UK DEFENCE CLUB

Above & Beyond

The United Kingdom Freight Demurrage and Defence Insurance (Europe) Ltd
Report and Financial Statements for the year ended 20 February 2023

UKDC
IS MANAGED
BY **THOMAS
MILLER**

Contents

Board of Directors and Other Officers

Board of Directors

Petros Pappas
Daniel John Evans
Michael G. Pateras
Polys Hajioannou
George Mouskas (appointed on 17th November 2022)
Maria Savva

Company Secretary
Cyproman Services Ltd

Independent Auditors
Ernst & Young Cyprus Limited
Jean Nouvel Tower
6 Stasinou Avenue
1060 Nicosia
Cyprus

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Bankers
Citibank Europe Plc (Netherlands)

Registration Number
HE399596

Website
www.ukdefence.com

Management Report

The Board of Directors presents its report and audited financial statements of The United Kingdom Freight Demurrage and Defence Insurance (Europe) Ltd ("the Company") for the year ended 20 February 2023.

Principal activities and nature of operations of the Company
The Company was incorporated in Cyprus on 4 July 2019 as a private limited liability company under the provisions of the Cyprus Companies Law, Cap. 113. The Company is a 100% subsidiary of The United Kingdom Freight Demurrage and Defence Association Limited, registered in the United Kingdom.

The Company's principal activity, which is unchanged from last year, is the provision of insurance to its policyholders against legal costs and expenses relating to the operation of ships entered with the Company as defined in the Rules of the Company. The Company underwrites insurance of policyholders mainly situated in a European Economic Area state and of few policyholders who are situated in third countries.

The Company was licensed under Article 14 of the Insurance and Reinsurance Services and Other Related Issues Laws of 2016-2017 on 19th June 2020.

Review of current position, future developments and performance of the Company's business
The financial position, development and performance of the Company as presented in these financial statements was satisfactory and in line with expectations.

The Company's gross written premiums amounted to UK£2,568,284 in 2023 (2022: UK£2,579,659) (Note 7) and net incurred claims amounted to UK£137,465 (2022: UK£167,234).

The Company earned a profit of UK66,536 (2022: UK£19,160) which met the Company's expectations for the year.

The Company's net technical reserves amounted to UK£204,085 as at 20 February 2023 (2022: UK£142,776) (Note 14).

Shareholders' equity amounted to UK£3,734,736 as at 20 February 2023 (2022: UK£3,168,200).

The Company's combined ratio, calculated by dividing the sum of net incurred claims, foreign exchange gains/losses and operating expenses by net earned premium, was 103.24% (2022:98.72%) mainly due to the impact of higher exchange differences and administrative expenses.

Principal risks and uncertainties
The Company's approach to financial risk management and a review of the principal risks and uncertainties is disclosed in Note 5 of the financial statements, which includes the financial risks on climate change. The principal risks are considered to be currency risk, insurance risk and credit risk of reinsurance arrangements, the mitigation of which is further discussed in Note 5. In addition to the risks discussed in Note 5 the Board of the Company has identified Cyber risk and failure of IT system security as additional key risks that the Company faces. These risks, and their respective controls, are monitored by the Company's Board through the regular review of the business risk log.

Future developments of the Company
The Board of Directors monitors the international economic developments and assesses the needs for strategic changes to ensure financial and operational development for the Company.

The Company follows qualitative assessment in accepting risks and increasing turnover. Also, the Company utilizes technology that simplifies procedures with aimed at reducing the cost of servicing its contracts. The ultimate goal is continuous improvement of the level of service it offers.

Management Report (continued)

Future developments of the Company (continued)
The IFRS 17 – Insurance Contracts - reporting standard is effective for accounting period beginning on or after 1 January 2023, meaning that the 20th February, 2024 year end would be the first year end that the Company would apply this accounting standard. IFRS 17 requires analysis at a more detailed level than current accounting standards.

Under the IFRS 17 model, insurance contract liabilities are calculated as the present value of future insurance cash flows with the provision for a risk adjustment. The Company has set up the systems and processes to report in accordance with the provisions of IFRS 17. The Company meets the criteria to apply the simplified model. The impact from the implementation of IFRS 17 to the Company's accounting policies is presented in Note 3.

The Board of Directors does not expect any other significant changes or developments in the operations, financial position and performance of the Company in the foreseeable future. The Company will maintain the current strategy for its business in future years and anticipates retaining market share whilst adding to its Membership subject to its underwriting discipline.

Results and dividends
The Company's results for the year are set out on page 14. The Board of Directors does not recommend the payment of a dividend and net profit for the year is retained.

Share capital
During the year, the authorised share capital of the Company increased to UK£40,000 (2022: UK£20,000) divided into 40,000 ordinary shares of nominal value of UK£1 per share (2022: 20,000 ordinary shares of nominal value of UK£1 per share).

The sole shareholder of the Company, subscribed for an additional 10,000 ordinary shares at a nominal value of UK£1 per share and premium at UK£49 per share (Note 16).

Corporate Governance
The Company recognises the importance of implementing sound corporate governance policies, practices and procedures. The Company has introduced the appropriate corporate governance practices from the inception and implemented a corporate structure that provides effective oversight, direction and management of the business in compliance with all relevant local and international business laws that apply.

The Board of Directors and the Audit, Regulatory and Risk Committee are suitably composed by Directors having the appropriate background and experience and following their respective fully approved charters of operation. The Audit Regulatory and Risk Committee ("AR&R Committee") is comprised of Non-Executive and Independent Directors.

Operating environment of the Company
Russia – Ukraine conflict
On 24 February 2022, Russian troops started invading Ukraine. In response, multiple jurisdictions have imposed economic sanctions on Russia. This war has increasingly affected economic and global markets and continues to pose ongoing challenges to the global landscape. Whilst the Company does not have a physical presence in Russia or Ukraine, it has seen a rise in claims cost as a result of the conflict. This has mainly been driven by sanctions related risks and ships trapped in Ukrainian ports. The Company continues to keep the position under review and ensures compliance with sanction measures whilst acting for the benefit of the Group's overall Membership.

Climate change
Financial risks arising from climate change is a key area of focus for regulators. The Company has appointed the Risk Officer as the Senior Management Function holder with the responsibility for identifying and managing exposures from climate change and ensuring that the regulator's expectations are met.

The continuing emergence of different elements of climate change is being monitored to assess whether and to what extent they might affect future exposure for the Company. The changes imposed on the shipping industry in order to reduce the industry's impact on the environment and climate change regulation developments have, or may have, an impact on Members' existing business models. In turn, this could impact the Company's business model. The Company is likely to be most impacted during the period of adjustment whilst the industry tries to address new environmental regulations.

The Company has considered climate change risk as a risk that manifests through the established principal risks and cascades through the various functions of the Company (underwriting, credit, operational and financial). As such additional procedures and controls as well as updates in the existing mitigating controls have been introduced, in order to ensure that climate changes risks are identified, measured, monitored and managed, against the risk appetite and business risk model.

Management Report (continued)

Operating environment of the Company (continued)
The Company is developing measures and stress tests to manage the potential risks arising from climate change. The Managers are implementing measures to reduce energy consumption, increase the scope of recycling within its office operations, and to raise awareness amongst employees of environmental responsibility and promote sustainable business.

2023 banking crisis
The rising interest rates which unmasked hidden vulnerabilities linked to poor investment strategy of some banks and failure to manage interest rate risk, led three small- to mid-size U.S. banks to fail in the beginning of 2023. In March 2023, Credit Suisse, the second-largest bank in Switzerland, collapsed due to accumulated financial problems and was acquired by UBS, the multinational investment bank and financial services company also based in Switzerland. These triggered volatility in the financial markets and in particular, a sharp decline in global bank stock prices. The Company did not have any exposure to the banks that collapsed. The Company closely monitors the credit ratings of its counterparties.

Board of Directors
The members of the Company's Board of Directors as at 20 February 2022 and up to the date of this report are presented on page 4. Mr Mouskas has been appointed to the Board of Director on 17th November 2022.

In accordance with the Company's Articles of Association all Directors presently members of the Board retire at the forthcoming Annual General Meeting and will be eligible for re-election.

There were no significant changes in the assignment of responsibilities and remuneration of the Board of Directors.

The Directors met three times during the year under review, in order to fulfil the general and specific responsibilities entrusted to them under the Memorandum and Articles of Association. At those meetings the Directors received and discussed written and oral reports and recommendations from the Managers on operational, performance, risk management and strategic matters.

Board Composition

Name	Position	Role
Daniel John Evans	Chief Executive Officer, Director	Executive Director
Petros Pappas	Non executive and Independent Director	AR&R Committee - Member
Michail Pateras	Non executive and Independent Director	AR&R Committee - Member
Polys Hajioannou	Non executive and Independent Director	AR&R Committee - Member
Maria Savva	Chief Financial Officer, Risk Officer, Director	Executive Director
George Mouskas	Non executive and Independent Director	AR&R Committee - Member

Events after the reporting date
There were no material events after the reporting period, which have a bearing on the understanding of the financial statements, other than the transition to IFRS 17 as disclosed in Note 3.

Branches
The Company did not operate through any branches during the year.

Independent Auditors
The Independent Auditors, Ernst & Young Cyprus Ltd, have expressed their willingness to continue in office and a resolution giving authority to the Board of Directors to fix their remuneration will be proposed at the Annual General Meeting..

By order of the Board of Directors,

Cyproman Services Ltd
Secretary
Nicosia, 26 May 2023

Independent Auditor’s Report

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of The United Kingdom Freight Demurrage and Defence Insurance (Europe) Ltd (the “Company”) which are presented in pages 14 to 53 and comprise the statement of financial position as at 20 February 2023, the statements of profit or loss and other comprehensive income, changes in equity and 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 give a true and fair view of the financial position of the Company as at 20 February 2023, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113.

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 remained independent of the Company throughout the period of our appointment in accordance with the 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 Cyprus, 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.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor’s responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matter below, provide the basis for our audit opinion on the accompanying financial statements.

Independent Auditor's Report (continued)

Report on the Audit of the Financial Statements

Key Audit Matters	**Audit Procedures to address the key audit matter**
Valuation of reported outstanding claims	
The total amount of gross claims outstanding estimates as at 20 February 2023 amounts to UK£580 thousand. The total value of gross claims outstanding estimates represents 24.6% of the Company's total liabilities.	As part of our audit procedures in relation to the valuation of gross claims outstanding estimates and considering the related risk of management override of controls over the gross claims outstanding estimates, we have performed among others the below:
The assessment of gross claims outstanding estimates as at the year end, is one area that requires significant judgement as the assessment requires management to estimate the potential amount of legal expenses and other claims management expenses that will be incurred throughout the process of claims settlement with reference to each claim's characteristics and the resolutions for similar past cases.	We have obtained an understanding and performed a walkthrough of the process related to the calculation of gross claims outstanding estimates. We have evaluated the design and tested the operating effectiveness of controls in this process.
Given the significance of the total amount of gross claims outstanding estimates, the significant level of judgement exercised on behalf of the management and estimations such as the timing of claims settlement, the development and level of escalation of each claim and the similarity of the claims to other past cases, we consider this to be a risk of management override of controls over the valuation of gross claims outstanding estimates and an area of key audit matter.	We inspected fee quotations obtained from experts assigned to each claim and read their assessment where available to assess the reasonableness of the assumptions used by claims handlers to estimate the development of claims and the effort and timing required to settle each claim selected for testing.
The Company's disclosures relating to the gross claims outstanding estimates and insurance risk are included in notes 4, 5.4, 6 and 14.	We have performed back testing of provisioning on outstanding claims, by comparing payments made post year to the reserve reported as at the year end.
	Due to the limited historic information available on claims development at the Company's level, as the Company's operations only fully commenced in the prior year, in addition to performing a retrospective analysis of claims settled at the entity's level for the year ended 2022, we also performed retrospective analysis of claims settled at the parent entity's level, to assess the professional competence and judgment of the claim handlers responsible for the estimation of the outstanding claims reserve balance for claims submitted to the Company and its parent entity. At the parent entity level, this was performed by analysing and comparing claims settled subsequent to the year-end to the reserve recognised at each year-end for the years ended 2019-2022.
	We have assessed the completeness and adequacy of the Company's disclosures regarding gross claims outstanding estimates and insurance risk in the financial statements.

