Nectaris Re Ltd.

Financial Statements
December 31, 2022
(expressed in U.S. dollars)

Deloitte.

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Shareholder of
Nectaris Re Ltd.

Opinion

We have audited the financial statements of Nectaris Re Ltd. (the Company), which comprise the statement of financial position as at December 31, 2022, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

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 (IFRSs).

Basis for Opinion

We conducted our audit in accordance with the 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 the ethical requirements of the Chartered Professional Accountants of Bermuda 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. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management's for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with IFRSs, 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.

Auditor's Responsibility 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 scepticism 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 achieved 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.

Deloitte Ltd.

April 29, 2023

Nectaris Re Ltd.

Statement of Financial Position
As at December 31, 2022 and December 31, 2021
(expressed in U.S. dollars)

		2022	2021
Assets			
Cash and cash equivalents	$	236,859,354	200,286,694
Policy receivables		93,135,332	54,339,845
Prepaid reinsurance premiums ceded		22,826,782	28,282,832
Reinsurance recoverables - loss reserves		89,540,530	67,101,656
Deferred acquisition costs		4,615,691	6,265,138
Prepaid expenses		-	2,466
Total assets		446,977,689	356,278,631
Liabilities			
Unearned premiums	$	22,826,782	28,282,832
Reinsurance premiums payable		124,538,535	53,592,481
Reserves for losses and loss adjustment expenses		89,540,530	67,101,656
Ceded deferred acquisition costs		4,615,691	6,265,138
Accounts payable and accrued expenses		91,219	194,877
Total liabilities		241,612,757	155,436,984
Shareholder's equity			
Common shares		120,000	120,000
Contributed surplus		199,970,000	199,970,000
Retained earnings		5,274,932	751,647
Total shareholder's equity		205,364,932	200,841,647
Total liabilities and shareholder's equity	$	446,977,689	356,278,631

Approved by the Board of Directors

Ben Wright - Director

Kathleen Faries

Kathleen Faries - Director

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

Nectaris Re Ltd.

Statement of Income and Comprehensive Income
For the year ended December 31, 2022 and period from September 30, 2020 to December 31, 2021
(expressed in U.S. dollars)

		2022	2021
Underwriting income			
Gross written premiums	$	152,272,671	71,121,574
Reinsurance premiums ceded		(152,272,671)	(71,121,574)
Net premiums written		-	-
Change in unearned premiums		5,456,050	(28,282,832)
Change in prepaid reinsurance premiums ceded		(5,456,050)	28,282,832
Net premiums earned		-	-
Loss and loss adjustment expenses			
Change in loss and loss adjustment provision expense		58,644,042	67,101,656
Change in reinsurance recoverable		(58,644,042)	(67,101,656)
Total loss and loss adjustment expenses		-	-
Underwriting expenses and fees			
Commission income		(4,888,674)	(1,325,078)
Ceding commission		11,720,748	7,003,617
Ceded fronting fees		(11,720,748)	(7,003,617)
Brokerage		16,878,057	9,010,224
Ceded brokerage cost		(16,878,057)	(9,010,224)
Other acquisition costs		4,159,482	448,653
Ceded other acquisition costs		(4,159,482)	(448,653)
Change in deferred acquisition costs		1,649,447	(6,265,138)
Ceded Change in DAC		(1,649,447)	6,265,138
Total underwriting expenses and fees		(4,888,674)	(1,325,078)
Underwriting income		4,888,674	1,325,078
Interest income		2,449,157	3,425
Total income		7,337,831	1,328,503
General & administrative expenses		314,546	576,856
Net income	$	7,023,285	751,647
Comprehensive income	$	7,023,285	751,647

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

Nectaris Re Ltd.

Statement of Changes in Equity
For the year ended December 31, 2022 and period from September 30, 2020 to December 31, 2021
(expressed in U.S. dollars)

		Common shares		Contributed surplus		Retained earnings		Total shareholder's equity
Balances at September 30, 2020	$	-	$	-	$	-	$	-
Common shares issued		120,000		-		-		120,000
Contributed surplus received		-		199,970,000		-		199,970,000
Comprehensive income		-		-		751,647		751,647
Balances at December 31, 2021	$	120,000	$	199,970,000	$	751,647	$	200,841,647
Common shares issued		-		-		-		-
Contributed surplus received		-		-		-		-
Comprehensive income		-		-		7,023,285		7,023,285
Dividends declared		-		-		(2,500,000)		(2,500,000)
Balances at December 31, 2022	$	120,000	$	199,970,000	$	5,274,932	$	205,364,932

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

Nectaris Re Ltd.

