,028)
Total comprehensive income for the year	-	20,067	20,067
<b>At 31 December</b>	<b>100</b>	<b>20,949</b>	<b>21,049</b>

<b>2021</b>	<b>Called up share capital £000</b>	<b>Profit and loss account £000</b>	<b>Total £000</b>
At 1 January	100	2,434	2,534
Dividends paid	-	-	-
Total comprehensive income for the year	-	11,476	11,476
<b>At 31 December</b>	<b>100</b>	<b>13,910</b>	<b>14,010</b>

The notes on pages 19 to 28 form part of these financial statements.

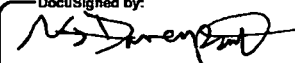
## Statement of Financial Position

at 31 December 2022

	Notes	2022 £000	2021 £000
<b>Non-current assets</b>			
Tangible fixed assets	6	38,379	7,303
Debtors – amounts falling due after more than one year	7	12,759	13,530
		<b>51,138</b>	<b>20,833</b>
<b>Current assets</b>			
Debtors – amounts falling due within one year	5,7	49,728	76,503
Prepayments and accrued income		4,881	3,966
Cash at bank and in hand		9,385	17,623
		<b>63,994</b>	<b>98,092</b>
<b>Total assets</b>		<b>115,132</b>	<b>118,925</b>
<b>Current liabilities</b>			
Creditors – amounts falling due within one year	8	93,819	104,687
Provisions		264	228
<b>Net assets</b>		<b>21,049</b>	<b>14,010</b>
<b>Capital and reserves</b>			
Called up share capital	9	100	100
Profit and loss account		20,949	13,910
<b>Total equity</b>		<b>21,049</b>	<b>14,010</b>

The notes on pages 19 to 28 form part of these financial statements.

These financial statements were approved by the Board of Directors and were signed on its behalf by:

DocuSigned by:  


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**Nigel Davenport**

Director

20 April 2023

Company registration number: 9023400

20 Fenchurch Street  
 London  
 EC3M 3AW  
 England

## Notes to the Financial Statements

### for the year ended 31 December 2022

#### 1. Accounting Policies

##### 1.1. Statement of compliance

The Company is a limited liability Company incorporated in England and Wales, registered office detailed on page 2. The financial statements cover those of the individual entity and are prepared as at, and for the year ended, 31 December 2022.

The financial statements have been prepared in compliance with FRS 102, being the applicable UK GAAP accounting standards, and in accordance with the Companies Act 2006.

The financial statements are prepared under the historical cost convention.

##### 1.2. Basis of preparation

The Directors are satisfied that the Company has adequate resources to continue in business for the foreseeable future. The financial statements have been prepared on a going concern basis. Turnover constitutes staff salary costs recharged to affiliated entities, service fees received in respect of seconded staff and fees charged for payment processing services. The Directors do not believe that there are currently any events that would materially impact the performance of the Company from the date of approval of these financial statements to 20 April 2024. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

The financial statements are prepared in GBP, which is the presentation and functional currency of the Company and rounded to the nearest £'000.

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

##### 1.3. Significant accounting policies

###### 1.3.1. Cash and cash equivalents

The Company has applied Part 1 *General Rules and Formats of Schedule 2* to the Regulations as per FRS 102.7.20A, whereby cash on the Statement of Financial Position includes only cash and balances at central banks and loans and advances to banks repayable on demand.

A statement of cash flows has not been presented as the Company is a qualifying entity. Its cash flows are included within the consolidated cash flow statement of Liberty International Holdings Incorporated.

###### 1.3.2. Financial Assets

The Company's financial assets consist of intercompany balances, corporation tax and other prepayments.

As permitted by FRS 102, the Company has elected to apply the recognition and measurement provisions of IAS 39 Financial Instruments: recognition and measurement as adopted by the UK Endorsement Board on 1 March 2022 to account for all of its financial instruments.

## Notes to the Financial Statements (continued)

for the year ended 31 December 2022

### 1. Accounting Policies (continued)

#### 1.3. Significant accounting policies (continued)

##### 1.3.2. Financial Assets (continued)

Financial assets represent cash and amounts due from group undertakings for services. These intercompany receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method. At the end of each reporting period, the intercompany receivables are assessed for objective evidence of impairment. If it is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cashflows discounted at the asset's original effective interest. The impairment loss is recognised in the profit and loss account. If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in the profit and loss account.