Report on the Audit of the Financial Statements

Valuation of technical reserves	
The total amount of the gross provision for claims incurred but not reported as at 20 February 2023 amounts to UK£1,531 thousand. The total value of the gross provision for claims incurred but not reported represents 64.8% of the Company's total liabilities.	As part of our audit procedures in relation to the valuation of the gross provision for claims incurred but not reported, we have performed the below:
The gross provision for claims incurred but not reported refers to provisions relating to risks incurred but not reported (IBNR). IBNR comprise the following: • Risks incurred but not yet reported (IBNYR) • Risks incurred But Not Enough Reported Reserve ('IBNER')	We have obtained an understanding of the calculation of the gross provision for claims incurred but not reported, through performance of a walkthrough of the process related to the calculation of the gross provision for claims incurred but not reported. We have evaluated the design effectiveness of controls in this process.
As at the year ended 20 February 2023 the Company's IBNR reserve comprise solely of IBNER provisions.	With the assistance of our actuarial experts, we have assessed the appropriateness of the methodology and triangulation methods applied in the context of IFRS requirements.
The valuation of IBNER reserve is calculated based primarily on the historical development of claims incurred with the application of judgment on the selection and the exclusion of certain development factors, to ensure that the reserves will be within the prescribed limits despite any adverse future development.	With the assistance of our actuarial experts we have assessed the reasonableness of key assumptions used by the Company's actuarial specialist such as the selection of development factors, similarity of past years claims development and loss ratios to future claims development through examining experience data provided by the Company's actuarial specialist.
The Company's actuarial experts perform the valuation of the gross provision for claims incurred but not reported. The methodologies applied by the actuarial experts involve exercising significant level of judgment for the selection of appropriate historical data to reflect their future expectations on claims reserves development. Therefore, and given the significance of the total amount of the gross provision for claims incurred but not reported, we consider this to be an area of key audit matter.	With the assistance of our actuarial experts we have tested whether the inputs used in calculating IBNER are appropriate and in accordance with the Company's methodology.
The Company's disclosures relating to insurance reserves and insurance risk are provided in notes 4, 5.4, 6 and 14.	We performed back testing to assess the adequacy of the IBNER provision recognised by analysing and comparing claims settled subsequent to the year-end at a higher amount to the reserve recognised at the year-end.
	We have assessed the completeness and adequacy of the Company's disclosures regarding the gross provision for claims incurred but not reported and insurance risk in the financial statements.

Independent Auditor's Report (continued)

Report on the Audit of the Financial Statements

Reporting on other information
The Board of Directors is responsible for the other information. The other information comprises the Management Report but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors for the Financial Statements
The Board of Directors is responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113, and for such internal control as the Board of Directors 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, the Board of Directors 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 the Board of Directors 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 the Board of Directors.

Independent Auditor’s Report (continued)

Report on the Audit of the Financial Statements

Auditor’s Responsibilities for the Audit of the Financial Statements (continued)

- Conclude on the appropriateness of the Board of Directors’ 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 a true and fair view.

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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine the matters that are of most significance in the audit of the financial statements of the current period and are therefore the key audit matters.

Report on Other Legal and Regulatory Requirements
Pursuant to the requirements of Article 10(2) of the EU Regulation 537/2014 we provide the following information in our Independent Auditor’s Report, which is required in addition to the requirements of International Standards on Auditing.

Appointment of the Auditor and Period of Engagement
We were first appointed as auditors of the Company on 6 December 2021 by the Annual General Meeting of the Company’s shareholders. Our appointment is renewed annually by shareholder resolution representing a total period of uninterrupted engagement appointment of 2 years.

Consistency of the Additional Report to the Audit Committee
We confirm that our audit opinion on the financial statements expressed in this report is consistent with the additional report to the Audit Committee of the Company, which we issued on 18 May 2023, in accordance with Article 11 of the EU Regulation 537/2014.

Provision of Non-audit Services
We declare that no prohibited non-audit services referred to in Article 5 of the EU Regulation 537/2014 and Section 72 of the Auditors Law of 2017 were provided. In addition, there are no non-audit services which were provided by us to the Company and which have not been disclosed in the financial statements or the management report.

Independent Auditor’s Report (continued)

Report on the Audit of the Financial Statements

Other Legal Requirements
Pursuant to the additional requirements of the Auditors Law of 2017, we report the following:

- In our opinion, based on the work undertaken in the course of our audit, the management report has been prepared in accordance with the requirements of the Cyprus Companies Law, Cap. 113, and the information given is consistent with the financial statements.
- In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we are required to report if we have identified material misstatements in the management report. We have nothing to report in this respect.

Other Matter
This report, including the opinion, has been prepared for and only for the Company’s members as a body in accordance with Article 10(1) of the EU Regulation 537/2014 and Section 69 of the Auditors Law of 2017 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whose knowledge this report may come to.

The engagement partner on the audit resulting in this independent auditor’s report is Stavros Pantzaris.

Stavros Pantzaris
Certified Public Accountant and Registered Auditor
for and on behalf of

Ernst & Young Cyprus Limited
Certified Public Accountants & Registered Auditors

Nicosia
26 May 2023

Accounts

Statement of Profit or Loss and Other Comprehensive Income Year ended 20 February 2023

	Notes	2023 UK£	2022 UK£
Gross premium written	7	2,568,284	2,579,659
Movement in gross unearned premiums	14	(36,594)	-
Gross income from premiums		**2,531,690**	**2,579,659**
Outward reinsurance premiums	7	(2,187,569)	(2,209,369)
Movement in reinsurers' share of unearned premiums	14	32,935	-
Net premiums earned		**377,056**	**370,290**
Brokerage fees	7	(137,652)	(124,805)
Net movement in deferred acquisition costs	7	306	-
Ceded commissions	18.2	381,560	390,043
Net income from underwriting operations		**621,270**	**635,529**
Claims paid		(76,156)	(24,661)
Gross claims paid		(761,559)	(246,605)
Reinsurer's share of claims provision		685,403	221,945
Change in provision for claims		(61,309)	(142,574)
Gross claims provision		(683,336)	(1,425,740)
Reinsurer's share of claims provision		622,027	1,283,166
Claims incurred net of reinsurance	**14**	**(137,465)**	**(167,234)**
Profit from insurance operations		**483,805**	**468,294**
Other income		1,604	1,624
Net investment income	8	90,516	13,694
Exchange losses		(49,432)	(32,569)
Expected credit losses allowance on premiums receivable	5	(9,351)	(13,558)
Operating expenses	9	(445,174)	(414,025)
Profit before tax		**71,968**	**23,460**
Tax	10	(5,432)	(4,300)
Net profit for the year		**66,536**	**19,160**
Other comprehensive income		-	-
Total comprehensive income for the year		**66,536**	**19,160**

The notes on pages 18 to 53 form an integral part of these financial statements.

Accounts

Statement of Financial Position
20 February 2023

	Notes	2023 UK£	2022 UK£
ASSETS			
Current assets			
Financial assets at fair value through profit or loss	11	**3,245,494**	3,187,118
Reinsurer's share of technical provisions	14	**1,939,951**	1,284,989
Insurance receivables	12	**110,355**	40,244
Trade and other receivables	13	**261,238**	216,375
Cash at bank	15	**538,781**	139,947
Total assets		**6,095,819**	4,868,673
EQUITY AND LIABILITIES			
Equity			
Share capital	16	**20,000**	10,000
Share premium	16	**3,640,000**	3,150,000
Retained earnings		**74,736**	8,200
Total equity		**3,734,736**	3,168,200
Current liabilities			
Insurance liabilities	14	**2,147,695**	1,427,765
Trade and other payables	17	**212,449**	268,408
Income tax payable		**939**	4,300
Total liabilities		**2,361,083**	1,700,473
Total equity and liabilities		**6,095,819**	4,868,673

On 26 May 2023 the Board of Directors of The United Kingdom Freight Demurrage and Defence Insurance (Europe) Ltd authorised these financial statements for issue.

Michael Pateras
Director

Daniel John Evans
Director

The notes on pages 18 to 53 form an integral part of these financial statements.

Statement of Changes in Equity
Year ended 20 February 2023

	Notes	Share capital UK£	Share premium UK£	Accumulated losses UK£	Total UK£
Balance at 21 February 2021		**10,000**	**3,150,000**	**(10,960)**	**3,149,040**
Comprehensive income:					
Net profit for the year		-	-	19,160	19,160
Total comprehensive income for the year		-	-	8,200	3,168,200
Balance at 20 February 2022		**10,000**	**3,150,000**	**8,200**	**3,168,200**
Issue of share capital	16	10,000	490,000	-	500,000
Comprehensive income:					
Net profit for the year		-	-	66,536	66,536
Total comprehensive income for the year		-	-	66,536	66,536
Balance at 20 February 2023		**20,000**	**3,640,000**	**74,736**	**3,734,736**

Share premium is not available for distribution.

Companies which do not distribute 70% of their profits after tax, as defined by Special Contribution for the Defence of the Republic Law, within two years after the end of the relevant tax year, will be deemed to have distributed as dividends 70% of these profits. Special contribution for defence at 17% will be payable on such deemed dividends to the extent that the ultimate shareholders are natural persons and both Cyprus tax resident and Cyprus domiciled. In addition, the Company pays on behalf of the shareholders General Healthcare System (GHS) contribution at a rate of 2,65%, when the entitled shareholders are natural persons tax residents of Cyprus, regardless of their domicile. The amount of deemed distribution is reduced by any actual dividends paid out of the profits of the relevant year at any time. This special contribution for defence is payable by the Company for the account of the shareholders.

The notes on pages 18 to 53 form an integral part of these financial statements.

Accounts

Cash Flow Statement
Year ended 20 February 2023

	Notes	2023 UK£	2022 UK£
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**71,968**	23,460
Adjustments for:			
Movement in unearned reinsurance premium	14	**(32,935)**	-
Movement in unearned premium provision	14	**36,594**	-
Movement in deferred acquisition costs		**(306)**	
Expected credit losses allowance on premiums receivable	5	**9,351**	-
Net investment income	8	**(90,516)**	(13,694)
Corporation tax paid		**(8,715)**	-
		(5,844)	9,766
Changes in working capital:			
Increase in insurance receivables		**(70,111)**	(40,244)
Increase in trade and other receivables		**(44,863)**	(126,747)
Increase in reinsurers' share of insurance liabilities		**(654,962)**	(1,283,166)
Increase in insurance liabilities		**719,930**	1,425,739
(Decrease)/Increase in trade and other payables		**(55,959)**	203,824
Cash (used in)/generated from operating activities		**(111,809)**	189,172
Taxes		(8,793)	-
Net cash (used in)/from operating activities		**(120,602)**	189,172
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions of financial assets at fair value through profit or loss		**(6,351,335)**	(5,190,026)
Dividend income	8	**12,182**	-
Interest received		**31,954**	-
Redemptions of financial assets at fair value through profit or loss		**6,317,843**	2,016,603
Net cash from/(used in) investment activities		**10,644**	(3,173,423)
CASH FLOWS FROM INVESTING ACTIVITIES			
Issue of shares	16	**500,000**	-
Cash from financing activities		**500,000**	-
Net increase/(decrease) in cash and cash equivalents		**398,834**	(2,984,251)
Cash and cash equivalents at beginning of the year		**139,947**	3,124,198
Cash and cash equivalents at end of the year	**16**	**538,781**	139,947

The notes on pages 18 to 53 form an integral part of these financial statements.

Notes to the Financial Statements

General Information

1. Incorporation and principal activities

The financial statements of The United Kingdom Freight Demurrage and Defence Insurance (Europe) Ltd (the "Company") for the year ended 20 February 2023, were authorised for issue in accordance with a resolution of the Board of Directors on 26 May 2023.