Statement of Cash Flows

For the year ended December 31, 2022 and period from September 30, 2020 to December 31, 2021

(expressed in U.S. dollars)

		2022	2021
Cash flows from operating activities			
Comprehensive income for the period	$	7,023,285	751,647
Adjustments for:			
Net investment income		(2,449,157)	(3,425)
Charges (credits) to reconcile comprehensive income to net cash from operations:			
Net change in:			
Policy receivables		(38,795,487)	(54,339,845)
Prepaid reinsurance premiums ceded		5,456,050	(28,282,832)
Reinsurance recoverables - loss reserves		(22,438,874)	(67,101,656)
Deferred acquisition costs		1,649,447	(6,265,138)
Prepaid expenses		2,466	(2,466)
Unearned premiums		(5,456,050)	28,282,832
Reinsurance premiums payable		70,946,054	53,592,481
Reserves of losses and loss expenses		22,438,874	67,101,656
Ceded deferred acquisition costs		(1,649,447)	6,265,138
Accounts payable and accrued expenses		(103,658)	194,877
Net cash provided by operating activities		36,623,503	193,269
Cash flows from financing activities			
Share capital issued		-	120,000
Contributed surplus received		-	199,970,000
Dividends paid		(2,500,000)	-
Net cash (utilized)/provided by financing activities		(2,500,000)	200,090,000
Cash flows from investing activities			
Interest income		2,449,157	3,425
Net cash provided by investing activities		2,449,157	3,425
Net increase in cash and cash equivalents during the period		36,572,660	200,286,694
Cash and cash equivalents - beginning of period		200,286,694	-
Cash and cash equivalents - end of period	$	236,859,354	200,286,694

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

Nectaris Re Ltd.

1. Incorporation and principal activities

Nectaris Re Ltd. (the "Company"), was incorporated in Bermuda on September 30, 2020, and is licensed as a Class 3A Insurer pursuant to the Bermuda Insurance Act 1978 and related regulations (the "Act").

The Company is a wholly owned subsidiary of Nectaris Holdings Ltd, a company incorporated in Bermuda ("Holdings"). All of the common shares of Holdings are held by Harbour International Trust Company Limited as trustee of the Nectaris Holdings Purpose Trust. In addition, 200,100,000 Class A shares of par value $1 each, issued by Holdings to provide funding for its investment in the Company, are held by certain investment funds managed by Leadenhall Capital Partners LLP ("Leadenhall"), a London-based, FCA- and SEC-regulated asset manager specialising in insurance linked securities (the "Leadenhall Funds").

The Company commenced underwriting in April 2021 and has entered into a number of quota share agreements with Lloyd's Syndicate 2001 managed by MS Amlin Underwriting Limited and with MS Amlin AG Bermuda Branch (together "Amlin") (the "Amlin Agreements"). From January 1, 2022 the Company commenced writing business on the open market, meaning providing reinsurance to entities other than Amlin ("Open Market").

The Amlin Agreements each cover portfolios of specified property and casualty contracts written by Amlin (the "Portfolios"), with ceded losses generally limited to the higher of (a) the 1 in 1,000 periods modelled annual exceedance probability ("AEP") for the Portfolios, or (b) the value of the largest non-cat realistic disaster scenario ("RDS") for the Portfolios (the "Aggregate Limit").

The Amlin and Open Market Agreements follow the territorial scope of the individual contracts comprising the Portfolios.

The Company retrocedes 100% of each of the Amlin Agreements so certain segregated accounts of Horseshoe Re II Limited, a reinsurance company formed and licensed as a Special Purpose Insurer in Bermuda ("Horseshoe Re II"). No insurance risk is retained by the Company.

Reinsurance is provided by Horseshoe Re II on a fully collateralised basis, through trust accounts for which the Company is beneficiary, and which are funded to the Aggregate Limit of the retroceded contracts.

The Company retrocedes 100% of net premium written, but charges a ceding commission to Horseshoe Re II in an amount calculated to cover the operating expenses of the Company and provide a return to the Company's shareholder.

In May 2021, A.M. Best assigned a financial strength rating of A Excellent with a stable outlook. This rating has remained A Excellent since.

