

**Antares Reinsurance Company Limited**  
(formerly known as “Qatar Reinsurance Company Limited”)

**CONSOLIDATED FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITOR’S REPORT**

**FOR THE YEAR ENDED  
31 DECEMBER 2022**

<i><b>Index</b></i>	<i><b>Page</b></i>
Directors' responsibilities statement	1
Independent auditor's report	2-5
Consolidated statement of income	6
Consolidated statement of comprehensive income	7
Consolidated statement of financial position	8
Consolidated statement of changes in equity	9
Consolidated statement of cash flows	10
Notes to the consolidated financial statements	11 – 64

## **Statement of directors' responsibilities**

The directors of Antares Reinsurance Company Limited ('the directors') have accepted responsibility for the preparation of these financial statements for the year ended 31 December 2022 which are intended by them to give a true and fair view of the state of affairs of the Group and of the loss for that period. They have decided to prepare the financial statements in accordance with International Financial Reporting Standards ("IFRSs") as issued by the IASB.

In preparing these financial statements, the directors have:

- selected suitable accounting policies and applied them consistently;
- made judgements and estimates that are reasonable and prudent;
- stated whether they have been prepared in accordance with IFRSs as issued by the IASB;
- assessed the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- used 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 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.

## **Independent auditor’s report to the directors of Antares Reinsurance Company Limited**

### **Opinion**

We have audited the financial statements of Antares Reinsurance Company Limited and its subsidiaries (collectively “the Group”) for the year ended 31 December 2022 which comprise the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of financial position, consolidated statement of changes in equity, consolidated statement cash flows and related notes, including the accounting policies in note 3.

In our opinion the financial statements:

- give a true and fair view of the state of the Group’s affairs as at 31 December 2022 and of its loss for the year then ended; and
- have been properly prepared in accordance with International Financial Reporting Standards (“IFRSs”) as issued by the IASB.

### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (“ISAs (UK)”) and the terms of our engagement letter dated 13 December 2022. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

### **Going concern**

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

We used our knowledge of the Group, its industry, and the general economic environment to identify the inherent risks to its business model and analysed how those risks might affect the Group’s financial resources or ability to continue operations over the going concern period. The risk that we considered most likely to adversely affect the Group’s available financial resources over this period was the valuation of claims reserves (gross IBNR) given the estimation and judgement involved in setting these reserves.

We also considered less predictable but realistic second order impacts that could affect demand in the Group’s markets, such as the failure of counterparties who transact with the Group and its components (such as policyholders and reinsurers) and the performance of the investment portfolio.

We considered whether these risks could plausibly affect the liquidity and solvency in the going concern period by comparing severe, but plausible downside scenarios and the degree of downside assumptions that, individually and solvency issue (a reverse stress test), taking into account the Group’s current and projected financial resources including the availability of support from the Group’s parent.

We considered whether the going concern disclosure in note 3 to the financial statements gives a full and accurate description of the directors’ assessment of going concern, including the identified risks, and dependencies.

Our conclusions based on this work:

- we consider that the directors’ use of the going concern basis of accounting in the preparation of the financial statements is appropriate;

- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the group's ability to continue as a going concern for the going concern period.
- we found the going concern disclosure in note 3 to be acceptable.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Group will continue in operation.

#### **Fraud and breaches of laws and regulations – ability to detect**

To identify risks of material misstatement due to fraud (“fraud risks”) we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of directors and inspection of policy documentation as to the Group’s high-level policies and procedures to prevent and detect fraud, including review of internal audit findings, and the Group’s channel for “whistleblowing”, as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board, Audit Committee and Risk and Capital Management Committee meeting minutes.
- Considering remuneration incentive schemes and performance targets for management, directors and underwriters.
- Using analytical procedures to identify any unusual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit. This included communication from the Group audit team to full scope component audit teams of relevant fraud risks identified at the Group level.

As required by auditing standards, and our overall knowledge of the control environment, we perform procedures to address the risk of management override of controls and the risk of fraudulent revenue recognition, in particular:

- the risk that management may be in a position to make inappropriate accounting entries; and
- the risk of bias in accounting estimates such as estimated premium income (EPI) and the valuation of claims reserves (gross IBNR).

In determining the audit procedures, we took into account the results of our evaluation and testing of the operating effectiveness of some of the Group-wide fraud risk management controls. In order to address the risk of fraud specifically as it relates to the valuation of claims reserves (gross IBNR), we involved actuarial specialists to assist in our challenge of management. We challenged management in relation to the selection of assumptions and the consistency of those assumptions both year on year and across different aspects of the financial reporting process.

We also performed procedures including:

- Identifying journal entries and other adjustments to test for all full scope components based on risk criteria and comparing the identified entries to supporting documentation. These included those posted by senior finance management or individuals who do not frequently post journals, those posted to seldom used accounts or to unusual accounts including those related to cash, and journals posted with descriptions containing particular keywords or phrases.
- Assessing whether the judgements made in making accounting estimates are indicative of a potential bias.

#### *Identifying and responding to risks of material misstatement related to compliance with laws and regulations*

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, through discussion with the directors and other management (as required by auditing standards), from inspection of the Group’s regulatory and legal correspondence and discussed with the directors and the policies and procedures regarding compliance with laws and regulations.

As the Group is regulated, our assessment of risks involved gaining an understanding of the control environment including the entity's procedures for complying with regulatory requirements. We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit. This included communication from the Group audit team to full-scope component audit teams of relevant laws and regulations identified at the Group level, and a request for full scope component auditors to report to the Group audit team any instances of non-compliance with laws and regulations that could give rise to a material misstatement at the Group level.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Group is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation, and taxation legislation. We assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Group is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: health and safety, data protection laws, anti-money laundering, employment law, regulatory capital and liquidity, and certain aspects of company legislation recognising the financial and regulated nature of the Group's activities and its legal form. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and inspection of regulatory and legal correspondence, if any. Therefore, if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

#### *Context of the ability of the audit to detect fraud or breaches of law or regulation*

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

#### **Directors' responsibilities**

As explained more fully in their statement set out on page 1, the directors are responsible for: the preparation of the financial statements, which are intended by them to give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

#### **Auditor's responsibilities**

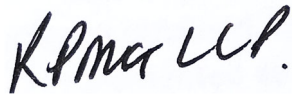
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit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

A fuller description of our responsibilities is provided on the FRC's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities)

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

Our report has been prepared for the company solely in accordance with the terms of our engagement. It has been released to the company on the basis that our report shall not be copied, referred to or disclosed, in whole (save for the Group's own internal purposes) or in part, without our prior written consent.

Our report was designed to meet the agreed requirements of the company determined by the company's needs at the time. Our report should not therefore be regarded as suitable to be used or relied on by any party wishing to acquire rights against us other than the company for any purpose or in any context. Any party other than the company who obtains access to our report or a copy and chooses to rely on our report (or any part of it) will do so at its own risk. To the fullest extent permitted by law, KPMG LLP will accept no responsibility or liability in respect of our report to any other party.

A handwritten signature in black ink that reads "KPMG LLP." The signature is written in a cursive, slightly slanted style.

**KPMG LLP**  
*Chartered Accountants*  
15 Canada Square  
London, E14 5GL  
1 May 2023

**Antares Reinsurance Company Limited**  
**CONSOLIDATED STATEMENT OF INCOME**  
For the year ended 31 December 2022

	<i>Notes</i>	<i>2022</i> <i>USD ('000)</i>	<i>2021</i> <i>USD ('000)</i>
<b>CONTINUING OPERATIONS</b>			
Gross written premiums	5	<b>854,507</b>	1,030,695
Premiums ceded to reinsurers	5	<b>(301,571)</b>	(466,250)
<b>Net premiums</b>		<b>552,936</b>	564,445
Movement in net unearned premium reserve	5	<b>7,787</b>	66,808
Net earned premiums		<b>560,723</b>	631,253
Gross claims paid	5	<b>(984,304)</b>	(1,154,475)
Reinsurance recoveries	5	<b>588,775</b>	807,142
Movement in net outstanding claims	5	<b>(117,097)</b>	(139,948)
Commission income	5	<b>74,541</b>	206,638
Commission expense	5	<b>(194,873)</b>	(422,057)
<b>Net underwriting results</b>		<b>(72,235)</b>	(71,447)
Investment income	6	<b>53,796</b>	57,945
Finance costs	6	<b>(9,121)</b>	(3,661)
<b>Net investment income</b>	6	<b>44,675</b>	54,284
<b>Net underwriting results and investment income</b>		<b>(27,560)</b>	(17,163)
Operating and administrative expenses	7	<b>(55,966)</b>	(56,508)
Depreciation	15	<b>(160)</b>	(1,581)
<b>Loss for the year before tax from continuing operations</b>		<b>(83,686)</b>	(75,252)
Tax charge	9	<b>131</b>	(2,753)
<b>Loss for the year from continuing operations</b>		<b>(83,555)</b>	(78,005)
<b>DISCONTINUED OPERATIONS</b>			
<b>Loss for the year after tax from discontinued operations</b>	30	<b>(345,208)</b>	(70,312)
<b>Loss for the year</b>		<b>(428,763)</b>	(148,317)

The accompanying notes are an integral part of these consolidated financial statements



## Antares Reinsurance Company Limited

### CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (LOSS)

For the year ended 31 December 2022

	<i>2022</i> <i>USD ('000)</i>	<i>2021</i> <i>USD ('000)</i>
<b>Loss for the year</b>	<b>(428,763)</b>	(148,317)
<b>Other comprehensive income (OCI)</b>		
<b>OCI to be reclassified to profit or loss in subsequent periods</b>		
<i>Debt instruments at fair value through other comprehensive income</i>		
Net changes in fair value during the year	<b>(78,420)</b>	(21,313)
Foreign currency translation differences foreign operations	<b>(14,239)</b>	(6,363)
Total other comprehensive (loss)/income	<b>(92,659)</b>	(27,676)
<b>Total comprehensive loss for the year</b>	<b>(521,422)</b>	(175,993)

The accompanying notes are an integral part of these consolidated financial statements

# Antares Reinsurance Company Limited

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2022

	<i>Notes</i>	<i>2022</i> <i>USD ('000)</i>	<i>2021</i> <i>USD ('000)</i>
<b>ASSETS</b>			
Cash and cash equivalents	10	<b>467,020</b>	1,039,476
Insurance and other receivables	11	<b>1,152,303</b>	1,830,774
Reinsurance contract assets	12	<b>1,266,571</b>	3,666,943
Investments	13	<b>1,011,552</b>	1,578,182
Investment properties	14	-	3,611
Property and equipment	15	<b>173</b>	327
Intangible assets	16	-	50,308
		<u><b>3,897,619</b></u>	<u>8,169,621</u>
Assets held for sale	30	<u><b>2,562,517</b></u>	<u>-</u>
<b>TOTAL ASSETS</b>		<u><b>6,460,136</b></u>	<u><b>8,169,621</b></u>
<b>LIABILITIES AND EQUITY</b>			
<b>LIABILITIES</b>			
Provisions, reinsurance and other payables	17	<b>264,329</b>	782,943
Short term borrowing	22	<b>361,153</b>	420,802
Amounts due to related parties	27	<b>32,412</b>	693,791
Reinsurance and insurance contract liabilities	12	<b>2,486,240</b>	5,045,693
		<u><b>3,144,134</b></u>	<u>6,943,229</u>
Liabilities directly associated with the assets held for sale	30	<u><b>2,528,737</b></u>	<u>-</u>
<b>TOTAL LIABILITIES</b>		<u><b>5,672,871</b></u>	<u><b>6,943,229</b></u>
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	23	<b>1,000</b>	1,000
Contributed Surplus	24	<b>1,694,473</b>	1,099,197
Fair value reserve	25	<b>(61,491)</b>	16,929
Foreign currency translation reserve		<b>(8,457)</b>	5,782
Retained earnings		<b>(789,063)</b>	(340,240)
Reserves of disposal group held for sale	30	<u><b>(49,197)</b></u>	<u>-</u>
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<u><b>787,265</b></u>	<u><b>782,668</b></u>
Subordinated perpetual debt	26	-	443,724
<b>TOTAL EQUITY</b>		<u><b>787,265</b></u>	<u><b>1,226,392</b></u>
<b>TOTAL LIABILITIES AND EQUITY</b>		<u><b>6,460,136</b></u>	<u><b>8,169,621</b></u>

*M. P. van der Stelt*

Authorised signatory

# Antares Reinsurance Company Limited

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2022

	Share capital USD (‘000)	Contributed surplus USD (‘000)	Fair value reserve USD (‘000)	Foreign currency translation reserve USD (‘000)	Retained earnings USD (‘000)	Reserves of a disposal group held for sale USD (‘000)	Total shareholders' equity USD (‘000)	Subordinated perpetual debt USD (‘000)	Total equity USD (‘000)
Balance at 1 January 2021	1,000	897,937	38,242	12,145	(169,648)	-	779,676	443,724	1,223,400
Loss for the year	-	-	-	-	(148,317)	-	(148,317)	-	(148,317)
Net changes in investments at fair value through other comprehensive income (“FVOCI”)	-	-	(21,313)	-	-	-	(21,313)	-	(21,313)
Foreign currency translation reserve	-	-	-	(6,363)	-	-	(6,363)	-	(6,363)
<i>Total comprehensive income/(loss) for the year</i>	-	-	(21,313)	(6,363)	(148,317)	-	(175,993)	-	(175,993)
Contribution from Parent Company	-	201,260	-	-	-	-	201,260	-	201,260
Interest on perpetual debt	-	-	-	-	(22,275)	-	(22,275)	-	(22,275)
<b>Balance as at 31 December 2021</b>	<b>1,000</b>	<b>1,099,197</b>	<b>16,929</b>	<b>5,782</b>	<b>(340,240)</b>	<b>-</b>	<b>782,668</b>	<b>443,724</b>	<b>1,226,392</b>
Loss for the year	-	-	-	-	(428,763)	-	(428,763)	-	(428,763)
Net changes in investments at fair value through other comprehensive income (“FVOCI”)	-	-	(116,029)	-	-	-	(116,029)	-	(116,029)
Foreign currency translation reserve	-	-	-	(25,827)	-	-	(25,827)	-	(25,827)
<i>Total comprehensive loss for the year</i>	-	-	(116,029)	(25,827)	(428,763)	-	(570,619)	-	(570,619)
Contribution from Parent Company	-	595,276	-	-	-	-	595,276	-	595,276
Perpetual Bond Interest	-	-	-	-	(13,784)	-	(13,784)	-	(13,784)
Redemption of perpetual debt	-	-	-	-	(6,276)	-	(6,276)	(443,724)	(450,000)
Transfer of reserves to discontinued operations	-	-	37,609	11,588	-	(49,197)	-	-	-
<b>Balance as at 31 December 2022</b>	<b>1,000</b>	<b>1,694,473</b>	<b>(61,491)</b>	<b>(8,457)</b>	<b>(789,063)</b>	<b>(49,197)</b>	<b>787,265</b>	<b>-</b>	<b>787,265</b>

The accompanying notes are an integral part of these consolidated financial statements

# Antares Reinsurance Company Limited

## CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2022

	<i>Notes</i>	<b>2022</b> <b>USD ('000)</b>	<b>2021</b> <b>USD ('000)</b>
<b>OPERATING ACTIVITIES</b>			
Loss before tax from continuing operations		<b>(83,555)</b>	(148,317)
Loss before tax from discontinued operations		<b>(345,208)</b>	-
Total loss for the year		<b>(428,763)</b>	(148,317)
<i>Adjustments for:</i>			
Depreciation of property and equipment	15	<b>160</b>	1,581
Amortisation of intangible assets	16	<b>3,394</b>	6,264
Interest and investment income		<b>(78,167)</b>	(64,181)
Unrealised gains on investments	6	<b>9,880</b>	(10,187)
(Reversal)/impairment losses on investments	6	<b>(56)</b>	(2,172)
Loss on disposal of property and equipment		-	9
Investment advisory fee	6	<b>5,048</b>	6,817
Finance costs	6	<b>9,475</b>	3,887
Income tax	9	<b>(135)</b>	11,418
<b>Movements in working capital</b>		<b>(479,164)</b>	(194,881)
Reinsurance contract assets		<b>921,501</b>	(1,060,593)
Insurance and other receivables		<b>182,591</b>	(24,395)
Reinsurance and insurance contract liabilities		<b>(811,535)</b>	597,626
Provisions, reinsurance and other payables		<b>(141,658)</b>	144,372
Amount due to related parties		<b>(257,059)</b>	300,537
<b>Cash (used in) generated from operations</b>		<b>(585,324)</b>	(237,334)
Income tax paid		<b>(2,597)</b>	(1,329)
<b>Net cash (used in) generated from operating activities</b>		<b>(587,921)</b>	(238,663)
<b>INVESTING ACTIVITIES</b>			
Interest and investment income received		<b>78,167</b>	64,181
Net cash movement in investments		<b>156,253</b>	83,329
Investment advisory fee	6	<b>(5,048)</b>	(6,817)
Purchase of property and equipment	15	<b>(6)</b>	(26)
<b>Net cash generated from (used in) investing activities</b>		<b>229,366</b>	140,667
<b>FINANCING ACTIVITIES</b>			
Net movement in short term borrowings		<b>(59,649)</b>	(28,445)
Finance costs	22	<b>(9,476)</b>	(3,887)
Capital contribution from parent	24	<b>595,276</b>	201,260
Repayment of perpetual debt		<b>(443,724)</b>	
Interest paid on perpetual debt		<b>(20,060)</b>	(22,275)
Movement in interest payable provision for perpetual debt		<b>(6,621)</b>	
Interest paid on lease liabilities		<b>(8)</b>	(8)
Repayment of lease liabilities		<b>(585)</b>	(585)
<b>Net cash generated from financing activities</b>		<b>55,153</b>	146,060
<b>Increase / (decrease) in cash and cash equivalents</b>		<b>(303,402)</b>	48,064
Effect of exchange rate fluctuations on cash and cash equivalents		<b>(24,451)</b>	(6,317)
Cash and cash equivalents at beginning of the year	10	<b>1,039,476</b>	997,729
<b>Cash and cash equivalents at the end of the year</b>	10	<b>711,623</b>	1,039,476

# Antares Reinsurance Company Limited

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2022

### 1 LEGAL STATUS AND PRINCIPAL ACTIVITIES

Antares Reinsurance Company Limited (the “Company”), formerly known as Qatar Reinsurance Company Limited, is primarily engaged in the business of reinsurance and was authorised as a Class 4 insurer by the Bermuda Monetary Authority (“BMA”) on 24 November 2015.

The Company was originally incorporated on 6 December 2009 in the Qatar Financial Centre (“QFC”) in Doha, Qatar under the name of “Q-Re LLC” and with Registration Number 00117. The Company subsequently changed its name to Qatar Reinsurance Company LLC on 18 February 2014. On 24 November 2015, the Company completed the transfer of its seat of incorporation from the QFC to Bermuda and was incorporated in Bermuda under the name of Qatar Reinsurance Company Limited as an exempted company with limited liability and with registration number 50896.