##### 1.3.3. Financial liabilities

The Company's financial liabilities consist of intercompany balances and trade payables.

All financial liabilities are recognised initially at fair value. Intercompany balances are repayable on demand and are typically settled within one year. Intercompany balances are subsequently measured at amortised cost should they remain unsettled over a year. A financial liability is derecognised when the obligation under the liability is discharged or expires.

##### 1.3.4. Turnover

Turnover constitutes staff salary and associated costs recharged to affiliated entities, service fees received in respect of seconded staff, and fees charged for payment processing services. These fees are recognised as revenue over the period in which the related services are performed. If the fees are for services provided in future periods, then they are deferred and recognised over those future periods.

##### 1.3.5. Administrative expenses

Administrative expenses and payables represent expenses incurred by the Company on an accrual basis.

##### 1.3.6. Fixed assets

Expenditure on leasehold improvements, furniture and fixtures, computer equipment and computer software is stated at cost less accumulated depreciation and accumulated impairment losses. Such cost includes costs directly attributable to making the asset capable of operating as intended.

Depreciation is provided on all fixed assets at rates calculated to write off the costs, less estimated residual value, of each asset on a systematic basis over its expected useful life as follows:

- |                          |                                     |
|--------------------------|-------------------------------------|
| • Leasehold improvements | Remaining lease term                |
| • Furniture and fixtures | Lower of term of lease and 10 years |
| • Computer equipment     | 3 to 5 years                        |
| • Computer software      | 3 years                             |

Depreciation is included within administrative expenses.

The carrying values of the tangible fixed assets are reviewed annually for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

## **Notes to the Financial Statements (continued)**

**for the year ended 31 December 2022**

### **1. Accounting Policies (continued)**

#### **1.3. Significant accounting policies (continued)**

##### **1.3.7. Pension benefits**

Employees joining on or after 1 January 2002 became members of the Company defined contribution pension schemes. Contributions to the defined contribution scheme are recognised in the income statement in the period in which they become payable.

##### **1.3.8. Foreign currency**

The Company's functional currency and presentational currency is GBP.

Transactions denominated in currencies other than the functional currency are initially recorded in the functional currency at the exchange rate ruling at the date of the transactions, or an appropriate average rate.

Monetary assets and liabilities denominated in foreign currencies are retranslated into the functional currency at the exchange rate ruling on the reporting date. Non-monetary items denominated in a foreign currency, measured at fair value, are translated into the functional currency using the exchange rate ruling at the date when the fair value was determined.

Exchange differences are recorded in the Statement of Comprehensive Income.

##### **1.3.9. Taxation**

Taxation expense for the period comprises current and deferred tax recognised in the reporting period. Tax is recognised in the profit and loss account, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, tax is recognised either in other comprehensive income or directly in equity, as appropriate.

Current or deferred taxation assets and liabilities are not discounted.

##### *Current tax*

Current tax liabilities are measured at the amount of corporate income tax expected to be paid to or recovered from taxation authorities, in respect of the taxable profit for the year or prior years. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted at the statement of financial position date.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

## Notes to the Financial Statements (continued)

for the year ended 31 December 2022

### 1. Accounting Policies (continued)

#### 1.3. Significant accounting policies (continued)

##### 1.3.9. Taxation (continued)

##### *Deferred tax*

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

Deferred tax is recognised on all timing differences at the reporting date. Unrelieved tax losses, and other deferred tax assets, are only recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted at the statement of financial position date and that are expected to apply to the reversal of the timing difference.

#### 1.4. 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 statement of financial position 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. There are no areas in the Statement of Comprehensive Income or the Statement of Financial Position to which material judgement or estimations of uncertainty have been applied.

#### 1.5. Dividends

Dividends declared by the Company are recorded in the period in which the dividends are approved.

Dividends are recognised as a liability and deducted from equity when they are approved by the shareholders. Interim dividends are deducted from equity when they are paid.

### 2. Turnover

Turnover is attributable to the Company's principal activity as an employing entity and expense processing administrator on behalf of the LSM and LMRe segments within the GRS business unit.