Country of incorporation

TThe Company was incorporated in Cyprus on 4 July 2019 as a private limited liability company under the provisions of the Cyprus Companies Law, Cap. 113. Its registered office is at 37 Theklas Lysioti Street, Gemini House, Flat 202, 3030 Limassol, Cyprus.

Principal activities

The Company is a 100% subsidiary of The United Kingdom Freight Demurrage and Defence Association Limited, registered in the United Kingdom, with its registered office at 90 Fenchurch Street, London, EC3M 4ST.

The Company's principal activity, which is unchanged from last year, is the provision of insurance to its policyholders against legal costs and expenses relating to the operation of ships entered with the Company as defined in the Rules of the Company. The Company underwrites insurance of policyholders situated in an European Economic Area state.

The Company was licensed under Article 14 of the Insurance and Reinsurance Services and Other Related Issues Laws of 2016-2017 on 19th June 2020.

2. Basis of preparation

Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU) and the requirements of the Cyprus Companies Law, Cap.113 and the Insurance and Reinsurance Services and other Related Matters Law of 2016, as amended from time to time.

Basis of presentation

The Company presents its statement of financial position broadly in order of liquidity. An analysis regarding recovery or settlement within twelve months after the reporting date (no more than 12 months) and more than 12 months after the reporting date (more than 12 months) is presented in the respective notes.

Statement of measurement

The financial statements have been prepared under the historical cost convention, except for investments classified at fair value through profit or loss, that have been measured at fair value.

Functional and presentation currency of the financial statements

The financial statements are presented in Sterling (UK£), which is the Company's functional currency, and all amounts are rounded to the nearest sterling, except where otherwise stated.

3. Adoption of new or revised standards and interpretations

Adoption of new and revised International Financial Reporting Standards and Interpretations as adopted by the European Union (EU):

During the current year the Company adopted all the new and revised International Financial Reporting Standards (IFRS) that are relevant to its operations and are effective for accounting periods beginning on 21 February 2022. This adoption did not have a material effect on the accounting policies of the Company.

Standards and Interpretations issued but not yet effective and not early adopted:

A number of new standards are effective for annual periods beginning after 1 January 2022 and earlier application is permitted. However, the Company has not early adopted the new standards in preparing these financial statements.

The Company will apply IFRS 17 for the first time on 21 February 2023. This standard will bring significant changes to the accounting for insurance and reinsurance contracts and is expected to have a material impact on the Company's financial statements in the period of initial application.

- **IFRS 17 Insurance Contracts (applicable for accounting period commencing on or after 1 January 2023)**

IFRS 17 replaces IFRS 4 Insurance Contracts and is effective for annual periods beginning on or after 1 January 2023, with early adoption permitted.

i. Identifying contracts in the scope of IFRS 17

IFRS 17 establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts, reinsurance contracts and investment contracts with discretionary participation features (DPF).

Definition and classification of insurance contracts

Insurance contracts are contracts under which the Company accepts significant insurance risk from a policyholder by agreeing to compensate the policyholder if a specified uncertain future event adversely affects the policyholder.

In making this assessment, all substantive rights and obligations, including those arising from law or regulation, will be considered on a contract-by-contract basis at the contract issue date. The Company will use judgement to assess whether a contract transfers insurance risk (that is, if there is a scenario with commercial substance in which the Company has the possibility of a loss on a present value basis) and whether the accepted insurance risk is significant.

The Company will determine whether it has significant insurance risk, by comparing benefits payable after an insured event with benefits payable if the insured event did not occur.

The Company issues contracts under which it accepts significant insurance risk from its policyholders, which are classified as insurance contracts.

The Company holds reinsurance contracts that transfer significant insurance risk or are deemed to transfer significant insurance risk since they transfer to the reinsurer substantially all the insurance risk relating to the reinsured portions of the underlying insurance contracts.

The Company does not have investment contracts with DPF.

Separating components from insurance and reinsurance contracts

At inception, the Company shall separate the following components from an insurance contract and account for them as if they were stand-alone financial instruments:

- derivatives embedded in the contract whose economic characteristics and risks are not closely related to those of the host contract, and whose terms would not meet the definition of an insurance contract as a stand-alone instrument; and
- distinct investment components i.e. investment components that are not highly inter-related with the insurance components and for which contracts with equivalent terms are sold, or could be sold, separately in the same market or the same jurisdiction.

The Company does not have derivatives or distinct investment components.

3. Adoption of new or revised standards and interpretations (continued)
Standards and Interpretations issued but not yet effective and not early adopted: (continued)
ii. Level of aggregation
Under IFRS 17, insurance contracts are aggregated into groups for measurement purposes. Groups of contracts are determined by first identifying portfolios of contracts, each comprising contracts subject to similar risks and managed together. Contracts in different product lines are expected to be in different portfolios. Each portfolio is then divided into annual cohorts (i.e. by year of issue) and each annual cohort into three groups:

- any contracts that are onerous on initial recognition;
- any contracts that, on initial recognition, have no significant possibility of becoming onerous subsequently; and
- any remaining contracts in the annual cohort.

When a contract is recognised, it is added to an existing group of contracts or, if the contract does not qualify for inclusion in an existing group, it forms a new group to which future contracts may be added. Groups of reinsurance contracts are established such that each group comprises a single contract.

Portfolios of reinsurance contracts held will be assessed for aggregation separately from portfolios of insurance contracts issued. Applying the grouping requirements to reinsurance contracts held, the Company will aggregate reinsurance contracts held into groups of:

- contracts for which there is a net gain at initial recognition, if any;
- contracts for which, at initial recognition, there is no significant possibility of a net gain arising subsequently; and
- remaining contracts in the portfolio, if any.

Initial Recognition
The Company will recognise groups of insurance contracts that it issues from the earliest of the following:

- The beginning of the coverage period of the group of contracts;
- The date when the first payment from a policyholder in the group is due, or when the first payment is received if there is no due date;
- When the Company determines that a group of contracts becomes onerous.

Concerning onerous contracts such contracts expected on initial recognition to be loss-making will be grouped together and such groups are to be measured and presented separately. Once contracts are allocated to a group, they will not be re-allocated to another group, unless they are substantively modified.

The Company will recognise a group of reinsurance contracts held:

- If the reinsurance contracts provide proportionate coverage, at the later of the beginning of the coverage period of the group, or the initial recognition of any underlying contract;
- In all other cases, from the beginning of the coverage period of the first contract in the group.

If the Company enters into the reinsurance contract held at or before the date when an onerous group of underlying contracts will be recognised prior to the beginning of the coverage period of the group of reinsurance contracts held, the reinsurance contract held will be recognised at the same time as the group of underlying insurance contracts is recognised.

iii. Contract boundaries
Under IFRS 17, the measurement of a group of contracts includes all of the future cash flows within the boundary of each contract in the group. Compared with the current accounting, the Company expects that for certain contracts the IFRS 17 contract boundary requirements will change the scope of cash flows to be included in the measurement of existing recognised contracts, as opposed to future unrecognised contracts. The period covered by the premiums within the contract boundary is the ‘coverage period’, which is relevant when applying a number of requirements in IFRS 17.

3. Adoption of new or revised standards and interpretations (continued)

Standards and Interpretations issued but not yet effective and not early adopted: (continued)

Insurance contracts

For insurance contracts, cash flows are within the contract boundary if they arise from substantive rights and obligations that exist during the reporting period in which the Company can compel the policyholder to pay premiums or has a substantive obligation to provide services (including insurance coverage and investment services). A substantive obligation to provide services ends when:

- the Company has the practical ability to reassess the risks of the particular policyholder and can set a price or level of benefits that fully reflects those reassessed risks; or
- the Company has the practical ability to reassess the risks of the portfolio that contains the contract and can set a price or level of benefits that fully reflects the risks of that portfolio, and the pricing of the premiums up to the reassessment date does not take into account risks that relate to periods after the reassessment date.

Reinsurance contracts

For reinsurance contracts, cash flows are within the contract boundary if they arise from substantive rights and obligations that exist during the reporting period in which the Company is compelled to pay amounts to the reinsurer or has a substantive right to receive services from the reinsurer. A substantive right to receive services from the reinsurer ends when the reinsurer:

- has the practical ability to reassess the risks transferred to it and can set a price or level of benefits that fully reflects those reassessed risks; or
- has a substantive right to terminate the coverage.

The Company's reinsurance contracts providing coverage on a loss occurring basis cover claims incurred during the accident year from underlying insurance contracts. Thus, all cash flows arising from claims incurred and expected to be incurred in the accident year will be included in the measurement of the reinsurance contracts held.

iv. Measurement – Overview

IFRS 17 introduces a measurement model based on the estimates of the present value of future cash flows that are expected to arise as the Company fulfils the contracts, an explicit risk adjustment for non-financial risk and a Contractual Service Margin ("CSM").

The liability for remaining coverage ("LRC") shall represent the Company's obligation to investigate and pay valid claims under existing contracts for insured events that have not yet occurred (i.e. the obligation that relates to the unexpired portion of the coverage period), comprising (a) fulfilment cash flows relating to future service and (b) the contractual service margin yet to be earned.

The liability for incurred claims ("LIC") shall include the Company's liability to pay valid claims for insured events that have already incurred, other incurred insurance expenses arising from past coverage service and it shall include the Company's liability to pay amounts the Company is obliged to pay the policyholder under the contract, including repayment of investment components, when a contract is derecognised. The estimate of LIC shall comprise the fulfilment cash flows related to current and past service allocated to the group at the reporting date.

The carrying amount of a group of insurance contracts at each reporting date shall be the sum of the LRC and the LIC.

The Company applies the Premium Allocation Approach ("PAA") to its insurance and reinsurance contracts, which is a simplified measurement model in IFRS 17.

3. Adoption of new or revised standards and interpretations (continued)

Standards and Interpretations issued but not yet effective and not early adopted: (continued)

PAA

The PAA is an optional simplified measurement model in IFRS 17 that is available for insurance and reinsurance contracts that meet the eligibility criteria. The premium allocation approach is permitted if, and only if, at the inception of the group of contracts one of the following conditions are met:

- The entity reasonably expects that such simplification would produce a measurement of the liability for remaining coverage for the group that would not differ materially from the measurement that would be produced applying the requirements for the general model.
- The coverage period of each contract in the group is one year or less.
- The Company expects that it will apply the PAA to all insurance contracts because the following criteria are expected to be met at inception:
- Insurance contracts: The coverage period of each contract in the group is one year or less.
- Reinsurance contracts: The coverage period of each contract in the group is one year or less.

Insurance contracts

On initial recognition of each group of insurance contracts, the carrying amount of the liability for remaining coverage is measured at the premiums received on initial recognition. The Company will not elect to recognise insurance acquisition cash flows as expenses when they are incurred.

Subsequently, the carrying amount of the liability for remaining coverage is increased by any further premiums received and decreased by the amount recognised as insurance revenue for services provided. The Company expects that the time between providing each part of the services and the related premium due date will be no more than a year. Accordingly, as permitted under IFRS 17, the Company will not adjust the liability for remaining coverage to reflect the time value of money and the effect of financial risk.

If at any time before and during the coverage period, facts and circumstances indicate that a group of contracts is onerous, then the Company will recognise a loss in profit or loss and increase the liability for remaining coverage to the extent that the current estimates of the fulfilment cash flows that relate to remaining coverage exceed the carrying amount of the liability for remaining coverage. The fulfilment cash flows will be discounted (at current rates) if the liability for incurred claims is also discounted.

The Company will recognise the liability for incurred claims of a group of contracts at the amount of the fulfilment cash flows relating to incurred claims. The future cash flows will be discounted (at current rates) unless they are expected to be paid in one year or less from the date the claims are incurred.

The Company will apply the same accounting policies to measure a group of reinsurance contracts, adapted where necessary to reflect features that differ from those of insurance contracts.

Reinsurance contracts

The Company will apply the PAA to measure a group of reinsurance contracts, adapted where necessary to reflect the features of reinsurance contracts held that differ from insurance contracts issued to groups of reinsurance contracts that it holds which at the inception of the group the effective coverage period of each contract in the group of reinsurance contracts held is one year or less.

