Pallas Reinsurance Company Ltd.

Annual Report and Financial Statements
31 December 2022

Company information

Directors

William Angus Bridger
Simon Hawkins (resigned on 27 September 2022)
Andrew Smith
Rhydian Williams
Anson Aguiar (resigned on 26 October 2022)
David Presley (appointed on 4 August 2022)
Anup Seth (appointed on 4 August 2022)
Robin Masters (appointed on 7 November 2022)

Company secretary

Compass Administration Services Ltd. - resigned 6 June 2022
Laetitia Hupman

Carey Olsen Services Bermuda Limited – appointed 6 June 2022
Susie Tindall

Registered office

Compass Administration Services Ltd. - resigned 6 June 2022
Crawford House, 50 Cedar Avenue
2 Church Street
Hamilton HM 11
Bermuda

Carey Olsen Services Bermuda Limited – appointed 6 June 2022
Rosebank Centre, 5th Floor
11 Bermudiana Road
Pembroke, HM 08
Bermuda

Registered number

55121

Auditors

KPMG Audit Limited
Crown House
4, Par-la-Ville Road
EC4M 7AU
Hamilton, HM 08
Bermuda

Bankers

HSBC Bermuda
Bank of New York Mellon

KPMG Audit Limited
Crown House
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INDEPENDENT AUDITOR'S REPORT

To the Shareholder and Board of Directors of Pallas Reinsurance Company Ltd

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Pallas Reinsurance Company Ltd. (the "Company"), which comprise the statement of financial position as at December 31, 2022, the statements of income and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2022, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Company in accordance with International Ethics Standards Board for Accountants International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Bermuda and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

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

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

— Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

— Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

— Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

— Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

— Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

KPMG Audit Limited

Chartered Professional Accountants
Hamilton, Bermuda
April 27, 2023

Income Statement
For the year ended 31 December 2022

	Note	2022 $000	2021 Restated $000
Gross premiums		**1,946**	—
Written premiums ceded to reinsurers		**—**	—
Net written premiums		**1,946**	—
Change in provision for unearned premiums, gross	22	**4,086**	1,182
Change in provision for unearned premium, reinsurers share	22	**—**	(946)
Net change in provision for unearned premiums		**4,086**	236
Net earned premiums		**6,032**	236
Interest income	6	**15,209**	1,618
Fair value gains/(losses)	7	**(68,559)**	(336)
Other operating revenue and income		**2,418**	(315)
Other income/(expense)		**(50,932)**	968
Total income/(expense)		**(44,900)**	1,204
Gross claims paid	4	**(66,531)**	(25,819)
Claims ceded to reinsurers	4	**13,102**	14,232
Gross change in the provision for claims	22	**217,562**	201,343
Change in the provision for claims ceded to reinsurers	22	**(7,422)**	(104,679)
Net claims		**156,711**	85,078
Finance costs	8	**(123)**	—
Other operating and administrative expenses	9,10,11	**(22,440)**	(13,551)
Other expenses		**(22,563)**	(13,551)
Net gains from claims net of expenses		**134,148**	71,527
Profit before taxation		**89,248**	72,731
Profit for the year		**89,248**	72,731

The 2021 restatement is due to a change in accounting policy to discount the technical provisions (note 2.13) and the reinsurers share of technical provisions (note 2.14).

The notes on pages 9 to 43 form an integral part of these financial statements.

Statement of Comprehensive Income
For the year ended 31 December 2022

	2022	2021 Restated
	$000	$000
Profit for the year	**89,248**	**72,731**
Other comprehensive income		
Items that may subsequently be reclassified to profit or loss		
Net unrealised losses on available-for-sale securities	(142)	—
Total other comprehensive income for the year	**(142)**	**—**
Total comprehensive income for the year	**89,106**	72,731

The 2021 restatement is due to a change in accounting policy to discount the technical provisions (note 2.13) and the reinsurers share of technical provisions (note 2.14).

The notes on pages 9 to 43 form an integral part of these financial statements.

Statement of Financial Position
For the year ended 31 December 2022

	Note	December 31, 2022	December 31, 2021 Restated	January 1, 2021 Restated
		$000	$000	$000
Assets				
Property, plant and equipment	12	**52**	7	3
Right-of-use asset	13	**94**	—	—
Financial investments	15	**893,595**	585,914	119,493
Loans receivable	16	**12,843**	2,588	890
Reinsurers' share of Technical Provisions	17	**56,563**	84,807	54,798
Insurance receivables	18	**91,242**	4,059	3,194
Other receivables	18	**18,580**	6,025	(3)
Prepayments and accrued income		**5,789**	2,827	518
Cash and cash equivalents	19	**22,460**	28,141	923
Total assets		**1,101,218**	**714,367**	**179,816**
Equity and liabilities				
Equity				
Issued share capital	20	**120**	120	120
Other reserves	21	**333,050**	178,678	15,400
Retained earnings		**165,898**	76,649	3,918
Total equity attributable to owners of the parent company		**499,068**	**255,448**	**19,438**
Total equity	4	**499,068**	**255,448**	**19,438**
Liabilities				
Technical Provisions	22	**575,587**	404,674	68,493
Lease liabilities	13	**109**	—	—
Insurance payables	23	**21,084**	41,312	1,088
Accruals and deferred income		**1,862**	999	345
Other payables	24	**3,507**	11,934	90,452
Total liabilities		**602,150**	**458,919**	**160,378**
Total equity and liabilities		**1,101,218**	**714,367**	**179,816**

The 2021 restatement is due to a change in accounting policy to discount the technical provisions (note 2.13) and the reinsurers share of technical provisions (note 2.14).

The notes on pages 9 to 43 form an integral part of these financial statements.

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Will Bridger
Director

DocuSigned by:
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David Presley
Director

Statement of Changes in Equity
For the year ended 31 December 2022

	Ordinary share capital	Other reserves	Retained earnings	Total equity attributable to owners of the parent company
	$000	$000	$000	$000
At 1 January 2021	120	15,400	3,731	19,251
Restatement of Technical Provisions and Reinsurers' share of Technical Provisions		–	187	187
At 1 January 2021 - as restated	120	15,400	3,918	19,438
Transactions with owners				
Capital Contributions	–	163,278	–	163,278
	–	163,278	–	163,278
Profit for the year- as previously reported	–	–	39,070	39,070
Restatement of Technical Provisions and Reinsurers' share of Technical Provisions	–	–	33,662	33,662
Total comprehensive income for year- as restated	–	–	72,732	72,732
At 31 December 2021- as restated	120	178,678	76,650	255,448
At 1 January 2022	**120**	**178,678**	**76,650**	**255,448**
Capital Contributions	**–**	**154,514**	**–**	**154,514**
	–	**154,514**	**–**	**154,514**
Profit for the year	**–**	**–**	**89,248**	**89,248**
Other comprehensive income for the year	–	**(142)**	–	**(142)**
Total comprehensive income for year	**–**	**(142)**	**89,248**	**89,106**
At 31 December 2022	**120**	**333,050**	**165,898**	**499,068**

The notes on pages 9 to 43 form an integral part of these financial statements.

Statement of Cash Flows
For the year ended 31 December 2022

	2022	2021 Restated
	$000	$000
Cash flows from operating activities		
Profit before tax	**89,248**	72,731
Adjustment for:		
- change in operating assets	**138,563**	(40,906)
- change in operating liabilities	**(77,585)**	298,616
Non cash items included in Profit before taxation:		
Interest income	**(15,209)**	–
Net finance costs	**123**	–
Depreciation of property, plant and equipment	**13**	1
Depreciation of right-of-use assets	**70**	–
Fair value movements	**68,559**	180
Interest received	**12,682**	–
Net cash from operating activities	**216,464**	330,622
Cash flows from investing activities		
Purchases of property, plant and equipment	**(58)**	(4)
Purchases of investments	**(563,259)**	(801,325)
Proceeds from disposal of investments	**210,854**	334,747
Net cash used in investing activities	**(352,463)**	(466,582)
Cash flows from financing activities		
Capital contributions received	**130,496**	163,278
Repayments of borrowings	**–**	(100)
Repayment of principal amount of lease liabilities	**(55)**	–
Interest and other finance costs paid	**(123)**	–
Net cash from financing activities	**130,318**	163,178
Movement in cash and cash equivalents	**(5,681)**	27,218
Opening balance of cash and cash equivalents	**28,141**	923
Closing balance of cash and cash equivalents	**22,460**	28,141

The notes on pages 9 to 43 form an integral part of these financial statements.

1. Corporate information

Pallas Reinsurance Company Ltd. ("the Company") is an exempted company limited by shares that was incorporated on December 3, 2019 and commenced business on September 25, 2020. The parent entity is Compre Bermuda Holdings Limited ("the Parent"), domiciled in Bermuda, and the most senior parent company that prepares consolidated financial statements is Compre Group Holdings Limited ("Compre Group"), domiciled in Bermuda. Maple FeederCo Limited is the Group's ultimate controlling party.