On 26 January 2018 the address of the registered office of the Company changed from Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda, to 71 Pitts Bay Road, Pembroke HM 08, Bermuda, which is also the address of the Company’s head office.

On 14 October 2022 to unify the Company and its subsidiaries (“collectively “the Group”) under a consistent brand that reflects the international nature of the operations, the Company changed its name from Qatar Reinsurance Company Limited to Antares Reinsurance Company Limited.

The Company is wholly owned by a single shareholder - QIC Capital LLC (“QICC”) – a limited liability holding company incorporated in the QFC. QICC is wholly owned subsidiary of Qatar Insurance Company Q.S.P.C. (“QIC”), a Qatar Shareholding Company listed on the Qatar Stock Exchange and the ultimate parent of the QIC group of companies. The Company operates from its head office in Bermuda and its branch offices established in Switzerland and United Kingdom.

These consolidated financial statements incorporate the financial information of the Company and its subsidiaries, all of which have 31 December as their financial year end.

#### *Subsidiaries*

On 25 July 2018, the Company completed the acquisition of 100% of the share capital of the Markerstudy Group’s Gibraltar-based insurance companies, namely: Markerstudy Insurance Company Limited (“MICL”); Zenith Insurance PLC; St. Julians Insurance Company Limited (“SJICL”) and Ultimate Insurance Company. At the time the Gibraltar-based insurance companies underwrote more than 5% of the UK motor insurance market. Ultimate Insurance Company has been placed into runoff and has been de-registered with the insurance regulator in Gibraltar. On 23 November 2021, Zenith Insurance PLC has changed its name to West Bay Insurance PLC (“West Bay”).

On 1 September 2018, the Company acquired 100% of the share capital of QIC Europe Limited (“QEL”). QEL is a limited liability company incorporated in Malta and is authorised by the Malta Financial Services Authority to conduct insurance and reinsurance business in a number of classes of business. Prior to this acquisition QEL was a wholly owned subsidiary of QIC and as such was considered a related party to the Company through common ownership.

QEL writes insurance and reinsurance business throughout the European Economic Area (the “EEA”), with a large portion of its book of business written in the United Kingdom (the “UK”). The UK exited the European Union (the “EU”) on 31 January 2020. As a result, after 31 December 2020 QEL would no longer be able to rely on EU passporting rights to operate in the UK and would be required to obtain a Part 4A permission from the Prudential Regulation Authority (the “PRA”) and the Financial Conduct Authority (the “FCA”) to continue operating in the UK.

As one would expect a large numbers of firms applied for this permission and to avoid any disruption to business, the UK regulator has implemented a Temporary Permissions Regime (“TPR”), which came into effect on 1 January 2021. This TPR allows EEA firms currently operating in the UK (such as QEL) to temporarily continue operating and servicing UK contracts with minimal disruption while they apply for and/or wait for the regulators to evaluate and approve their applications for a third country branch. The TPR will be in place for a maximum of three years, i.e. up to end of 2023.

# Antares Reinsurance Company Limited

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2022

### 1 LEGAL STATUS AND PRINCIPAL ACTIVITIES (CONTINUED)

The Group has a plan to sell West Bay Insurance Plc and Markerstudy Insurance Co. Ltd. The Group is in active discussions with a potential institutional buyer. On 17 October 2022, the board executive committee provided the approval and authorised the management to conclude the transaction which was confirmed by the board of directors on 26 October 2022. The sale is expected to be completed within a year from the reporting date subject to approval from relevant regulatory authorities.

These consolidated financial statements were approved by the Board of Directors on 27 April 2023.

### 2 APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRS”)

#### *New and amended standards and interpretations in effect:*

The accounting policies adopted in the preparation of the consolidated financial statements are consistent with those followed in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2021, except for the adoption of certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2022. (unless otherwise stated). During the current period, the Group adopted the below amendments to IFRS that are effective for annual periods beginning on 1 January 2022:

Effective Date	New Amendments
1 April 2021	<i>COVID-19-Related Rent Concessions beyond 30 June 2021 (Amendment to IFRS 16)</i>
1 January 2022	<ul style="list-style-type: none"><li>• <i>Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)</i></li><li>• <i>Annual Improvements to IFRS Standards 2018–2020</i></li><li>• <i>Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)</i></li><li>• <i>Reference to the Conceptual Framework (Amendments to IFRS 3)</i></li></ul>

The adoption of the above amendments has had no significant impact on the year end consolidated financial statements.

#### *New and revised standards in issue but not yet in effect:*

The below are new and amended International Financial Reporting Standards (“IFRS” or “standards”) that are available for early adoption for financial years beginning on and after 1 January 2023 and have not been applied in preparing these consolidated financial statements:

Effective Date	New Standard / Amendments
1 January 2023	<ul style="list-style-type: none"><li>• <i>IFRS 17 Insurance Contracts</i></li><li>• <i>Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2</i></li><li>• <i>Definition of Accounting Estimates – Amendments to IAS 8</i></li><li>• <i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12</i></li></ul>
1 January 2024	<ul style="list-style-type: none"><li>• <i>Classification of Liabilities as Current or Non-current – Amendments to IAS 1</i></li><li>• <i>Amendments to IFRS 16: Lease Liability in a Sale and Leaseback</i></li></ul>
Available for optional adoption/ effective date deferred indefinitely	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)</i>

- **IFRS 17 Insurance Contracts - Standard issued in May 2017 (Amended in June 2020)**

In the financial statements of 2023, the Group will apply IFRS 17 for the first time. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

## 2 APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRS”) (CONTINUED)

The Group is working on following areas to complete the transition to IFRS 17;

- Configuration of the remaining system integration and internal controls required for applying IFRS 17.
- The new accounting policies assumptions judgements and estimation techniques employed are subject to change until the Group finalizes its first financial statements that include the date of initial application.
- Preparing the layout and disclosure of the IFRS 17 compliant annual financial statements.
- Engaging with the executive committee and business through various training initiatives.

IFRS 17 replaces IFRS 4 Insurance Contracts for annual periods on or after 1 January 2023. The Group adopted IFRS 9 “Financial Instruments” in 2018 and are currently working to assess how IFRS 9 will impact reporting along with the implementation of IFRS 17. The Group will restate comparative information for 2022 applying the transitional provisions under IFRS 17.

Management is currently working together with third party experts and it is expected that the change in the accounting systems, accounting policies and the preparation of the financial statements in accordance with IFRS 17 and IFRS 9 would be completed during 2023. Accordingly, the comparative information for the year 2022 will be restated in the 2023 financial statements due to the adoption of such changes.

The nature of the changes in accounting policies can be summarised, as follows:

### Changes to classification and measurement

The Group was previously permitted under IFRS 4 to continue accounting using its previous accounting policies. However, IFRS 17 establishes specific principles for the recognition and measurement of insurance contracts issued and reinsurance contracts held by the Company.

The Group is in the process of finalising its assessment of the application of the premium allocation approach (PAA) to groups of insurance contracts that it issues and groups of reinsurance contracts that it holds where the coverage period is 12 months or less.

The measurement principles of the PAA differ from the ‘earned premium approach’ used by the Group under IFRS 4 in the following key areas:

- The liability for remaining coverage reflects premiums received less deferred insurance acquisition cash flows and less amounts recognised in revenue for insurance services provided.
- Measurement of the liability for remaining coverage involves an explicit evaluation of risk adjustment for non-financial risk when a group of contracts is onerous in order to calculate a loss component (previously these may have formed part of the unexpired risk reserve provision). If at any time before and during the coverage period, facts and circumstances indicate that a group of contracts is onerous, then the Group will recognize a loss in profit or loss and increase the liability for remaining coverage to the extent that the current estimates of the fulfilment cash flow that relate to remaining coverage exceed the carrying amount of the liability for remaining coverage.
- Measurement of the liability for incurred claims (previously claims outstanding and incurred but not reported (IBNR) claims) will be determined on a discounted probability-weighted expected value basis and includes an explicit risk adjustment for non-financial risk. The liability includes the Group’s obligation to pay other incurred insurance expenses. The Group will recognize the liability for incurred claims of a group of contracts at the amount of the fulfilment cash flows relating to incurred claims. The fulfilment cash flows will be discounted (at current rates) whether or not they are expected to be paid in one year or less from the date the claims are incurred.

**2 APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRS”) (CONTINUED)**

**Changes to classification and measurement (continued)**

- The Group will allocate the acquisition cash flows to groups of insurance contracts issued or expected to be issued using a systematic and rational basis. Insurance acquisition cash flows include those that are directly attributable to a group. Where such insurance acquisition cash flows are paid (or where a liability has been recognized applying another IFRS standard) before the related group of insurance contracts is recognized, an asset for insurance acquisition cash flows is recognized. When insurance contracts are recognized, the related portion of the asset for insurance acquisition cash flows is recognized and subsumed into the measurement at initial recognition of the insurance liability for remaining coverage of the related group.
- Measurement of the asset for remaining coverage (reflecting reinsurance premiums paid for reinsurance held) is adjusted to include a loss-recovery component to reflect the expected recovery of onerous contract losses where such contracts reinsure onerous direct contracts. The Group will apply the same accounting policies to measure a group of reinsurance contracts, adapted where necessary to reflect features that differ from those of insurance contracts.
- The Group does not issue any contracts with direct participating features.

**Presentation and disclosure**

IFRS 17 will significantly change how insurance contracts, reinsurance contracts are presented and disclosed in the Group’s consolidated financial statements.

For presentation in the statement of financial position, the Group will aggregate insurance and reinsurance contracts issued and reinsurance contracts held, respectively and present separately:

- Portfolios of insurance and reinsurance contracts issued that are assets.
- Portfolios of insurance and reinsurance contracts issued that are liabilities.
- Portfolios of reinsurance contracts held that are assets.
- Portfolios of reinsurance contracts held that are liabilities.

The portfolios referred to above are those established at initial recognition in accordance with the IFRS 17 requirements. Portfolios of insurance contracts issued include any assets for insurance acquisition cash flows. The line-item descriptions in the statement of profit or loss and other comprehensive income will change significantly compared with last year. Currently, the Company reported the following line items:

- Gross premiums
- Premium ceded to reinsurers
- Net premiums
- Movement in unexpired risk reserve
- Gross claims paid
- Reinsurance recoveries
- Movement in outstanding claims
- Net commission
- Net underwriting result

Instead, IFRS 17 requires separate presentation of:

- Insurance revenue
- Insurance service expenses
- Net finance expense from insurance contracts
- Net finance income from reinsurance contracts
- Income or expense from reinsurance contracts held



### 3 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

#### Statement of compliance

The consolidated financial statements have been prepared in accordance with IFRS as issued by the IASB.

#### Basis of preparation

The accompanying consolidated financial statements have been prepared under the historical cost convention, except for certain financial instruments that are measured at fair value at the end of each reporting period. These consolidated financial statements are presented in United States Dollars (USD) and rounded to the nearest thousand (USD '000), unless otherwise indicated.

Financial assets and financial liabilities are offset and the net amount reported in these consolidated statement of financial position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liability simultaneously. Income and expense are not offset in the consolidated statement of income unless required or permitted by any accounting standard or interpretation, as specifically disclosed in the accounting policies of the Group.

The consolidated financial statements also provide comparative information in respect of the previous financial year.

The Group presents its consolidated statement of financial position broadly in order of liquidity. An analysis regarding recovery or settlement within 12 months after reporting date (no more than 12 months) and more than 12 months after reporting date (more than 12 months) is presented in Note 29.

#### Going concern

The Board of Directors and senior management have completed going concern assessments of the Group. The Russian invasion of Ukraine in February 2022 has led to worldwide sanctions against Russia. The Group has assessed any possible impact and exposure that the crisis between Russia and Ukraine and the related sanctions may have on the Group. The results of the assessment have found no material impact or exposure to the Group.

The Company's ultimate parent QIC has provided a continuous Deed of Guarantee to guarantee the obligations of the Group. In addition, QIC has confirmed in writing its commitment to continue providing financial support to the Group for at least a period of 12 months from the date of approval of the Company's financial statements, so as to enable the Group to meet its liabilities as and when they fall due and to adequately meet the regulatory solvency capital requirement. Significant losses from the Gibraltar based companies which form a part of Discontinued Operations has called this parental support into play whereby the ultimate parent has injected over USD 145 million of additional capital into the Group in 2022 (Note 24 and 26), and another USD 100 million in the first quarter of 2023 (Note 33).

After considering the impact of the Russia and Ukraine crisis and taking into consideration the parental support provided to the Group by the ultimate parent QIC, these financial statements have been prepared on a going concern basis, which assumes that the Group will continue in existence for the foreseeable future.

#### Subsidiaries

The consolidated financial statements incorporate the financial statements of the Company and its investees that are considered as subsidiaries as at 31 December 2022 (together referred to as the "Group").

Subsidiaries are investees that the Company has control over. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns

**3 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**a) Consolidation, translation and financial instruments**

**i) Basis of consolidation**

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of financial position and the consolidated statement of income from the date the Group gains control until the date the Group ceases to control the subsidiary.

The financial statements of the subsidiary companies are prepared for the same reporting period as the Company, using consistent accounting policies.

Profit or loss and each component of other comprehensive income ("OCI") are attributed to the owners of the Company and to the non-controlling interests, even if this results in the non-controlling interest having a deficit balance. All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Changes in the Company's ownership interests in a subsidiary that do not result in the Company losing control over the subsidiaries are accounted for as an equity transaction. If the Company loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in the statement of income. Any investment retained is recognised at fair value.

The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company. Non-controlling interests represent the portion of profit or loss and net assets not held by the Group and are presented separately in the consolidated statement of income and within equity in the consolidated statement of financial position, separately from company shareholders' equity.

**Transactions eliminated on consolidation**

Inter-company balances and transactions, and any unrealised gains or losses arising from intra-group transactions are eliminated in preparing the consolidated financial statements.

**Business combination**

The management uses the following criteria to evaluate whether a business combination has substance to apply the acquisition method or as per under the uniting of interests' method where the transaction lacks substance as described in IFRS 3 – Business Combinations:

- the purpose of the transaction;
- the involvement of outside parties in the transaction, such as non-controlling interests or other third parties;
- whether or not the transaction is conducted at fair value;
- The existing activities of the entities involved in the transactions; whether or not it is bringing entities together into a reporting entity that did not exist before; and
- where a new company is established, whether it is undertaken in connection with an IPO or spin-off or other change in control and significant change in ownership.

**3 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**a) Consolidation, translation and financial instruments (continued)**

**i) Basis of consolidation (continued)**

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred in a business combination, measured at fair value on the date of acquisition and the amount of any non-controlling interest (“NCI”) in the acquiree. Total fair value is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised and expensed as a part of administrative expenses in the consolidated statement of income.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IFRS 9 Financial Instruments, is measured at fair value with the changes in fair value recognised in the statement of income.

Goodwill, if any, is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for NCI in the acquiree, over the net identifiable assets acquired and liabilities assumed as at the date of acquisition. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in consolidated statement of income.

***Common control transactions***

Business combinations involving the transfer of business and net assets in a transaction under common control, are accounted for at the carrying values of the underlying net assets of the transferred business. There are no bargain gain or goodwill on transfer of assets recognised by the Group on common control transactions.

**Goodwill**

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group’s cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

**3 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**a) Consolidation, translation and financial instruments (continued)**

**i) Basis of consolidation (continued)**

**Goodwill (continued)**

Goodwill is tested for impairment annually (as at 31 December) and when circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of the cash-generating unit (or group of cash-generating units), to which the goodwill relates. Where the recoverable amount of the cash-generating unit (or group of cash-generating units) is less than the carrying amount of the cash-generating unit (group of cash-generating units) to which goodwill has been allocated, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

**Intangible assets**

Intangible assets acquired in a business combination and recognized separately from goodwill are initially recognized at cost which is their fair value as at the date of acquisition. Subsequent to initial recognition,

- Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the consolidated statement of income.
- Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash generating unit level. Such intangibles are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is made on prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the consolidated statement of income when the asset is derecognised.

The current economic lives applied to the Group's intangible assets are as follows:

<u>Intangible assets acquired</u>	<u>Economic Life</u>
Framework agreement	10 years
Non life insurance license	Indefinite

**ii) Foreign currency translation**

**Foreign operations**

The individual financial statements of the Group entities are presented in the currency of the primary economic environment in which they operate (functional currency). For the purpose of these consolidated financial statements, the results and financial position of the subsidiary is expressed in the presentation currency of the Company.

The assets and liabilities of foreign operations are translated to United States Dollars using exchange rates prevailing at the reporting date. Income and expenses are also translated to United States Dollars at the exchange rates prevailing at the reporting date, which do not significantly vary from the average exchange rates for the year. A foreign currency translation reserve is included separately under equity. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the respective functional currencies at the rate of exchange prevailing at the yearend. The resultant exchange differences are included in the consolidated statement of income.

**3 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**a) Consolidation, translation and financial instruments (continued)**

**ii) Foreign currency translation (continued)**

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences are recognised in other comprehensive income.

**b) Classification of financial assets and financial liabilities**

IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost (AC), fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). IFRS 9 classification is generally based on the business model in which a financial asset is managed and its contractual cash flows.

IFRS 9 does not require bifurcation of an embedded derivative from an asset host contract. However, entities must separate derivatives embedded in financial liabilities where they are not closely related to the host contract.

**i) Initial recognition**

Financial assets and liabilities are initially recognised on the trade date. The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments. Financial instruments are initially measured at their fair value, except in the case of financial assets and financial liabilities recorded at FVTPL, transaction costs are added to, or subtracted from the amount. Trade receivables are measured at the transaction price. The Day 1 gain or loss is recognised when the fair value of financial instruments at initial recognition differs from the transaction price.

**ii) Day 1 profit or loss**

When the transaction price of the instrument differs from the fair value at origination and the fair value is based on a valuation technique using only inputs observable in market transactions, the Group recognises the difference between the transaction price and fair value in net trading income. In those cases where fair value is based on models for which some of the inputs are not observable, the difference between the transaction price and the fair value is deferred and is only recognised in profit or loss when the inputs become observable, or when the instrument is derecognised.

**iii) Measurement categories of financial assets and liabilities**

The Group classifies all of its financial assets based on the business model for managing the assets and the asset's contractual terms, measured at either:

- Amortised cost;
- Fair value through other comprehensive income (FVOCI); or
- Fair value through profit or loss (FVTPL)

The Group classifies and measures its derivative and trading portfolio at FVTPL. The Group may designate financial instruments at FVTPL, if so doing eliminates or significantly reduces measurement or recognition inconsistencies.

Financial liabilities are measured at amortised cost.