3. Adoption of new or revised standards and interpretations (continued)

Standards and Interpretations issued but not yet effective and not early adopted: (continued)

Insurance acquisition cash flows

Insurance acquisition cash flows (IACF) arise from the costs of selling, underwriting and starting a group of insurance contracts (issued or expected to be issued) that are directly attributable to the portfolio of insurance contracts to which the group belongs. Such cash flows include cash flows that are not directly attributable to individual insurance contracts or groups of insurance contracts within the portfolio.

Insurance acquisition cash flows that are directly attributable to a group of insurance contracts will be allocated only to that group and to the groups that will include renewals of those insurance contracts using a systematic and rational method and considering, in an unbiased way, all reasonable and supportable information that is available without undue cost or effort.

If insurance acquisition cash flows are directly attributable to a portfolio but not to a group of contracts, then they will be allocated to groups in the portfolio using a systematic and rational method.

Under IFRS 17, only insurance acquisition cash flows that arise before the recognition of the related insurance contracts are recognised as separate assets and tested for recoverability, whereas other insurance acquisition cash flows are included in the estimates of the present value of future cash flows as part of the measurement of the related insurance contracts. These assets will be presented in the same line item as the related portfolio of contracts and derecognised once the related group of contracts has been recognised. This differs from the Company's current practice, under which all acquisition costs are recognised and presented as separate assets from the related insurance contracts ('deferred acquisition costs').

IFRS 17 will require the Company to assess at each reporting date whether facts and circumstances indicate that an asset for insurance acquisition cash flows may be impaired. If it is impaired, then the Company will:

a. recognise an impairment loss in profit or loss so that the carrying amount of the asset does not exceed the expected net cash inflow for the related group; and

b. if the asset relates to future renewals, recognise an impairment loss in profit or loss to the extent that it expects those insurance acquisition cash flows to exceed the net cash inflow for the expected renewals and this excess has not already been recognised as an impairment loss under (a).

The Company will reverse any impairment losses in profit or loss and increase the carrying amount of the asset to the extent that the impairment conditions have improved.

v. Modification and derecognition

The Company will derecognise insurance contracts when:

- The rights and obligations relating to the contract are extinguished (i.e., discharged, cancelled or expired); or
- The contract is modified such that the modification results in:
  - the contract being outside the scope of IFRS 17;
  - a different insurance contract due to separating components from the host contract;
  - a substantially different contract boundary;
  - the contract being included in a different group of contracts.

If any of the modification criteria described above are met, the Company will derecognise the initial contract and recognise the modified contract as a new contract.

For insurance contracts accounted for applying the PAA the Company will adjust insurance revenue prospectively from the time of the contract modification.

3. Adoption of new or revised standards and interpretations (continued)

Standards and Interpretations issued but not yet effective and not early adopted: (continued)

vi. Measurement – Significant judgements and estimates

Estimates of future cash flows

In estimating future cash flows, the Company will incorporate, in an unbiased way, all reasonable and supportable information that is available without undue cost or effort at the reporting date. This information includes both internal and external historical data about claims and other experience, updated to reflect current expectations of future events.

The estimates of future cash flows will reflect the Company's view of current conditions at the reporting date, as long as the estimates of any relevant market variables are consistent with observable market prices.

When estimating future cash flows, the Company will take into account current expectations of future events that might affect those cash flows. However, expectations of future changes in legislation that would change or discharge a present obligation or create new obligations under existing contracts will not be taken into account until the change in legislation is substantively enacted.

Cash flows within the boundary of a contract are those that relate directly to the fulfilment of the contract, including those for which the Company has discretion over the amount or timing. These include payments to (or on behalf of) policyholders, insurance acquisition cash flows and other costs that are incurred in fulfilling contracts. Insurance acquisition cash flows and other costs that are incurred in fulfilling contracts comprise both direct costs and an allocation of fixed and variable overheads.

Cash flows will be attributed to acquisition activities, other fulfilment activities and other activities at local entity level using activity-based costing techniques. Cash flows attributable to acquisition and other fulfilment activities will be allocated to groups of contracts using methods that are systematic and rational and will be consistently applied to all costs that have similar characteristics.

Discount rates

The Company will determine the risk-free discount rates based on the risk-free interest rate term structure published by the European Insurance and Occupational Pensions Authority (EIOPA) for the purposes of the Solvency II Directive. In addition to reflect the liquidity characteristics of the contracts, the risk-free yield curves will be adjusted by an illiquidity premium.

The requirement to measure liabilities for insurance contracts using discount rates determined by applying the IFRS 17 requirements will be a change from the Company's current practice. Under the current economic environment, the Company estimates that the discount rates under IFRS 17 would generally be lower than the corresponding rates under IFRS 4.

Risk adjustments for non-financial risk

The risk adjustment for non-financial risk will be determined to reflect the compensation that the Company would require for bearing non-financial risk and its degree of risk aversion. The risk adjustment will be determined using a confidence level technique and specifically the scalar approach method with its target confidence level set at 80 percent which represents the Company's degree of risk aversion.

vii. Presentation and disclosure

IFRS 17 will significantly change how insurance contracts and reinsurance contracts are presented and disclosed in the Company's financial statements.

Under IFRS 17, portfolios of insurance contracts that are assets and those that are liabilities, and portfolios of reinsurance contracts that are assets and those that are liabilities, are presented separately in the statement of financial position. All rights and obligations arising from a portfolio of contracts will be presented on a net basis; therefore, balances such as insurance receivables and payables and policyholder loans will no longer be presented separately. Any assets or liabilities recognised for cash flows arising before the recognition of the related group of contracts (including any assets for insurance acquisition cash flows) will also be presented in the same line item as the related portfolios of contracts.

Under IFRS 17, amounts recognised in the statement of profit or loss and other comprehensive income (OCI) are disaggregated into (a) an insurance service result, comprising insurance revenue and insurance service expenses; and (b) insurance finance income or expenses. Amounts from reinsurance contracts will be presented separately.

3. Adoption of new or revised standards and interpretations (continued)

Standards and Interpretations issued but not yet effective and not early adopted: (continued)

Insurance service result

Insurance revenue is recognised based on an allocation of expected premium receipts to each period of coverage, which is based on the expected timing of incurred insurance service expenses for certain property contracts and the passage of time for other contracts.

Expenses that relate directly to the fulfilment of contracts will be recognised in profit or loss as insurance service expenses, generally when they are incurred. Expenses that do not relate directly to the fulfilment of contracts will be presented outside the insurance service result.

Investment components will not be included in insurance revenue and insurance service expenses under IFRS 17. The Company will identify the investment component of a contract by determining the amount that it would be required to repay to the policyholder in all scenarios with commercial substance. These include circumstances in which an insured event occurs or the contract matures or is terminated without an insured event occurring.

Amounts recovered from reinsurers and reinsurance expenses will no longer be presented separately in profit or loss, because the Company will present them on a net basis as ‘net expenses from reinsurance contracts’ in the insurance service result, but information about these will be included in the disclosures.

The Company will choose not to disaggregate changes in the risk adjustment for non-financial risk between the insurance service result and insurance finance income or expenses. All changes in the risk adjustment for non-financial risk recognised in profit or loss will be included in the insurance service result.

Insurance finance income and expenses

Under IFRS 17, changes in the carrying amounts of groups of contracts arising from the effects of the time value of money, financial risk and changes therein are generally presented as insurance finance income or expenses. They include changes in the measurement of groups of contracts caused by changes in the value of underlying items (excluding additions and withdrawals).

For contracts measured under the PAA insurance finance or expenses will reflect interest accreted on the future cash flows under the LIC and the effect of changes in interest rates and other financial assumptions.

The Company will not disaggregate changes in the risk adjustment for non-financial risk between insurance service result and insurance financial income or expenses.

The Company has an accounting policy choice to either present all of the period’s insurance finance income or expenses in profit or loss or to split the amount between profit or loss and other comprehensive income (OCI). The accounting policy choice is applied on a portfolio-by-portfolio basis. The Company will not disaggregate insurance finance income or expenses between the profit or loss and the OCI and instead present its entirety in profit or loss.

Disclosure

IFRS 17 requires extensive new disclosures about amounts recognised in the financial statements, including detailed reconciliations of contracts, effects of newly recognised contracts, as well as disclosures about significant judgements made when applying IFRS 17. There will also be expanded disclosures about the nature and extent of risks from insurance contracts and reinsurance contracts. Disclosures will generally be made at a more granular level than under IFRS 4, providing more transparent information for assessing the effects of contracts on the financial statements.

viii. Transition

Changes in accounting policies resulting from the adoption of IFRS 17 will be applied using the full retrospective approach.

The Company will apply the full retrospective approach on transition for all groups of insurance and reinsurance contracts containing contracts with short-term coverage period not extending beyond one year.

For these short-term contracts it was concluded that reasonable and supportable information that is necessary to apply the full retrospective approach is available.

3. Adoption of new or revised standards and interpretations (continued)
Standards and Interpretations issued but not yet effective and not early adopted: (continued)

Disclosure (continued)

Applying the full retrospective approach, the Company will:

- identify, recognise and measure each group of insurance contracts as if IFRS 17 had always applied;
- identify, recognise and measure any assets for insurance acquisition cash flows as if IFRS 17 had always applied;
- derecognise previously reported balances that would not have existed if IFRS 17 had always been applied.
- and recognise any resulting net difference in equity.

Estimated impact of the adoption of IFRS 17

The Company has assessed the estimated impact that the initial application of IFRS 17 will have on its financial statements. Based on assessments undertaken to date, the total adjustment (after tax) to the balance of the Company's total equity is estimated to be a decrease of UK£790 at 20 February 2022, as summarised below.

In UK£	20 February 2022
Estimated decrease in the Company's total equity	
Adjustments due to adoption of IFRS 17	(790)
Deferred tax impact	-
Estimated decrease in the Company's total equity	**(790)**

The assessment above is preliminary because not all of the transition work has been finalised. As such, the actual impact of adopting IFRS 17 on 20 February 2022 may change because the new accounting policies, assumptions, judgments and estimation techniques employed are subject to change until the Company finalizes its first financial statements that include the date of initial application.

Other Standards, Amendments to Standards and Interpretations that are not expected to have a material impact on the Company's financial statements:

Adopted by EU:
- IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies (Amendments) - effective for accounting periods beginning on or after 1 January 2023
- IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates (Amendments) - effective for annual periods beginning on or after 1 January 2023
- IAS 12 Income taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments) - effective for annual periods beginning on or after 1 January 2023

Not adopted by EU:
- IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current (Amendments) - effective for accounting periods beginning on or after 1 January 2024
- IFRS 16 Leases: Lease Liability in a Sale and Leaseback (amendments) - effective for annual periods beginning on or after 1 January 2024
- Amendment in IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – effective date postponed indefinitely.

4. Significant accounting policies

A summary of the principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented in these financial statements unless otherwise stated.

Classification of insurance contracts (policies)

Contracts in which the Company accepts significant insurance risk from a third party (the policy owner) by agreeing to compensate the policy owner if a specified uncertain future event (the insured event) adversely affects the owner of the contract, are classified as insurance contracts.

Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during this period, unless all rights and obligations are extinguished or expire. Insurance risk differs from financial risk. The financial risk is the risk of a plausible future change in one or more, fixed interest rates, title price, commodity price, exchange rate, index credit, credit rating or other variable, since in the case of a non- financial variable, the variable is not specific to one part of the contract. Insurance contracts may also transfer some financial risk.

Revenue

Recognition and measurement

a. Premiums written

Premiums written relate to business incepted during the year. The majority of policies expire on or before 12pm noon GMT of the date of the statement of financial position. Premiums from owned entries are usually fixed for any given policy year and is recognised in the Statement of Comprehensive Income in full upon inception of the policy.

Premiums from chartered entries may be subject to variability based on the number and duration of voyages undertaken by such entry. Chartered premium is recognised in the accounting period it relates to, based on the information available to the Company at the inception date of the policy. Any adjustments to the premiums are recognised in the accounting period these are agreed with the policyholders.