The Company was licensed as a Class 3A reinsurer pursuant to The Insurance Act 1978 ("the Act"), and effective February 1, 2022, the Company relicensed as a Class 3B reinsurer due to changes in the scale of business.

The Company's principal activities are the acquisition and subsequent management of insurance and reinsurance companies and portfolios in the run-off insurance market.

2. Accounting policies

2.1. Basis of preparation

Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). Comparative information within these financial statements has also been prepared in accordance with IFRS. They were authorised for issue in accordance with a resolution of the directors on 26 April 2023.

Basis of measurement

The financial statements have been prepared on the historical cost basis with the exception of investment securities classified as available for sale and fair value through profit and loss which are measured at fair value, and insurance claims reserves.

Going concern

The directors have, at the time of approving the financial statements, a reasonable expectation that the Company has adequate resources to continue in operational existence at least the next 12 months. Thus they have adopted the going concern basis of accounting in preparing the financial statements.

2.2. Use of estimates and judgements

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised and in any future years affected.

Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described in note 3.

2.3. Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The Company's functional currency is United Stated Dollars ("USD") and the financial statements are presented in United States Dollars ("USD").

2.4. Foreign currency

Transactions in foreign currencies are translated into the functional currency at the prior month's closing exchange rates of the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at each reporting date are translated into the functional currency at exchange rates in effect at the balance sheet date. Foreign currency differences are generally recognised in the statement of income.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

2. Accounting policies (continued)

2.5. Property plant and equipment

Property, plant and equipment is recognised as an asset only if it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably.

An item of property, plant and equipment that qualifies for recognition as an asset is measured at its cost. Cost of an item of property, plant and equipment comprises the purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management and an initial estimate of the cost of dismantling and removing the asset and restoring the site on which it is located.

After recognition, all property, plant and equipment is carried at cost less any accumulated depreciation and any accumulated impairment losses.

Depreciation is provided at rates calculated to write down the cost of assets, less estimated residual value, over their expected useful lives on the following basis:

Computer equipment	25% per annum
Fixtures and fittings	20% per annum

The residual value and the useful life of an asset is reviewed at least at each financial year-end and if expectations differ from previous estimates, the changes are accounted for as a change in an accounting estimate in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.

Gains or losses arising on the disposal of property, plant and equipment are determined as the difference between the disposal proceeds and the carrying value of the asset and are recognised in the Income Statement.

2.6. Leases – company as lessee

The right-of-use asset consists of the lease of offices which are carried under the cost model. Right-of-use assets are depreciated over the shorter of the lease term and the useful life of the underlying asset. Depreciation starts at the commencement date of the lease.

At inception of the contract, the Company assesses whether a contract is, or contains, a lease. The Company recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee. The right-of-use assets and the lease liabilities are presented as separate line items in the statement of financial position.

The lease liability is initially measured at the present value of the lease payments payable over the lease term, discounted at the rate implicit in the lease. If this rate cannot be readily determined, the Company uses its incremental borrowing rate. It is subsequently measured by increasing the carrying amount to reflect interest on the lease liability and by reducing the carrying amount to reflect the lease payments made.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, plus lease payments made on or before the commencement day, less any lease incentives received and plus any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

The Company has elected not to recognise right-of-use assets and lease liabilities for short-term leases. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

2.7. Financial assets

Initial recognition and measurement

Financial assets are recognised in the statement of financial position when, and only when, the Company becomes a party to the contractual provisions of the instrument.

2. Accounting policies (continued)

Financial assets are recognised initially at fair value. Attributable transaction costs are also added to the fair value at initial recognition in case of investments not classified as fair value through profit or loss

Subsequent measurement

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and those designated upon initial recognition at fair value through profit or loss. Investments typically bought with the intention to sell in the near future are classified as held for trading. For investments designated at fair value through profit or loss, the following criteria must be met:

- The designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognizing gains or losses on a different basis; or
- The assets and liabilities are part of a group of financial assets, financial liabilities, or both, which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy.

These investments are initially recorded at fair value. Subsequent to initial recognition, they are remeasured at fair value. Changes in fair value are recorded in ‘Fair value gains and losses’ in the Income Statement. Interest is accrued and presented in ‘Investment income’ or ‘Finance cost’, respectively, using the effective interest rate (EIR) in the Income Statement.

Dividend income is recorded in ‘Other income’ in the Income Statement when the right to the payment has been established.

Available-for-sale financial assets

Available-for-sale financial investments include equity securities. Equity investments classified as available-for-sale are those that are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those that are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial measurement, available-for-sale financial assets are subsequently measured at fair value, with unrealised gains or losses recognised in other comprehensive income in the available-for-sale reserve. Where the Company holds more than one investment in the same security, they are deemed to be disposed of on a first-in first-out basis. Interest earned whilst holding available-for-sale investments is reported as interest income using the EIR. Dividends earned whilst holding available-for-sale investments are recognised in the statement of profit or loss as ‘Interest income’ when the right of the payment has been established. When the asset is derecognised or determined to be impaired, the cumulative gain or loss is reclassified from available-for-sale reserve to the Income Statement.

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These investments are initially recognised at cost, being the fair value of the consideration paid for the acquisition of the investment. All transaction costs directly attributable to the acquisition are also included in the cost of the investment. After initial measurement, loans and receivables are measured at amortised cost, using the EIR, less allowance for impairment. Amortised cost is calculated by considering any discount or premium on acquisition and fee or costs that are an integral part of the EIR. The EIR amortisation is included in ‘finance income’ in the income statement. Gains and losses are recognised in the income statement when the investments are derecognised or impaired, as well as through the amortisation process.

Impairment of financial assets

The Company assesses at each reporting date whether there is any objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred ‘loss event’) and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost
For financial assets carried at amortised cost, the Company first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

2. Accounting policies (continued)

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate.

2.7. Financial assets (continued)

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in the Income Statement. Interest income (recorded as investment income in the income statement) continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Company. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to finance costs in the Income Statement.

Available-for-sale financial investments

For available-for-sale financial investments, the Company assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired.

In the case of equity investments (including funds) classified as available-for-sale, objective evidence would include a 'significant or prolonged' decline in the fair value of the investment below its cost. 'Significant' is evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the Income Statement – is removed from other comprehensive income and recognised in the income statement. Impairment losses on equity investments are not reversed through profit or loss; increases in their fair value after impairment are recognised directly in other comprehensive income.

The determination of what is 'significant' or 'prolonged' requires judgement. In making this judgement, the Company evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its cost.

Temporary deferral of IFRS 9

A temporary exemption from the adoption of IFRS 9 is available to companies that, considering their activities as a whole (at the reporting entity level), meet the following qualifying criteria: (i) they have not previously applied IFRS 9; and ii) they have activities that are predominantly connected with insurance (the 'predominance test'). Each reporting entity has to assess whether it is eligible for the temporary exemption. A company that qualifies for the temporary exemption from IFRS 9 and chooses to use it must apply IAS 39 rather than IFRS 9 to all, rather than some, of its financial assets.

The predominance test was carried out and it was concluded that the Company can apply the temporary deferral approach as over 95% of the Company's liabilities arise from insurance contracts within the scope of this IFRS.

2.8. Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less in the statement of financial position. Deposits, as well as insurance funds withheld, are only included within cash and cash equivalents if the Company is able to access the assets in the short term without requiring another party's consent, and the underlying instruments are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

2.9. Equity and reserves

Share capital represents the nominal value of shares that have been issued.

Other reserves includes unrealized gains and losses arising out of changes in fair value securities held as available-for-sale as disclosed in note 2.7.

Retained earnings include all current year profits and prior years' profits and losses.

2. Accounting policies (continued)

2.10. Gross written premiums

Gross written premiums comprise the total premiums receivable for the whole period of cover provided by contracts entered into during the accounting period. They are recognised on the date on which the policy commences. Premiums include any adjustments arising in the accounting period for premiums receivable in respect of business written in prior accounting periods. Rebates that form part of the premium rate, such as no-claim rebates, are deducted from the gross premium; others are recognised as an expense

2.11. Unearned premiums

Unearned premiums represent the proportion of premiums written and unexpired policies acquired in that year that relate to unexpired terms of policies in force at the end of each accounting period. These premiums are calculated separately for each insurance policy on a pro-rata basis, and subsequently recognized in the income statement over the period during which the policies are in force.

2.12. Claims paid

Gross claims paid comprises both claims approved for payment in the year and paid claims incorporated into the Company by way of a portfolio transfer. Claims are presented in the income statement as ‘claims paid’ when payment has been approved and a creditor has been recognised; claims arising via a portfolio transfer are recognised when a legal agreement is reached between the original risk carrier and the third party transferring the risk.