	2022	2021
	£000	£000
Staff cost recharged to affiliated entities	190,385	163,985
Expense administration service fee	149,692	131,314
	<b>340,077</b>	<b>295,299</b>

## Notes to the Financial Statements (continued)

for the year ended 31 December 2022

### 3. Administrative expenses

	2022	2021
	£000	£000
Auditor's remuneration - audit services	37	28
Staff costs	170,924	165,975
Other administrative expenses	149,282	121,117
	<b>320,243</b>	<b>287,120</b>

### 4. Staff costs and Directors' remuneration

#### 4.1. Staff number and costs

The Company employed the majority of staff which were seconded to the LSM/LMRe group of companies. Staff costs are recharged to the various entities, retaining the Company's staff cost to administrate the company and service the various group entities. Underwriting staff costs recharged to underwriting entities are included in the technical account of the various entities as a component of underwriting expenses.

The aggregate payroll costs of total staff employed by the Company (including Directors) for the period, were as follows:

	2022	2021
	£000	£000
Wages and salaries	150,953	146,619
Social security costs	17,422	16,476
Other pension costs	2,549	2,880
	<b>170,924</b>	<b>165,975</b>

The average total number of persons employed by the Company (including Directors) subject to full or part-time secondments to affiliates during the period, analysed by category, was as follows:

	2022	2021
	No.	No.
Administrative	806	673
Claims	80	68
Underwriting	291	263
	<b>1,177</b>	<b>1,004</b>



## Notes to the Financial Statements (continued)

for the year ended 31 December 2022

### 4. Staff costs and Directors' remuneration (continued)

#### 4.2. Directors' remuneration

	2022 £000	2021 £000
Total Directors' emoluments	8	9
Pension contributions	-	1
Highest paid Director	5	5
	2022 No.	2021 No.
Directors' membership to defined benefit contribution scheme	2	2

### 5. Taxation

	2022 £000	2021 £000
<b>Current taxation:</b>		
UK corporation tax at 19% (2021: 19%) - current year	6,430	4,628
UK corporation tax - adjustments in respect of prior years	(2,622)	(1,616)
UK corporation tax	3,808	3,012
<b>Total current taxation</b>	<b>3,808</b>	<b>3,012</b>
	2022 £000	2021 £000
<b>Deferred taxation</b>		
Unpaid remuneration	(882)	(1,900)
Accelerated capital allowances	(1,420)	(665)
Losses	610	-
Amounts in respect of changes in tax rates	(728)	(3,301)
Adjustments in respect of prior years	3,191	942
<b>Total deferred taxation charge/(credit)</b>	<b>771</b>	<b>(4,924)</b>
<b>Tax charge/(credit) on profit on ordinary activities</b>	<b>4,579</b>	<b>(1,912)</b>

## Notes to the Financial Statements (continued)

for the year ended 31 December 2022

### 5. Taxation (continued)

#### Factors affecting the tax expense for the year

The effective tax rate for the year is lower (2021: lower) than the standard rate of corporation tax in the UK. The differences are explained below.

	2022 £000	2021 £000
<b>Profit on ordinary activities before tax</b>	<b>24,646</b>	<b>9,564</b>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2021: 19%)	4,683	1,817
Expenses not deductible for tax purposes	55	246
Deferred tax at rates other than the standard rate for the year	(728)	(3,301)
UK corporation tax over provided in previous years	(2,622)	(1,616)
Deferred tax asset over provided in previous years	3,191	942
<b>Tax expense/(credit) for the year</b>	<b>4,579</b>	<b>(1,912)</b>

Deferred tax assets are recognised at the substantively enacted rate, at the balance sheet date. The Finance Bill 2021 was published on 11 March 2021 included that the enacted UK corporation tax rate is set to increase from 19% to 25% from 1 April 2023. As this rate change was substantively enacted before the end of the reporting period, deferred taxes for unpaid remuneration, onerous leases and accelerated capital allowances at the balance sheet date have been measured at the enacted tax rate of 25%.

#### **Deferred tax**

The deferred tax asset included in the statement of financial position is as follows:

	2022 £000	2021 £000
Unpaid remuneration	9,312	10,585
Accelerated capital allowances	3,336	2,334
Taxable losses	-	611
Onerous lease	111	-
<b>Deferred tax asset at end of year</b>	<b>12,759</b>	<b>13,530</b>

	2022 £000	2021 £000
Deferred tax asset at start of year	13,530	8,608
Deferred tax income for the year	2,420	5,864
Deferred tax asset over provided in previous years	(3,191)	(942)
<b>Deferred tax asset at end of year</b>	<b>12,759</b>	<b>13,530</b>

## Notes to the Financial Statements (continued)

for the year ended 31 December 2022

### 5. Taxation (continued)

The deferred tax asset is too uncertain to predict when it will reverse, and therefore the amount expected to unwind over the 12 month period following the balance sheet date is unknown.