Premiums written are presented net of returned premiums and discounts allowed and gross of brokerage fees in the statement of profit or loss and other comprehensive income, together with any adjustments in respect of prior accounting periods.

b. Ceded commission

Commission income on reinsurance ceded is accrued over the period of the related insurance policy in accordance with the relevant reinsurance contract.

c. Investment income

Fair value gains on financial assets at FVTPL

Financial assets at fair value through profit and loss (“FVTPL”) are measured at fair value at each reporting date with any changes recognised in profit or loss.

Dividend and interest income from debt and equity instruments

Dividend from investments in equity instruments is recognised when the right to receive payment is established. Withheld taxes are transferred to profit or loss. Interest from investments in debt instruments is recognised using the effective interest rate method.

Reinsurance assets and liabilities

The Company cedes reinsurance in the normal course of business for the purpose of limiting potential losses arising from certain exposures.

Assets, liabilities, income and expenses arising from ceded reinsurance contracts are presented separately from the related assets, liabilities, income and expenses of the related insurance contracts where the reinsurance arrangements do not relieve the Company from its direct obligations to its policyholders.

Outward reinsurance premiums and reinsurance commission

Outward reinsurance premiums are the total payable in respect of quota share reinsurances for the period to which the relevant contracts relate. Reinsurance premium is recognised in the statement of profit or loss as ‘Outward reinsurance premiums’.

Quota share reinsurance premiums are subject to an agreed discount/ceded commission, the rate of which for each policy year is agreed with The United Kingdom Freight Demurrage and Defence Association Limited. The agreed discount is recognised in the statement of profit or loss as ‘Ceded commissions’.

4. Significant accounting policies (continued)
Reinsurance assets and liabilities (continued)
Reinsurer's share of technical provisions

Reinsurer's share of technical provisions includes balances due from the reinsurance company for ceded technical provisions. Amounts ceded to and recoverable from the reinsurer are estimated in a consistent manner with the outstanding claims provisions or settled claims associated with the reinsured policies and in accordance with the relevant reinsurance contract. The movement in reinsurer's share of technical provisions is recognised in the statement of profit or loss as 'Reinsurers' share on claims incurred'. The Company's gross and reinsurance Technical Provisions include a provision for claims Incurred But Not Reported "(IBNR").

Reinsurance receivables and payables

Reinsurance receivables are recognised when due and measured on initial recognition at the fair value of the consideration received or receivable. Subsequent to initial recognition, reinsurance receivables are measured at amortised cost, using the effective interest rate method.

Reinsurance liabilities relate primarily to premiums payable for reinsurance contracts and are recognised as an expense when due. Reinsurance liabilities are calculated based on the amounts related with reinsurance contracts and based on the terms of the reinsurance contract.

Reinsurance receivables and payables are netted off and presented as receivable/payable to parent in "Trade and other receivables" or "Trade and other payables" in the statement of financial position.

Claims
These are the legal costs and expenses of the Members covered by the Company. They include all claims incurred during the year, whether paid, estimated or unreported, together with internal claims, management costs and future claims management costs and adjustments for claims outstanding from previous years.

A forecast of unreported claims is based on the estimated ultimate cost of claims arising out of events which have occurred before the end of the accounting period but have not yet been reported. The Directors' estimate for these future claims is based on the estimate of unreported claims on each policy year. The estimates are calculated by comparing the pattern of claims payments and estimates in current policy years with earlier policy years, and then projecting the outcomes of the more recent years.

The Company utilises a variety of actuarial techniques to determine its ultimate liability which include development factor methods, Bornhuetter-Ferguson methods and a bootstrapping methodology. These techniques assume that the future will be broadly similar to the past.

The Company assesses at the end of each reporting period whether its recognised insurance liabilities are adequate using current estimates of future cash flows under its insurance contracts. If that assessment shows that the carrying amount of its insurance liabilities is inadequate, the entire deficiency is recognised in the statement of profit or loss.

Whilst the Directors consider that the gross provisions for claims and the related reinsurance recoveries are fairly stated on the basis of information currently available, the ultimate liability will vary as a result of subsequent information and events and may result in significant adjustments to the amount provided. Any differences between the provisions and subsequent settlements are dealt within the technical accounts of later years.

Unearned premiums
Unearned premiums represent the proportion of premiums written that relate to unexpired terms of policies in force at the reporting date calculated on a time apportionment basis, in accordance with the effective periods of the policies.

Deferred acquisition costs
Those direct and indirect costs incurred during the financial period arising from the acquiring or renewing of insurance contracts, which represent brokerage fees, are deferred over the period in which the related premiums are earned to the extent that the future premiums are recoverable and are calculated on a time apportionment basis. Deferred acquisition costs are derecognised when the related insurance contracts are either settled or disposed of.

4. Significant accounting policies (continued)
Foreign currency translation
Transactions and balances
The functional and presentation currency is Sterling Pounds ("UK£"). Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of profit or loss in the period in which they arise.

The exchange rate on the reporting date and used for the purpose of preparing the accounts are as follows:

	2023	2022
EUR/UK£	**1.1256**	1.1977
USD/UK£	**1.2030**	1.3583

Income Taxes
Current income tax

Current tax liabilities and assets are measured at the amount expected to be paid to or recovered from the taxation authorities. The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and considers whether it is probable that a taxation authority will accept an uncertain tax treatment.

Deferred taxes

Deferred income tax is provided, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements.

Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets and liabilities and where the deferred tax balances relate to the same taxation authority.

Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Insurance premium tax
Insurance premium tax is the indirect tax on insurance premiums payable by the policyholders on premiums written and collected by the Company and paid on behalf of the policyholders to the relevant jurisdiction. Insurance premium tax does not form part of the premium written. Insurance premium tax payable is presented within other payables on the statement of financial position.

Financial instruments
Recognition of financial instruments

Financial assets and financial liabilities are recognised in the Company's statement of financial position when the Company becomes a party to the contractual provisions of the instrument. All purchases and sales of financial assets that require delivery within the time frame established by regulation or market convention ("regular way" purchases and sales) are recorded at trade date, which is the date when the Company commits to deliver a financial instrument.

All other purchases and sales are recognized when the entity becomes a party to the contractual provisions of the instrument.

4. Significant accounting policies (continued)
Financial instruments (continued)
Financial assets - Classification
The Company classifies its financial assets in the following measurement categories:
- those to be measured subsequently at fair value (either through OCI or through profit or loss), and
- those to be measured at amortised cost.

The classification and subsequent measurement of debt financial assets depends on: (i) the Company's business model for managing the related assets portfolio and (ii) the cash flow characteristics of the asset.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

On initial recognition, the Company may irrevocably designate a debt financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets – Business model assessment
The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows while financial assets classified and measured at fair value through OCI are held within a business model with the objective of both holding to collect contractual cash flows and selling.

Financial assets – Initial recognition and subsequent measurement
At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at FVTPL, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss. Fair value at initial recognition is best evidenced by the transaction price. A gain or loss on initial recognition is only recorded if there is a difference between fair value and transaction price which can be evidenced by other observable current market transactions in the same instrument or by a valuation technique whose inputs include only data from observable markets.

Subsequent measurement of financial assets depends on the Company's business model for managing the asset and the cash flow characteristics of the asset. There are two measurement categories into which the Company classifies its financial assets:

Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets at amortised cost are initially measured at fair value and subsequently measured using the effective interest (EIR) method and are subject to impairment. Interest income from these financial assets is presented in profit or loss separately. Any gain or loss arising on derecognition is also presented separately in profit or loss. Impairment losses are presented as separate line item in the statement of comprehensive income. Financial assets measured at amortised cost (AC) comprise of insurance receivables, cash at bank and other receivables.

FVTPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVTPL. A gain or loss on a debt investment that is subsequently measured at FVTPL is recognised in profit or loss and presented net within "other gains/(losses)" in the period in which it arises. Interest income on from these financial assets is presented in profit or loss in a separate line than interest income from FVOCI and Amortised cost financial assets. Financial assets measured at FVTPL comprise of investments held in UCITS and Government bonds.

Changes in the fair value of financial assets at FVTPL are recognised in "Investment income"' in the statement of comprehensive income as applicable.

4. Significant accounting policies (continued)
Financial instruments (continued)
Financial assets - credit loss allowance for ECL

The Company assesses on a forward-looking basis the ECL for debt instruments measured at amortised cost ('AC'). The Company measures ECL and recognises credit loss allowance at each reporting date. The measurement of ECL reflects: (i) an unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes, (ii) time value of money and (iii) all reasonable and supportable information that is available without undue cost and effort at the end of each reporting period about past events, current conditions and forecasts of future conditions.

The carrying amount of the financial assets is reduced through the use of an allowance account, and the amount of the loss is recognised in the statement of comprehensive income within "Expected credit losses on insurance receivables".

Expected losses are recognised and measured according to one of two approaches: general approach or simplified approach.

For trade and other receivables without a significant financing component the Company applies the simplified approach permitted by IFRS 9, which uses lifetime expected losses to be recognised from initial recognition of the financial assets.

For all other financial assets that are subject to impairment under IFRS 9, the Company applies general approach three stage model for impairment, based on changes in credit quality since initial recognition. A financial instrument that is not credit impaired on initial recognition is classified in Stage 1.

Financial assets in Stage 1 have their ECL measured at an amount equal to the portion of lifetime ECL that results from default events possible within the next 12 months or until contractual maturity, if shorter ("12 Months ECL"). If the Company identifies a significant increase in credit risk ("SICR") since initial recognition, the asset is transferred to Stage 2 and its ECL is measured based on ECL on a lifetime basis, that is, up until contractual maturity but considering expected prepayments, if any ("Lifetime ECL"). If the Company determines that a financial asset is credit impaired, the asset is transferred to Stage 3 and its ECL is measured as a Lifetime ECL.

Additionally, the Company has decided to use the low credit risk assessment exemption for Cash at bank financial assets.

Credit risk increase:

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 90 days past due:

The Company considers a financial asset to be in default when:
- the counterparty is unlikely to pay its credit obligations to the Company in full, or
- the financial asset is more than 90 days past due

Measurement of ECL

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive).

ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets

At each reporting date, the Company assesses whether financial assets measured at amortised cost at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:
- significant financial difficulty of the debtor, counterparty or issuer;
- a breach of contract such as a default or past-due event;
- the restructuring of an amount due to the Company on terms that the Company would not otherwise consider;
- it is becoming probable that the debtor, counterparty or issuer will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

A financial asset that has been renegotiated due to a deterioration in the debtor's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment.

4. Significant accounting policies (continued)
Financial instruments (continued)
Credit-impaired financial assets (continued)
In assessing whether an investment in bonds is credit-impaired, the Company considers the following factors:

- the market's assessment of creditworthiness as reflected in the bond yields;
- the rating agencies' assessments of credit-worthiness;
- the country's ability to access the capital markets for new debt issuance;
- the probability of debt being restructured, resulting in holders suffering losses through voluntary or mandatory debt forgiveness; and
- the international support mechanisms in place to provide the necessary support as 'lender of last resort' to that country, as well as the intention, reflected in public statements, of governments and agencies to use those mechanisms, including an assessment of the depth of those mechanisms and, irrespective of the political intent, whether there is the capacity to fulfil the required criteria.

Financial liabilities – Classification and Measurement
Financial liabilities are recognised in the Company's statement of financial position when the Company becomes a party to the contractual provisions of the instrument and are initially measured at fair value. Subsequent measurement of financial liabilities is at amortised cost, using the effective interest rate method.

Derecognition of financial instruments
Financial assets
A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when the contractual rights to the cash flows from the financial asset have expired. The Company also derecognises the financial asset if it has both transferred the financial asset and the transfer qualifies for derecognition.

Financial liabilities
A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expired.

Modifications to, and exchanges of, financial liabilities are treated as extinguishments and derecognised, when the revised terms are substantially different to the original term. The difference between the carrying amount of the original financial liability and the consideration paid is recognised in profit or loss.

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

Write-off
The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

Offsetting financial instruments
Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Cash and cash equivalents
For the purpose of presentation in the statement of cash flows, cash and cash equivalents include cash at bank balances with maturity of 3 months or less which are repayable on demand and which form an integral part of the Company's cash management.