2.13. Technical provisions

Non-life technical provisions comprise the outstanding claims provision and the provision for unearned premium. The outstanding claims provision is based on the estimated ultimate cost of all claims incurred but not settled at the reporting date, whether reported or not, together with claims related costs, including future run-off expenses and reduction for the expected value of salvage and other recoveries. Delays can be experienced in the notification and settlement of certain types of claims, therefore, the ultimate cost of these cannot be known with certainty at the reporting date. The liability is calculated at the reporting date using standard actuarial claim projection techniques, based on empirical data and current assumptions that may include a margin for adverse deviation. No provision for equalisation or catastrophe reserves is recognised.

Technical provisions are discounted to present value to reflect an adjustment for the time value of money. This represents a change in accounting policy and therefore prior year restatements have been made. Management considers this measurement to give more relevant information about the Company’s financial position, as it is consistent with the IASB's deliberations on IFRS 17, in which the Board noted that the measurement of all insurance contracts should reflect the effect of the timing of cash flows.

Technical provisions are derecognised when the obligation to pay a claim expires, is discharged or is cancelled.

2.14. Reinsurance

The Company cedes insurance risk in the normal course of business. A reinsurance asset (reinsurers’ share of technical provisions) is recognised to reflect the amount estimated to be recoverable under the reinsurance contracts in respect of the outstanding claims reported. Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision or settled claims associated with the reinsurer 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. Any impairment loss is recorded in the Income Statement.

Ceded reinsurance arrangements do not relieve the Company from its obligations to policyholders.

Consistently with technical provisions, reinsurance assets are discounted to present value to reflect an adjustment for the time value of money. This represents a change in accounting policy and therefore prior year restatements have been made.

2.15. Retroactive Reinsurance

Under retroactive reinsurance, the Company assumes liabilities incurred as a result of past insurable events. Legal transfers (loss portfolio transfers) that are not business combinations are also accounted for as retroactive reinsurance. The Company recognises assets acquired and liabilities assumed as a direct consequence of retroactive reinsurance agreements on the earlier of the following occurrences:

- the beginning of the coverage period; and

- the date when the first payment from a cedant becomes due.

2. Accounting policies (continued)

2.15. Retroactive Reinsurance (continued)

The Company measures the assets acquired and the liabilities assumed in retroactive reinsurance agreements in accordance with the accounting policies for the respective assets and liabilities; these primarily include financial assets and technical provisions, policies for which are disclosed in notes 2.7, 2.8 and 2.13. Future adjustment premiums arising from retroactive reinsurance agreements are only recognised when there is a reliable measure for them, which is generally not expected to occur before such adjustment premiums crystallise and are notified to the Company.

Gains or losses on retroactive reinsurance, representing the difference between the assets acquired and the liabilities assumed, are recognised in profit or loss immediately upon initial recognition and are not amortised.

Subsequent changes to the estimated timing and amount of loss payments on retroactive reinsurance are reflected in profit or loss in accordance with the policies set out in notes 2.13 and 2.14.

2.16. Insurance claims handling expenses

The provision for the costs of handling and settling claims to extinction and all other costs of managing the run-off is based on an analysis of the expected costs to be incurred in run-off activities, incorporating expected savings from the reduction of transaction volumes over time. Changes in the estimates of such costs and future investment income are reflected in the year in which the estimates are made.

2.17. Income tax

Under current Bermuda law, the Company is not required to pay any taxes in Bermuda on either income or capital gains. The Company has received an undertaking from the Bermuda government exempting it from all local income, withholding and capital gains taxes until March 31, 2035. At the present time no such taxes are levied in Bermuda.

2.18. Funds held

Under funds held arrangements, the reinsured company has retained funds that would otherwise have been remitted to the Company. The funds balance is credited with investment income and losses paid are deducted. The funds held are presented within note 18.

Funds held are shown under two categories, funds held where the Company receive the underlying portfolio economics are shown as "Funds held directly managed by reinsurers", and funds held where the Company receive a fixed crediting rate are shown as "Funds held by reinsured companies".

Funds held by reinsured companies are carried at cost.

Funds held directly managed by reinsurers, are carried at fair value, either because the Company elected the fair value option at the inception of the reinsurance contract, or because it represents the aggregate of funds held at cost and the value of an embedded derivative. The embedded derivative relates to the Company contractual right to receive the return on the underlying investment portfolio supporting the reinsurance contract. We include the estimated fair value of these embedded derivatives in the Statement of financial position with the host contract in order to reflect the expected settlement of these features with the host contract.

3. Significant management judgements in applying accounting policies and estimation uncertainty

When preparing the financial statements, management makes a number of judgements, estimates and assumptions about the recognition and measurement of assets, liabilities, income and expenses.

Significant management judgement

The following are significant management judgements and estimation uncertainties in applying the accounting policies of the Company that have a significant risk of resulting in a material adjustment to the carrying amount of the Company's assets and liabilities in the financial statements. Where there is uncertainty, the Company bases its assumptions and estimates on parameters available at the time when the financial statements are prepared. Existing circumstances and assumptions about future developments are however inherently subject to change (or changes in circumstances) that are beyond the Company’s control. Any such changes are reflected in the assumptions when they occur.

The most significant management judgements and estimates have been applied in the accounting for the calculation of insurance contract provisions and reinsurers’ share of insurance liabilities, and future claims handling expenses. There is also significant uncertainty due to future fluctuations in foreign exchange rates.

Information about estimates and assumptions that have the most significant effect on the recognition of assets, liabilities, income and expenses is provided below. Actual results may be substantially different.

Technical provisions for outstanding claims and reinsurers’ share of insurance liabilities

The Company is exposed to technical provisions for outstanding claims, against which it holds assets representing reinsurers’ share of those insurance liabilities. Gross technical provisions include an estimate of provisions for claims incurred but not reported (“IBNR”). The carrying amount of the gross liabilities and of the reinsurers’ share thereof is disclosed in notes 4 and 22. The measurement of these provisions inherently gives rise to measurement uncertainty as the ultimate costs of gross claims, as well as amounts recovered from reinsurers, could vary materially from the amounts recognised in these financial statements.

Provisions for outstanding claims are established based on actuarial and statistical projections and other estimates of the ultimate cost of settlement. The Company estimates technical provisions gross of reinsurance recoveries, and performs a netting down exercise to calculate the amounts that will be recoverable from reinsurers. Traditional actuarial techniques are used to estimate future liabilities for each major class of liabilities and other estimates of the ultimate cost of settlement, and to derive IBNR reserves for the Company’s exposure. The models are designed explicitly to reflect the features of the risks and all information currently available in the market.

These techniques and projections are however dependent on a number of assumptions, and actual experience will often differ from these assumptions. Whilst management believe that the provisions for outstanding claims are fairly stated, these estimates inevitably contain inherent uncertainties, also because significant periods of time may elapse between the occurrence of an incurred loss, the reporting of that loss to the Company and the Company’s payment of the loss and the receipt of reinsurance recoveries. These uncertainties are inherent in much of the business underwritten by the Company, and may cause the ultimate net costs of settling the liabilities to differ from the amounts previously estimated. Changes in the carrying amount of net technical provisions that are attributable to changes in these estimates and assumptions are recognised in the Company's income statement in the accounting period in which the estimates and assumptions are updated.

The Company calculates its actuarial liabilities using standard actuarial claim projection techniques, based on empirical data and current assumptions that may include a management margin. Those projections of technical provisions are discounted to present value; this calculation is based on the estimated timing of cash outflows required to settle the claims, and the determination of interest rates used to discount those cash flows.

Effective 1 July 2022, the Group supervisor transitioned from the Malta Financial Services Authority to the Bermuda Monetary Authority. As a direct consequence of this change, from that date, Compre Group changed the method it uses to estimate the present value of claims reserves, with the discount rates now being aligned with the Bermuda Solvency Capital Requirements rules. The change in estimation has been recognised retrospectively in the Company and prior period restatements have been presented. Changes to the accounting policies have been disclosed in note 2.13 and note 2.14.

Information about how the risk is managed, and how sensitive the carrying amounts are to changes in assumptions, including with respect to the discounting of technical provisions to present value, is disclosed in note 4 and an analysis of claims development is disclosed in note 22.

Insurance claims handling expenses

The provision for the cost of handling and settling outstanding claims to extinction and for all other costs of managing the run-off is based on an analysis of the expected costs to be incurred in run-off activities, incorporating expected savings from the reduction of transaction volumes over time.

The period of run-off may vary depending on the nature of insurance liabilities within each insurance company subsidiary. Ultimately, the period of run-off is dependent on the timing and settlement of claims and the collection of reinsurance recoveries; consequently, similar uncertainties apply to the assessment of the provision of such costs.

The provision for the cost of handling and settling outstanding claims is presented in the statement of financial position within ‘technical provisions’. Information about the amounts to which the Company is exposed is disclosed in note 22.