**3 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**b) Classification of financial assets and financial liabilities (continued)**

**Financial instruments – initial recognition**

The details of these conditions are outlined below.

*(i) Business model assessment*

The Group determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective.

The Group's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the key management personnel
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed
- How managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected)
- The expected frequency, value and timing of sales are also important aspects of the Group's assessment

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realised in a way that is different from the original expectations, the Group does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

*(ii) The SPPI test*

As a second step of its classification process the Group assesses the contractual terms of financial assets to identify whether they meet the SPPI test. 'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortisation of the premium/discount).

The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Group applies judgement and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set.

In contrast, contractual terms that introduce a more than de-minimis exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and interest on the amount outstanding. In such cases, the financial asset is required to be measured at FVTPL.

**b) Debt instruments at FVOCI**

The Group classifies debt instruments at FVOCI when both of the following conditions are met:

- The instrument is held within a business model, the objective of which is achieved by both collecting contractual cash flows and selling financial assets
- The contractual terms of the financial asset meet the SPPI test

FVOCI debt instruments are subsequently measured at fair value with gains and losses arising due to changes in fair value recognised in OCI. Interest income and foreign exchange gains and losses are recognised in profit or loss in the same manner as for financial assets measured at amortised cost. On derecognition, cumulative gains or losses previously recognised in OCI are reclassified from OCI to the statement of income.

**3 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**b) Classification of financial assets and financial liabilities (continued)**

**Financial instruments – initial recognition (continued)**

**c) Equity instruments at FVOCI**

Upon initial recognition, the Group occasionally elects to classify irrevocably some of its equity investments as equity instruments at FVOCI when they meet the definition of definition of Equity under IAS 32 *Financial Instruments: Presentation* and are not held for trading. Such classification is determined on an instrument-by-instrument basis.

Gains and losses on these equity instruments are never recycled to profit. Dividends are recognised in profit or loss as investment income when the right of the payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the instrument, in which case, such gains are recorded in OCI. Equity instruments at FVOCI are not subject to an impairment assessment.

During 2022 and 2021 there have been no equity instruments at FVOCI.

**d) Financial assets and financial liabilities at fair value through profit or loss**

Financial assets and financial liabilities in this category are those that are not held for trading and have been either designated by management upon initial recognition or are mandatorily required to be measured at fair value under IFRS 9. Management only designates an instrument at FVTPL upon initial recognition when one of the following criteria are met. Such designation is determined on an instrument-by-instrument basis:

- The designation eliminates, or significantly reduces, the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognising gains or losses on them on a different basis;
- The liabilities are part of a group of financial liabilities, which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy; or
- The liabilities containing one or more embedded derivatives, unless they do not significantly modify the cash flows that would otherwise be required by the contract, or it is clear with little or no analysis when a similar instrument is first considered that separation of the embedded derivative(s) is prohibited

Financial assets and financial liabilities at FVTPL are recorded in the statement of financial position at fair value. Changes in fair value are recorded in the statement of income loss with the exception of movements in fair value of liabilities designated at FVTPL due to changes in the Group's own credit risk. Such changes in fair value are recorded in the own credit reserve through OCI and do not get recycled to the statement of income. Interest earned or incurred on instruments designated at FVTPL is accrued in interest income or interest expense, respectively, using the EIR, taking into account any discount/premium and qualifying transaction costs being an integral part of instrument. Interest earned on assets mandatorily required to be measured at FVTPL is recorded using contractual interest rate. Dividend income from equity instruments measured at FVTPL is recorded in the statement of income as other operating income when the right to the payment has been established.

**e) Derivative financial instruments**

A derivative is a financial instrument or other contract with all three of the following characteristics:

- Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided that, in the case of a non-financial variable, it is not specific to a party to the contract (i.e., the 'underlying').
- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts expected to have a similar response to changes in market factors.
- It is settled at a future date.

The Group enters into derivative transactions with various counterparties. The Group uses derivative financial instruments for economic hedging purposes such as forward currency contracts and interest rate swaps to hedge its foreign currency risks interest rate risks and equity price risk, respectively. Derivatives are recorded at fair value and carried as assets when their fair value is positive and as liabilities when their fair value is negative. The changes in the fair value of derivatives are included in net trading income unless hedge accounting is applied.

**3 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**b) Classification of financial assets and financial liabilities (continued)**

**Financial instruments – initial recognition (continued)**

**e) Derivative financial instruments (continued)**

As previously mentioned, IFRS 9 does not require bifurcation of an embedded derivative from an asset host contract. However, entities must separate derivatives embedded in financial liabilities where they are not closely related to the host contract. Derivatives that are embedded in these host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at FVTPL. These embedded derivatives are measured at fair value with changes in fair value recognised in the statement of income. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of FVTPL category. However, as an exception to above, a policyholder's option to surrender an insurance contract for a fixed amount (or for an amount based on a fixed amount and an interest rate) is not separated and measured at fair value even if the exercise price differs from the carrying amount of the host insurance liability.

Embedded derivatives that meet the definition of insurance contracts are treated and measured as insurance contracts.

Any gains or losses arising from changes in fair value on derivatives are taken directly to the statement of income, except for the effective portion of cash flow hedges, which are recognised in OCI and later reclassified to the statement of income when the hedged item affects profit or loss. However, there were no cash flow hedges used during the year.

**Impairment of financial assets**

The Group applies a three-stage approach to measuring expected credit losses (ECL) on financial assets carried at amortised cost and debt instruments classified as FVOCI. Assets migrate through the three stages based on the change in credit quality since initial recognition.

**a) Overview**

The Group records an allowance for expected credit loss for debt financial assets not held at FVPL.

The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss or LTECL), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' expected credit loss (12mECL). The 12mECL is the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

The Group has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument.

Based on the above process, the Group categorizes its FVOCI assets into stages as described below:

Stage 1: When financial instruments are first recognised, the Group recognises an allowance based on 12 month ECLs. Stage 1 also include financial instruments where the credit risk has improved and the instrument has been reclassified from Stage 2.

Stage 2: When a financial instrument has shown a significant increase in credit risk since origination, the Group records an allowance for the life time ECLs. Stage 2 also include instruments, where the credit risk has improved and the loan has been reclassified from Stage 3.



**3 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Impairment of financial assets (continued)**

**a) Overview (continued)**

Stage 3: Includes financial assets that have objective evidence of impairment at the reporting date. For these assets, lifetime ECL are recognised and treated, along with the interests calculated. When transitioning financial assets from stage 2 to stage 3, the percentage of provision made for such assets should not be less than the percentage of provision made before transition. Purchased or originated credit impaired assets are financial assets that are credit impaired on initial recognition and are recorded at fair value at original recognition and interest income is subsequently recognised based on a credit-adjusted EIR. ECLs are only recognised or released to the extent that there is a subsequent change in the expected credit losses.

For financial assets for which the Group has no reasonable expectations of recovering either the entire outstanding amount, or a proportion thereof, the gross carrying amount of the financial asset is reduced. This is considered a (partial) derecognition of the financial asset.

**b) The calculation of ECLs**

The Group calculates ECLs based on probability-weighted scenarios to measure the expected cash shortfalls, discounted at an approximation to the EIR. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive.

The mechanics of the ECL calculations are outlined below and the key elements are, as follows:

- The Probability of Default (“PD”) is an estimate of the likelihood of default over a given time horizon.
- The Exposure at Default (“EAD”) is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date.
- The Loss Given Default (“LGD”) is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that are expected to receive, including from the realisation of any collateral.

Impairment losses and releases are accounted for and disclosed separately from modification losses or gains that are accounted for as an adjustment of the financial asset’s gross carrying value.

The mechanics of the ECL method are summarised below:

Stage 1: The 12 month ECL is calculated as the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. The Group calculates the 12mECL allowance based on the expectation of a default occurring in the 12 months following the reporting date. These expected 12-month default probabilities are applied to a forecast EAD and multiplied by the expected LGD and discounted by an approximation to the original EIR.

Stage 2: When a financial asset has shown a significant increase in credit risk since origination, the Group records an allowance for the LTECLs. The mechanics are similar to those explained above, but PDs and LGDs are estimated over the lifetime of the instrument. The expected cash shortfalls are discounted by an approximation to the original EIR.

Stage 3: For financial asset considered credit-impaired, the Group recognises the lifetime expected credit losses for these financial assets. The method is similar to that for Stage 2 assets, with the PD set at 100%.

*Debt instruments measured at fair value through OCI*

The ECLs for debt instruments measured at FVOCI do not reduce the carrying amount of these financial assets in the statement of financial position, which remains at fair value. Instead, an amount equal to the allowance that would arise if the assets were measured at amortised cost is recognised in OCI as an accumulated impairment amount, with a corresponding charge to profit or loss. The accumulated loss recognised in OCI is recycled to the profit and loss upon derecognition of the assets.

**3 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Impairment of financial assets (continued)**

**(i) Forward looking information**

The Group, for forward looking information, relies on a broad range of forward looking information as economic inputs, such as:

- GDP growth
- Unemployment rates
- Central Bank base rates

The inputs and models used for calculating ECLs may not always capture all characteristics of the market at the date of the financial statements. To reflect this, qualitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material.

**(ii) Fair value reserve**

The fair value reserve represents the gains and losses arising from changes in fair value based on the year-end fair valuation of FVOCI investments.

**c) Reinsurance operations**

**i) Insurance and other receivables**

Insurance and other receivables are recognised on business written and measured on initial recognition at the fair value of the consideration received or receivable. The carrying value of the receivables is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable, with the impairment loss recorded in the consolidated statement of income. After initial measurement, insurance and other receivables are measured at amortised cost as deemed appropriate.

Insurance receivables are derecognised when the derecognition criteria for financial assets, as described in Note 3 (b), have been met.

Indemnification assets acquired as part of a business combination are initially recognized and measured at fair value as at acquisition date, adjusted for any contractual limitations and credit risk of the indemnifying party. At the end of each subsequent reporting period indemnification asset shall be measured on the same basis as the indemnified liability, subject to any contractual limitations on this amount and, for an indemnification asset that is not subsequently measured at fair value, management's assessment of the collectability of that asset. The indemnification asset shall be derecognized only when it is collected, sold or when the Acquirer otherwise loses the right to it.

Some insurance contracts permit the Company to sell assets acquired in settling a claim (for example, salvage). The Company included estimates of salvage recoveries as an allowance in the measurement of the insurance liability for claims, and salvage asset is recognised in other assets as the liability is settled or established during the year. The allowance is the amount that can reasonably be recovered from the disposal of the salvage asset. Salvage asset is presented as part of Insurance and other receivables in the consolidated statement of financial position.

**ii) Reinsurance contract assets**

The Company cedes insurance risk in the normal course of business as part of its businesses model. Reinsurance assets represent balances recoverable from reinsurance companies. Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision or settled claims associated with the reinsurers' policies and are in accordance with the related reinsurance contract.

Reinsurance assets are reviewed for impairment at each reporting date, or more frequently, when an indication of impairment arises during the reporting year. Impairment occurs when there is objective evidence as a result of an event that occurred after initial recognition of the reinsurance asset that the Company may not receive all outstanding amounts due under the terms of the contract and the event has a reliably measurable impact on the amounts that the Company will receive from the reinsurer. The impairment loss is recorded in the statement of income.

**3 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**c) Reinsurance operations (continued)**

**iii) Reinsurance and other payables**

Reinsurance and other payables are recognised when due and measured on initial recognition at the fair value of the consideration received less directly attributable transaction costs. Subsequently, reinsurance and other payables are measured at amortised cost, as deemed appropriate.

**iv) Gross written premiums**

Gross written premiums are recognised when written and include an estimate for written premiums receivable at the reporting date. Gross written premiums are comprised of premiums on business incepting in the current financial year together with adjustments to estimates of premiums written in prior accounting periods. Gross written premiums include estimates for pipeline premiums, representing amounts due to the Group which have not yet been notified.

Premium on reinsurance contracts are recognised as revenue (earned premiums) proportionally over the period of risk coverage. The portion of premium recognised as written on in-force contracts that relates to unexpired risks at the reporting date are reported as the unearned premium reserve.

**v) Premiums ceded to reinsurers**

Reinsurance premiums comprise the total premiums payable for the reinsurance cover provided by retrocession contracts entered into during the year and are recognised on the date on which the policy incepts. Reinsurance premiums also include any adjustments arising in the accounting period in respect of retrocession contracts incepting in prior accounting periods. Unearned reinsurance premiums are those proportions of premiums written in a year that relate to periods of risk after the reporting date.

**vi) Reinsurance contract liabilities**

Reinsurance contract liabilities include the outstanding claims provision and the provision for unearned premium. Reinsurance contract liabilities are recognised when contracts are entered into and premiums are charged.

• ***Provision for outstanding claims***

Provision for outstanding claims is recognised at the date the claims are known and covers the liability for losses and loss adjustment expenses based on loss reports from independent loss adjusters and management's best estimate.

Claims provision also includes liability for claims incurred but not reported as at the reporting date. The liability is calculated at the reporting date using a range of historic trends, empirical data and standard actuarial claim projection techniques. The current assumptions may include a margin for adverse deviations. The liability is not discounted for the time value of money. Salvage assets are generally netted against the gross provision.

• ***Unearned premium reserve***

The provision for unearned premiums represents that portion of premiums received or receivable, after deduction of the reinsurance share, which relates to risks that have not yet expired at the reporting date. The provision is recognised when contracts are entered into and premiums are charged, and are brought to account as premium income over the term of the contract in accordance with the nature and type of reinsurance contract written by the Company.

Reinsurance contract liabilities are derecognised when the contract expires, discharged or cancelled by any party to the insurance contract.

At each reporting date, the Company reviews its unearned premium and unexpired risk, and a liability adequacy test is performed in accordance with IFRS 4 to determine whether there is any overall excess of expected claims and deferred acquisition costs over unearned premiums. This calculation uses current estimates of future contractual cash flows after taking account of the investment return expected to arise on assets relating to the relevant non-life insurance technical provisions. If these estimates show that the carrying amount of the unearned premiums (less related deferred acquisition costs) is inadequate, the deficiency is recognised in the income statement by setting up a provision for premium deficiency.

**3 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**c) Reinsurance operations (continued)**

**vii) Gross claims paid**

Gross claims paid include all claims paid during the year and the related external claims handling costs that are directly related to the processing and settlement of claims.

**viii) Commission earned and paid**

Commissions earned and paid are recognised at the time the policies are underwritten or deferred and amortised over the same period over which the corresponding premiums are recognised in accordance with the earning pattern of the underlying reinsurance contract.

**d) Investment income**

*Interest income*

Interest income is recognised in the statement of income as it accrues and is calculated by using the effective interest rate method, except for short-term receivables when the effect of discounting is immaterial.

*Dividend income*

Dividend income is recognised when the right to receive the dividends is established or when received. The right to receive the dividend is established based on the ex-dividend date.

**e) General**

**i) Cash and cash equivalents**

Cash and cash equivalents comprise cash in banks and on hand and short-term deposits with an original maturity of three months or less in the consolidated statement of financial position. The cash equivalents are readily convertible to cash and are not subject to a significant risk of a change in value.

**ii) Short term borrowings**

Short term borrowings are recognised initially at fair value, net of transaction costs incurred and it is subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated statement of income over the period of the borrowings using the effective interest method.

**iii) Investment properties**

Investment properties are properties held for capital appreciation. Investment properties are measured initially at cost. Subsequent to initial acquisition, investment properties are then marked to a fair value. The fair values of investment properties are estimated by the Management's external valuer, by reference to market evidence of recent transactions for similar properties. Any change in value is recognised in the consolidated statement of income.

**iv) Property and equipment**

Property and equipment are carried at historical cost less accumulated depreciation and accumulated impairment losses. Subsequent expenditure is capitalised only when it is probable that future economic benefits associated with the expenditure will flow to the Group. Ongoing repairs and maintenance are charged to the consolidated statement of income during the financial period they are incurred.

The assets' residual values, useful lives and method of depreciation applied are reviewed and adjusted, if appropriate, at each financial year end and adjusted prospectively, if appropriate. Impairment reviews are performed when there are indicators that the carrying value may not be recoverable. Impairment losses are recognised in the consolidated statement of income as an expense.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognised in the consolidated statement of income in the year the asset is derecognised.

**3 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**e) General (continued)**

**v) Depreciation**

Depreciation is provided on a straight line basis on all property and equipment and investment properties, other than freehold land which is determined to have an indefinite life. The rates of depreciation for furniture & fixtures are based on a 2 to 5 year estimated useful life. Depreciation methods, useful lives and residual values are reviewed and adjusted if appropriate at each financial year end.

**vi) Impairment of non-financial assets**

An assessment is made at each reporting date to determine whether there is objective evidence that an asset or group of assets is impaired. If such evidence exists, the estimated recoverable amount of that asset is determined and an impairment loss is recognised for the difference between the recoverable amount and the carrying amount. Impairment losses are recognised in the consolidated statement of income.

**vii) Provisions**

The Group recognises provisions in the consolidated financial statements when the Group has a legal or constructive obligation (as a result of a past event) that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. The provision is created by charging the consolidated statement of income for any obligations as per the calculated value of these obligations and the expectation of their realisation at the reporting date.

**viii) Employees' end of service benefits**

Provision is made for amounts payable in respect of employees' end of service benefits based on contractual obligations or respective local labour laws of the Group entities, whichever is higher, and is calculated using the employee's salary and period of service at the reporting date.

**ix) Taxes**

*Income Tax*

Although the Company is domiciled in Bermuda where there is no tax levied on corporate profits, the Group does have branch offices and subsidiaries in taxable jurisdictions. Current income tax assets and liabilities in these branches and subsidiaries for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in the countries where the Group operates branches and subsidiaries and generates taxable income.

Deferred income tax is provided, using the liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Currently enacted tax rates are used to determine deferred tax. Deferred income tax assets and liabilities are offset as there is a legally enforceable right to offset. The tax effects on the temporary differences are disclosed under other receivables or payables as deferred tax. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the unused tax losses and credits can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

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

*Insurance premium tax*

Insurance Premium Tax ("IPT") is a government levy on general insurance premiums. The tax is recognised and charged in the consolidated statement of income when the associated premium is recognised as written.

*Value-added tax*

Value-added tax ("VAT") is a form of consumption tax, that is a tax applied to purchases of goods or services and other 'taxable supplies' in the respective jurisdiction. The tax is recognised in the consolidated statement of income at the time that the associated good is purchased or the cost of the service is recognised.

*Withholding tax*

Withholding tax is a tax levied by an overseas government on dividends or income received by non-residents. The withholding tax is recognised in the consolidated statement of income upon recognition of the associated income.

**3 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**e) General (continued)**

**x) Leases**

Although The determination of whether an arrangement is a lease, or contains a lease, is based on the substance of the arrangement at the inception date and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset, even if that asset is not explicitly specified in an arrangement.