Dividends
Dividend distribution to the Company's shareholder is recognised as a liability in the Company's financial statements in the year in which the dividends are appropriately authorised and are no longer at the discretion of the Company. More specifically, interim dividends are recognised as a liability in the period in which these are authorised by the Board of Directors and in case of final dividends, these are recognised in the period in which these are approved by the Company's shareholder. Dividends for the year that are declared after the reporting date are dealt with as a non-adjusting event after the reporting date.

4. Significant accounting policies (continued)

Share capital

Ordinary shares are classified as equity. The difference between the fair value of the consideration received by the Company and the nominal value of the share capital being issued is taken to the share premium account. Share premium account can only be resorted to for limited purposes which do not include distribution of dividends and is subject to the provisions of the Cyprus Companies Law on reduction of share capital.

Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. When the Company expects a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

5. Financial and insurance risk and capital management

The Company monitors and manages the risks relating to its operations through its risk management programme. This is evidenced in the Own Risk Solvency Assessment ("ORSA") report which is submitted to the Cyprus Superintendent of Insurance ("ICCS") and documents the Company's risk and capital management policies employed to identify, assess, manage and report the risks. The ORSA report considers the business strategy of the Company and its alignment with the risk appetite and risk profile.

The Company is exposed to insurance risk as part of its ordinary course of business. In addition, the Company has exposure to credit risk, liquidity risk, and market risk in relation to its financial instruments. This note presents information about Company's exposure to each of the above risks and its objectives, policies and processes for measuring and managing risks.

5.1 Credit risk

Credit risk is the risk of loss in the value of financial assets due to counterparties failing to meet all or part of their obligations. The Company's objective is to reduce credit risk through the risk management techniques discussed below.

The Company's exposure to reinsurance counterparties is mitigated through the cession of 90% of insurance liabilities with the Company's sole shareholder. In turn and in line with the Group's policy, exposure to reinsurance counterparties is mitigated by the Parent Company placing its excess of loss reinsurances with counterparties rated A or better thereby reducing the credit risk on the Company's reinsurance recoverables with the Parent Company.

In respect of banking and financial counterparties, the Company regularly assesses the creditworthiness of all its counterparties. This assessment includes a review of credit ratings provided by rating agencies, and other publicly available financial information.

The following tables provide information regarding aggregate credit risk exposure and concentration of the Company and the credit quality analysis of the financial assets held as at the year end, with reference to their external credit ratings as published by independent rating agencies:

20 February 2023	AAA - A UK£	Not rated / not readily available UK£	Total UK£	Concentration %
Financial assets at fair value through profit or loss	3,245,494	-	3,245,494	53%
Reinsurers' share of insurance liabilities	-	1,939,951	1,939,951	32%
Insurance receivables	-	110,049	110,049	2%
Receivables from parent entity	-	216,704	216,704	4%
Trade and other receivables	-	25,069	25,069	1%
Cash and cash equivalents	538,781	-	538,781	9%
Total assets subject to credit risk	**3,784,275**	**2,291,773**	**6,076,048**	100%

5. Financial and insurance risk and capital management (continued)
5.1 Credit risk(continued)

20 February 2022	AAA - A UK£	Not rated / not readily available UK£	Total UK£	Concentration %
Financial assets at fair value through profit or loss	3,187,118	-	3,187,118	66%
Reinsurers' share of insurance liabilities	-	1,284,989	1,284,989	26%
Insurance receivables	-	40,244	40,244	1%
Receivables from parent entity	-	187,091	187,091	4%
Trade and other receivables	-	24,352	24,352	1%
Cash and cash equivalents	139,947	-	139,947	3%
Total assets subject to credit risk	**3,327,065**	**1,536,676**	**4,863,741**	100%

Any unrated financial assets that are past due, but not impaired are further disclosed in Note 12 and Note 13 and are not considered to be material.

Assessment of expected credit losses (ECLs)
Inputs, assumptions and techniques used for estimating impairment credit losses are described in accounting policies in Note 4.

Expected credit losses on financial assets recognised in profit or loss were as follows:

	Credit impaired ECL	
	2023 UK£	**2022 UK£**
Premiums receivable	9,351	13,558
	9,351	13,558

Insurance receivables are assessed for impairment, using the expected credit losses and estimated loss rate. To measure the expected credit losses, insurance receivables grouped based on shared credit risk characteristics and the days past due. The expected loss rate are based on the credit and payment profile of receivables which are past due and the corresponding historical credit losses experienced within the period. The historical loss rates are adjusted to reflect current and forward-looking information on factors affecting the ability of receivables to settle their balance.

On that basis, the loss allowance as at 20 February 2023 was determined as follows:

20 February 2023	Current	Up to 90 days	From 90 to 120 days	From 120 to 180 days	Over 180 days	Total
Expected loss rate	5.00%	5.00%	50.00%	70.00%	95.00%	
Gross carrying amount - insurance receivables	6,193	65,423	-	22,444	37,908	131,968
Loss allowance	**8**	**37**	**-**	**1,781**	**22,834**	**24,670**

According to independent credit ratings of the banks, the Company transacted with during the year, the Company's cash and cash equivalents are exposed to low credit risk. In this regard, the provision for expected credit losses on cash and cash equivalents under IFRS 9 was assessed as not material to the financial statements.

5. Financial and insurance risk and capital management (continued)

5.2 Liquidity risk

Liquidity risk is the risk that arises when the maturity of assets and liabilities does not match. An unmatched position potentially enhances profitability, but can also increase the risk of losses. The Company has procedures with the object of minimising such losses such as maintaining sufficient cash and other highly liquid current assets.

The Company maintains a highly liquid portfolio of cash, government and corporate bonds with a maturity equivalent to the expected settlement period of claim liabilities. Most of the remaining assets in the surplus portfolio could be converted into cash in less than one month, as per the internal procedures and approved risk tolerances. The Chief Financial Officer and Chief Risk Officer monitor the liquidity position of the company against risk tolerances on a continuous basis. Any breaches of liquidity limits are assessed and appropriate action is taken.

The following tables detail the Company's remaining contractual maturity for its financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Company could be required to pay. The table includes both interest and principal cash flows.

20 February 2023	Carrying amounts UK£	Contractual cash flows UK£	12 months or less UK£
Financial assets			
Financial assets at fair value through profit or loss	3,245,494	3,245,494	3,245,494
Reinsurers' share of insurance liabilities	1,939,951	1,939,951	1,939,951
Insurance receivables	110,049	110,049	110,049
Receivables from parent entity	216,704	216,704	216,704
Trade and other receivables	25,069	25,069	25,069
Cash at bank	538,781	538,781	538,781
Total financial assets	**6,076,048**	**6,076,048**	**6,076,048**
Financial liabilities			
Insurance liabilities	2,147,695	2,147,695	2,147,695
Trade and other payables	124,466	124,466	124,466
Total financial liabilities	**2,272,161**	**2,272,161**	**2,272,161**

5. Financial and insurance risk and capital management (continued)
5.2 Liquidity risk (continued)

20 February 2022	Carrying amounts UK£	Contractual cash flows UK£	12 months or less UK£
Financial assets			
Financial assets at fair value through profit or loss	3,187,118	3,187,118	3,187,118
Reinsurers' share of insurance liabilities	1,284,989	1,284,989	1,284,989
Insurance receivables	40,244	40,244	40,244
Receivables from parent entity	187,091	187,091	187,091
Trade and other receivables	24,352	24,352	24,352
Cash at bank	139,947	139,947	139,947
Total financial assets	**4,863,741**	**4,863,741**	**4,863,741**

Financial liabilities			
Insurance liabilities	1,427,765	1,427,765	1,427,765
Trade and other payables	189,322	189,322	189,322
Total financial liabilities	**1,617,087**	**1,617,087**	**1,617,087**

5.3 Market risk
Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and security prices will affect the Company's income or the value of its holdings in financial instruments. Market risk comprises mainly three types of risk: interest rate risk, currency risk and market price risk.

5.3.1. Currency risk
Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. Currency risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the Company's measurement currency. The Company is exposed to foreign exchange risk arising from various currency exposures primarily with respect to the US Dollar and the Euro. The Company's Management monitors the exchange rate fluctuations on a continuous basis and acts accordingly.

5. Financial and insurance risk and capital management (continued)
5.3.1. Currency risk (continued)
The carrying amounts of the Company's foreign currency denominated financial assets and financial liabilities at the reporting date are as follows:

As at 20 February 2023	Sterling UK£	US Dollar UK£	Euro UK£	Total UK£
Financial assets at fair value through profit or loss	2,921,304	324,190	-	3,245,494
Reinsurers' share of insurance liabilities	1,272,496	381,403	286,052	1,939,951
Insurance receivables	-	110,049	-	110,049
Receivables from parent entity	216,704	-	-	216,704
Trade and other receivables	13,713	11,356	-	25,069
Cash at bank	285,729	248,278	4,774	538,781
	4,709,946	**1,075,276**	**290,826**	**6,076,048**
Insurance liabilities	(1,408,810)	(422,220)	(316,665)	(2,147,695)
Trade and other payables	(9,006)	(493,592)	378,132	(124,466)
	(1,417,816)	**(915,812)**	**61,467**	**(2,272,161)**
	3,292,130	**159,464**	**352,293**	**3,803,887**

As at 20 February 2022	Sterling UK£	US Dollar UK£	Euro UK£	Total UK£
Financial assets at fair value through profit or loss	2,899,994	287,124	-	3,187,118
Reinsurers' share of insurance liabilities	875,204	212,596	197,189	1,284,989
Insurance receivables	6,710	33,535	-	40,244
Receivables from parent entity	187,091	-	-	187,091
Trade and other receivables	138	24,214	-	24,352
Cash and cash equivalents	1,222	137,185	1,540	139,947
	3,970,359	**694,654**	**198,729**	**4,863,741**
Insurance liabilities	(972,785)	(235,844)	(219,136)	(1,427,765)
Trade and other payables	(37,684)	(56,056)	(95,582)	(189,322)
	(1,010,469)	**(291,900)**	**(314,718)**	**(1,617,087)**
	2,959,890	**402,754**	**(115,989)**	**3,246,654**

5. Financial and insurance risk and capital management (continued)

Sensitivity analysis

A 5% strengthening/weakening of Sterling against the following currencies at 20 February each year would have increased/(decreased) profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

	2023		2022	
	Strengthening	Weakening	**Strengthening**	Weakening
USD	**(7,594)**	8,393	(19,179)	21,198
EUR	**(16,776)**	18,542	5,523	(6,105)

5.3.2. Market price risk

Market price risk is the risk that the value of financial instruments will fluctuate due to changes in market prices. The Company is exposed to market price risk due to its investments in financial instruments and are classified in the statement of financial position as financial assets at fair value through profit or loss.

Financial assets that are valued at fair value through the results of the Company are subject to market price risk due to uncertainty about future investment prices.

The objective of market risk management is to manage and control market risk exposures within acceptable parameters while optimizing the return on risk. Market price risk is mitigated through the investment policy adopted by the Company which safeguards against exposure to risky asset classes and ensures minimum diversification limits of the investment portfolios. As a result the Company does not have any significant concentration of market price risk, based on the allocation of its investments held.

The Company invests in quoted debt and equity instruments and performs periodic reviews of the market values by reference to quoted prices, along with the credit rating and the financial condition of the key counterparties, at least quarterly, and is ready to take action in the event of a deterioration in the credit quality of the underlying instrument or/and issuer.

The Company holds investments in UCITS and UK Government bonds with maturity within 3 months.

A 0.5% strengthening/weakening of the market price of financial instruments held at 20 February would have increased/(decreased) profit or loss by the amounts shown below:

	2023 UK£	**2022 UK£**
0.5% increase in fair value	**16,227**	15,936
0.5% decrease in fair value	**(16,227)**	(15,936)

5.3.3. Cash flow and fair value interest rate risk

The Company's interest rate risk arises from interest-bearing assets. Interest-bearing assets at fixed rates expose the Company to fair value interest rate risk. As at 20 February 2023 and 20 February 2022, all of the Company's interest -bearing assets are bearing fixed interest rates and as such the Company is not exposed to any cash flow interest rate risk. The Company is instead exposed to fair value interest rate risk, and its exposure was determined to be insignificant, taking into consideration the short-term maturity of the interest-bearing financial assets.