The registered office of the Company is located at Wessex House, 45 Reid Street, Hamilton, HM11, Bermuda.

The functional currency of the Company is the United States dollar. The financial statements are presented in United States dollars.

2. Significant accounting policies

(a) **Basis of accounting**
These financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. Although these estimates are based on management's best knowledge of current events and conditions, actual results could differ from these estimates. The matter involving a higher degree of judgement and or complexity, and where assumptions and estimates are significant to the financial statements, is the estimate for loss reserves. This is disclosed further in item (i) below.

(i) **Standards, amendments and interpretations to existing standards, expected to apply to theCompany, that are not yet effective and have not been early adopted by the Company**

1. IFRS 9 – Financial Instruments

In July 2014, the IASB issued IFRS 9 – Financial Instruments ("IFRS 9"), which brings together the classification and measurement, impairment and hedge accounting phases of the IASB's project to replace IAS 39.

Classification and measurement – Financial assets are classified and measured based on the business model within which they are managed and the contractual cash flow characteristics of the financial assets. Financial liabilities are classified in a similar manner as under IAS 39 except that for financial liabilities measured at fair value will have fair value changes resulting from changes in the Company's credit risk recognised in Other Comprehensive Income ("OCI") instead of net income, unless this would create an accounting mismatch

Impairment – The measurement of impairment of financial assets is based on an expected credit loss model. It is no longer necessary for a triggering event to have occurred before credit losses are recognised. IFRS 9 also includes new disclosure requirements about expected credit losses and credit risk.

Hedge accounting – The new general hedge accounting model more closely aligns hedge accounting with risk management activities undertaken by entities when hedging their financial and non-financial risk exposures. It will provide more opportunities to apply hedge accounting to reflect their actual risk management activities.

The directors of the Company are currently assessing the impact this standard will have on future financial statements and related disclosures and do not anticipate that the application of this standard will have a material impact on the Company's financial statements.

It is not possible to assess the effect of adopting IFRS 9 as the company has elected to apply the deferral approach permitted by IFRS 4 (with the result that the Standard will be considered alongside IFRS 17).

2. IFRS 17 – Insurance Contracts

In May 2017, the IASB published IFRS 17 Insurance Contracts ("IFRS 17"), a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 that was issued in 2005. IFRS 17 applies to all types of insurance contracts as well as to certain guarantees and financial instruments with discretionary participation features. In contrast to the requirements in IFRS 4, which are largely based on grandfathering of previous local accounting policies, IFRS 17 provides a comprehensive and consistent approach to insurance contracts. The core of IFRS 17 is the general model, supplemented by a specific adaption for contracts with direct participation features (the variable fee approach) and a simplified approach (the premium allocation approach) mainly for short-duration contracts.

The main features of the new accounting model for insurance contracts are, as follows: the measurement of the present value of future cash flows incorporating an explicit risk adjustment and re-measured every reporting period (the fulfilment cash flows); a contractual service margin that is equal and opposite to any day one gain in the fulfilment cash flows of a group of contracts, representing the unearned profit of the insurance contracts to be recognised in profit or loss over the service period (coverage period); the presentation of insurance revenue and insurance service expenses in the statement of comprehensive income based on the concept of insurance services provided during the period; and extensive disclosures to provide information on the recognised amounts from insurance contracts and the nature and extent of risks arising from these contracts.

The impact of the adoption of IFRS 17 has yet to be fully assessed by the Company but it is expected there will be significant impacts relating to the measurement and presentation of the contracts in scope of the standard. This standard applies to annual reporting periods beginning on or after 1 January 2023.

(b) **Foreign currency translation**

Monetary assets and liabilities denominated in foreign currencies have been translated to U.S. dollars, which is the functional currency, at the rates of exchange prevailing at the balance sheet date. Income and expense transactions originating in foreign currencies are translated at the rates of exchange prevailing on the date of the transaction. Gains and losses on foreign currency translation are included within operating income.

(c) **Cash and cash equivalents**

The Company considers highly liquid money market funds and investments of fixed maturity securities with an original maturity of three months or less to be cash equivalents. The fair value of cash and cash equivalents approximates cost.

(d) **Premium receivable**
Premium receivable is recorded at face value less repayments and impartments if applicable.

(e) **Reinsurance recoverable**
Reinsurance recoverable is recorded at face value.