*Group as a lessee*

The Group recognises right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets for most leases are recognised based on the carrying amount as if the standard had always been applied, apart from the use of incremental borrowing rate at the date of initial application. In some leases, the right-of-use assets are recognised based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognised. Lease liabilities are recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

*Group as a lessor*

Leases in which the Group does not transfer substantially all of the risks and rewards of ownership of an asset are classified as operating leases.

Rental income is recognised as revenue in the consolidated statement of income on a straight-line basis over the lease term. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

**xi) Share capital**

The Company has issued ordinary shares that are classified as equity instruments. Incremental external costs that are directly attributable to the issue of these shares are recognised in equity.

**xii) Segment reporting**

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the management to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

**4 CRITICAL JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY**

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions in the application of the Group's accounting policies, which are described in Note 3, that could affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. The estimates and associated assumptions are based on historical experience and other factors and parameters that are considered to be relevant and available when the consolidated financial statements were prepared. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Uncertainty about these assumptions and estimates could result in outcomes that require material adjustment to the carrying value of assets or liabilities affected in future reporting periods. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

**Critical judgements in applying accounting policies**

The following are the critical judgements, apart from those involving estimations, that management has made in the process of applying its accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements:

**4 CRITICAL JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY  
(CONTINUED)**

**Critical judgements in applying accounting policies (continued)**

*Estimated credit losses*

Assessment of whether credit risk on the financial asset has increased significantly since initial recognition and incorporation of forward-looking information in the measurement of ECL. Refer to Note 3 for Inputs, assumptions and techniques used for estimating impairment of financial assets for more information.

**Key sources of estimation uncertainty**

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the statement of financial position date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year:

*Premium estimations*

The majority of the estimation arises within the insurance binder estimates where the premium amounts are dependent on the volume of policies that are insured under the binder over the coverage period, and within the reinsurance contracts where premium amounts are also dependent on the volume of policies attaching to the reinsurance contracts. In these cases, underwriters estimate an initial premium volume and then adjust throughout the life of the coverage period as and when new information becomes available. The process of determining the estimated premium income (“EPI”) is based on a number of factors, which can include:

- coverholder business plan documents supplied prior to binding;
- historical trends of business written;
- current and expected market conditions for this line of business; and
- life to date bordereaux submissions versus expectation.

As the contract period matures, the premium estimates are moved to ultimate premium. At a class of business level, ultimate premium is the total premium expected for all business. The ultimate premium estimates are based on the combination of statistical methods, on underwriter information provided, with validations performed by internal actuaries using the statistical methods and by way of discussion with the underwriting teams for each class of business. For those classes of business where inwards reinstatement premiums are likely to be material to the ultimate premium estimate, these are explicitly modelled as a function of the ultimate claims for a year of account. Reinsurance premiums are estimated by reinsurance type: proportional and non-proportional.

As of 31 December 2022, the estimated pipeline premium receivable in continued operations amounted to USD 186,456,000 (2021: USD 282,086,000) which is included in Not yet due in note 11.

*Claims made under insurance contracts*

Claims and loss adjustment expenses are charged to the consolidated statement of income as incurred based on the estimated liability for compensation owed to contract holders or third parties damaged by the contract holders. Liabilities for unpaid claims are estimated using the input of assessments for individual cases reported to the Company and management estimations for the claims incurred but not reported. The method for making such estimates and for establishing the resulting liability is continually reviewed. Any difference between the actual claims paid and the provisions made are included in the consolidated statement of income in the year of settlement. As of 31 December 2022, the net estimate for unpaid claims for continued operations amounted to USD 977,821,000 (2021: USD 1,033,519,000).

For certain lines of business (non-life), in order to estimate the liabilities, the expected loss ratios are calculated for all underlying insurance contracts. The amounts estimated as the difference between the current estimated losses and the reported losses are set aside as the incurred but not reported reserve for the losses that have been incurred but which are not yet known or have still to be reported.

**4 CRITICAL JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY  
(CONTINUED)**

**Critical judgements in applying accounting policies (continued)**

***Impairment of insurance and other receivables***

An estimate of the collectible amount of insurance and other receivables is made when collection of the full amount is no longer probable. This determination of whether these insurance and other receivables are impaired entails the Company evaluating, the credit and liquidity position of the policyholders and the insurance companies, historical recovery rates including detailed investigations carried out as at reporting date and feedback received from their legal department. The difference between the estimated collectible amount and the book amount is recognised as an expense in the consolidated statement of income. Any difference between the amounts actually collected in the future periods and the amounts expected will be recognised in the consolidated statement of income at the time of collection.

As of 31 December 2022, the net carrying values of insurance receivable and reinsurance receivables amounted to USD 656,445,000 (2021: USD 1,230,280,000) which includes a provision for impairment on insurance receivable and reinsurance receivable amounting to USD 354,000 (2021: USD 520,000).

**5 SEGMENT INFORMATION**

For management reporting purposes, the Company is organised into business segments based on their products and structure. The reportable operating segments are comprised of Property, Casualty and Other Segments. These segments are the basis on which the Company reports its operating segment information. Segment performance is evaluated based on profit or loss and is measured consistently with profit or loss in the consolidated financial statements. No inter-segment transactions occurred in 2022 and 2021.

The Property Segment includes business written under the lines of business that includes Property Catastrophe, North America and International Property, Energy, Aviation, Marine, Agriculture and Engineering.

The Casualty Segment includes all Casualty lines and the Motor lines of business.

Other Segment includes business recognised by the Company as Credit and Surety, Residual Value Insurance, and Structured Finance.



# Antares Reinsurance Company Limited

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2022

### 5 SEGMENT INFORMATION (CONTINUED)

Segment statement of income for the year ended 31 December 2022

	<i>Property</i> <i>USD ('000)</i>	<i>Casualty</i> <i>USD ('000)</i>	<i>Other</i> <i>USD ('000)</i>	<i>Total Insurance</i> <i>USD ('000)</i>	<i>Investments</i> <i>USD ('000)</i>	<i>Un-allocated</i> <i>(Expenses)/</i> <i>Income</i> <i>USD ('000)</i>	<i>Total</i> <i>USD ('000)</i>
<b>Continued operations</b>							
Gross written premiums	270,033	557,591	26,883	854,507	-	-	854,507
Premiums ceded to reinsurers	(160,371)	(129,294)	(11,906)	(301,571)	-	-	(301,571)
Net premiums	109,662	428,297	14,977	552,936	-	-	552,936
Movement in net unearned premium reserve	55,085	(49,460)	2,162	7,787	-	-	7,787
<b>Net earned premiums</b>	<b>164,747</b>	<b>378,837</b>	<b>17,139</b>	<b>560,723</b>	<b>-</b>	<b>-</b>	<b>560,723</b>
Gross claims paid	(417,614)	(501,435)	(65,255)	(984,304)	-	-	(984,304)
Reinsurance recoveries	263,667	263,648	61,460	588,775	-	-	588,775
Movement in net outstanding claims	(8,949)	(99,974)	(8,174)	(117,097)	-	-	(117,097)
Commission income	49,497	21,633	3,411	74,541	-	-	74,541
Commission expense	(105,486)	(82,332)	(7,055)	(194,873)	-	-	(194,873)
<b>Net underwriting results</b>	<b>(54,138)</b>	<b>(19,623)</b>	<b>1,526</b>	<b>(72,235)</b>	<b>-</b>	<b>-</b>	<b>(72,235)</b>
Investment income	-	-	-	-	54,932	(1,136)	53,796
Finance costs	-	-	-	-	(9,121)	-	(9,121)
<b>Net investment income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>45,811</b>	<b>(1,136)</b>	<b>44,675</b>
<b>Total (loss) income</b>	<b>(54,138)</b>	<b>(19,623)</b>	<b>1,526</b>	<b>(72,235)</b>	<b>45,811</b>	<b>(1,136)</b>	<b>(27,560)</b>
Operating and administrative expenses (including tax)	-	-	-	-	-	(55,835)	(55,835)
Depreciation	-	-	-	-	-	(160)	(160)
<b>Segment results for continued operations</b>	<b>(54,138)</b>	<b>(19,623)</b>	<b>1,526</b>	<b>(72,235)</b>	<b>45,811</b>	<b>(57,131)</b>	<b>(83,555)</b>
<b>Loss from discontinued operations</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(345,208)</b>	<b>(345,208)</b>
<b>Profit (loss) for the year</b>	<b>(54,138)</b>	<b>(19,623)</b>	<b>1,526</b>	<b>(72,235)</b>	<b>45,811</b>	<b>(402,339)</b>	<b>(428,763)</b>

# Antares Reinsurance Company Limited

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2022

### 5 SEGMENT INFORMATION (CONTINUED)

Segment statement of income for the year ended 31 December 2021

	<i>Property USD ('000)</i>	<i>Casualty USD ('000)</i>	<i>Other USD ('000)</i>	<i>Total Insurance USD ('000)</i>	<i>Investments USD ('000)</i>	<i>Un-allocated (Expenses)/ Income USD ('000)</i>	<i>Total USD ('000)</i>
<b>Continued operations</b>							
Gross written premiums	547,862	479,332	3,501	1,030,695	-	-	1,030,695
Premiums ceded to reinsurers	(282,787)	(181,785)	(1,678)	(466,250)	-	-	(466,250)
Net premiums	265,075	297,547	1,823	564,445	-	-	564,445
Movement in net unearned premium reserve	58,901	(978)	8,885	66,808	-	-	66,808
<b>Net earned premiums</b>	323,976	296,569	10,708	631,253	-	-	631,253
Gross claims paid	(637,556)	(516,286)	(633)	(1,154,475)	-	-	(1,154,475)
Reinsurance recoveries	454,034	351,282	1,826	807,142	-	-	807,142
Movement in net outstanding claims	(152,880)	2,811	10,121	(139,948)	-	-	(139,948)
Commission income	91,891	112,184	2,563	206,637	-	-	206,638
Commission expense	(176,882)	(240,396)	(4,779)	(422,057)	-	-	(422,057)
<b>Net underwriting results</b>	(97,417)	6,164	19,806	(71,447)	-	-	(71,447)
Investment income	-	-	-	-	58,105	(160)	57,945
Finance costs	-	-	-	-	(3,661)	-	(3,661)
<b>Net investment income</b>	-	-	-	-	54,444	(160)	54,284
<b>Total (loss) income</b>	(97,417)	6,164	19,806	(71,447)	54,444	(91)	(17,163)
Operating and administrative expenses (including tax)	-	-	-	-	-	(59,261)	(59,261)
Depreciation	-	-	-	-	-	(1,581)	(1,581)
<b>Segment results for continued operations</b>	(97,417)	6,164	19,806	(71,447)	54,444	(60,933)	(78,005)
<b>Loss from discontinued operations</b>	-	-	-	-	-	(70,312)	(70,312)
<b>Profit (loss) for the year</b>	(97,417)	6,164	19,806	(71,447)	54,444	(131,245)	(148,317)

# Antares Reinsurance Company Limited

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2022

### 5 SEGMENT INFORMATION (CONTINUED)

The profit or loss for each segment does not include the allocation of finance costs on Group borrowings or net investment income on Group investments. The results also exclude the allocation of any Group operating expense and depreciation on assets. Assets and liabilities of the Group are commonly used across the operating segments.

The geographical split of gross written premiums on continued operations based on the location of the customer is as follows:

	<i>2022</i> <i>USD ('000)</i>	<i>2021</i> <i>USD ('000)</i>
Africa	<b>1,800</b>	2,404
Americas	<b>106,494</b>	208,234
Asia	<b>11,749</b>	11,623
Europe	<b>727,930</b>	801,949
Oceania	<b>6,534</b>	6,485
	<b><u>854,507</u></b>	<b><u>1,030,695</u></b>

### 6 NET INVESTMENT INCOME

	<i>2022</i> <i>USD ('000)</i>	<i>2021</i> <i>USD ('000)</i>
Interest income on FVTPL	<b>13,780</b>	12,672
Interest income under effective interest method	<b>36,591</b>	29,193
Dividend income	<b>46</b>	42
Net realised gain (loss) on sale of investments	<b>22,640</b>	(7,635)
Recycled from other comprehensive income (Note 25)	<b>(6,236)</b>	16,266
Unrealised (losses) gains on investments	<b>(8,621)</b>	12,355
Reversal (Impairment) loss on investment	<b>(172)</b>	1,736
Other income and net gains (losses)	<b>(105)</b>	(1,137)
	<b><u>57,923</u></b>	<b><u>63,492</u></b>
<i>Less: Advisory fee</i>	<b><u>(4,127)</u></b>	<b><u>(5,478)</u></b>
	<b>53,796</b>	57,945
Investment income	<b>53,796</b>	57,945
Finance costs (Note 22)	<b>(9,121)</b>	(3,661)
	<b><u>44,675</u></b>	<b><u>54,284</u></b>
Net investment income	<b><u>44,675</u></b>	<b><u>54,284</u></b>

Other income and net gains (losses) includes gains on the disposal of investment properties and rental income net of related expenses.

During 2022, USD 6,236,000 (2021: USD 16,266,000) of changes in fair value of investments was recycled from other comprehensive income into profit and loss.

# Antares Reinsurance Company Limited

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2022

### 7 OPERATING AND ADMINISTRATIVE EXPENSES

	2022 USD ('000)	2021 USD ('000)
Employees related costs	27,922	28,257
Rental expenses	3,277	2,141
Maintenance & IT expenses	3,086	2,694
Travel expenses	453	57
Professional fees	5,103	5,388
Board of directors' remuneration (Note 8)	561	226
Other expenses	15,564	17,744
	<u>55,966</u>	<u>56,508</u>

Other expenses includes the amortization and a portion of the impairment of intangible assets allocated to continued operations amounting to USD 12,628,000 (2021: USD 6,264,000).

### 8 BOARD OF DIRECTORS' REMUNERATION

In accordance with the Bye-Laws of the Company, the Board of Directors' remuneration and expenses for the year 2022 has been proposed at USD 561,000 (2021: USD 375,000).

### 9 TAX

Total tax charges are derived from Antares Reinsurance Company Limited, QEL and Markerstudy Insurance Company Limited and are comprised as follows:

	2022 USD ('000)	2021 USD ('000)
Income tax	(131)	2,753
<b>Total tax charge</b>	<u>(131)</u>	<u>2,753</u>

#### Antares Reinsurance Company Limited - Bermuda

The Company has received an undertaking from the Bermuda government exempting it from all Bermuda local income, withholding and capital gains tax until 31 March 2035. At the present time no such taxes are levied in Bermuda.

The Company does incur income tax on business written in its Zurich and London offices. The total income tax credit amounts to USD 160,000 (2021: USD 1,823,000).

#### QEL

The income tax expense for the year differs from the theoretical taxation applicable in Malta of 35% and London of 19% on the Company's profit from ordinary activities before tax, as follows:

(a) Analysis of tax charge/(credit) for the year

	2022 USD ('000)	2021 USD ('000)
Current Tax		
Income tax at Malta's statutory income tax rate of 35%	-	919
Income tax at UK's statutory income tax rate of 19%	29	11
Total current tax charge	<u>29</u>	<u>930</u>
<b>Total Tax Charge</b>	<u>29</u>	<u>930</u>

# Antares Reinsurance Company Limited

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2022

### 9 TAX (CONTINUED)

- (b) The tax assessed for QEL for the year differs from the standard rate of corporation tax in 2022 of 35%(Malta) and 19% (UK) as follows:

	<i>2022</i> <i>USD ('000)</i>	<i>2021</i> <i>USD ('000)</i>
(Loss) Profit before tax	<b>(12,240)</b>	2,604
Income tax at Malta's tax rate of 35% (2021: 35%)	<b>(4,284)</b>	911
Income tax at UK tax rate of 19% (2021: 19%)	<b>31</b>	11
Unrecognised deferred tax assets	<b>4,284</b>	-
Effect of prior year adjustment	<b>(3)</b>	8
<b>Total current tax charge</b>	<b><u>29</u></b>	<b><u>930</u></b>

### 10 CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash in banks and on hand, as well as short-term time deposits which are considered as highly liquid investments that are readily convertible to known amounts of cash.

	<i>2022</i> <i>USD ('000)</i>	<i>2021</i> <i>USD ('000)</i>
Cash in hand and bank balances	<b>76,686</b>	426,518
Time deposits – short term	<b>390,334</b>	612,958
	<b><u>467,020</u></b>	<b><u>1,039,476</u></b>

Time deposits are held for various periods of maturity which are less than three months. These time deposits are subject to an insignificant risk of change in value. As such, the carrying values disclosed above reasonably represent the approximate fair value of the deposits as at 31 December 2022 and 2021. The average interest rate on time deposits is 5.51% (2021: 1.95%) per annum.

For the purpose of the statement of cash flows, cash and cash equivalents comprise the following:

	<i>2022</i> <i>USD ('000)</i>	<i>2021</i> <i>USD ('000)</i>
Cash at banks	<b>76,686</b>	426,518
Short-term deposits	<b>390,334</b>	612,958
Cash at banks and short-term deposits relating to discontinued operations	<b>244,603</b>	-
	<b><u>711,623</u></b>	<b><u>1,039,476</u></b>

# Antares Reinsurance Company Limited

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2022

### 11 INSURANCE AND OTHER RECEIVABLES

	<b>2022</b>	<b>2021</b>
	<i>USD ('000)</i>	<i>USD ('000)</i>
<b><i>Insurance receivables from insurance companies</i></b>		
In course of collection	<b>153,272</b>	274,495
Not yet due	<b>503,527</b>	956,305
Provision for expected credit losses	<b>(354)</b>	(520)
	<b>656,445</b>	1,230,280
<b><i>Other receivables</i></b>		
Deferred commission	<b>94,380</b>	274,593
Deposit premium/Funds withheld	<b>267,784</b>	187,136
Indemnification asset	<b>131,574</b>	131,574
Prepayments	<b>1,060</b>	4,453
Others receivables	<b>1,060</b>	2,738
	<b>495,858</b>	600,494
	<b>1,152,303</b>	1,830,774

#### *Indemnification asset*

The Group has recorded an indemnification asset for uncertainties about the settlement amounts of certain insurance liabilities acquired. Nil fair value was first assigned to the indemnification asset as at the acquisition-date and as subsequently re-measured for the purposes of disclosure in the Group's consolidated financial statements for the year ended 31 December 2018. During 2021 it was agreed that the indemnification asset would be capped at GBP 100 million. An amount of USD 131,574,000 (2021: USD 131,574,000) has been assigned for each of the years ended 31 December 2022 and 2021.

Any default on the future settlement of the amount of this indemnification asset to the Group has itself been indemnified by the Group's ultimate parent, QIC. As QIC's indemnification follows the indemnification asset, this is similarly capped at GBP 100 million.