4. Management of insurance and financial risks

The Company's activities expose it to a variety of insurance and financial risks. Management is responsible for managing the Company's exposure to these risks and, where possible, for introducing controls and procedures that mitigate the effects of the exposure to risk.

The following describes the Company's exposure to the more significant risks and the steps management have taken to mitigate their impact.

(a) Insurance risk

The Company provides run-off services but does not provide live underwriting operations. The Company is therefore not exposed to underwriting risk except as provided below under reserving risk.

The Company's concentration of insurance risk by portfolios' geographical location is as follows:

	Gross Technical Provisions	**Reinsurance of Technical Provisions**	**Net Technical Provisions**
	$000	**$000**	**$000**
North America	**(375,320)**	**44,392**	**(330,928)**
Europe	**(179,393)**	**12,171**	**(167,222)**
United Kingdom	**(20,445)**	**–**	**(20,445)**
Others	**(429)**	**–**	**(429)**
As at 31 December 2022	**(575,587)**	**56,563**	**(519,024)**

	Gross Technical Provisions	Reinsurance of Technical Provisions	Net Technical Provisions
	$000	$000	$000
North America	(404,674)	84,807	(319,867)
Europe	–	–	–
United Kingdom	–	–	–
Others	–	–	–
As at 31 December 2021	(404,674)	84,807	(319,867)

The Company's incurred claim development has been as follows:

Provision for outstanding claims, including other provisions	**2022**	**2021**	**2020**
Gross	**$000**	**$000**	**$000**
Paid claims	**66,531**	25,819	2,987
Opening balance	**404,674**	67,310	–
Exchange movement	**21,399**	–	–
Opening balance (revalued)	**426,073**	67,310	**–**
Reclassification	**–**	–	–
Liabilities acquired on portfolio transfers	**366,442**	538,707	79,464
Closing balance	**574,953**	404,674	67,310
Movement in outstanding claims	**(217,562)**	(201,343)	(12,154)
Claims incurred in year	**(151,031)**	(175,524)	(9,167)

4. Management of insurance and financial risks (continued)

(a) Insurance risk (continued)

Reinsurance	2022 $000	2021 $000	2020 $000
Paid claims	**(13,102)**	(14,232)	(2,435)
Opening balance	**(84,807)**	(53,853)	–
Exchange movement	**–**	–	–
Opening balance (revalued)	**(84,807)**	(53,853)	–
Liabilities acquired on portfolio transfers	**20,822**	(135,633)	(32,664)
Closing balance	**(56,563)**	(84,807)	(53,853)
Movement in outstanding claims	**7,422**	104,679	(21,189)
Claims incurred in year	**(5,680)**	90,447	(23,624)

Net Liabilities	2022 $000	2021 $000	2020 $000
Paid claims	**53,429**	11,587	552
Opening balance	**319,867**	13,457	–
Exchange movement	**21,399**	–	–
Opening balance (revalued)	**341,266**	13,457	–
Liabilities acquired on portfolio transfers	**387,264**	403,074	46,800
Closing balance	**518,390**	319,867	13,457
Movement in outstanding claims	**(210,140)**	(96,664)	(33,343)
Claims incurred in year	**(156,711)**	(85,078)	(32,791)

In accordance with the policy described in note 2.13, the amounts for technical provisions as disclosed in the above tables are discounted to their present value. The discount rate comprises risk-free yield curve in the relevant currencies of the technical provisions, adjusted by an illiquidity premium that reflects the characteristics and liquidity of fulfilment cash flows. In selecting a discount rate, regard is also given to the duration of the expected settlement dates of the claims.

Effective mid-2022, Compre Group supervisor transitioned from the Malta Financial Services Authority to the Bermuda Monetary Authority. As a direct consequence of this change, also as at mid-2022 the Company and the Group changed the method it uses to estimate the present value of claims reserves, with the discount rates now being aligned with the Bermuda Solvency Capital Requirements rules.

The range of discount rates and the mean term of liabilities is disclosed below:

	Discount rate		Mean term of liabilities	
	2022	2021	2022	2021
Class	**Per cent**	**Per cent**	**Years**	**Years**
APH liabilities	**2.24% to 6.32%**	-0.56% to 2.23%	**8.7**	8.6
Non-APH liabilities	**2.05% to 6.32%**	-0.56% to 2.23%	**4.3**	5.1

4. Management of insurance and financial risks (continued)

(a) Insurance risk (continued)

If the cash outflows required to settle net technical provisions or if the discount rates were to be increased/decreased, the net result for the reporting year would be impacted as follows:

	Impact of change in estimate of cash outflows to settle technical provisions		Impact of change in interest rate used for discounting	
	2022	**2021**	**2022**	**2021**
	+/- 2.5%	**+/- 2.5%**	**+/-2.5%**	**+/-2.5%**
	$000	**$000**	**$000**	**$000**
Change in profit and loss (pre-tax)				
Increase in cash outflows / decrease in interest rates	**(13)**	(7,997)	(62,293)	(52,333)
Decrease in cash outflows / increase in interest rates	**8**	7,997	48,277	38,043

Reserving risk

Reserving risk represents a significant risk to the Company in terms of driving capital requirements and the threat to profit and loss.

Reserving risk is managed through the application of an appropriate reserving approach and the application of extensive due diligence on new run-off acquisitions prior to acceptance.

The Company faces risk under insurance and reinsurance contracts from which the actual amounts of claims and benefit payments, or the timings thereof, differ from expectations. The frequency of claims, their severity, actual benefits paid, subsequent development of long- tail claims and external factors beyond the Company's control, especially inflation, legal and regulatory developments, and others, have an influence on the principal risk faced by the Company. Additionally, the Company is subject to the underwriting of cedants for certain reinsurance treaties and to claims management by companies and other data provided by them.

Despite these uncertainties, the Company seeks to ensure that sufficient reserves are available to cover its liabilities.

(b) Capital management

The Company's policy is to maintain a strong capital base to support its business plans and comply with all regulatory requirements on an ongoing basis whilst assessing the impact of shareholder returns on its capital employed. The Company defines capital as shareholders' equity as presented within the statement of financial position.

The Company is a registered Class 3B insurer under the Insurance Act 1978 ("Bermuda Insurance Act") and related regulations as amended (the "Insurance Act"). The Company is required to maintain minimum solvency standards and to hold available statutory capital and surplus equal to or exceeding the Enhanced Capital Requirement as determined by the Bermuda Monetary Authority ("BMA") based upon the standard capital model that correlates the risk underwritten to the capital that is dedicated to the business. In addition to the Enhanced Capital Requirement, the Company met these minimum requirements.

The Company was in full compliance with its regulatory capital requirements throughout the financial year and at 31 December 2022, the Company's unaudited total statutory economic capital and surplus amounting to $432M (2021: $213M) were in excess of the required unaudited ECR of $196M (2021: $141M).

Based on management calculations to date, the Group is sufficiently capitalised and was compliant at all times with the regulatory capital requirements as stipulated by the BMA .

4. Management of insurance and financial risks (continued)

(c) Financial risk (continued)

Other than in the case of exposures to technical insurance balances which were described above, the Company's risk primarily arises on its investments (including cash and cash equivalents). The Board is responsible for setting an investment strategy for the management of the Company's assets. The investments of the Company are primarily managed by external investment managers, appointed by the Board. The Board is responsible for setting the policy to be followed by the investment managers. The Board strives to mitigate the impact of interest rate fluctuation and credit risks and to provide appropriate liquidity, in addition to monitoring and managing foreign exchange exposures.

The main objective of the Company's investment policy is to maximise return whilst protecting the underlying value and ensuring the Company continues to meet its solvency requirements.

The investment allocation at the end of the year is shown below:

	2022	2021
	$000	$000
Asset Backed	**185**	3,316
Financial	**221,848**	102,423
Government	**280,210**	202,776
Industrial	**297,796**	221,248
Mortgage-backed	**23,010**	33,131
Municipal	**14,467**	–
Utility	**21,709**	19,776
Funds	**34,370**	3,244
Total investments (note 15)	**893,595**	585,914

Market risk

Market risk is the risk that the fair value or cash flows of financial instruments will fluctuate due to changes in market prices. Market risk reflects interest rate risk, currency risk and other price risks. The Company is exposed to market risk as a consequence of fluctuations in values or returns on assets which are influenced by one or more external factors. These include changes and volatility in interest rates and inflation expectations.

Interest rate risk

In general, the Company is exposed to risk associated with the effect of fluctuations in the prevailing level of market rates. Assets carrying variable rates expose the Company to cash flow interest rate risk. Assets carrying fixed rates expose the Company to fair value interest rate risk. The Company manages this risk through a selection of well-diversified investments through the appointment of specialist investment managers, who manage the portfolio duration and associated cash flows in line with the duration and cash flows of the technical provisions. Detailed investment guidelines are implemented, restricting the level of investment in any one instrument, and the maturity date of investments. Investment performance is regularly monitored against market-based benchmarks.