5. Financial and insurance risk and capital management (continued)

5.4 Insurance risk

The Company as part of its ordinary course of business is exposed to insurance risk which can be significantly affected by the following:

- fluctuations in the timing, frequency and severity of claims and claims settlements relative to expectations;
- unexpected claims arising from a single source;
- inaccurate pricing of risks when underwritten;
- inadequate reinsurance protection;
- inadequate reserves.

1. Underwriting risk

This is the risk that insurance premiums will not be sufficient to cover the future losses and associated expenses. It arises from the fluctuations in the frequency and severity of financial losses incurred through the underwriting process as a result of unpredictable events or from accepting risks for premiums which are insufficient to cover the ultimate claims which result from such policies.

Underwriting risk is mitigated through cession of 90% of the risk written by the Company to its parent under a quota share agreement.

2. Reserving risk

Reserving risk is defined as the risk arising from the inherent uncertainty about the occurrence, amount and timing of claims, as well as the risk from unexpected increases in the associated expense and other costs of settling the respective claims, compared to the claims' provisions recognised.

The objective of the Company's insurance risk management process is to support the execution of effective underwriting, reinsurance and reserving strategies which are agreed and monitored by the Board of Directors.

The 2023 policy year contracts will not be active until 20 February 2023 at 12pm noon GMT and, therefore, are not included within the financial statements for this year in line with UK insurance industry practice. Therefore, there is limited risk of fluctuation in loss ratio for the year.

The Company establishes provisions for unpaid claims, both reported and unreported, and related expenses to cover its expected ultimate liability. These provisions are established through the application of actuarial techniques and assumptions. In order to minimise the risk of understating these provisions the assumptions made and actuarial techniques employed are reviewed in detail by management.

The Company considers that the liability for insurance claims recognised in the statement of financial position is adequate. However, actual experience will differ from the expected outcome.

The Company only provides legal expenses cover to its Members and as a result, no further concentration analysis of risks by cover has been performed.

Reserving risk is mitigated through cession of 90% of the risks written by the Company to its parent under a quota share agreement.

A sensitivity testing has been carried out as set out below, showing the impact on surplus after tax, of an increase and decrease in loss ratios gross and net of reinsurance. The sensitivity analysis assumes that a change in loss ratio is driven by a change in claims incurred.

	2023 UK£	**2022 UK£**
Increase in loss ratio by 5 percentage		
Gross	**(121,364)**	(122,743)
Net	**(12,136)**	(12,274)

A 5% decrease in the loss ratio would have an equal and opposite effect.

5. Financial and insurance risk and capital management (continued)

5.5 Capital management

The Company's capital consists of share capital and share premium amounting to UK£20,000 and UK£3,640,000 respectively (2022: UK£10,000 and UK£3,150,000 respectively).

The Company manages its capital to ensure that it will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance.

The adequacy of the Company's capital is monitored by the Superintendent of Insurance (Ministry of Finance) in order to ensure a minimum margin for solvency. The required minimum capital is 115% and is determined in order to ensure the minimum solvency margin.

The Company assesses on a quarterly basis the potential deficit between the current level and the required level of capital to maintain a strong solvency margin. The Company was in full compliance with the legal capital requirements set by the Superintendent of the Insurance, during the reported accounting period, i.e. the total eligible fund of the Company were able to cover the minimum capital requirement and the solvency capital requirement at all quarter ends.

5.6 Financial Risks from Climate Change

The guidelines issued by EIOPA in August 2022 approaches to managing the financial risks from "climate change", which sets out their expectations as to how firms will manage the financial risks relating to climate change. To this end, the Company has put in place a policy for the exposure, identification and management of risk relating to climate change. As a service organisation, the Company considers that there is no direct risk for the Company to climate change given that the Company insures the legal costs that its policyholders are exposed to rather than a direct exposure to climate change and related regulations, however as part of the Company's Own Risk and Solvency Assessment ("ORSA") process under Solvency II the risks around climate change have been included in the Company's scenario analysis. In its scenario analysis, the Company has considered the impact of climate change regulation on its Membership and how this might impact the Company both directly and indirectly, in addition to the impact that climate change may have on the Company's invested assets. The Company continues to monitor its claims for any underlying trends relating to the risks surrounding climate change.

5.7 Fair value estimation

Fair value is the amount at which a financial asset could be exchanged or a liability settled in a transaction between knowledgeable willing parties in an arm's length transaction, other than in a forced sale or liquidation, and is best evidenced by an active quoted market price.

The estimated fair values of financial instruments have been determined by the Company, using available market information, where it exists, and appropriate valuation methodologies and assistance of experts. However, judgment is necessarily required to interpret market data to determine the estimated fair value. The Company has used all available market information in estimating the fair value of financial instruments.

The fair value of floating rate instruments is normally their carrying amount. The estimated fair value of fixed interest rate instruments is based on estimated future cash flows expected to be received, discounted at current interest rates for instruments with similar credit risk and remaining maturity. Discount rates used depend on credit risk of the counterparty.

Carrying amounts of trade and other receivables approximate their fair values. Carrying amounts of trade and other payables which are due within twelve months approximate their fair values.

The disclosure of the fair value of financial instruments carried at fair value is determined using the following valuation methods:

- Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 - The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on Company's specific estimates.
- Level 3 - Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

The Company's financial instruments carried at fair value relate to investment securities and are disclosed in Note 11. They are valued using Level 1 valuation techniques from the table above. There were no changes in the valuation techniques during the year.

5. Financial and insurance risk and capital management (continued)
5.7 Fair value estimation (continued)
The below table presents the Company's assets measured at fair value by level of the fair value hierarchy:

As at 20 February 2023	Level 1 UK£	Level 2 UK£	Level 3 UK£	Total UK£
Short term investment funds	2,011,547	-	-	2,011,547
Fixed income securities	1,233,947	-	-	1,233,947
Cash at bank	538,781	-	-	538,781
Total	**3,784,275**	**-**	**-**	**3,784,275**

As at 20 February 2022	Level 1 UK£	Level 2 UK£	Level 3 UK£	Total UK£
Short term investment funds	1,737,299	-	-	1,737,299
Fixed income securities	1,449,819	-	-	1,449,819
Cash at bank	139,947	-	-	139,947
Total	**3,327,065**	**-**	**-**	**3,327,065**

There were no transfers between fair value hierarchy levels during the years ended 20 February 2023 and 2022.

6. Critical accounting estimates, judgments and assumptions

The preparation of financial statements in accordance with IFRS requires the use of certain critical accounting estimates and requires Management to exercise its judgment and to make assumptions that influence the application of the Company's accounting policies and the reported amounts of assets, liabilities, income and expenses. The estimates and underlying assumptions are based on historical experience and various other factors that are deemed to be reasonable based on knowledge available at that time. Actual results may deviate from such estimates.

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical accounting estimates and assumptions

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

- Insurance liabilities

  Estimates are made for the expected ultimate cost of claims reported and for the expected ultimate cost of claims incurred but not yet reported (IBNR) at the reporting date. The Company reviews every reported claim, and the estimated insurance liability is based on the facts of each claim and on other factors that are believed to be reasonable under the circumstance. Given the uncertainty in establishing claims provisions, it is likely that the final outcome will prove to be different from the original liability established. Insurance liabilities are based on the best estimates of the Directors of the likely cost of individual cases, and the extent of the Company's current commitment to the cost of these cases.

  The final outcome on claims can significantly deviate from both initial estimates and the estimates as disclosed in the financial statements. There are several sources of uncertainty that need to be considered in the estimate of the liability that the Company will ultimately pay for such claims. Estimates are made for the expected ultimate cost of claims, whether reported or unreported, at the end of the reporting period. The estimate of IBNR is generally subject to a greater degree of uncertainty than that for reported claims. In calculating the estimated liability, the Association uses a variety of estimation techniques based upon statistical analyses of historical experience which assumes past trends can be used to project future developments. The estimates are reviewed regularly. For further details please refer to Note 14.

- Impairment of financial assets

  The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Company uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on existing market conditions as well as forward looking estimates at the end of each reporting period. Details of the key assumptions and inputs used are disclosed in Note 5, Credit risk section.

- Income taxes

  Judgment is required in determining the provision for income taxes. There are transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

- Going concern

  The financial statements have been prepared on a going concern basis. The Board of Directors have assessed the Company's ability to continue as a going concern for a period of 12 months from the date of approval of these financial statements. The Board of Directors has evaluated the financial developments, the prospects as well as the ability of the Company to have the required solvency and liquidity to continue as a going concern. The Board of Directors of the Company taking into account the current business and financial environment considers that the Company has the capacity to continue its operations, as a going concern and maintain compliance with Solvency Capital and Minimum Capital requirements.

7. Gross premium written and outward reinsurance premiums

	Note	2023 UK£	2022 UK£
Gross premiums written		**2,568,284**	2,579,659
Gross brokerage fees		**(137,652)**	(124,804)
Net movement in deferred acquisition costs	12	**306**	-
Net movement in unearned premium	14	**(3,659)**	-
Outward reinsurance premiums		**(2,187,569)**	(2,209,369)
Reinsurance ceding commission		**381,560**	390,043
Net Premiums written and earned		**621,270**	635,529

8. Net investment income

	2023 UK£	2022 UK£
Dividend income	**12,182**	175
Interest income	**41,268**	141
Net gains on investments at fair value through profit or loss	**37,066**	13,378
	90,516	13,694

9. Operating expenses

	2023 UK£	2022 UK£
Auditors' remuneration for the statutory audit of annual accounts	**59,530**	44,665
Auditors' remuneration for other services	**19,562**	23,226
Management fees (1)	**308,094**	291,502
Professional fees	**34,027**	38,802
Directors' remuneration	**17,250**	11,877
Other expenses	**6,711**	3,953
Total expenses	**445,174**	414,025

(1) Management fees represent fees charged by the appointed external Managers of the Company and covers the costs of providing offices, staff and administration services. The compensation of the Management entity is fixed by the Directors in accordance with the articles of the Company. No loan has been made to the Management entity and none is contemplated. The Company itself had no employees throughout the year.

10. Tax

	2023 UK£	2022 UK£
Tax charge for the year	**5,432**	4,300

The tax on the Company's result before tax differs from the theoretical amount that would arise using the applicable tax rates as follows:

	2023 UK£	2022 UK£
Profit before tax	**71,968**	**23,460**
Tax calculated at the applicable tax rates	**8,996**	2,932
Tax effect of expenses not allowable for tax purposes	**7,387**	4,108
Tax effect of allowances and income not subject to tax	**(10,951)**	(1,694)
Tax effect of tax losses brought forward	**-**	(1,372)
10% additional tax for taxes not paid during the year	**-**	326
Tax charge	**5,432**	4,300

The income tax rate is 12.5%.

Under certain conditions interest income may be subject to defence contribution at the rate of 30%. In such cases this interest will be exempt from corporation tax. In certain cases, dividends received from abroad may be subject to defence contribution at the rate of 17%.

11. Financial assets at fair value through profit or loss

	2023 UK£	2022 UK£
Fixed income securities	**1,233,947**	1,449,819
Short term investment funds	**2,011,547**	1,737,299
	3,245,494	3,187,118

The movement in the financial assets at fair value through profit or loss is presented below:

	2023 UK£	2022 UK£
Balance as at 21 February	**3,187,118**	-
Additions	**6,339,153**	5,190,026
Redemptions	**(6,317,843)**	(2,016,603)
Dividends	**-**	175
Interest receivable	**-**	371
Net gains on investments at fair value through profit or loss	**37,066**	13,149
Balance as at 20 February	**3,245,494**	3,187,118

Notes to the Financial Statements (continued)

12. Insurance receivables

	2023 UK£	2022 UK£
Premiums receivable (b)	**110,049**	40,244
Deferred Acquisition costs (brokerage fees net of reinsured portion) (a)	**306**	-
	110,355	40,244

a. Deferred Acquisition costs (brokerage fees net of reinsured portion)

Deferred acquisition costs relate to brokerage fees on premiums with unexpired portion of coverage as at the year end. Brokerage fees are paid to the brokers involved in the inception process of the relevant policies and deducted from the premium earned. The relevant portion based on the reinsurance agreement is allocated to the amounts due to the reinsurer.