#### *Deferred commission*

Movements in the deferred commission during the year are as follows:

	<b>2022</b>	<b>2021</b>
	<i>USD ('000)</i>	<i>USD ('000)</i>
Balance at 1 January	<b>274,593</b>	299,983
Expensed during the year	<b>(194,873)</b>	(566,934)
Commission deferred during the year	<b>73,767</b>	541,544
Transferred to discontinued operations	<b>(59,107)</b>	-
<b>Balance at 31 December</b>	<b>94,380</b>	274,593

# Antares Reinsurance Company Limited

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2022

### 12 REINSURANCE AND INSURANCE CONTRACT LIABILITIES AND REINSURANCE CONTRACT ASSETS

	2022 USD ('000)	2021 USD ('000)
<b>Gross reinsurance and insurance contract liabilities</b>		
Claims reported unsettled	1,298,207	2,664,395
Claims incurred but not reported	829,963	1,295,083
Unearned premiums	<u>358,070</u>	<u>1,086,215</u>
	<u>2,486,240</u>	<u>5,045,693</u>
<b>Retrocedants share of reinsurance and insurance contract liabilities</b>		
Claims reported unsettled	803,029	1,957,159
Claims incurred but not reported	347,321	968,800
Unearned premiums	<u>116,221</u>	<u>740,984</u>
	<u>1,266,571</u>	<u>3,666,943</u>
<b>Net reinsurance and insurance contract liabilities</b>		
Claims reported unsettled	495,178	707,236
Claims incurred but not reported	482,642	326,283
Unearned premiums	<u>241,849</u>	<u>345,231</u>
	<u>1,219,669</u>	<u>1,378,750</u>

Movements in claims provision during the year are as follows:

	2022			2021		
	<i>Reinsurance /Insurance contract liabilities</i> USD ('000)	<i>Retrocedant's share</i> USD ('000)	<i>Net</i> USD ('000)	<i>Reinsurance contract liabilities</i> USD ('000)	<i>Retrocedant's share</i> USD ('000)	<i>Net</i> USD ('000)
As at 1 January	3,959,478	2,925,959	1,033,519	3,397,541	2,002,743	1,394,798
Claims incurred and other movement during the year	1,266,014	425,685	840,329	2,265,926	1,622,871	643,055
Claims paid during the year	(1,638,634)	(1,057,567)	(581,067)	(1,676,388)	(1,171,765)	(504,623)
Quota share to QIC (Note 27)	-	-	-	-	472,110	(472,110)
Foreign exchange	(78,353)	-	(78,352)	(27,601)	-	(27,601)
Transfer to Discontinued Operations	<u>(1,380,335)</u>	<u>(1,143,727)</u>	<u>(236,608)</u>	-	-	-
<b>As at 31 December</b>	<u>2,128,170</u>	<u>1,150,350</u>	<u>977,821</u>	<u>3,959,478</u>	<u>2,925,959</u>	<u>1,033,519</u>

Claims paid and incurred for 2022 is split between continued operations and discontinued operations as follows:

	<i>Continued operations</i> USD ('000)	<i>Discontinued operations</i> USD ('000)	<i>Total</i> USD ('000)
Gross claims paid	(984,304)	(654,330)	(1,638,634)
Reinsurance recoveries	588,775	468,792	1,057,567
Movement in net outstanding claims	<u>(117,097)</u>	<u>(142,165)</u>	<u>(259,262)</u>
<b>Total claims incurred</b>	<u>(512,626)</u>	<u>(327,703)</u>	<u>(840,329)</u>

# Antares Reinsurance Company Limited

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2022

### 12 REINSURANCE AND INSURANCE CONTRACT LIABILITIES AND REINSURANCE CONTRACT ASSETS (CONTINUED)

Movements in provision for unearned premium during the year are as follows:

	2022			2021		
	<i>Reinsurance/ nsurance contract liabilities</i>	<i>Retrocedant's share</i>	<i>Net</i>	<i>Reinsurance contract liabilities</i>	<i>Retrocedant's share</i>	<i>Net</i>
	<i>USD ('000)</i>	<i>USD ('000)</i>	<i>USD ('000)</i>	<i>USD ('000)</i>	<i>USD ('000)</i>	<i>USD ('000)</i>
As at 1 January	1,086,215	740,984	345,231	1,050,526	603,607	446,919
Premiums written	1,638,501	1,018,122	620,379	2,271,192	1,503,637	767,555
Premiums earned	(1,990,042)	(1,307,740)	(682,302)	(2,234,187)	(1,415,728)	(818,459)
Quota share to QIC (Note 27)	-	-	-	-	49,468	(49,468)
Foreign exchange	(9,023)	-	(9,023)	(1,316)	-	(1,316)
Transfer to Discontinued Operations	(367,581)	(335,145)	(32,436)	-	-	-
<b>As at 31 December</b>	<b>358,070</b>	<b>116,222</b>	<b>241,849</b>	<b>1,086,215</b>	<b>740,984</b>	<b>345,231</b>

Premiums written and earned for 2022 is split between continued operations and discontinued operations as follows:

	<i>Continued operations USD ('000)</i>	<i>Discontinued operations USD ('000)</i>	<i>Total USD ('000)</i>
Gross written premiums	854,507	783,994	1,638,501
Premiums ceded to reinsurers	(301,571)	(716,551)	(1,018,122)
Movement in net unearned premium	7,787	54,136	61,923
<b>Total premiums earned</b>	<b>560,723</b>	<b>121,579</b>	<b>682,302</b>

### 13 INVESTMENTS

Investments are carried at fair value as at 31 December 2022 and 2021.

	2022 <i>USD ('000)</i>	2021 <i>USD ('000)</i>
Financial investments at fair value through profit or loss (FVTPL)	46,205	79,915
Financial investments at fair value through other comprehensive income (FVOCI)	965,347	1,498,267
<b>Total investments</b>	<b>1,011,552</b>	<b>1,578,182</b>



# Antares Reinsurance Company Limited

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2022

### 13 INVESTMENTS (CONTINUED)

	2022	
	<i>FVTPL</i> USD ('000)	<i>FVOCI</i> USD ('000)
Managed funds	-	4,892
Derivative financial investments (Note 22)	26	28,179
Bonds	16,389	932,276
Internationally quoted shares	10,780	-
Unquoted shares and private equity	19,010	-
<b>Total</b>	<b>46,205</b>	<b>965,347</b>

	2021	
	<i>FVTPL</i> USD ('000)	<i>FVOCI</i> USD ('000)
Managed funds	6,139	-
Derivative financial investments (Note 22)	2,082	8,096
Bonds	29,403	1,490,171
Internationally quoted shares	23,959	-
Unquoted shares and private equity	18,332	-
<b>Total</b>	<b>79,915</b>	<b>1,498,267</b>

The movement of ECL on the FVOCI is as follows:

	2022 USD ('000)	2021 USD ('000)
Balance at 1 January	2,785	4,915
(Reversal) impairment loss on investment	112	(1,823)
FX difference	-	(307)
Transfer to discontinued operations	(578)	-
<b>Balance at 31 December</b>	<b>2,319</b>	<b>2,785</b>

### 14 INVESTMENT PROPERTIES

	2022 USD ('000)	2021 USD ('000)
Net carrying value at 1 January	3,611	3,657
FX difference	(1,376)	(46)
	<u>2,235</u>	<u>3,611</u>
Transfer to discontinued operations	(2,235)	-
<b>Net carrying value at 31 December</b>	<b>-</b>	<b>3,611</b>

The fair values of investment properties were estimated by the Management's external valuer, by reference to market evidence of recent transactions for similar properties. The fair value measurement of all investment properties has been categorised as a level 3 fair value based on the inputs to the valuation technique used. The Group has no restrictions on the realisability of its investment properties. Rental income and direct operating expenses arising in respect of such properties during the year have been included in net investment income in the Consolidated statement of income.

# Antares Reinsurance Company Limited

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2022

### 15 PROPERTY AND EQUIPMENT

	<i>Furniture and fixtures USD ('000)</i>	<i>Leases USD ('000)</i>	<i>Total USD ('000)</i>
<b>Cost:</b>			
At 1 January 2021	7,005	6,049	13,054
Additions during the year	-	26	26
Disposals during the year	(2,262)	-	(2,262)
<b>At 31 December 2021</b>	<b>4,743</b>	<b>6,075</b>	<b>10,818</b>
Additions during the year	-	6	6
Disposals during the year	-	-	-
<b>At 31 December 2022</b>	<b>4,743</b>	<b>6,081</b>	<b>10,824</b>
<b>Accumulated depreciation:</b>			
At 1 January 2021	6,497	4,664	11,161
Charge during the year	271	1,310	1,581
Disposals during the year	(2,251)	-	(2,251)
<b>At 31 December 2021</b>	<b>4,517</b>	<b>5,974</b>	<b>10,491</b>
Charge during the year	114	46	160
Disposals during the year	-	-	-
<b>At 31 December 2022</b>	<b>4,631</b>	<b>6,020</b>	<b>10,651</b>
<b>Net book value:</b>			
<b>At 31 December 2022</b>	<b>112</b>	<b>61</b>	<b>173</b>
At 31 December 2021	226	101	327

### 16 INTANGIBLE ASSETS

Effective July 25, 2018, the Company acquired 100% of the share capital of Markerstudy's Gibraltar-based insurance companies. The movements in the related intangible assets were as follows:

	<i>Framework agreement USD ('000)</i>	<i>Non-life insurance Licenses USD ('000)</i>	<i>Total USD ('000)</i>
At 1 January 2021	49,257	8,202	57,459
FX difference	(784)	(103)	(887)
Amortisation expenses	(6,264)	-	(6,264)
<b>At 31 December 2021</b>	<b>42,209</b>	<b>8,099</b>	<b>50,308</b>
FX difference	(5,176)	(1,397)	(6,573)
Amortisation expenses	(3,394)	-	(3,394)
Impairment	(33,639)	(6,702)	(40,341)
<b>At 31 December 2022</b>	<b>-</b>	<b>-</b>	<b>-</b>

# Antares Reinsurance Company Limited

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2022

### 16 INTANGIBLE ASSETS (CONTINUED)

#### (i) Intangible assets

The following table summarizes the intangible assets recorded in connection with the business acquisitions:

	<i>Amount USD ('000)</i>	<i>Economic useful Life</i>
Framework Agreement	62,639	10 years
Non-life insurance Licenses	7,887	Indefinite
<b>Intangible assets as of the acquisition date</b>	<b>70,526</b>	
Accumulated FX difference	(5,253)	
Accumulated amortisation expenses	(24,932)	
Impairment recognized	(40,341)	
<b>Net Intangible assets as at 31 December 2022</b>	<b>-</b>	

#### (a) Framework agreement

As part of the transaction related to the sale and purchase of the Carriers, Qatar Re and Markerstudy Group have signed a framework agreement (“Framework Agreement”), which will govern their relationship for the coming 10-year period. Under this agreement, the Carriers will have the right to first refusal for all the non-life insurance business generated by Markerstudy Group (MSG). The Framework Agreement has been valued by applying the dividend discount model (“DDM”) under the Income Approach. The fair value of the Agreement has been supported by independent study and is expected to have an estimated useful life of 10 years from the time of acquisition.

The forecasted cashflows used in the model were based on expected annual gross written premium of GBP 850 million. Cashflows to the Group are based on the following key considerations:

- Dividends that will be available for distribution to the Group after making the required investment in the Carriers’ reserves to maintain the minimum solvency capital requirement (“SCR”) in accordance with the regulations of Gibraltar;
- The discount rate used in the model ranges between 9.5% and 10.0%. The rate is based on the risk free 10-year UK government bond adjusted for tax and various market risks;
- An expected loss ratio of 60%;
- The return on investments of 3.0% per annum made by the Carriers in securities using the SCR reserves; and
- The return on investments of 2.5% per annum made by the Carriers using the insurance related cash flows.

The Group has performed an assessment of the carrying value of the Framework Agreement and recorded a full value impairment of USD 33,639,000 (GBP 17.4 million) as at 31 December 2022 (2021: Nil). The recoverable amount is determined based on fair value less cost of disposal. Fair value is determined using Level 3 hierarchy.

#### (b) Non-life insurance Licenses

Markerstudy Group insurance companies have regulatory licenses from the Gibraltar Financial Services Commission (GFSC) to underwrite non-life insurance business in the United Kingdom and the rest of the European Union. The cost of establishing a licensed insurance company in Gibraltar had been estimated to be approximately GBP 2 million (USD 2,631,000). Accordingly, under the Cost Approach, the value of the three licenses of the Carriers were estimated to be GBP 6 million which equated to USD 7,887,000 at the time of acquisition. The estimated value of the licenses at 31 December 2021 had increased to USD 8,099,000 based solely on the change in the applicable foreign exchange rate. The non-life insurance licenses of the Carriers have an indefinite useful life.

At year end the total carrying value of the licenses has been impaired as there are not sufficient positive cash flows from this asset.

# Antares Reinsurance Company Limited

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2022

### 17 PROVISIONS, REINSURANCE AND OTHER PAYABLES

	2022 USD ('000)	2021 USD ('000)
Deferred commission	31,140	168,340
Due (from)/to reinsurance companies	223,454	475,559
<i>Other payables:</i>		
Long Term benefits (Note 18)	-	-
Board of directors' remuneration payable	(139)	71
Derivative financial liabilities (Note 21)	1,922	22,255
Accrued interest on subordinated perpetual debt	-	6,621
Accrued expenses	4,652	17,406
Other liabilities	-	1,331
Taxes and levies	3,300	91,360
	<u>264,329</u>	<u>782,943</u>

The carrying values disclosed above reasonable approximate the fair values at the reporting date.

Movements in the deferred commission during the year are as follows:

	2022 USD ('000)	2021 USD ('000)
Balance at 1 January	168,340	148,005
Earned during the year	(74,541)	(257,965)
Commission deferred during the year	(4,917)	278,300
Transferred to discontinued operations	(57,742)	-
<b>Balance at 31 December</b>	<u><u>31,140</u></u>	<u><u>168,340</u></u>

### 18 LONG TERM BENEFITS

	2022 USD ('000)	2021 USD ('000)
As at 1 January	-	242
Charge for the year	-	-
Adjusted during the year	-	(242)
<b>As at 31 December</b>	<u><u>-</u></u>	<u><u>-</u></u>

Up to 2020, a provision was made for amounts payable in respect of employees' end of service benefits based on contractual obligations or respective local labour laws of the Group entities, whichever was higher, and was calculated using the employee's salary and period of service at the reporting date. For 2021 the provision continues to be carried, however it has been transferred outside of the Group and within the Antares Global Management companies which in turn charges the Group as a part of the overall expense recharges (Note 27).

# Antares Reinsurance Company Limited

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2022

### 19 FAIR VALUE OF FINANCIAL INSTRUMENTS

The following table compares the fair values of the financial instruments to their carrying values:

	2022		2021	
	<i>Carrying amount</i> <i>USD ('000)</i>	<i>Fair Value</i> <i>USD ('000)</i>	<i>Carrying amount</i> <i>USD ('000)</i>	<i>Fair Value</i> <i>USD ('000)</i>
Cash and cash equivalents	467,020	467,020	1,039,476	1,039,476
<i>Loans and receivables:</i>				
Insurance and other receivables	563,554	563,554	1,551,726	1,551,726
<i>Investments:</i>				
Financial investments at fair value through profit or loss (FVTPL)	46,205	46,205	79,915	79,915
Financial investments at fair value through other comprehensive income (FVOCI)	965,347	965,347	1,498,267	1,498,267
	<b>2,042,126</b>	<b>2,042,126</b>	<b>4,169,384</b>	<b>4,169,384</b>
Reinsurance and other payables	233,189	233,189	633,970	633,970
Short term borrowings	361,153	361,153	420,802	420,802
Due to related parties	32,412	32,412	693,791	693,791
	<b>626,754</b>	<b>626,754</b>	<b>1,748,563</b>	<b>1,748,563</b>

### 20 DETERMINATION OF FAIR VALUE AND FAIR VALUES HIERARCHY OF INVESTMENTS

The Group measures financial instruments such as derivatives, and non-financial assets such as investment properties, at fair value at each balance sheet date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability
- Or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities

# Antares Reinsurance Company Limited

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2022

### 20 DETERMINATION OF FAIR VALUE AND FAIR VALUES HIERARCHY OF INVESTMENTS (CONTINUED)

- Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period. There have been no transfers between level 1 and level 2 in either direction in 2022 or 2021.

	<i>Level 1</i> <i>USD ('000)</i>	<i>Level 2</i> <i>USD ('000)</i>	<i>Level 3</i> <i>USD ('000)</i>	<i>Total</i> <i>fair value</i> <i>USD ('000)</i>
<b>31 December 2022</b>				
Derivative assets	-	28,205	-	28,205
Investment securities	769,855	194,482	19,010	983,347
Investment properties	-	-	-	-
Insurance and other receivables	-	-	131,574	131,574
	<u>769,855</u>	<u>222,687</u>	<u>150,584</u>	<u>1,143,126</u>
Derivative liabilities	<u>-</u>	<u>(1,923)</u>	<u>-</u>	<u>(1,923)</u>
	Level 1 USD ('000)	Level 2 USD ('000)	Level 3 USD ('000)	Total fair value USD ('000)
<b>31 December 2021</b>				
Derivative assets	-	10,178	-	10,178
Investment securities	1,543,533	6,139	18,332	1,568,004
Investment properties	-	-	3,611	3,611
Insurance and other receivables	-	-	131,574	131,574
	<u>1,543,533</u>	<u>16,317</u>	<u>153,517</u>	<u>1,713,367</u>
Derivative liabilities	<u>-</u>	<u>(22,255)</u>	<u>-</u>	<u>(22,255)</u>

#### Valuation techniques

*Listed investment in equity securities and debt securities.*

When fair values of publicly traded equity securities and debt securities are based on quoted market prices, or binding dealer price quotations, in an active market for identical assets without any adjustments, the instruments are included within Level 1 of the hierarchy.

#### *Managed funds*

In the absence of a quoted price in an active market, they are valued using observable inputs such as recently executed transaction prices in securities of the issuer or comparable issuers and yield curves. Adjustments are made to the valuations when necessary to recognise differences in the instrument's terms. To the extent that the significant inputs are observable, the Group categorises these investments as Level 2.

#### *Over-the-counter derivatives*

The Group enters into derivative financial instruments with various counterparties, principally financial institutions with investment grade credit ratings. Derivatives are valued using valuation techniques with market observable inputs are mainly options contracts.

#### *Unlisted equity investments*

Unquoted equity investments are recorded at fair values adopting market approach and applying price to book value multiple to arrive at the value of investment. There are no active markets for these investments.