The Company's exposure to interest rate risk is set out in the following table:

	2022		2021	
	Fixed rates of interest	**Floating rates of interest**	Fixed rates of interest	Floating rates of interest
	$000	**$000**	$000	$000
Investments in bonds (note 15)	**822,045**	**37,180**	575,209	7,460
Loans receivable (note 16)	**12,843**	**–**	2,588	–
Cash and cash equivalents (note 19)	**22,460**	**–**	28,141	–
Net exposure to interest rate risk as at 31 December	**857,348**	**37,180**	605,938	7,460

4. Management of insurance and financial risks (continued)

(c) Financial risk (continued)

The Company's profit or loss is sensitive to the impact that movements in market rates of interest will have on the above financial instruments; other comprehensive income is not directly sensitive to interest rate movements. The following analysis shows what impact a reasonably possible shift in market rates of interest (when holding all other variables constant) would have on profit for the year:

	2022	2021
	$000	$000
Change in profit and loss (pre-tax)		
Increase by 100 basis points (2021:100 bps)	**-39,310**	-28,846
Decrease by 50 basis points (2021:50 bps)	**19,655**	14,423

The Company's other financial instruments do not bear interest, and accordingly give rise to fair value interest rate risk. However, as these amounts are measured at amortised cost, any changes in fair value as a result of changes in market rates of interest would have no impact on the Company's results.

In those instances where interest is payable on insurance policies (e.g. in the case of damages awarded by Courts), that interest is included in the claims cost. Technical provisions are however discounted to present value, and their sensitivity to the level of market interest rates is disclosed in note 4(a).

Currency risk

Currency risk is the risk that fair values or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. It arises wherever financial instruments are denominated in a currency other than the respective entity's functional currency. Currency risk also arises on technical insurance balances.

The Company's principal transactions giving rise to currency risk are denominated in EUR, CHF and GBP, and therefore its exposure to foreign exchange risk arises primarily with respect to those currencies. The Company's financial assets are primarily denominated in the same currency as its insurance liabilities and reinsurance thereon. Assets and liabilities are reviewed on a quarterly basis, to ensure that these match for the major currencies subject to a tolerance limit. These are reported via the quarterly management accounts which are approved by the Company Board.

The Company's principal current assets and liabilities by currency are shown below:

	GBP	EUR	CHF	Other	Items denominated in functional currency (USD)	Total
	$000	$000	$000	$000	$000	$000
Net insurance contract liabilities	**(34,304)**	**(174,115)**	**(651)**	**216**	**(310,170)**	**(519,024)**
Financial investments	**24,024**	**290,641**	**–**	**–**	**578,930**	**893,595**
Insurance receivables/payables	**(3,007)**	**35,901**	**(8)**	**(189)**	**37,461**	**70,158**
Loans and receivables	**–**	**122**	**–**	**–**	**12,721**	**12,843**
Other receivables/payables	**9,608**	**607**	**920**	**324**	**3,614**	**15,073**
Cash and cash equivalents	**2,881**	**8,956**	**–**	**21**	**10,602**	**22,460**
Other provisions	**119**	**2,520**	**–**	**–**	**1,285**	**3,926**
Total as at 31 December 2022	**(679)**	**164,632**	**261**	**372**	**334,443**	**499,031**

4. Management of insurance and financial risks (continued)

(c) Financial risk (continued)

	GBP	EUR	CHF	Other	Items denominated in functional currency (USD)	Total
	$000	$000	$000	$000	$000	$000
Net insurance contract liabilities	–	–	–	–	(319,867)	(319,867)
Financial investments	–	–	–	–	585,914	585,914
Insurance receivables/payables	–	–	–	–	(37,253)	(37,253)
Loans and receivables	–	–	–	–	2,588	2,588
Other receivables/payables	(153)	–	–	–	(5,756)	(5,909)
Cash and cash equivalents	40	9,072	–	–	19,029	28,141
Other provisions	(37)	–	–	–	1,865	1,828
Total as at 31 December 2021	(150)	9,072	–	–	246,520	255,442

The Company has concentration of EUR.

A 100 bps weakening of the EUR against the USD exchange rate would result in $1.6M (2021: $0.1M) loss in the income statement.

Liquidity risk

Liquidity risk is the risk that the Company may not have liquid assets available at the right times to be able to pay its liabilities, despite the fact that it meets its regulatory solvency requirements. The Company maintains adequate free cash flows to finance its day-to-day operations. The risk that the Company fails to hold cash balances that are sufficient to pay creditors is managed by the use of cash flow forecasts and related monitoring systems. A review is performed on a quarterly basis along with an assessment of asset liability management and a prudent policy is maintained and conducted with respect to the duration of investments. The investment policy is reviewed annually.

The following are the remaining contractual maturities of non-derivative financial liabilities at the reporting date. The amounts are gross and undiscounted, and include contractual interest payments and exclude the impact of netting agreements. Amounts are grouped into timing buckets at the earliest date on which the contractual counterparties may request payment.

	Contractual timing of cash flows			
	Less than one year	After one year but less than five years	More than five	Total
	$000	$000	$000	$000
2022				
Lease liabilities (note 13)	**98**	**13**	**–**	**111**
Insurance payables (note 23)	**21,084**	**–**	**–**	**21,084**
Accruals and deferred income	**1,862**	**–**	**–**	**1,862**
Other payables (note 24)	**3,507**	**–**	**–**	**3,507**
Total as at 31 December 2022	**26,551**	**13**	**–**	**26,564**
2021				
Lease liabilities (note 13)	–	–	–	–
Insurance payables (note 23)	41,312	–	–	41,312
Accruals and deferred income	999	–	–	999
Other payables (note 24)	11,934	–	–	11,934
Total as at 31 December 2021	54,245	–	–	54,245

4. Management of insurance and financial risks (continued)

(c) Financial risk (continued)

The table below summarises the maturity profile of the Company's gross outstanding claim liabilities based on remaining contractual obligations and the estimated timing of claim payments.

	Estimated timing of cash flows			
	Less than one year	Less than five years	More than five years	Total
	$000	$000	$000	$000
Gross Outstanding Claim Liabilities:				
2022	**126,138**	**267,351**	**182,098**	**575,587**
2021	82,215	162,756	159,703	404,674

Credit risk

Credit risk is the risk that another party fails to perform their financial obligations or fails to perform them in a timely fashion. The Company's credit risk primarily arises on its investments in bonds and on its cash and cash equivalents; it also arises on receivables.

The Company seeks to manage this risk by having a concentration of assets that are rated externally and that are considered to be of investment grade quality.

In the case of the investment portfolio, the Company has established investment guidelines that are also designed to mitigate credit risk by ensuring diversification of holdings. The credit risk in respect of reinsurance debtors is managed by the monitoring of reinsurers ratings and the exposure of the debt to each reinsurer.

The Company's exposure to counterparty credit risk arises on the below instruments. The following table sets out the credit risk exposure and ratings of financial investments which are susceptible to credit risk. The ratings used have been sourced from S&P, Moody's or Fitch. When ratings for the same instrument or issuer differ across the various rating agencies, the Company uses the second-best rating. The remaining unrated assets are not classified by S&P, Moody's or Fitch.

	AAA	AA	A	BBB	BB	B	Unrated	Total
	$000	$000	$000	$000	$000	$000	$000	$000
Government Bonds (note 15)	**21,027**	**269,332**	**6,594**	**1,306**	**–**	**–**	**–**	**298,259**
Corporate Bonds (note 15)	**9,178**	**63,334**	**262,631**	**193,730**	**23,371**	**8,522**	**200**	**560,966**
Investments in funds (note 15)	–	–	–	–	–	–	**34,370**	**34,370**
Loans receivable (note 16)	**–**	**4,930**	**–**	**–**	**–**	**1,200**	**6,713**	**12,843**
Cash and Cash equivalents (note 19)	**–**	**18,294**	**4,166**	**–**	**–**	**–**	**–**	**22,460**
Reinsurers' share of Technical Provisions (note 17)	**–**	**9,331**	**20,699**	**–**	**–**	**7,333**	**19,200**	**56,563**
Insurance receivables (note 18)	**–**	**1**	**41,857**	**–**	**–**	**9,897**	**39,487**	**91,242**
As at 31 December 2022	**30,205**	**365,222**	**335,947**	**195,036**	**23,371**	**26,952**	**99,970**	**1,076,703**

	AAA	AA	A	BBB	BB	B	Unrated	Total
	$000	$000	$000	$000	$000	$000	$000	$000
Government Bonds (note 15)	–	202,777	–	–	–	–	–	202,777
Corporate Bonds (note 15)	12,717	63,930	167,594	111,688	15,802	8,162	–	379,893
Investments in funds (note 15)	–	–	–	–	–	–	3,244	3,244
Loans receivable (note 16)	–	–	–	–	–	–	2,588	2,588
Cash and Cash equivalents (note 19)	–	18,519	9,622	–	–	–	–	28,141
Reinsurers' share of Technical Provisions (note 17)	–	36,327	12,667	5,833	–	–	29,980	84,807
Insurance receivables (note 18)	–	–	–	–	–	–	4,059	4,059
As at 31 December 2021	12,717	321,553	189,883	117,521	15,802	8,162	39,871	705,509

The carrying values in the above table represent the maximum exposure to credit risk at the financial position date in respect of these assets. The Company does not have a history of non-performance by its counterparties, and other than in the case of the provision recognised against potential impairment on insurance receivables, as disclosed further in note 24, no significant credit losses are expected to be incurred.