#### Current tax (included in other liabilities)

	2022 £000	2021 £000
Corporation tax due	10,028	8,721
	<b>10,028</b>	<b>8,721</b>

Materially all of the corporation tax due above is in relation to group relief due to group undertakings.

### 6. Tangible fixed assets

2022	Leasehold Improvements £000	Furniture and Fixtures £000	Computer Equipment £000	Computer Software £000	Total £000
<b>Cost:</b>					
At the start of the year	-	-	653	7,475	8,128
Additions	86	5	3,455	31,500	35,046
<b>At 31 December 2022</b>	<b>86</b>	<b>5</b>	<b>4,108</b>	<b>38,975</b>	<b>43,174</b>
<b>Depreciation:</b>					
At the start of the year	-	-	23	802	825
Provided in the year	1	1	846	3,122	3,970
<b>At 31 December 2022</b>	<b>1</b>	<b>1</b>	<b>869</b>	<b>3,924</b>	<b>4,795</b>
<b>Carrying amount:</b>					
<b>At 31 December 2022</b>	<b>85</b>	<b>4</b>	<b>3,239</b>	<b>35,051</b>	<b>38,379</b>

## Notes to the Financial Statements (continued)

for the year ended 31 December 2022

### 6. Tangible fixed assets (continued)

2021	Leasehold Improvements £000	Furniture and Fixtures £000	Computer Equipment £000	Computer Software £000	Total £000
<b>Cost:</b>					
At the start of the year	-	-	-	-	-
Additions	-	-	653	7,475	8,128
<b>At 31 December 2021</b>	<b>-</b>	<b>-</b>	<b>653</b>	<b>7,475</b>	<b>8,128</b>
<b>Depreciation:</b>					
At the start of the year	-	-	-	-	-
Provided in the year	-	-	23	802	825
<b>At 31 December 2021</b>	<b>-</b>	<b>-</b>	<b>23</b>	<b>802</b>	<b>825</b>
<b>Carrying amount:</b>					
<b>At 31 December 2021</b>	<b>-</b>	<b>-</b>	<b>630</b>	<b>6,673</b>	<b>7,303</b>

### 7. Debtors

#### Amounts falling due within one year

	2022 £000	2021 £000
Amounts due from group undertakings	47,882	75,615
Other debtors	1,846	888
	<b>49,728</b>	<b>76,503</b>

#### Amounts falling due after more than one year

	2022 £000	2021 £000
Deferred tax asset	12,759	13,530
	<b>12,759</b>	<b>13,530</b>

### 8. Creditors – amounts falling due within one year

	2022 £000	2021 £000
Corporation tax due	10,028	8,721
Amounts due to group undertakings	1,305	9,640
Accruals	82,486	86,326
	<b>93,819</b>	<b>104,687</b>

## Notes to the Financial Statements (continued)

for the year ended 31 December 2022

### 9. Called up share capital

	2022 £000	2021 £000
<b>Authorised, issued and fully paid</b>		
100,000 ordinary shares of £1 each	100	100
<b>100,000 Allotted shares</b>		

### 10. Related Parties

As a qualifying entity, the Company has elected to take advantage of the exemption from the requirements of FRS 102, Section 33 Related Party Transactions paragraph 1A and paragraph 7, to not disclose related party transactions with key management personnel and related party transactions with wholly owned subsidiaries of Liberty International Holdings Incorporated.

### 11. Ultimate parent company

The ultimate parent company is Liberty Mutual Holding Company Inc. of Boston, 175 Berkeley Street, Boston, Massachusetts 02116, U.S.A., a company incorporated in the U.S.A. The smallest higher group of companies for which group accounts are drawn up and of which this Company is a member is Liberty International Holdings Incorporated, a company incorporated and registered in the U.S.A.

The immediate parent Company of Liberty Specialty Markets Limited is Liberty UK and Europe Holdings Limited.

Copies of the group accounts of Liberty International Holdings Incorporated and of Liberty Mutual Holding Company Inc. of Boston are available from the companies' registered office, 175 Berkeley Street, Boston, Massachusetts 02116, U.S.A.