(f) **Premiums and acquisition costs**
Premiums are recognised as revenue on a pro-rata basis over the periods of the respective policies or contracts of reinsurance. Premiums which are subject to adjustment are estimated based upon available information. Any variances from the estimates are recorded in the periods in which they become known.

Acquisition costs comprise commissions and other costs incurred on the acquisition of new and renewal business are deferred and amortised over the terms of the policies or contracts of reinsurance to which they relate. The method followed in determining the deferred acquisition costs limits the amount of deferral to its realisable value by giving consideration to losses and expenses expected to be incurred as premiums are earned and also considers anticipated investment income.

(g) **Reinsurance premium ceded**
Premiums ceded are recognised as expenditure on a pro-rata basis over the periods of the respective retrocession policies or contracts. Ceded premiums which are subject to adjustment are estimated based upon available information. Any variances from the estimates are recorded in the periods in which they become known.

Premiums ceded represent the cost of reinsurance protection purchased by the Company.

(h) **Reserves for losses and loss adjustment expenses**
The liability for losses and loss adjustment expenses includes amounts as reported by the ceding insurer and amounts for losses incurred but not reported which have been estimated based on information provided by the ceding insurers. These estimates are continually reviewed and are necessarily subject to the impact of future changes in such factors as claims severity and frequency. While management believes that the amount is adequate, the ultimate liability may be in excess of, or less than, the amounts provided, and any adjustments will be reflected in the periods in which they become known thus the aggregate assets and liabilities are subject to change.

(i) **Fair value of financial instruments**
Fair values of financial instruments are disclosed in the notes to the financial statements when they differ from their carrying values. Amounts payable are subject to normal credit terms and as such their carrying amount was used as an approximation of their fair values. The fair value of cash and cash equivalents, policy receivables, losses payable and accounts payable and accrued liabilities approximate cost or recorded values given the short-term nature of the assets and liabilities involved.

The estimates of fair values presented herein are subjective in nature and are not necessarily indicative of the amounts that the Company would actually realise in a current market exchange. Any differences, however, would not be expected to be material. Certain assets and liabilities such as deferred acquisition costs and reserves for insurance contracts are excluded from fair value disclosure. Thus the total fair value amounts cannot be aggregated to determine underlying economic value of the Company.

3. Cash and cash equivalents

Cash and cash equivalents are comprised of cash held in accounts with HSBC Bank Bermuda Limited and investments in liquid US-treasury-related money market funds.

4. Interest income

Interest income includes interest earned on money market funds held by the Company.

5. Fair Value Measurement

Cash and cash equivalents are considered Level 1 in the fair value hierarchy. Level 1 is defined as financial instruments with quoted market prices, or quoted prices for identical instruments on an active market.

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6. Reserves for losses and loss adjustment expesnes

As stated in Note 1, the Company retrocedes all of its business and retains no net insurance risk. Loss reserves, as recorded in accordance with Note 2, are shown net of reinsurance. The following table shows the reserves on business assumed, and the reserve for losses recoverable from Horseshoe Re II.

As disclosed in Note 1, Horseshoe Re II collateralises it aggregate obligations to the Company through the provision of trust accounts established for each retrocession agreement, each funded to the aggregate limit of liability assumed under the respective agreements. In each case, the Company is the sole beneficiary of the trust account. Funds in the trust accounts are invested in cash or highly rated money market funds.

The following table provides a roll forward of the loss reserve movement at year end December 31, 2022 and 2021:

		2022	2021
Gross loss and loss expense provisions at beginning of period/year	$	(67,101,656)	-
Less: Reinsurance recoverable at beginning of period/year		67,101,656	-
Net loss and loss expense provisions at beginning of period/year		-	-
Net incurred losses and loss expenses			
Current year		-	-
Prior period		-	-
Total net incurred losses and loss expenses		-	-
Net losses and loss expenses paid related to:			
Current year		-	-
Prior period		-	-
Total losses and loss expenses paid or payable		-	-
Net loss and loss expense provisions at end of period/year		-	(67,101,656)
Add: Reinsurance recoverable at end of period/year		89,540,530	67,101,656
Gross loss and loss expense provisions at end of period/year	$	(89,540,530)	(67,101,656)

7. Reinsurance premiums payable.

Reinsurance premiums payable represent net premiums due to Horseshoe Re II in respect of the business retroceded.