5. Change in accounting policies and disclosures

Initial Application of an International Financial Reporting Standard

The Company has adopted the following amended IFRS as of 1 January 2022:

- Amendments to:
  - IFRS 16 Leases: COVID-19-Related Rent Concessions beyond 30 June 2021 (effective 1 April 2021)
  - IAS 16 Property, Plant and Equipment (effective 1 January 2022); and
  - IAS 37 Provisions, Contingent Liabilities and Contingent Assets (effective 1 January 2022); and
- Annual Improvements 2018-2020

The amendments to IFRS 16, IAS 16 and IAS 37, and the Annual Improvements 2018-2020 have not had a material impact on the amounts recognised in the current and prior periods, and are not expected to significantly affect future periods.

Standards, interpretations and amendments to published standards in issue but not yet effective for financial periods beginning on 1 January 2022

The below new and amended IFRS have been issued but are not yet effective for financial periods beginning on 1 January 2022; the Company has not early adopted them.

- IFRS 9 Financial Instruments (effective 1 January 2023)
- IFRS 17 Insurance Contracts (effective 1 January 2023)
- Amendments to:
  - IFRS 17 Insurance contracts: Initial Application of IFRS 17 and IFRS 9 – Comparative Information (effective 1 January 2023)
  - IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies (effective 1 January 2023)
  - IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates (effective 1 January 2023)
  - IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction (effective 1 January 2023)
  - IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current; Classification of Liabilities as Current or Non-current – Deferral of Effective Date; and Non-current Liabilities with Covenants (effective 1 January 2024)
  - IFRS 16 Leases: Lease Liability in a Sale and Leaseback (effective I January 2024)

Although IFRS 9 was effective from 2018, the IASB had agreed to extend the fixed expiry date of the temporary exemption from applying IFRS 9 for qualifying insurers (as contained in IFRS 4), so that all qualifying entities must apply IFRS 9 for annual reporting periods beginning on or after 1 January 2023. The Company has elected to apply the above deferral. As disclosed in further detail below, the Company has adopted UK GAAP on 1 January 2023. Accordingly, the above new and amended standards will have no impact on the Company.

Voluntary changes to accounting policies

Up until its financial statements for the year ended 31 December 2021, the Company measured its insurance technical provisions on an undiscounted basis. IFRS 4, which had originally been issued by the IASB as a temporary standard that was to be followed by a full review of the accounting for insurance contracts, is not prescriptive on whether technical provisions should be measured on a discounted or on an undiscounted basis; it prohibits neither, and permits both.

The Company's management has determined that discounting technical provisions to present value results in more relevant information. Amongst others, this measurement approach is consistent with the approach mandated by IFRS 17 (which has a mandatory effective date of 1 January 2023 and which the Company has not early adopted), and is also consistent with the measurement policy adopted in the consolidated financial statements of Compre Group Holdings Limited, which is the most senior parent of the Company that prepares consolidated financial statements.

In accordance with the requirements of IAS 8, the Company has applied this voluntary change in accounting policy retrospectively, and has restated comparative information for 2021. The impact of the restatement is as follows:

The change in accounting policy reduced gross and reinsurers' share of technical provisions, and increased retained earnings, by the following amounts:

	31 December 2021	1 January 2021
	$000	$000
Assets		
Reinsurers' share of Technical Provisions	7,504	728
Total assets	**7,504**	**728**
Equity and liabilities		
Retained earnings	33,847	187
Total Equity	**33,847**	**187**
Liabilities		
Technical Provisions	41,351	915
Total liabilities	**41,351**	**915**

Impact on the statement of profit or loss (increase/(decrease)):

	2021
	$000
Net claims	33,660
Profit for the year	33,660

Adoption of UK GAAP

After careful consideration, the Directors resolved to adopt UK GAAP with effect from the financial period that began on 1 January 2023; the date of transition to UK GAAP, being the first day of the comparative period in the first financial statements to comply with UK GAAP, will accordingly be 1 January 2022. The necessary restatements and reconciliation from IFRS to UK GAAP will be included in the Company's financial statements for the year ending 31 December 2023.

5. Change in accounting policies and disclosures (continued)

The Expected key changes to the measurement of the Company’s assets and liabilities as at the date of transition and as at 31 December 2022 are set out below:

Area of change	Line items impacted	Nature of change
Leases	• Right-of-use asset; and lease liability. • Depreciation charge; interest expense; and rental charge.	Under IFRS, the Company recognises right-of-use assets and lease liabilities for virtually all leases for which it is a lessee. Right-of-use assets are depreciated on a straight line over the lease term, and lease liabilities are measured at amortised cost; lease rentals being allocated between reduction in the outstanding lease liability, and interest expense. Under UK GAAP, the Company is required to assess whether lease agreements are finance leases or operating leases. Management has determined that the Company’s lease arrangements are all operating leases. In recognising and measuring operating leases, any lease rental payments required over the non-cancellable portion of a lease are recognised as an expense on a straight line basis over the lease term; any difference between the expense and the amounts actually paid are recognised and presented as prepayments or accruals. The adoption of UK GAAP will accordingly result in the reversal of the right-of-use asset and leases liability. Additionally, the cumulative depreciation charge and interest

Management does not expect the above changes to have a significant impact on the Company's financial position and results. The financial impact will be disclosed in detail in the Company’s financial statements for the year ending 31 December 2023.

6. Interest income

	2022	2021
	$000	$000
Interest income on debt securities	14,860	1,618
Loans and receivables interest income	376	–
Cash and cash equivalents interest income	(27)	–
	15,209	1,618

7. Fair value gains

Fair value gains/(losses) arise on the following instruments classified as at fair value through profit or loss.

	2022	2021
	$000	$000
Movement in unrealized losses	68,559	336
	68,559	336

8. Finance costs

	2022	2021
	$000	$000
Pension expense	123	–
	123	–

9. Other operating revenue and administrative expenses

	2022	2021
	$000	$000
Auditors' remuneration	179	132
Investment Charges	720	156
Employee benefits expense	7	1
Commission	(2,279)	364
Operational expenses	31,115	13,020
Foreign exchange loss/(gain) for the year	(7,302)	(122)
	22,440	13,551

10. Employee benefit costs

	2022	2021
	$000	$000
Short-term employee benefits costs	7	1
	7	1

11. Directors' remuneration

	2022	2021
	$000	$000
Directors' emoluments	1,543	60
	1,543	60

12. Property, plant and equipment

	Computer equipment	Furniture and equipment	Total
	$000	$000	$000
Cost			
As at 1 January 2021	3	—	3
Additions	5	—	5
As at 31 December 2021	8	—	8
Additions	52	6	58
As at 31 December 2022	**60**	**6**	**66**

	Computer equipment	Furniture and equipment	Total
	$000	$000	$000
Depreciation			
As at 1 January 2021	—	—	—
Charge for year	1	—	1
As at 31 December 2021	1	0	1
Charge for year	12	1	13
As at 31 December 2022	**13**	**1**	**14**
Carrying amount			
As at 31 December 2022	**47**	**5**	**52**
As at 31 December 2021	7	—	7

Property, plant and equipment is non-current in nature.

13. Leases

On February 2022, the Company entered into a lease of an office for 2 years, without an option to renew the lease for an additional period at the end of the contract term. This has resulted in a right-of-use asset of $94k being recognised on 31 December 2022 (2021: nil). The lease liabilities relate to this lease.

Right-of-use assets

	Offices	Total
	$000	$000
Cost		
At 1 January 2022	–	–
Additions	164	164
At 31 December 2022	**164**	**164**

	Offices	Total
	$000	$000
Accumulated depreciation		
At 1 January 2022	–	–
Charge	70	70
At 31 December 2022	**70**	**70**
Carrying amount		
At 31 December 2022	**94**	**94**
At 31 December 2021	–	–

13. Leases (continued)

Lease liabilities

The carrying amount of the lease liabilities approximates the fair value. The Company does not face a significant liquidity risk with regard to its lease liabilities and these are monitored as part of the overall process of managing cash flows.

Contractual undiscounted cash flows relating to the Company's lease arrangements are disclosed in the below table.