# Antares Reinsurance Company Limited

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2022

### 20 DETERMINATION OF FAIR VALUE AND FAIR VALUES HIERARCHY OF INVESTMENTS (CONTINUED)

#### *Unlisted managed funds*

The Group invests in managed funds, including private equity funds, which are not quoted in an active market and which may be subject to restrictions on redemptions such as lock up periods, redemption gates and side pockets. The Group's investment managers considers the valuation techniques and inputs used in valuing these funds as part of its due diligence prior to investing, to ensure they are reasonable and appropriate and therefore the NAV of these funds may be used as an input into measuring their fair value. In measuring this fair value, the NAV of the funds is adjusted, as necessary, to reflect restrictions on redemptions, future commitments, and other specific factors of the fund and fund manager. In measuring fair value, consideration is also paid to any transactions in the shares of the fund. Depending on the nature and level of adjustments needed to the NAV and the level of trading in the fund, the Group classifies these funds as Level 3.

#### *Insurance and other receivables*

Indemnification assets acquired as part of a business combination are initially recognized and measured at fair value as at the acquisition date and are adjusted for any contractual limitations and credit risk of the indemnifying party. At the end of each subsequent reporting period the indemnification asset shall be measured on the same basis as the indemnified liability, subject to any contractual limitations on this amount. For an indemnification asset that is not subsequently measured at fair value, management's assessment of the collectability of that asset is used to determine the fair value. Group classifies this asset as Level 3.

#### *Investment properties*

The fair values of investment properties were estimated by the Management's external valuer, by reference to market evidence of recent transactions for similar properties. Group classifies this asset as Level 3.

#### **Level 3 reconciliation**

The following table shows a reconciliation of all movements in the fair value of financial instruments categorised within Level 3 between the beginning and the end of the reporting period:

	<b>2022</b>	<b>2021</b>
	<b>USD</b>	<b>USD</b>
	<b>('000)</b>	<b>('000)</b>
Balance at 1 January	153,517	159,806
Additions during the year	1,568	13,022
Sales or settlements during the year	(2,508)	(23,562)
Net gain (loss) charged to income statement	1,618	4,251
Transfer to discontinued operations	(3,611)	-
<b>Balance at 31 December</b>	<b>150,584</b>	<b>153,517</b>

#### **Sensitivity analysis**

For the fair value of equity securities and receivables, reasonably possible changes at the reporting date to one of the significant unobservable inputs, holding other inputs constant, would have following effects on net profit.

		<b>2022</b>	<b>2021</b>
	<b>Changes in</b>	<b>USD</b>	<b>USD</b>
	<b>assumption</b>	<b>('000)</b>	<b>('000)</b>
FV of the securities and receivables	5%	1,490	8,874
FV of the securities and receivables	-5%	(1,490)	(8,874)

# Antares Reinsurance Company Limited

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2022

### 21 DERIVATIVE INSTRUMENTS

In the ordinary course of business, the Group enters into various types of transactions that involve derivative financial instruments. A derivative financial instrument is a financial contract between two parties where payments are dependent upon movements in price in one or more underlying financial instrument, reference rate or index. Derivative financial instruments include forward contracts, swaps and equity options structures.

The Company employs various derivative option strategies which are intended for hedging currency exposure, managing interest rate and insurance risk, and for income enhancement. The derivative financial instruments held by the Company include forward contracts, swaps and equity options structures.

The Group has purchased interest rate swap contracts to match the expected liability duration of insurance contracts, to swap floating rates of the backing assets, to fixed rates over the main duration of the related insurance contracts. The Group also manages exchange rate risk on the Group's net currency exposure by using forward exchange contracts. Both of these strategies are considered as economic hedges, but do not meet the hedge accounting criteria.

Derivative products valued using a valuation technique with market observable inputs (Level 2) are mainly interest rate swaps, currency swaps and forward foreign exchange contracts. The most frequently applied valuation techniques include forward pricing and swap models, using present value calculations. The models incorporate various inputs including the credit quality of counterparties, foreign exchange spot and forward rates and interest rate curves.

The table below shows the notional amounts analysed by the term to maturity. The notional amount is the amount of a derivative's underlying asset, reference rate or index and is the basis upon which changes in the value of derivatives are measured. The notional amounts indicate the volume of transactions outstanding at yearend and are neither indicative of the market risk nor credit risk.

<i>31 December 2022</i>	<i>Notional amount USD ('000)</i>	<i>Derivative asset USD ('000)</i>	<i>Derivative liability USD ('000)</i>	<i>Within 3 months USD ('000)</i>	<i>3 to 12 months USD ('000)</i>
<i>Over the Counter Derivatives:</i>					
Credit and interest rate derivatives	445,270	27,883	(28)	18,901	426,369
Equity derivatives	-	-	-	-	-
Foreign exchange derivatives	297,719	322	(1,895)	37,149	260,570
	<b>742,989</b>	<b>28,205</b>	<b>(1,923)</b>	<b>56,050</b>	<b>686,939</b>
<i>31 December 2021</i>	<i>Notional amount USD ('000)</i>	<i>Derivative asset USD ('000)</i>	<i>Derivative liability USD ('000)</i>	<i>Within 3 months USD ('000)</i>	<i>3 to 12 months USD ('000)</i>
<i>Over the Counter Derivatives:</i>					
Credit and interest rate derivatives	391,823	902	(22,042)	15,000	376,823
Equity derivatives	17,548	-	(209)	17,548	-
Foreign exchange derivatives	903,977	9,276	(4)	-	903,977
	<b>1,313,348</b>	<b>10,178</b>	<b>(22,255)</b>	<b>32,548</b>	<b>1,280,800</b>

Various option strategies are employed for hedging, risk management and income enhancement. All calls sold are on assets held by the Group.

#### ***Credit and interest rate derivatives***

Credit and interest rate derivatives include swap contracts to exchange one set of cash flows for another, generally fixed and floating interest payments in a single currency without exchanging principal. In the case of credit default swaps the counterparties agree to make payments with respect to defined credit events based on specified notional amounts. The forward exchange derivative contracts are over-the-counter contracts transacted in the over-the-counter market and changes in contract values are settled daily.



# Antares Reinsurance Company Limited

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2022

### 21 DERIVATIVE INSTRUMENTS (CONTINUED)

#### *Equity derivatives*

Equity derivatives include options and swaps and are contractual agreements in relation to a specified equity instrument at a specified price and date in the future. The equity derivative contracts are over-the-counter contracts transacted in the over-the-counter market and changes in contract values are settled daily.

#### *Foreign Exchange derivatives*

Foreign exchange derivatives include forwards and options and are contractual agreements in relation to a specified currency at a specified price and date in the future. The options are contractual agreements under which the seller (writer) grants the purchaser (holder) the right, but not the obligation, to either buy or sell at fixed future date or at any time during a specified period, a specified amount of a currency, at a pre-determined price. The interest rate and credit derivative contracts are over-the-counter contracts transacted in the over-the-counter market and changes in contract values are settled daily.

### 22 SHORT TERM BORROWINGS

As part of the Group's margin trading strategy, the Group uses borrowings to finance its fixed income securities.

	<i>2022</i> <i>(USD '000)</i>	<i>2021</i> <i>(USD '000)</i>
Borrowings against fixed income securities	<u>361,153</u>	<u>420,802</u>

The short term borrowings required no collateral as security and carry interest at an average rate of 2022: 2.07 % per annum (2021: 0.68 % per annum). The net decrease in short term borrowings consists of a net repayment of USD 59,649,000 (2021: USD 28,444,000) in the form of cash. There was nil impact on the net decrease due to any impact of foreign currency exchange differences. As of 31 December 2022 and 2021, interest expense related to these short term borrowings on continued business amounted to USD 9,121,000 and USD 3,661,000, respectively.

### 23 SHARE CAPITAL

	<i>2022</i>		<i>2021</i>	
	<i>No of shares</i>	<i>USD</i>	<i>No of shares</i>	<i>USD</i>
<b>Authorised</b>				
<i>Ordinary shares of USD 1 each</i>	<u>1,200,000</u>	<u>1,200,000</u>	<u>1,200,000</u>	<u>1,200,000</u>
<b>Issued and fully paid up</b>				
<i>Ordinary shares of USD 1 each</i>	<u>1,000,000</u>	<u>1,000,000</u>	<u>1,000,000</u>	<u>1,000,000</u>

There has been no movement in the authorised or issued and fully paid share capital of the Company during 2022 and 2021.

### 24 CONTRIBUTED SURPLUS

The Contributed surplus reflects the amount of consideration received from QIC Capital L.L.C. in excess of the par value of the shares issued.

The Contributed surplus recognised in the consolidated statement of financial position is distributable to the shareholders as a dividend in the normal course of business, subject to certain restrictions and provisions in this respect that are specified in the Bermuda Companies Act 1981.

## Antares Reinsurance Company Limited

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2022

#### 24 CONTRIBUTED SURPLUS (CONTINUED)

The Contributed surplus as at 31 December 2022 and 2021 is comprised of the following:

	<u>2022</u>	<u>2021</u>
	<i>USD ('000)</i>	<i>USD ('000)</i>
(i) On cancellation of shares after change in legal domicile	251,651	251,651
(ii) On merger of Antares Re business as on 31 December 2015	243,717	243,717
(iii) Contribution from Parent Company during 2016	200,000	200,000
(iv) Contribution from Parent Company during 2020	202,569	202,569
(v) Contribution from Parent Company during 2021	201,260	201,260
(vi) Contribution from Parent Company during 2022 (Note 26)	595,276	-
	<u>1,694,473</u>	<u>1,099,197</u>

#### 25 FAIR VALUE RESERVE

The fair value reserve arose from the revaluation of financial instruments measured at fair value through other comprehensive income in 2022 and 2021 and in previous years as per the accounting policies detailed in Note 3.

	<u>2022</u>	<u>2021</u>
	<i>USD ('000)</i>	<i>USD ('000)</i>
Balance at 1 January	16,929	38,242
Recycled in profit and loss	6,236	(12,571)
Net changes in investments at fair value through other comprehensive income ("FVOCI")	(122,265)	(8,742)
Transferred to discontinued operations	37,609	-
<b>Balance at 31 December</b>	<u>(61,491)</u>	<u>16,929</u>

During 2022 the Federal Reserve increased the U.S. federal fund rates by 425 basis points in an attempt to battle inflation. This significant increase in US interest rates has led to the larger than usual reduction in the fair value of fixed income investments through other comprehensive income.

#### 26 PERPETUAL SUBORDINATED TIER 2 FIXED RATE NOTES

On 13 March 2017, the Company issued USD 450 million Regulation S Perpetual non-call 5.5 year subordinated Tier 2 notes into the international debt capital markets listed on the Irish Stock Exchange. The carrying value of the notes was USD 443,724,000 (2021: USD 443,724,000), which reflects the net proceeds received after related expenses.

These notes met the characteristics as set forth in the Insurance (Eligible Capital) Rules 2012 issued in Bermuda to be treated as Tier 2 capital. The notes were guaranteed on a subordinated basis by QIC. The initial coupon was set at 4.95% per annum and remained fixed until the first call date in September 2022, when it would have been reset on the basis of the mid swap rates for U.S. dollar interest rate swap transactions with a maturity of five years plus the initial margin and would be reset every five years thereafter. The notes had been assigned an issue rating of 'BBB+' by S&P Global Ratings and had provided eligible Tier 2 capital to further enhance the Company's financial strength.

On 27 June 2022 the Company offered to buy back the 4.95% Tier 2 notes at 100.20% of par value. The Company received interest from 74.75% of the noteholders. The settlement date for the 74.75% notes tendered was 18 July 2022, whereas the balancing 25.25% of the noteholders settled on the call date of 13 September 2022.

The Tier 2 capital was replaced with USD 450 million of Tier 1 capital from QIC Capital L.L.C (Note 24).

# Antares Reinsurance Company Limited

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2022

### 27 RELATED PARTY TRANSACTIONS AND AMOUNTS DUE TO RELATED PARTIES

#### a) Transaction with related parties

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions and directors of the Group and companies of which they are key management personnel. Parties are also considered to be related through common ownership. The Group enters into transactions with its associate and key management personnel in the normal course of business. The pricing policies and terms of these transactions with related parties are made on terms equivalent to those that prevail in arm's length transactions

Significant related party transactions included reinsurance agreements with the ultimate parent QIC. The balance due to related parties predominantly represents balances due to QIC in respect of internal reinsurance and quota share arrangements in place with the Group entities.

During 2021 the Company completed a reinsurance agreement which ceded existing reserves to QIC comprised of total claims provisions of USD 472,110,000 and a provision for unearned premium of USD 49,468,000 with a ceding commission payable of USD 6,780,000. Total amounts due to QIC amounted to USD 504,614,000.

Other significant related party transactions with and amounts due to QIC were as follows:

	<b>2022</b>	<b>2021</b>
	<b>USD ('000)</b>	<b>USD ('000)</b>
Reinsurance premium to QIC	<u>(240,982)</u>	<u>(755,754)</u>
Reinsurance recoveries from QIC	<u>1,316</u>	<u>1,417,916</u>
Net commission from QIC	<u>5,979</u>	<u>186,073</u>
Amounts due to related parties	<u>32,412</u>	<u>693,791</u>

During 2021, the Group completed service agreements with the Antares Global Management companies, related service companies under common ownership. The majority of operational expenses are incurred by the services companies and recharged to the Group under the service agreements. The charges for the years are as follows:

Intercompany service charges	<u>36,298</u>	<u>42,161</u>
------------------------------	---------------	---------------

QIC is also the ultimate parent company of Antares Syndicate 1274 ("Antares"). The Company is party to a coinsurance agreement with Antares. Related written premium amounted to USD 14,403,000 (2021: USD 17,610,000). Related commissions were USD 17,000 (2021: USD 1,103,000) and incurred losses were USD 3,036,000 (2021: USD 5,585,000).

Any outstanding related party balances at reporting date are unsecured and interest free.

#### b) Compensation of key management personnel

	<b>2022</b>	<b>2021</b>
	<b>USD ('000)</b>	<b>USD ('000)</b>
<b>Continuing operations</b>		
Salaries and other short term benefits	<b>4,330</b>	2,440
Other long term benefits	<u>319</u>	<u>155</u>
Total	<u>4,649</u>	<u>2,595</u>

Key management personnel consist of the chief executive officers, chief underwriting officers, non-executive directors and executive directors charged to the Group for each of the entities within the Group.

Certain non-executive directors are associated with QIC, the ultimate parent of the Group, and are accordingly compensated by QIC. Other non-executive directors are compensated in accordance with their director agreements. The Directors' remuneration for all entities within the Group expensed for the year ended 31 December 2022 is detailed in Note 9.

## 28 RISK MANAGEMENT

The Group in the normal course of its business derives its revenue mainly from assuming and managing insurance risks for profit while also benefiting from the investment return on its invested asset base. The Group is mainly exposed to the following risks;

- Insurance risk,
- Market, investment, liquidity and concentration risk
- Credit risk,
- Operational and systems risk
- Group risk,
- Strategic risk and
- Reputational

The primary objective of the Group's risk and financial management framework is to protect the Group's shareholders from events that hinder the sustainable achievement of financial performance objectives, including failing to exploit opportunities. In order to achieve this, it is of critical importance to have efficient and effective risk management systems in place.

### a) Governance framework

The Group has established a sound and effective Corporate Governance framework that is appropriate to the size, nature, complexity and risk profile of the Group. The governance framework supports the sound and prudent management of the Company and its subsidiaries' activities to ensure the protection of policyholders and other applicable stakeholders.

A risk management function has been established with clear terms of reference from the board of directors, its committees and the associated executive management committees, across the Group. This is supplemented with a clear organisational structure with documented delegated authorities and responsibilities from the board of directors to executive management committees and senior managers. Lastly, a Group policy framework which sets out the risk profiles for the Group, risk management, control and business conduct standards for the Group's operations has been put in place. Each policy has a member of senior management charged with overseeing compliance with the policy throughout the Group.

The Board of Directors approves the Group's risk appetite and risk management policies, and meets regularly to approve any commercial, regulatory and organisational requirements of such policies. These policies define the Group's identification of risk and its interpretation, limits its structure to ensure the appropriate quality and diversification of assets, align underwriting and reinsurance strategy to the corporate goals, and specify reporting requirements.

### (b) Capital management framework (Unaudited)

The Group is regulated by the Bermuda Monetary Authority ("BMA") as group supervisor. The Group is required by the BMA to hold available consolidated statutory capital and surplus of an amount that is equal to or exceeds the Enhanced Capital Requirement ("ECR"). The ECR is the higher of the Bermuda Solvency Capital Requirement ("BSCR") (the BMA standard formula capital requirement) and the Minimum Margin of Solvency ("MSM"). The BSCR forms part of the regulatory regime that has achieved equivalence with Europe's Solvency II.

Capital adequacy is maintained with reference to risk appetite and tolerance statements, which are defined in terms of the Group's regulatory and internal model solvency ratios. The Group's risk appetite defines what it seeks to achieve based on normal commercial situations. At any given time, the capital management policy is to maintain a strong capital base to enable the Group to support the business plan based on its own view of the capital required, while meeting regulatory capital requirements on an ongoing basis.

The Risk Management Framework is embedded in strategic planning, decision making and budgeting. As part of this framework, the level of capital is assessed to maintain solvency at the thresholds targeted within the risk appetite and tolerance statements, given the Group's risk profile. The Group Solvency Self-Assessment ("GSSA") processes enable the Group to identify, assess, monitor, manage and report on the current and emerging risks that the Group faces, and to determine the capital necessary to ensure that overall solvency needs are met at all times.

**28 RISK MANAGEMENT (CONTINUED)**

**(b) Capital management framework (continued)**

The Capital Management Action Plan identifies the various thresholds below which available capital may be depleted, and the actions that will be adopted to maintain capital adequacy in line with the risk appetite and tolerance statements. The capital position can be managed by either increasing the amount of available capital or by taking action which reduces the required capital. The approach taken depends on the specific circumstances of the event giving rise to the depletion of available capital.

The BMA have introduced a three-tiered capital system, which is designed to assess the quality of insurers' capital resources eligible to satisfy their regulatory capital requirement. The tiered capital system (Tiers 1, 2 and 3) classifies capital instruments into a given tier based on their loss absorbency characteristics. The highest-quality capital is eligible for Tier 1, which is able to absorb losses under all circumstances, including as a going-concern, during run-off, wind-up and insolvency. Tier 2, while providing full protection to policyholders in a wind-up or insolvency, has moderate loss absorbency on a going-concern basis. Tier 3 meets, on a limited basis, some of the characteristics exhibited in Tiers 1 and 2.

Eligibility limits are applied to each tier in determining the amounts eligible to cover regulatory capital requirement levels. Only Tier 1 and Tier 2 capital are eligible to cover the MSM (a minimum of 80% Tier 1 capital and a maximum of 20% of Tier 2 capital). A minimum of 60% of Tier 1 capital and a maximum of 15% of Tier 3 capital must be available to cover the ECR. Eligible capital consists of paid-in share capital, perpetual non-call 5.5 year subordinated Tier 2 notes and retained earnings.