8. Income taxes and uncertain tax positions

The Company provides for income taxes based upon amounts reported in the financial information and the provisions of currently enacted tax laws. The Company is registered in Bermuda and is subject to Bermuda law with respect to taxation. Under current Bermuda law, the Company is not taxed on any Bermuda income or capital gains taxes and has received an undertaking from the Bermuda Minister of Finance that, in the event of any Bermuda income or capital gains taxes being imposed, the Company will be exempt from those taxes until March 31, 2035. At the present time no such taxes are levied in Bermuda.

9. Management of insurance and financial risk

Insurance risk

In general, the risk under any one insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the very nature of an insurance contract, that risk is random and therefore unpredictable. In general, the principal risk that the Company faces under its insurance contract is that the actual claims payments exceed the carrying amount of the insurance liabilities. This could occur because the frequency or severity of the claims is greater than estimated. Insurance events are random and the actual number and amount of claims will vary from the estimate. The Company does not write an any mortality, morbidity or health business or provide any business interruption coverage on a stand-alone basis and as such does not expect any direct claims resulting from the Covid-19 outbreak. Insurance risk has been mitigated by retroceding all risks written by the Company on a fully collateralised basis.

Financial risk

The Company is exposed to financial risk on its financial assets and liabilities. The key financial risk is that the proceeds from its financial assets are not sufficient to fund the obligations arising from the insurance contracts. The most important components of this financial risk are credit risk, liquidity risk and market risk. These risks have been mitigated by requiring that collateral be provided by its retrocedant against the reinsured exposure and by maintaining that amount in cash and money market funds.

The Company's risk management policies are established to identify and analyse risk faced by the Company, to set appropriate risks limits and controls, and to monitor risk and adherence to limits.

Credit risk

The Company's exposure to credit risk arises from the possibility that counterparties may default on their obligations to the Company. The amount of the Company's maximum exposure to credit risk is indicated by the carrying value of its financial assets. The Company places its cash deposits and money market funds with highly rated financial institutions. Investments in money market funds are highly liquid.

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The total assets bearing credit risk are as follows:

		2022	2021
Cash and cash equivalents	$	236,859,354	200,286,694
Policy receivables		93,135,332	54,339,845
Reinsurance recoverables - loss reserves		89,540,530	67,101,656
	$	419,535,216	321,728,195

Credit ratings for cash and cash equivalents are A or better, as rated by Standard & Poor.

		2022	2021
AAA	$	201,452,583	199,003,425
A-		35,406,771	1,283,269
	$	236,859,354	200,286,694

The Company does not consider its policy receivable and reinsurance recoverable balance to have any credit risk as this amount is fully collateralised.

Market risk
Market risk is the possibility that changes in the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates at the reporting date. The Company has mitigated this risk by holding only cash and short duration money market funds which have minimal exposure to changes in interest rates and price risk.

Currency risk
The Company writes business in several foreign currencies. The Company mitigates its currency risk with a natural hedge by holding collateral and reserves in the same foreign currency it writes the business in. The exposure is not significant.

Liquidity risk
The Company is exposed to calls on its available cash resources from claims arising from reinsurance contracts. Liquidity risk is the risk that cash may not be available to pay obligations when due at a reasonable cost. The Company mitigates liquidity risk by holding highly liquid financial assets which may be sold quickly in response to needs for liquidity.

All amounts subject to liquidity risk are invested in cash and cash equivalents and as a result there is minimal exposure to changes in interest rates that would impact the fair valueof the assets.

10. Share capital and contributed surplus

The Company was incorporated on September 30, 2020, with authorised share capital of $120,000, comprising 120,000 common shares of par value $1.00 each. All of the authorised shares were issued to Holdings.

During 2021, and prior to commencing operations, the Company was funded with additional contributed surplus from Holdings in the aggregate amount of $199,970,000.

The Company declared and paid dividends of $2,500,000 during the year ended December 31, 2022 (2021: $nil). The Company recognizes a liability to pay a dividend when the distribution is authorized, and the distribution is no longer at the discretion of the Company. A distribution is authorized when it is approved by the shareholders. A corresponding amount is recognized directly in equity.

11. Related party transactions

As disclosed in Note 1, the Leadenhall Funds together hold 200,100,000 Class A shares of par value $1 each, issued by Holdings to provide funding for its investment in the Company.