	Contractual undiscounted cash flows				
	1 year or less	1-5 years	More than 5 years	Total	Carrying amount
	$000	$000	$000	$000	$000
As at December 2022					
Lease liabilities	**98**	**13**	**–**	**111**	**109**
As at December 2021					
Lease liabilities	–	–	–	–	–

Lease liabilities included in the statement of financial position at 31 December

	2022	2021
	$000	$000
Non-current	**96**	–
Current	**13**	–
Total lease liabilities at 31 December	**109**	**–**

Amounts recognised in profit or loss

	2022	2021
	$000	$000
Depreciation of right-of-use assets	**70**	–
Interest expense on lease liabilities	**5**	–
	75	**–**

Cash flows

The total cash outflow for leases, including short-term leases, amounted to $55K (2021: $0K).

14. Financial instruments

Analysis of financial assets by category

The Company's financial assets are analysed below into the respective categories.

	Financial assets at fair value through profit or loss	Available-for-sale financial assets	Loans and receivables	Total
	$000	$000	$000	$000
As at 31 December 2022				
Investments in bonds (note 15)	**859,225**	**–**	**–**	**859,225**
Investments in funds (note 15)	**–**	**34,370**	**–**	**34,370**
Deposits with ceding undertakings (note 16)	**–**	**–**	**12,843**	**12,843**
Insurance receivables (note 18)	**–**	**–**	**91,242**	**91,242**
Other receivables	**–**	**–**	**18,580**	**18,580**
Accrued income	**–**	**–**	**5,382**	**5,382**
Cash and cash equivalents (note 19)	**–**	**–**	**22,460**	**22,460**
	859,225	**34,370**	**150,507**	**1,044,102**
As at 31 December 2021				
Investments in bonds (note 15)	582,670	–	–	582,670
Investments in funds (note 15)	–	3,244	–	3,244
Deposits with ceding undertakings (note 16)	–	–	2,588	2,588
Insurance receivables (note 18)	–	–	4,059	4,059
Other receivables	–	–	6,025	6,025
Accrued income	–	–	2,820	2,820
Cash and cash equivalents (note 19)	–	–	28,141	28,141
	582,670	3,244	43,633	629,547

The Company's financial assets at fair value through profit or loss have been designated as such upon initial recognition.

Fair value of financial assets

Valuation policies

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 Company 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.

Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

14. Financial instruments (continued)

The Company recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Valuation processes

The Parent Company's Board determines the policies and procedures for both recurring fair value measurement, such as of financial assets at fair value through profit or loss and available-for-sale financial assets, as well as for non-recurring measurements, such as upon a business combination taking place.

Where necessary, the Company engages external valuers to value significant or complex assets, such as unquoted financial assets, and significant liabilities. Involvement of external valuers is determined annually by the Parent Company's Board. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The Company's senior management decides, after discussions with the Parent Company's Board, which valuation techniques and inputs to use for each case.

At each reporting date, senior management analyses the movements in the values of assets and liabilities which are required to be remeasured or re-assessed as per the Group's accounting policies. For this analysis, senior management verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents and presents the valuation results to the Parent Company's Board. This includes a discussion of the major assumptions used in the valuations.

Valuation techniques used to determine fair values of financial instruments

Specific valuation techniques used to value financial instruments include:

- Government and agencies fixed maturity securities – These securities are generally priced by pricing services or index providers. The pricing services or index providers may use current market trades for securities with similar quality, maturity and coupon. If no such trades are available, the pricing service typically uses analytical models which may incorporate option adjusted spreads, daily interest rate data and market/sector news. The Company generally classifies the fair values of government and agencies securities in Level 2.

- Corporate fixed maturity securities – These securities are generally priced by pricing services or index providers. The pricing services or index providers typically use discounted cash flow models that incorporate benchmark curves for treasury, swap and high issuance credits. Credit spreads are developed from current market observations for like or similar securities. The Company generally classifies the fair values of its corporate securities in Level 2.

- Investments in funds - These investments are generally priced on net asset values ("NAV") received from the fund managers or administrators. Due to the timing of the delivery of the final NAV by certain of the fund managers, valuations of certain alternative funds and specialty funds are estimated based on the most recently available information, including period end NAVs, period end estimates, or, in some cases, prior month or prior quarter NAVs. As this valuation technique incorporates both observable and significant unobservable inputs, the Company generally classifies the fair value of its funds as Level 3.

The following table provides the fair value measurement hierarchy of the Company's financial assets that are measured at fair value.

	Level 1 $000	Level 2 $000	Level 3 $000	Total $000
As at 31 December 2022				
Financial assets at fair value through profit or loss				
- Government bonds (note 15)	**–**	**298,259**	**–**	**298,259**
- Corporate bonds (note 15)	**–**	**560,966**	**–**	**560,966**
Funds held, directly managed by reinsurers				
- Government bonds	**–**	**28,660**	**–**	**28,660**
- Corporate bonds	**–**	**4,771**	**–**	**4,771**
- Cash and cash equivalents	**548**	**–**	**–**	**548**
Available-for-sale financial assets				
- Investments in funds (note 15)	**–**	**–**	**34,370**	**34,370**
	548	**892,656**	**34,370**	**927,574**
As restated:				
As at 31 December 2021				
Financial assets at fair value through profit or loss				
- Government bonds (note 15)	–	202,777	–	202,777
- Corporate bonds (note 15)	–	379,893	–	379,893
Available-for-sale financial assets				
- Investments in funds (note 15)	–	–	3,244	3,244
	–	582,670	3,244	585,914

14. Financial instruments (continued)

The following table presents the changes in level 3 items for the periods ended 31 December 2021 and 31 December 2022:

	2022	2021
	$000	$000
Balance as at 1 January	**3,244**	–
Purchases	**31,947**	5,905
Disposals	**(690)**	(2,661)
Fair value movements	**(131)**	–
Balance as at 31 December	**34,370**	3,244

There were no gains or losses recognised in profit or loss with respect to these assets.

Due to the short-term nature of cash and cash equivalents, deposits with ceding undertakings, and other current receivables, their carrying amount is considered to be the same as their fair value.

15. Financial investments

The following table analyses the Company's financial investments.

	2022	2021
	$000	$000
Financial assets		
Investments in bonds:		
- Government bonds	**298,259**	202,777
- Corporate bonds	**560,966**	379,893
Investments in funds:		
- Closed-end funds	**34,370**	3,244
As at December 2022 and 2021	**893,595**	585,914

Investments in bonds are current in nature because the Company is willing and able to sell the securities to fund liabilities as they fall due. The Company's available-for-sale financial investments are non-current in nature.

16. Loans receivable

Loans receivable comprise:

	2022	2021
	$000	$000
Deposits with ceding undertakings	**12,843**	2,588

Deposits held with cedants are current in nature.

17. Reinsurers' share of technical provisions

	2022	2021
	$000	$000
Reinsurers' share of technical provisions	**56,563**	84,807

At 31 December 2022, the Company conducted a review of the reinsurance assets and did not recognise any impairment loss.

18. Insurance and other receivables

	2022 $000	2021 $000
Due from (re)insurers	**18,091**	4,059
Funds held, directly managed by reinsurers	**33,979**	–
Funds held by reinsured companies	**36,672**	–
Due from group entities	**2,500**	–
Total insurance receivables	**91,242**	4,059

The directors consider the carrying value of insurance receivables to be approximately equal to their fair value.

The funds held that are directly managed by reinsurers are held at fair value in accordance with our funds held accounting policy (note 2.18).

The amount 'Due from group entities' represents a fixed-interest bearing deposit that is repayable within 10 working days upon termination of a related counter indemnity agreement.

19. Cash and cash equivalents

	2022 $000	2021 $000
Cash on hand and in bank	**22,460**	28,141
	22,460	28,141

The directors consider that the carrying amount of cash and cash equivalents approximates to their fair value.

20. Share capital

	31 December 2022 and 2021	
Class of share	**Number of shares**	**Total $000**
Ordinary shares	**120**	**120**
Total	**120**	**120**

The Ordinary shares are entitled to one vote per share, are entitled to discretionary dividends, and are entitled to the surplus assets in the event of a winding-up or dissolution of the company.

The above number of shares are authorised, issued and fully paid.

21. Other reserves

During the period, capital contributions were made of $154,514K (2021: $163,278), capital contribution for the period was made up of $130,496K in cash contributions and contributions in the form of securities transfers of $24,018K from Compre Group Holding Limited.

	Capital contribution	Available-for-sale reserve	Total other reserves
	$000	$000	$000
At January 1 2021	15,400	–	15,400
Reclassification of components of equity	–	–	–
As at 1 January 2021 - as restated	**15,400**	**–**	**15,400**
Capital contribution	163,278		163,278
As at 31 December 2021	**178,678**	**–**	**178,678**
Capital contribution	154,514	–	154,514
Unrealized (loss)/gain on available for sale securities	–	(142)	(142)
As at 31 December 2022	**333,192**	**(142)**	**333,050**

The nature and purpose of the above reserves has been disclosed in note 2.9.