Unaudited balances and ratios at the end of 2021 which have been filed with the BMA indicate the requirements and compliance for 2022. At the end of 2021, the Company had total unaudited available statutory capital and surplus of USD 963.5 million (USD 1,076.4 million at the end of 2020) exceeding the ECR by USD 353.7 million (2020: USD 401.4 million) and resulting in an ECR ratio of 158% (159% at the end of 2020). The Company's BSCR coverage ratio was 158% at the end of 2021 (159% at the end of 2020).

Due to the 20% restriction Tier 2 capital applied in the MSM assessment, the fully amount of the subordinated debt was not deemed eligible capital at the end of 2021. As a result, on 27 June 2022 the Company offered to buy back the 4.95% Tier 2 notes at 100.20% of par value. The Company received interest from 74.75% of the noteholders. The settlement date for the 74.75% notes tendered was 18 July 2022, whereas the balancing 25.25% of the noteholders settled on the call date of 13 September 2022 (Note 27). The Tier 2 capital was then replaced with USD 450 million of Tier 1 capital from QIC Capital L.L.C. An additional USD 145.3 million of Tier 1 capital in excess of the USD 450 million was also injected into the Group in order to boost the eligible capital (Note 25). However, despite these capital injections, the unaudited Group ECR and BSCR coverage ratios at the end of 2022 is expected to be approximately 93% which is below the Company's target minimum ratio. To address this, an additional USD 100 million was injected into the Company in the first quarter of 2023 under the Capital Management Action Plan.

At the end of the year the companies within the Group are each expected to remain compliant with regulatory capital requirements. The unaudited Solvency Capital Requirement ("SCR") ratios for the subsidiaries are expected to be as follows:

	<i>2022</i>	<i>2021</i>
QEL	<b>164%</b>	146%
MICL	<b>150%</b>	139%
West Bay	<b>102%</b>	172%
SJICL	<b>279%</b>	337%

## 28 RISK MANAGEMENT (CONTINUED)

### (c) Risk Management framework

The Group has established a risk management framework by which risks are identified, measured, mitigated and managed. The Group has established a framework of internal controls which seeks to mitigate risks and limit the probability of losses or other adverse outcomes during the implementation of the strategic objectives and business plan, as well as providing a framework for the overall management and oversight of the business. The controls are rated according to their effectiveness of both design and performance, with independent challenge provided by the risk management function. Internal audit also provides independent assurance. The framework provides a basis for understanding the risks that the Group is exposed to and its ability to identify, assess, control and mitigate these risks

### (d) Insurance risk

The principal risk the Group faces under insurance contracts is that the actual claims or the timing thereof, differ from expectations. This is influenced by the frequency of claims, severity of claims, and subsequent development of long-tail claims.

The Group manages the insurance risk through the careful selection and implementation of its underwriting strategy and guidelines together with the adequate reinsurance arrangements and proactive management of claims. The concentration of insurance risk exposure is mitigated by careful selection and implementation of the underwriting strategy of the Group. Underwriting limits are in place to enforce risk selection criteria, and an exposure management framework monitors and limits exposure to peak peril zones within the context of defined risk appetite.

Insurance risk can be broken down into underwriting (including catastrophe risk) and reserve risk. Underwriting risk relates to the unexpired risk on business already incepted or bound and reflects the risk that premiums are not sufficient to cover future losses. The Group manages underwriting risk through various governance and control mechanisms under the oversight of the Underwriting and Portfolio Management Committee (“UPMC”), which comprises senior representatives from the underwriting, risk, claims and actuarial functions.

Detailed policies and guidelines exist relating to:

- Underwriting authorities;
- Pricing methodologies; and
- Risk accumulations.

In relation to catastrophe risk pricing utilises proprietary pricing tools blended with internal analysis. Aggregate catastrophe risk is subject to defined limits which are monitored using an internally developed exposure management tool.

The Group purchases both treaty and facultative reinsurance to manage insurance risk in the context of the defined risk appetite, to protect the capital base and manage volatility.

The Group actively manages claims in order to identify, measure and manage losses while delivering on obligations to policyholders.

The reserve risk element of insurance risk arises from the inherent uncertainty surrounding the adequacy of the reserves or technical provisions set aside to cover the insurance liabilities. The risk is that the current reserves, including those incurred but not yet reported, are not sufficient to cover the run off of the claims which have already occurred.

Reserve risk exposure is managed within the actuarial function and through defined reserving practices which are overseen and approved by the Reserving Committee, which comprises various members of the executive management team. The Reserving Committee ultimately determines the management best estimate or reserves based on advice from the reserving actuaries and consultation with underwriters, exposure management and claims. If there were any disagreement between the Reserving Committee and the loss reserve specialist (a role defined under Bermuda regulatory requirements), these would be escalated to the Board for resolution.

**28 RISK MANAGEMENT (CONTINUED)****(d) Insurance risk (continued)*****Key assumptions***

The principal assumption underlying the liability estimates is that the Group's future claims development will follow a similar pattern to past claims development experience. This includes assumptions in respect of average claim costs, claim handling costs, claim inflation factors and claim numbers for each accident year. Additional qualitative judgments are used to assess the extent to which past trends may not apply in the future, for example one-off occurrence changes in market factors such as public attitude to claiming, economic conditions, as well as internal factors such as portfolio mix, policy conditions and claims handling procedures. Judgment is further used to assess the extent to which external factors such as judicial decisions and government legislation affect the estimated. Other key circumstances affecting the reliability of assumptions include variation in interest rates, delays in settlement and changes in foreign currency rates.

***Sensitivities***

The general insurance claims provisions are sensitive to the key assumptions shown below. It has not been possible to quantify the sensitivity of certain assumptions such as legislative changes or uncertainty in the estimation process.

The analysis below is performed for possible movements in key assumptions with all other assumptions held constant, showing the impact on net liabilities, net profit and equity.

	<i>Change in assumptions</i>	<i>Impact on liabilities USD ('000)</i>	<i>Impact on net profit USD ('000)</i>	<i>Impact on equity USD ('000)</i>
<b><i>31 December 2022</i></b>				
Net incurred claim cost	10%	<u>51,263</u>	<u>(51,263)</u>	<u>(51,263)</u>
Net incurred claim cost	-10%	<u>(51,263)</u>	<u>51,263</u>	<u>51,263</u>
<b><i>31 December 2021</i></b>				
Net incurred claim cost	10%	<u>64,306</u>	<u>(64,306)</u>	<u>(64,306)</u>
Net incurred claim cost	-10%	<u>(64,306)</u>	<u>64,306</u>	<u>64,306</u>

***Claims development table***

The Group maintains reserves in respect of its insurance business in order to protect against adverse future claims experience and developments. The following tables show the estimates of cumulative incurred claims, including both claims notified and IBNR for each successive accident year at each reporting date, together with cumulative payments to date. The top half of each table below illustrates how the Group's estimate of total claims outstanding for each accident year has changed at successive year-ends. The bottom half of the table reconciles the cumulative claims to the amount appearing in the consolidated statement of financial position.

With the exception of the proportional and non-proportional reinsurance business, an accident-year basis is considered to be most appropriate for the business written by the Group. Given the nature of reinsurance claims and the difficulties in identifying an accident year for each reported claim, these claims are reported separately and aggregated by reporting year (reporting year basis) – that is, with reference to the year in which the Group was notified of the claims. This presentation is different from the basis used for the claims development tables for the other insurance claims and entities of the Group, where the reference is to the actual date of the event that caused the claim (accident-year basis).

The following table represents the claims development on gross claims on continued operations. The impact of ceded reinsurance has not been taken into consideration.

# Antares Reinsurance Company Limited

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2022

### 28 RISK MANAGEMENT (CONTINUED)

#### (d) Insurance risk (continued)

##### Claims development table

<i>Details</i>	<i>2013</i>	<i>2014</i>	<i>2015</i>	<i>2016</i>	<i>2017</i>	<i>2018</i>	<i>2019</i>	<i>2020</i>	<i>2021</i>	<i>2022</i>	<i>Total</i>
At the end of the accident year	94,408	255,951	542,310	1,001,185	1,474,743	1,649,076	1,293,454	1,165,501	765,056	680,218	
One year later	111,738	321,368	484,550	1,081,024	1,320,821	1,629,586	1,401,261	1,290,495	855,114		
Two years later	116,709	323,195	547,633	1,088,480	1,349,437	1,743,958	1,438,066	1,291,925			
Three years later	118,120	340,061	548,277	1,134,130	1,407,260	1,759,612	1,388,968				
Four years later	127,174	334,978	550,523	1,126,795	1,426,699	1,733,987					
Five years later	132,427	335,175	558,657	1,127,306	1,400,689						
Six years later	131,634	343,616	586,917	1,115,721							
Seven years later	131,864	372,953	538,702								
Eight years later	143,322	346,871									
Nine years later	128,987										
<b>Estimate of cumulative claims</b>	<b>128,987</b>	<b>346,871</b>	<b>538,702</b>	<b>1,115,721</b>	<b>1,400,689</b>	<b>1,733,987</b>	<b>1,388,968</b>	<b>1,291,925</b>	<b>855,114</b>	<b>680,218</b>	<b>9,481,182</b>
Claims paid in same year	(11,198)	(70,029)	(97,170)	(311,611)	(295,009)	(368,869)	(248,176)	(254,685)	(381,650)	(337,201)	
One year later	(60,815)	(171,023)	(271,280)	(797,601)	(916,200)	(1,146,973)	(812,900)	(549,684)	(579,998)		
Two years later	(68,585)	(180,582)	(344,614)	(920,205)	(982,843)	(1,396,839)	(998,994)	(692,311)			
Three years later	(75,098)	(190,340)	(402,343)	(974,935)	(1,048,735)	(1,515,533)	(1,093,032)				
Four years later	(76,739)	(216,023)	(437,929)	(1,001,973)	(1,110,352)	(1,552,115)					
Five years later	(83,971)	(231,898)	(476,797)	(1,059,794)	(1,204,916)						
Six years later	(91,466)	(245,668)	(516,049)	(1,110,394)							
Seven years later	(96,633)	(255,655)	(528,883)								
Eight years later	(100,290)	(270,527)									
Nine years later	(102,928)										
<b>Cumulative claims paid</b>	<b>(102,928)</b>	<b>(270,527)</b>	<b>(528,883)</b>	<b>(1,110,394)</b>	<b>(1,204,916)</b>	<b>(1,552,115)</b>	<b>(1,093,032)</b>	<b>(692,311)</b>	<b>(579,998)</b>	<b>(337,201)</b>	<b>(7,472,305)</b>
<b>Total gross claims liabilities</b>	<b>26,058</b>	<b>76,344</b>	<b>9,819</b>	<b>5,327</b>	<b>195,773</b>	<b>181,873</b>	<b>295,936</b>	<b>599,614</b>	<b>275,117</b>	<b>343,016</b>	<b>2,008,877</b>
Reserve in respect of prior years (Before 2013)											119,293
<b>Total gross claims liabilities</b>											<b>2,128,170</b>
<b>Current estimate of surplus/ (deficiency)</b>	<b>(34,578)</b>	<b>(90,920)</b>	<b>3,608</b>	<b>(114,536)</b>	<b>74,053</b>	<b>(84,911)</b>	<b>(95,514)</b>	<b>(96,424)</b>	<b>(90,058)</b>		
<b>Surplus/(deficiency) / original gross reserve</b>	<b>(37%)</b>	<b>(36%)</b>	<b>1%</b>	<b>(11%)</b>	<b>5%</b>	<b>(5%)</b>	<b>(7%)</b>	<b>(8%)</b>	<b>(12%)</b>		



# Antares Reinsurance Company Limited

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2022

### 28 RISK MANAGEMENT (CONTINUED)

#### (e) Market risk

Market risk can cause the Group to suffer losses due to unfavourable developments in the financial markets. Market risk arises as a result of our currency exposures, interest rate and default risk on the fixed income portfolio, and equity price risk as a result of the equities that the Group holds within the investment portfolio.

The Group limits market risk by maintaining a diversified portfolio and by continuous monitoring of developments in equity and bond markets. In addition, The Group actively monitors the key factors that affect stock and bond market movements, including analysis of the operational and financial performance of investees. The Group's investment guidelines and associated mandates are intended to limit its exposures to market risk and volatility, and the adherence to these guidelines and their continued suitability are overseen by the Investment Committee of the Board. In particular the Group limits its exposure to assets such as fixed income securities, cash deposits, private equity, hedge funds and other (non-fixed income/non-equity) managed funds.

However, the investment portfolio is heavily weighted towards the fixed income securities and cash deposits. The allocation to other investments such as equities and alternatives is approximately 2% (2020: 4%) of the overall invested assets.

#### (i) Currency risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument (asset or liability) will fluctuate because of changes in foreign exchange rates. The Group is exposed to currency risk to the extent that its assets are denominated in different currencies to its liabilities. Certain currency risk is managed through hedging. The table below summarises the Group's exposure to foreign currency exchange rate risk at reporting date by categorising financial assets and liabilities by major currencies.

#### 31 December 2022

	<i>USD and Others*</i> USD ('000)	<i>QAR</i> USD ('000)	<i>GBP</i> USD ('000)	<i>Euro</i> USD ('000)	<i>Total USD</i> ('000)
Cash and cash equivalents	165,080	285,286	15,852	802	467,020
Insurance and other receivables	195,285	-	799,752	157,266	1,152,303
Investments	1,003,373	-	4,893	3,286	1,011,552
Reinsurance contract assets	1,120,652	-	129,955	15,964	1,266,571
<b>Total Assets</b>	<b>2,484,390</b>	<b>285,286</b>	<b>950,452</b>	<b>177,318</b>	<b>3,897,446</b>
Provisions, reinsurance and other payables	207,330	-	40,676	16,323	264,329
Short term borrowings	361,153	-	-	-	361,153
Reinsurance contract liabilities	764,028	-	1,537,884	184,328	2,486,240
<b>Total Liabilities</b>	<b>1,332,511</b>	<b>-</b>	<b>1,578,560</b>	<b>200,651</b>	<b>3,111,722</b>

#### 31 December 2021

	<i>USD and Others*</i> USD ('000)	<i>QAR</i> USD ('000)	<i>GBP</i> USD ('000)	<i>Euro</i> USD ('000)	<i>Total USD</i> ('000)
Cash and cash equivalents	468,281	315,971	237,360	17,864	1,039,476
Insurance and other receivables	112,030	-	1,649,658	69,086	1,830,774
Investments	1,573,036	-	2,190	2,956	1,578,182
Reinsurance contract assets	1,363,828	-	2,213,797	89,318	3,666,943
<b>Total Assets</b>	<b>3,517,175</b>	<b>315,971</b>	<b>4,103,005</b>	<b>179,224</b>	<b>8,115,375</b>
Provisions, reinsurance and other payables	340,630	-	524,442	(82,129)	782,943
Short term borrowings	420,802	-	-	-	420,802
Reinsurance contract liabilities	1,093,366	-	3,728,142	224,185	5,045,693
<b>Total Liabilities</b>	<b>1,854,798</b>	<b>-</b>	<b>4,252,584</b>	<b>142,056</b>	<b>6,249,438</b>

\*Others mainly represents exposure in minor currencies with immaterial currency risk.

# Antares Reinsurance Company Limited

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2022

### 28 RISK MANAGEMENT (CONTINUED)

#### (e) Market risk (continued)

##### (i) Currency risk (continued)

The analysis that follows is performed for reasonably possible movements in key variables with all other variables held constant, showing the impact on profit before tax and equity due to changes in the fair value of currency sensitive monetary assets and liabilities including insurance contract claim liabilities. The correlation of variables will have a significant effect in determining the ultimate impact on market risk, but to demonstrate the impact due to changes in variables, it is necessary to change the variables on an individual basis.

	<i>Changes in variables</i>	<i>Impact on profit or loss</i>	
		<i>31 December 2022</i>	<i>31 December 2021</i>
		<i>USD ('000)</i>	<i>USD ('000)</i>
<b>Currency</b>			
Euro	+10%	474	6,055
GBP	+10%	1,125	27,189
		<b>1,599</b>	<b>33,244</b>
Euro	-10%	(474)	(6,055)
GBP	-10%	(1,125)	(27,189)
		<b>(1,599)</b>	<b>(33,244)</b>

The method used for deriving sensitivity information and significant variables did not change from the previous year.

##### (ii) Interest rate risk

Interest rate risk is the risk of changes in market interest rates which may reduce the overall return of interest-bearing securities or reduce the fair market value of the fixed income security. The Group invests in fixed income securities and holds cash deposits that are subject to interest rate risk.

The Group's interest risk policy requires managing interest rate risk by maintaining an appropriate mix of fixed and variable rate instruments. The policy also requires it to manage the maturities of interest-bearing financial assets and interest bearing financial liabilities.

The Group manages and limits its interest rate risk by monitoring changes in interest rates in the currencies in which its cash and investments are denominated and reacting to these changes in a timely and efficient manner. The Group diversifies its portfolio such that it has no significant concentration of interest rate risk.

The sensitivity of the Group's investment portfolio to interest rate movements is detailed below, assuming linear movements in interest rates:

<i>Changes in variables</i>	<i>31 December 2022</i>		<i>31 December 2021</i>	
	<i>Impact on profit or loss (USD '000)</i>	<i>Impact on equity (USD '000)</i>	<i>Impact on profit or loss (USD '000)</i>	<i>Impact on equity (USD '000)</i>
+50 basis points	<b>(91)</b>	<b>(23,604)</b>	(546)	(41,739)
-50 basis points	<b>91</b>	<b>23,604</b>	546	41,739

# Antares Reinsurance Company Limited

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2022

### 28 RISK MANAGEMENT (CONTINUED)

#### (e) Market risk (continued)

##### (ii) Interest rate risk (continued)

The Group's interest rate risk based on contractual arrangements is as follows:

#### 31 December 2022

	<i>Up to 1 year (USD '000)</i>	<i>1 to 5 years (USD '000)</i>	<i>Over 5 years (USD '000)</i>	<i>Total (USD '000)</i>	<i>Effective interest rate (%)</i>
Cash and cash equivalents	467,020	-	-	467,020	5.51%
Debt securities	41,575	345,046	562,044	948,665	4.03%
	<u>508,595</u>	<u>345,046</u>	<u>562,044</u>	<u>1,415,685</u>	
Short term borrowings	<u>361,153</u>	<u>-</u>	<u>-</u>	<u>361,153</u>	

#### 31 December 2021

	<i>Up to 1 Year (USD '000)</i>	<i>1 to 5 Years (USD '000)</i>	<i>Over 5 Years (USD '000)</i>	<i>Total (USD '000)</i>	<i>Effective interest rate (%)</i>
Cash and cash equivalents	1,039,476	-	-	1,039,476	1.92%
Debt securities	61,703	692,612	765,259	1,519,574	3.24%
	<u>1,101,179</u>	<u>692,612</u>	<u>765,259</u>	<u>2,559,050</u>	
Short term borrowings	<u>420,802</u>	<u>-</u>	<u>-</u>	<u>420,802</u>	

##### (iii) Price risk

Price risk is the risk that the fair value of or income from a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Group's equity price risk exposure relates to financial assets and financial liabilities whose values will fluctuate as a result of changes in market prices. The Group's risk appetite and tolerance statements, and Investment Mandate limit the exposures to equity price risk.