The Leadenhall Funds are also investors in the segregated accounts of Horseshoe Re II that provide reinsurance protection to the Company. The underwriting guidelines of the Company currently preclude it from writing any business unless it is able to retrocede that business on a fully collateralised basis to Horseshoe Re II. The segregated accounts of Horseshoe Re II are, in turn, reliant upon the Leadenhall Funds for the provision of capital to enable them to provide the required collateral.

The Leadenhall Funds are managed by Leadenhall.

Amlin and Leadenhall, are affiliated through common ownership. Amlin is owned by the MS&AD Group (a listed Japanese insurance company), while a subsidiary of MS&AD Group is a partner in Leadenhall.

A director of the Company is also a senior executive of Leadenhall, although he receives no remuneration from the Company for his director role.

Two directors of the Company are also senior executives of Artex Capital Solutions (the “Artex Directors”). The entities detailed below are part of the Artex Capital Solutions brand. The Company has retained Artex Insurance Management (Bermuda) Ltd. (“AIMB”) to provide management services to the Company, and has retained Artex Corporate Services Ltd. (“ACSL”) to provide it with corporate secretarial services. The Company has retained Artex Insurance Advisory Ltd. (“AIAL”) to provide certain actuarial consulting services, including provision of an individual to act as Loss Reserve Specialist (as required under the Act).

AIMB, ACSL and AIAL are all affiliates within the Artex Capital Solutions brand.

AIMB is also the appointed insurance manager of Horseshoe Re II.

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While the Company does not pay remuneration direct to the Horseshoe Directors, during the period, the following amounts have been paid to AIMB, ACSL and AIAL for services rendered:

		2022	2021
Related party:			
AML	$	60,579	137,334
ACSL		43,892	750
AIAL		35,008	-
	$	139,479	138,084

12. Regulatory requirements

The Company is required by its Class 3A Insurer license to maintain capital and surplus greater than a minimum statutory amount determined as the greater of a percentage of outstanding losses or a given fraction of net written premiums. At December 31, 2022, the Company was required to maintain a minimum statutory capital and surplus of approximately $13,431,150 (2021: $10,065,300). The Company's actual statutory capital and surplus, as calculated in accordance with Bermuda regulations, at December 31, 2022, was $205,362,672 (2021: $200,839,181). The Company met the minimum solvency margin at December 31, 2022 and December 31, 2021.

In addition, the Company is required to maintain shareholder's equity at least equal to the target level indicated by the BSCR.

Actual statutory capital and surplus, as calculated in accordance with Bermuda regulations, at December 31, 2022, is reconciled to total shareholder's equity determined on a GAAP basis as follows:

		2022	2021
Shareholder's equity	$	205,364,932	200,841,647
Less:			
Prepaid expenses		-	(2,466)
Deferred acquisition costs		(4,615,691)	(6,265,138)
Ceded deferred acquisition costs		4,615,691	6,265,138
Statutory capital and surplus	$	205,364,932	200,839,181

The Company is also required to maintain a minimum liquidity ratio whereby the value of its relevant assets is not less than 75% of the amount of its relevant liabilities. Relevant assets comprise cash and cash equivalents, investments, accrued interest, accounts receivable and reinsurance balances receivable.

At December 31, 2022, the Company was required to maintain relevant assets of $96,934,500 (2021: $116,577,750), being at least 75% of relevant liabilities.

At December 31, 2022, relevant assets were approximately $329,994,000 (2021: $321,729,000), and the minimum liquidity ratios were therefore met.

In addition, the Company is required to maintain shareholder's equity at least equal to the target level indicated by the BSCR. At December 31, 2022, shareholder's equity of $205,364,932 (2021: $200,841,647) exceeded the target capital requirement indicated by the BSCR of approximately $59,115,951 (2021: $31,282,930).

Under the Act, the Company is not permitted to reduce its statutory capital by an amount equal to 15% or more its statutory capital at the beginning of the period without first obtaining the approval of the Bermuda Monetary Authority ("BMA").

The Company has also represented to the BMA that it will maintain shareholder's equity equal to approximately $200,000,000.

All of the Company's capital, comprising issued share capital and contributed surplus, is regarded as Tier 1 capital.

13. Subsequent events

There have been no material subsequent events from December 31, 2022, to the date of this report.

14. Approval of the financial statements

The financial statements were approved and authorized for issue by the Board of Directors on April 29, 2022. The Board of Directors do not have the powers to amend these statements after issuance.