22. Technical provisions

Technical provisions are analysed as follows:

	2022		
	Gross liabilities	**Reinsurance**	**Net liabilities**
	$000	**$000**	**$000**
Unearned premium reserve	**634**	**–**	**634**
Provision for outstanding claims	**553,890**	**(54,432)**	**499,458**
Other technical provisions	**21,063**	**(2,131)**	**18,932**
Total	**575,587**	**(56,563)**	**519,024**

	2021		
	Gross liabilities	**Reinsurance**	**Net liabilities**
	$000	**$000**	**$000**
Unearned premium reserve	–	–	–
Provision for outstanding claims	393,749	(84,111)	309,638
Other technical provisions	10,925	(696)	10,229
Total	404,674	(84,807)	319,867

Unearned premium reserve

	Gross liabilities	**Reinsurance**	**Net liabilities**
	$000	**$000**	**$000**
Balance at 1 January 2022	**–**	**–**	**–**
Arising on acquisition of portfolio transfer	**4,720**	**–**	**4,720**
Earned premiums	**(4,086)**	**–**	**(4,086)**
Balance at 31 December 2022	**634**	**–**	**634**
Balance at 1 January 2021	1,182	(946)	236
Earned premiums	(1,182)	946	(236)
Balance at 31 December 2021	–	–	–

22. Technical provisions (continued)

Provision for outstanding claims including other technical provisions

	Gross liabilities	Reinsurance	Net liabilities
	$000	$000	$000
At 1 January 2022	**404,674**	**(84,807)**	**319,867**
Movement through the income statement	**(217,562)**	**7,422**	**(210,140)**
Liabilities acquired on portfolio transfers	**366,442**	**20,822**	**387,264**
Exchange rate changes	**21,399**	**–**	**21,399**
At 31 December 2022	**574,953**	**(56,563)**	**518,390**
At 1 January 2021	67,310	(53,853)	13,457
Movement through the income statement	(201,343)	104,679	(96,664)
Liabilities acquired on portfolio transfers	538,707	(135,633)	403,074
At 31 December 2021	404,674	(84,807)	319,867

The movement for portfolio transfers reflects claims portfolio reserves taken on in the year which are matched by equivalent transfers of financial assets at fair value and reflected in investments and cash in the balance sheet. For further details of reinsurance assets, see note 17.

Gross claims liabilities include a provision for future claims handling and run off expenses of $21.1M (2021: $10.9M).

22. Technical provisions (continued)

Movement in Gross ultimate claims ($000)		**Acquired Reserves**	**FX movements**	**Paid Movements**	**Reserving movements by calendar year**				**Effect of discounting**	**Reserves at 31 December 2022**
					2020	**2021**	**2022**	**Total**		
Acquisition year	**Pre 2016**							–	–	–
	2021	538,707	–	(46,883)	–	(126,114)	(13,376)	(139,490)	(84,045)	268,289
	2022	366,442	21,399	(14,116)	–	–	(39,799)	(39,799)	(60,733)	273,193
	Total	**984,613**	**21,399**	**(95,337)**	**(8,261)**	**(135,089)**	**(44,791)**	**(188,141)**	**(147,581)**	**574,953**

Movement in Ceded ultimate claims ($000)		Acquired Reserves	FX movements	Paid Movements	**Reserving movements by calendar year**				**Effect of discounting**	**Ceded at 31 December 2022**
					2020	**2021**	**2022**	**Total**		
Acquisition year	**Pre 2016**							—	—	—
	2021	(135,633)	–	3,585	–	76,491	(3,639)	72,852	15,028	(44,168)
	2022	(10,085)	–	348	–	–	(4,243)	(4,243)	1,585	(12,395)
	Total	**(178,382)**	**–**	**29,769**	**6,609**	**83,671**	**(14,843)**	**75,437**	**16,613**	**(56,563)**

Movement in Net ultimate claims ($000)		**Acquired Reserves**	**FX movements**	**Paid Movements**	**Reserving movements by calendar year**				**Effect of discounting**	**Net at 31 December 2022**
					2020	**2021**	**2022**	**Total**		
Acquisition year	**Pre 2016**	–	–	–	–	–	–	–	–	–
	2021	403,074	–	(43,298)	–	(49,623)	(17,015)	(66,638)	(69,017)	224,121
	2022	356,357	21,399	(13,768)	–	–	(44,042)	(44,042)	(59,148)	260,798
	Total	**806,231**	**21,399**	**(65,568)**	**(1,652)**	**(51,418)**	**(59,634)**	**(112,704)**	**(130,968)**	**518,390**

22. Technical provisions (continued)

Movement in Gross ultimate claims ($000)		Acquired Reserves	FX movements	Paid Movements	Reserving movements by calendar year			Effect of discounting	Reserves at 31 December 2021
					2020	2021	Total		
Acquisition year	Pre 2015						–	–	–
	2021	538,707	–	(9,068)	–	(126,114)	(126,114)	(40,396)	363,129
	Total	**618,171**	**–**	**(28,795)**	**(8,261)**	**(135,089)**	**(143,350)**	**(41,352)**	**404,674**

Movement in Ceded ultimate claims ($000)		Acquired Reserves	FX movements	Paid Movements	Reserving movements by calendar year			Effect of discounting	Ceded at 31 December 2021
					2020	2021	Total		
Acquisition year	Pre 2015						–	–	–
	2021	(135,633)	–	833	–	76,491	76,491	6,739	(51,570)
	Total	**(199,204)**	**–**	**16,615**	**6,609**	**83,671**	**90,280**	**7,502**	**(84,807)**

Movement in Net ultimate claims ($000)		Acquired Reserves	FX movements	Paid Movements	Reserving movements by calendar year			Effect of discounting	Net at 31 December 2021
					2020	2021	Total		
Acquisition year	Pre 2015	–	–	–	–	–	–	–	–
	2021	403,074	–	(8,235)	–	(49,623)	(49,623)	(33,657)	311,559
	Total	**418,967**	**–**	**(12,180)**	**(1,652)**	**(51,418)**	**(53,070)**	**(33,850)**	**319,867**

23. Insurance payables

	2022	2021
	$000	$000
Payables in relation to reinsurance business	**21,084**	41,312

The directors consider that the carrying amount of insurance payables approximates to their fair value. All amounts are payable within one year.

24. Other payables

	2022	2021
	$000	$000
Social security and other taxes	**30**	–
Other payables	**3,477**	11,934
	3,507	11,934

The directors consider that the carrying amount of other payables approximates to their fair value. All amounts are payable within one year.

25. Contingencies and other commitments

There were no outstanding capital commitments, contingent assets or liabilities at 31 December 2022 (2021: $nil).

26. Related party relationships and transactions

Compensation of key management personnel

The key management personnel are considered to be the Board of Directors only. Please refer to note 11 for details of the Directors' remuneration.

Transactions and balances with other related parties

The Company reinsured affiliates for property and casualty risks on a quota share basis.

The following table presents the impact in the Income Statement of the related party reinsurance arrangements for the years ended December 31, 2022 and 2021:

	2022	2021
	$000	$000
Gross premiums	(3)	–
Gross claims paid	(6,668)	–
Claims ceded to reinsurers	10,054	13,399
Gross change in the provision for claims	42,750	–
Change in the provision for claims ceded to reinsurers	(2,699)	(21,146)
Other operating and administrative expenses	(73)	–
Total related party transactions	**43,361**	(7,747)

The following table presents the impact in the Statements of Financial Position of the related party reinsurance arrangements at December 31, 2022 and 2021:

	2022	2021
	$000	$000
Insurance receivables	6,791	36,949
Insurance payables	34,020	4,002
Reinsurers' share of Technical Provisions	–	32,705
Technical Provisions	109,353	696

27. Ultimate controlling party

The Company's ultimate parent undertaking as at 31 December 2022 is Maple FeederCo Limited.

Up until 28 April 2021, Compre Group's immediate parent company was CBPE Capital LLP, which was also Compre Group's ultimate controlling party. CBPE Capital LLP is controlled by a discretionary trust and consequently there was no controlling individual in terms of IAS 24.

Following the acquisition on 28 April 2021 of Compre Group by international private equity firm Cinven and British Columbia Investment Management Corporation, Compre Group's immediate parent company is Maple BidCo Limited and its ultimate parent company is Maple FeederCo Limited. The immediate parent company and ultimate parent company both have their registered address at c/o Conyers Corporate Services (Bermuda) Limited, Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. Maple FeederCo Limited is also the Compre Group's ultimate controlling party.

28. Events after the reporting period

On 2 March 2023 the Company signed an agreement with SiriusPoint Limited for a Loss Portfolio Transfer on a diversified portfolio of primarily reinsurance business. The Loss Portfolio Transfer covers approximately $1.3bn of reserves as at the valuation date of 30 September 2022, with the completion subject to regulatory approvals and other conditions of closing.

There were no further material events that occurred subsequent to December 31, 2022.