	2023 UK£	2022 UK£
Gross deferred acquisition costs	**3,066**	-
Reinsurers' share of deferred acquisition costs	**(2,760)**	-
Deferred acquisition costs net of reinsured portion	**306**	-

b. Premiums receivable

As at 20 February 2023 the expected credit loss on insurance receivables amounted to UK£24,660 (2022: UK£13,558).

The ageing analysis of premiums receivables are as follows:

	2023 UK£	2022 UK£
Not yet due	**6,190**	27,450
Up to 90 days	**65,387**	-
From 90 to 120 days	**-**	6,710
From 120 to 180 days	**20,746**	-
Over 180 days	**17,726**	1,565
	110,049	35,725

The exposure of the Company to credit risk and impairment losses in relation to receivables is reported in Note 5 of the financial statements. The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivables mentioned above. The Company does not hold any collateral as security for any receivables.

13. Trade and other receivables

		2023 UK£	2022 UK£
Receivables from parent company	18.2	**216,704**	187,091
Other receivables		**16,352**	24,352
Prepayments		**19,464**	4,932
Accrued interest receivable		**8,718**	-
		261,238	216,375

As per management's assessment receivables from parent company are exposed to low credit risk. In this regard, the provision for expected credit losses under IFRS 9 was assessed as not material to the financial statements.

Other classes within trade and other receivables do not contain impaired assets.

The fair value of receivables approximates their carrying value.

14. Insurance liabilities

	2023 UK£	2022 UK£
Gross technical provisions (a)	**(2,111,101)**	(1,427,765)
Gross unearned premiums (b)	**(36,594)**	-
Gross Insurance liabilities	**(2,147,695)**	1,427,765
Reinsurers' share of gross insurance liabilities (a)	**1,907,016**	1,284,989
Reinsurers' share of unearned premiums (b)	**32,935**	-
Reinsurers' share of insurance liabilities	**1,939,951**	1,284,989
Total net insurance liabilities	**(207,744)**	(142,776)

14. Insurance liabilities (continued)

a. Insurance liabilities

Insurance liabilities include a provision for claims incurred but not reported (IBNR) as presented in the table below:

	2023 UK£	2022 UK£
Gross claims outstanding estimates	**580,389**	262,495
Gross provision for claims incurred but not reported (IBNR)	**1,530,712**	1,165,270
	2,111,101	1,427,765
Reinsurance arrangements	**(1,907,016)**	(1,284,989)
Net technical provisions	**204,085**	142,776

The nature of the business makes it very difficult to predict the likely outcome of any particular case and to estimate the cost of future claims. The estimates for known outstanding claims are based on the best estimates of the Directors of the likely cost of individual cases, and the extent of the Company's current commitment to the cost of these cases. These estimates are as accurate as possible given the details of the cases and taking into account all the current information. The estimates are reviewed regularly.

The movement in the gross provision for claims is the difference between the provision for outstanding claims on all policy years at the beginning of the year and the equivalent provision at the end of the year, after deduction of all claims paid during the financial year and addition of new claims notified in the 2022 policy year.

The movement on net incurred claims for prior policy years was UK£451 thousand (2022: UK£15 thousand).

Development claim tables

The development of technical provisions provides a measure of the Company's ability to estimate the ultimate value of claims. The top half of the table below illustrates how the Company's estimate of total claims outstanding for each policy year has changed. The bottom half of the table reconciles the cumulative claims to the amount appearing in the statement of financial position.

Gross estimate of ultimate claims cost attributable to policy year:

As at 20 February 2023

Reporting year	2021/2022 UK£	2022/2023 UK£
- At the end of the reporting period	1,425,374	1,665,344
- One year later	-	-
Current estimate of cumulative claims	1,425,374	1,665,344
Cumulative payments to date	(686,456)	(320,428)
Gross liability recognised on balance sheet	738,918	1,344,916
Total gross liability relating to the last two policy years		2,083,834
Other claims liabilities (novated from parent)		27,267
Total gross insurance liabilities included on balance sheet		2,111,101

14. Insurance liabilities (continued)
Development claim tables (continued)

As at 20 February 2022

Reporting year	2020/2021 UK£	2021/2022 UK£
- At the end of the reporting period	-	1,674,370
- One year later	-	-
Current estimate of cumulative claims	-	1,674,370
Cumulative payments to date		(246,605)
Gross liability recognised on balance sheet		1,427,765
Total gross insurance liabilities included on balance sheet		1,427,765

Movement in technical claims provisions

	2023			2022		
	Gross UK	Reinsurance UK£	Net UK£	Gross UK£	Reinsurance UK£	Net UK£
Total at the beginning of the year	1,427,765	1,284,989	142,776	2,026	1,823	203
Claims paid	(761,559)	(685,403)	(76,156)	(246,606)	(221,945)	(24,661)
Claims incurred during the year	1,444,895	1,307,430	137,465	1,672,345	1,505,111	167,234
Total at the end of the year	**2,111,101**	**1,907,016**	**204,085**	1,427,765	1,284,989	142,776

14. Insurance liabilities (continued)
Movement in technical claims provisions (continued)
b. Unearned premium provision

2023	Gross UK£	Reinsurance UK£	Net UK£
Balance at beginning of the year	-	-	-
Premiums written in the year	(2,568,284)	2,311,456	(256,828)
Premiums earned in the year	2,531,690	(2,278,521)	253,169
Net change in unearned premiums	(36,594)	32,935	(3,659)
Total at the end of the year	**(36,594)**	**32,935**	**(3,659)**

2022	Gross UK£	Reinsurance UK£	Net UK£
Balance at beginning of the year	-	-	-
Premiums written in the year	(2,579,659)	2,321,693	(257,965)
Premiums earned in the year	2,579,659	(2,321,693)	257,965
Net change in unearned premiums	-	-	-
Total at the end of the year	**-**	**-**	**-**

15. Cash at bank

	2023 UK£	2022 UK£
Cash at bank	**538,781**	139,947

The exposure of the Company to credit risk and impairment losses in relation to cash at bank is reported in Note 5 of the financial statements.

16. Share capital

	2023 Number of shares	2023 UK£	2022 Number of shares	2022 UK£
Authorised - Ordinary shares of UK£ 1.00				
Balance brought forward	**20,000**	**20,000**	20,000	20,000
Increase in authorised shared capital	**20,000**	**20,000**	-	-
Balance carried forward	**40,000**	**40,000**	20,000	20,000

	Number of shares	Par value UK£	Share premium UK£	Total
Issued				
Balance at 21 February 2021	20 000	20,000	3,150,000	3,170,000
Increase in share capital	-	-	-	-
Balance at 20 February 2022	20 000	20,000	3,150,000	3,170,000
Not called/unpaid issued capital	(10 000)	(10,000)	-	(10,000)
Balance at 20 February 2022	20 000	10,000	3,150,000	3,160,000
Balance at 21 February 2022	20 000	20,000	3,150,000	3,170,000
Increase in share capital	10 000	10,000	490,000	500,000
Balance at 20 February 2023	30 000	30,000	3,640,000	3,670,000
Not called/unpaid issued capital	(10 000)	(10,000)	-	(10,000)
Balance at 20 February 2023	**20 000**	**20,000**	**3,640,000**	**3,660,000**

On 23rd June 2022 the Board of Directors of the Company approved the increase of the authorised share capital of the Company to UK£40,000 (2022: UK£20,000) divided into 40,000 ordinary shares of nominal value of UK£1 each (2022: 20,000 ordinary shares of nominal value of UK£1 each).

On 23rd June 2022, 10.000 out of the additional authorised share capital of the Company of nominal value UK£1 each were issued and allotted to the existing sole shareholder of the Company at a premium of UK£49 per share, totalling to UK£10,000 increase in the share capital and UK£490,000 increase in the share premium of the Company.

Nature and purpose of reserves:
(i) Retained earnings:
Retained earnings includes the total earnings for the year less dividends paid to shareholders. Retained earnings are distributable to the owners of the Company.

(ii) Share premium:
Share premium consists of the value of shares issued above par value. Share premium is not distributable.

17. Trade and other payables

	2023 UK£	2022 UK£
Claims creditors	15,813	30,472
Other creditors	60,229	63,498
Management fee payable	48,424	95,351
Accruals	87,983	79,086
	212,449	**268,408**

Claims creditors represent claims payable agreed but remained outstanding at year end and do not form part of the technical provisions.
The fair values of trade and other payables due within one year approximate to their carrying amounts as presented above.

18. Related Parties

The Company is controlled by The United Kingdom Freight Demurrage and Defence Association Limited (the "Association"), incorporated in United Kingdom, which owns 100% of the Company's shares. The Association is a mutual entity with no share capital and is controlled by the Members who are also the insureds. The subsequent insurance transactions are consequently deemed to be between related parties, but these are the only transactions between the Association and the Members.

The four non-executive directors of the Company are current representatives of Member companies and other than the insurance, which is arranged on an arm's length basis, and Member interests of these companies, the Directors have no financial interests in the Company or the Association.

18.1 Directors' remuneration

The remuneration of Directors was as follows:

	2023 UK£	2022 UK£
Directors' fees	17,250	11,877
	17,250	**11,877**

The Company's key management personnel services are provided by a separate management entity, Thomas Miller B.V. Cyprus Branch, and their remuneration forms part of the management fees incurred during the year (Note 9).

18.2 Receivables from related parties

Name	Nature of transactions	2023 UK£	2022 UK£
The United Kingdom Freight Demurrage and Defence Association Limited (Note 13)	Reinsurance / contributions	**216,704**	187,091
The United Kingdom Freight Demurrage and Defence Association Limited	Deferred acquisition costs reinsurance share	**2,760**	-

18. Related Parties (continued)
18.2 Receivables from related parties (continued)

The movement during the year is presented in the table below:

	2023 UK£	2022 UK£
Balance brought forward	**187,091**	68,172
Outward reinsurance premium	**(2,187,569)**	(2,209,369)
Claims paid and inwards reinsurance	**685,403**	221,945
Ceding commission	**381,560**	390,043
Share capital contribution	**500,000**	-
Other transactions	**2,401**	25,619
Receipts on behalf of the Company	**298,808**	469,469
Payments during the year	**675,460**	1,221,212
Revaluation	**(326,451)**	-
Balance carried forward	**216,704**	187,091

The Association novated one of its policies to the Company as a result of Brexit transitional arrangements. This resulted in a profit on novation of UK£1,604 (2022: UK£1,624) for the Company, which is presented in "Other income" in the statement of profit or loss and is included in the "other transactions" in the table above.

18.3 Reinsurer's share of technical provisions

Name	Nature of transactions	2023 UK£	2022 UK£
The United Kingdom Freight Demurrage and Defence Association Limited (Note 4)	Reinsurance	**1,939,951**	1,284,989

During the year ended 20 February 2023 the Company recognised the following transactions in the statement of profit and loss in relation to Reinsurer's share of insurance liabilities:

	2023 UK£	2022 UK£
Reinsurer's share on claims paid	**685,403**	221,945
Reinsurer's share on claims incurred	**622,027**	1,283,166
Movement in reinsurers' share of unearned premiums	**32,935**	-
	1,340,365	1,505,111

19. Contingent liabilities

The Company had no contingent liabilities as at 20 February 2023 and 20 February 2022.

20. Commitments

The Company had no capital or other commitments as at 20 February 2023 and 20 February 2022.

21. Events after the reporting period

There were no material events after the reporting period, which have a bearing on the understanding of the financial statements, other than the transition to IFRS 17 as disclosed in Note 3.

Independent auditor's report on pages 8 to 13.

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Registered in England: No. 501877
UKDC is regulated in the UK by the PRA and the FCA.
Company number: 00501877