The analysis below is performed for reasonably possible movements in key variables with all other variables held constant, showing the impact on profit or loss and equity.

	<i>Changes in variables</i>	<i>31 December 2022</i>		<i>31 December 2021</i>	
		<i>Impact on profit or loss (USD '000)</i>	<i>Impact on equity (USD '000)</i>	<i>Impact on profit or loss (USD '000)</i>	<i>Impact on equity (USD '000)</i>
Qatar Market	+10%	-	-	-	-
International Markets	+10%	1,078	1,078	2,396	2,396
Qatar Market	-10%	-	-	-	-
International Markets	-10%	(1,078)	(1,078)	(2,396)	(2,396)

The method used for deriving sensitivity information and significant variables did not change from the previous year.

At 31 December 2022

**28 RISK MANAGEMENT (CONTINUED)****(f) Investment risk**

Investment risk can arise as a result of implementing an inappropriate investment strategy. The Group's investment strategy is tailored to meet the Group's business needs, objectives and regulatory requirements.

The Investment Committee of the Board approves and monitors the implementation of the Investment Mandate by the investment advisors, taking into consideration these objectives and requirements. An update on the investment portfolio is included in the Investment Committee meeting materials. Asset allocations are compared to minimum and maximum allocations and constraints per the investment mandate and, risk appetite and, tolerance statements to ensure compliance.

**(g) Liquidity risk**

Liquidity risk arises when the Group is unable to meet its payment obligations as and when they fall due. The Group measures this risk by assessing the appropriateness of the controls in place to monitor and manage liquidity risk exposure and supplement this with cash flow analysis arising from stress testing exercises such as those conducted as part of the Exposure Management Framework.

Liquidity risk is managed through the Group's overall investment strategy which is focused on allocations to more liquid instruments and wider monitoring of the overall liquidity profile of the investment portfolio. At an operational level, liquidity requirements are monitored on a regular basis, and management ensures that sufficient funds are available to meet any commitments as they arise. The actuarial team provide information to the investment managers on a quarterly basis relating to the maturity profile of the insurance liabilities in order to facilitate appropriate asset allocations. The Group risk appetite statements in relation to liquidity require that the average duration of assets is no longer than the average duration of liabilities.

*Maturity profiles*

The table below summarises the maturity profile of the financial assets and financial liabilities of the Group based on remaining undiscounted contractual obligations, including interest payable and receivable. For insurance contracts liabilities and reinsurance contract assets, maturity profiles are determined based on estimated timing of net cash outflows from the recognised insurance liabilities. Unearned premiums and the reinsurer's share of unearned premiums have been excluded from the analysis as they are not contractual obligations.

<i>31 December 2022</i>	<i>Up to a year USD ('000)</i>	<i>1 to 5 years USD ('000)</i>	<i>Over 5 years USD ('000)</i>	<i>Total USD ('000)</i>
<b><i>Financial assets: Non derivatives</i></b>				
Financial investments at fair value through profit or loss (FVTPL)	29,790	-	16,389	46,179
Financial investments at fair value through other comprehensive income (FVOCI)	46,467	345,046	545,655	937,168
Insurance and other receivables	871,955	280,348	-	1,152,303
Reinsurance contract assets	931,722	207,646	10,982	1,150,350
Cash and cash equivalents	467,020	-	-	467,020
	<b>2,346,954</b>	<b>833,040</b>	<b>573,026</b>	<b>3,753,020</b>
<b><i>Financial liabilities: Non derivatives</i></b>				
Reinsurance and other payables	96,080	168,250	-	264,330
Short term borrowings	361,153	-	-	361,153
Due to related parties	32,412	-	-	32,412
Reinsurance contract liabilities	1,387,308	694,350	46,512	2,128,170
	<b>1,876,953</b>	<b>862,600</b>	<b>46,512</b>	<b>2,786,065</b>

# Antares Reinsurance Company Limited

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2022

### 28 RISK MANAGEMENT (CONTINUED)

#### (g) Liquidity risk (continued)

*Maturity profiles (continued)*

<i>31 December 2021</i>	<i>Up to a year USD ('000)</i>	<i>1 to 5 Years USD ('000)</i>	<i>Over 5 years USD ('000)</i>	<i>Total USD ('000)</i>
<b><i>Financial assets: Non derivatives</i></b>				
Financial investments at fair value through profit or loss (FVTPL)	49,302	18,305	10,227	77,834
Financial investments at fair value through other comprehensive income (FVOCI)	60,833	674,307	755,031	1,490,171
Insurance and other receivables	1,420,152	131,574	-	1,551,726
Reinsurance contract assets	1,693,303	1,232,654	2	2,925,959
Cash and cash equivalents	1,039,476	-	-	1,039,476
	<b>4,263,066</b>	<b>2,056,840</b>	<b>765,260</b>	<b>7,085,166</b>
<b><i>Financial liabilities: Non derivatives</i></b>				
Reinsurance and other payables	592,348	-	-	592,348
Short term borrowings	420,801	-	-	420,801
Due to related parties	693,791	-	-	693,791
Reinsurance contract liabilities	2,870,987	1,086,743	1,748	3,959,478
	<b>4,577,927</b>	<b>1,086,743</b>	<b>1,748</b>	<b>5,666,418</b>

#### (h) Concentration risk

Concentration risk can arise when the investment portfolio is not appropriately diversified across counterparties, geographical regions and industries. Concentration risk is measured with reference to the Group's risk appetite and tolerance statements, which limit the concentration of asset holdings on a regional, country and counterparty level, ensuring the investment portfolio is appropriately diversified.

#### (i) Credit risk

Credit risk arises from both the underwriting and investment activities of the Group. This represents the risk of counterparties defaulting and not being able to make payments resulting in losses to the Company. A credit risk event can occur due to the failure of reinsurers to settle claims in full, failure of a broker to pass on premiums or failure of a bank or invested party to return cash.

To monitor the Group's credit risk, the outwards reinsurance team actively monitors exposure to single reinsurance counterparties. The technical accounting department prepare and monitor aged debt reports, establishing provisions for amounts which are not expected to be recovered due to default. Exposure to brokers is captured within a dashboard by the underwriting department. The security rating of all banking and custodian counterparties is actively monitored. For all classes of financial assets held by the Group, other than those relating to reinsurance contracts, the maximum credit risk exposure to the Group is the carrying value as disclosed in the consolidated financial statements at the reporting date.

To minimise our exposure to significant losses from reinsurer insolvencies, the Company evaluates the financial condition of it reinsures. At each reporting date, management performs an assessment of creditworthiness of reinsurers and updates the reinsurance purchase strategy, ascertaining suitable allowance for impairment. Minimum security ratings or collateral requirements are in place for reinsurance counterparties. An approval process is in place for accepting all new reinsurers and banking counterparties, with minimum security ratings also in place for all banking and investment counterparties. All brokers are subject to due diligence procedures.

# Antares Reinsurance Company Limited

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2022

### 28 RISK MANAGEMENT (CONTINUED)

#### (i) Credit risk (continued)

Age analysis of gross receivable balances at yearend is as follows:

	< 30 days USD ('000)	31 to 60 days USD ('000)	61 to 90 days USD ('000)	91 to 120 days USD ('000)	Above 120 days USD ('000)	Total USD ('000)
<b>31 December 2022</b>						
Insurance premiums and other receivables	<b>952,691</b>	<b>11,040</b>	<b>15,576</b>	<b>13,552</b>	<b>159,444</b>	<b>1,152,303</b>
<b>31 December 2021</b>						
Insurance premiums and other receivables	1,597,804	18,750	3,246	9,482	201,492	1,830,774

#### Credit exposure by credit rating

The table below provides information regarding the credit risk exposure of the Group by classifying the invested assets according to the credit ratings of external rating agencies.

	AAA USD ('000)	AA USD ('000)	A USD ('000)	BBB & Below USD ('000)	Unrated USD ('000)	Total USD ('000)
<b>31 December 2022</b>						
Cash and cash equivalents	<b>21,614</b>	<b>154,766</b>	<b>260,736</b>	<b>207</b>	<b>29,697</b>	<b>467,020</b>
Debt securities	<b>24,724</b>	<b>54,286</b>	<b>330,880</b>	<b>533,736</b>	<b>5,039</b>	<b>948,665</b>
<b>31 December 2021</b>						
Cash and cash equivalents	115,896	237,979	546,823	121,015	17,763	1,039,476
Debt securities	7,805	112,595	384,470	1,010,125	4,579	1,519,574

#### Impaired financial assets

At 31 December 2022 there are impaired insurance receivables of USD 354,000 (2021: USD 520,000). For assets to be classified as “past-due and impaired” contractual payments must be in arrears for more than 90 days. No collateral is held as security for any past due or impaired assets.

The Group records all impairment allowances for insurance receivables in a separate impairment allowance account. A reconciliation of the allowance for impairment losses on insurance receivables is as follows:

**28 RISK MANAGEMENT (CONTINUED)****(i) Credit risk (continued)***Impaired financial assets (continued)*

	2022 USD ('000)	2021 USD ('000)
At 1 January	520	437
Charged during the year	11	83
Transferred to discontinued operations	(177)	-
<b>At 31 December (Note 10)</b>	<b>354</b>	<b>520</b>

Impairment losses and releases related to ECLs for debt instruments measured at FVOCI are accounted for and disclosed separately from modification losses or gains that are accounted for as an adjustment of the financial asset's gross carrying value. The ECLs do not reduce the carrying amount of these financial assets in the statement of financial position, which remains at fair value. Instead, an amount equal to the allowance that would arise if the assets were measured at amortised cost is recognised in OCI as an accumulated impairment amount, with a corresponding charge to profit or loss. The accumulated loss recognised in OCI is recycled to the profit and loss upon derecognition of the assets. The amount recycled is disclosed in Note 6.

The movement in ECL during the year is disclosed in Note 13.

**(j) Operational and systems risk**

Operational risk arises from the failure of or inadequate processes, people or systems or from external events that impact the operational capability of the Group. The Group monitors operational risk exposures through its risk register and emerging risk processes which are overseen by the Risk & Capital Committee of the Board. This risk register and emerging risk process also cover strategic risks, reputational risks and legal and litigation risks.

The Group seeks to manage operational risk exposure through the implementation of a robust internal control framework and an effective governance framework. The Group has detailed systems and procedures manuals with effective segregation of duties, access controls, authorisation and reconciliation procedures, staff training and assessment processes etc. with a compliance and internal audit framework. Business risks such as changes in environment, technology and the industry are monitored through the Group's strategic planning and budgeting process. The Group has established business continuity and disaster recovery plans.

**(k) Group risk**

Group risk represents the risk arising as a result of being part of an insurance group, including exposures resulting from intra-group transactions. It arises from the relationship that the Group has with the parent group, including the reinsurance cover provided by QIC and the dependence on the QIC group credit rating and parental guarantee. Operational dependency is limited to only one material intra-group outsourcing contract relating to investment advisory services.

**(l) Strategic risk**

The Group has identified a number of strategic risks within the risk register, covering risks to the planning, communication and execution of the business plan, and risks associated with the management and availability of capital. The risk of business strategy failure is mitigated through the review and sign off of the Group's business plan by the Board and alignment of the business plan, risk appetite, capital requirements and underwriting guidelines. Stress and scenario testing help to identify and assess the risks to the business plan. All Board members and Officers of the Group are subject to requirements to confirm that they are fit and proper to discharge their responsibilities, which includes providing the necessary strategic direction.

**(m) Reputational risk**

Reputational risk arises as a result of adverse publicity regarding business practices or associations. The risk is mitigated through the Group's corporate governance framework and Board oversight of its strategies, policies and risk appetite. The Group is committed to complying with sound business practices and compliance with applicable laws and regulations.

**28 RISK MANAGEMENT (CONTINUED)**

**(n) Climate change**

Climate Change, and the response to climate change is an evolving risk area which has the potential to impact the Group along with the wider insurance industry. This risk could impact not only the physical environment, but also the liability environments in which the Group operates. There may also be potential transition risks arising from the transition to a low carbon economy. Such impacts could be short or long term in nature, and potentially affect other key risk types as previously described.

**29 CONTINGENCIES, GUARANTEES AND COMMITMENTS**

The Group, like most other insurance and reinsurance companies, is continuously involved in legal proceedings, claims and litigation in the normal course of business. As at 31 December 2022 there are no additional contingent liabilities to establish in relation to any of these legal proceedings.

The Group is also subject to insurance solvency regulations in all of the territories in which it issues insurance contracts. There are no contingencies associated with the Group's compliance or lack of compliance with these regulations.

***Letters of Credit:***

The Company provides letters of credit to clients as additional security for outstanding recoverable from the Company. The majority of these clients represent U.S. insurance companies. As the Company is not an admitted reinsurer in the U.S., the terms of certain U.S. reinsurance contracts require Qatar Re to provide letters of credit or other terms of collateral to clients in order that such clients may include any recoverable balances from Qatar Re as an admitted asset in their U.S. statutory financial statements. The Company has in place unsecured letter of credit facilities with various highly rated banking institutions that are for the provision of a letter of credit mostly in favour of U.S. ceding companies, as well as ceding companies from other jurisdictions. These banking institutions are all included on the NAIC List of Qualified U.S. Financial Institutions.

***Guarantee:***

The Company has provided a guarantee to QEL as a subsidiary, whereby the Company guarantees certain amounts payable to QEL by specified third parties. The intent of the guarantee is to transfer credit risk to the Company as a part of a capital management strategy.

**30 DISCONTINUED OPERATIONS**

The Group has a plan to sell the wholly owned Gibraltar-based subsidiaries namely West Bay Insurance Plc and Markerstudy Insurance Co. Ltd. The Group is in active discussions with a potential institutional buyer. Certain material milestones were completed. On 17 October 2022, the board executive committee provided the approval and authorized the management to conclude the transaction which was confirmed by the board of directors on 26 October 2022. The sale is expected to be completed within a year from the reporting date subject to approval from relevant regulatory authorities. These companies were classified as a disposal group held for sale and as a discontinued operation. The business of the Gibraltar-based subsidiaries underwrites UK motor insurance.



# Antares Reinsurance Company Limited

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2022

### 30 DISCONTINUED OPERATIONS (CONTINUED)

The results of these subsidiaries for the year are presented below:

	<i>2022</i> <i>USD ('000)</i>	<i>2021</i> <i>USD ('000)</i>
Gross premiums	783,994	1,240,497
Premium ceded to reinsurers	<u>(716,551)</u>	<u>(1,037,387)</u>
<b>Net premiums</b>	<b>67,443</b>	<b>203,110</b>
Movement in unexpired risk reserve	<u>54,136</u>	<u>(15,904)</u>
<b>Net earned premiums</b>	<b>121,579</b>	<b>187,206</b>
Gross claims paid	(654,330)	(521,913)
Reinsurance recoveries	468,792	364,623
Movement in outstanding claims	(142,165)	1,516
Net commissions	<u>(81,405)</u>	<u>(93,550)</u>
<b>Net underwriting results</b>	<u>(287,529)</u>	<u>(62,119)</u>
Investment and other income	9,498	11,778
Finance costs	<u>(354)</u>	<u>(226)</u>
<b>Net investment income</b>	<u>9,144</u>	<u>11,552</u>
<b>Total income</b>	<b>(278,385)</b>	<b>(50,567)</b>
Operating and administrative expenses	<u>(66,827)</u>	<u>(11,081)</u>
<b>Loss before tax from discontinued operations</b>	<b>(345,212)</b>	<b>(61,648)</b>
Income tax expenses	<u>4</u>	<u>(8,664)</u>
<b>Loss after tax from discontinued operations</b>	<u><u>(345,208)</u></u>	<u><u>(70,312)</u></u>

The net cash flows incurred are, as follows;

	<i>2022</i> <i>USD ('000)</i>
Operating	(296,431)
Investing	148,257
Financing	108,656
Fx impact	<u>(34,228)</u>
<b>Net decrease in cash generated</b>	<u><u>(73,746)</u></u>

The carrying amounts of assets and liabilities related to discontinued operations that are reclassified to assets and liabilities and held for sale are as follows:

	<i>2022</i> <i>USD ('000)</i>
<b>Assets</b>	
Cash and short-term deposits	244,603
Insurance and other receivables	542,792
Reinsurance contract assets	1,478,872
Financial investments	294,015
Investment properties	<u>2,235</u>
<b>Total Assets Held for Sale</b>	<u><u>2,562,517</u></u>
<b>Liabilities</b>	
Provisions, reinsurance and other payables	376,499
Amounts due to related parties	404,321
Insurance contract liabilities	<u>1,747,917</u>
<b>Total Liabilities related to Held for Sale</b>	<u><u>2,528,737</u></u>

### **31 IMPACT OF THE UKRAINE CONFLICT**

The ongoing conflict in Ukraine has a significant impact on the global economy.

The Group is closely monitoring the situation. The extent of the impact on the Group's business and the results of its operations is largely dependent on the evolving future developments. The Group had incurred approximate claims of USD 2.2 million, net of reinsurance, for the year.

The Group remains robust in terms of capital, liquidity funding, and operational strength. The Group expects this uncertainty and consequent capital contraction in markets, rates, and the insurance industry.

### **32 COMPARATIVES**

Certain comparative figures of the previous year have been reclassified to conform to the current year's presentation including the disclosure of the discontinued operations (Note 30). However, such reclassifications are not material and do not have an impact on the previously reported profit or net assets.

### **33 EVENTS AFTER THE REPORTING PERIOD**

#### **Capital Injection**

The unaudited Group ECR and BSCR coverage ratios at the end of 2022 is expected to be 93% which is below the minimum ratio. To address this and in accordance with the Company's Capital Management Action Plan, an additional USD 100 million of capital was injected into the Company in the first quarter of 2023.

#### **Sale of Gibraltar based Subsidiaries**

In 2022, the Company entered into discussions with a current investor in Markerstudy Insurance Services Limited, to sell the Company's share capital in West Bay Insurance Plc and Markerstudy Insurance Company Limited. The discussions are now in a materially advance state, and the potential buyer has now sent a near-final share purchase agreement to its investors for approval. While negotiations continue on certain ancillary documents (including, for example, an updated 2023 binding authority agreement), it is currently anticipated that the parties will shortly be in a position to exchange on the sale. It should be noted that completion of the sale is dependent on the satisfaction of a number of subjectivities, including on the potential buyer obtaining all necessary regulatory change of control approvals.