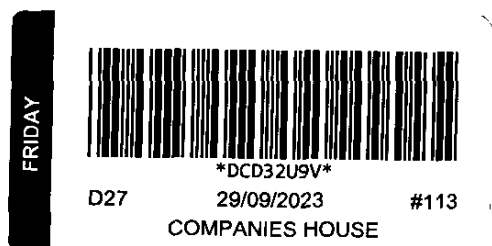


BRITISH AVIATION INSURANCE COMPANY LIMITED
Company Registration No. 00246018

Report and Financial Statements
31 December 2022



BRITISH AVIATION INSURANCE COMPANY LIMITED

**REPORT AND FINANCIAL STATEMENTS
For the year ended 31 DECEMBER 2022**

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BRITISH AVIATION INSURANCE COMPANY LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

Mr A Wilson
Mr G Finney
Mr W Robertson
Mr T Masters (Non-executive)

SECRETARY

Ms C Martin

REGISTERED OFFICE

4th Floor
8 Fenchurch Place
London
EC3M 4AJ

BANKERS

Barclays Bank PLC
One Churchill Place
London
EC14 5HP

AUDITOR

BDO LLP
55 Baker Street
London
W1U 7EU

SOLICITORS

Hogan Lovells International LLP
Atlantic House, Holborn Viaduct
London
EC1A 2FG

BRITISH AVIATION INSURANCE COMPANY LIMITED

DIRECTORS' REPORT

The Directors present their report and audited Financial Statements for the year ended 31 December 2022. The Directors have chosen, in accordance with section 414c(II) of the Companies Act 2006 to include certain additional matters in the Strategic Report that would otherwise be required to be disclosed in this Directors' Report. These matters are; principal risks, future developments and subsequent events.

RESULTS AND DIVIDENDS

The loss for the year attributable to shareholders amounted to \$245,000 (2021: \$2,617,000 loss). The Directors do not recommend payment of a dividend (2021: \$nil).

DIRECTORS

The Directors of the Company during the year ended 31 December 2022 were those listed on page 1.

FUNCTIONAL CURRENCY

The Company's functional currency is United States Dollars because that is the currency of the primary economic environment in which the Company operates and the greatest proportion of the Company's assets and liabilities are denominated in that currency.

FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

The Company adopts a conservative investment and risk management policy to ensure that there is no material exposure to market, liquidity or cash flow risks to funds held which support the Company's solvency requirement. In addition, the Company has no exposure to pricing, derivatives or currency-hedging risks.

AUDITORS

Each of the persons who is a director at the date of approval of this report confirms that:

- (1) so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- (2) the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant information and to establish that the Company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 (2) of the Companies Act 2006.

The Company has elected to dispense with the obligation to appoint an auditor annually and, accordingly, BDO LLP shall be deemed to be re-appointed as auditor for a further term.

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



A Wilson
Director

Date: 28 September 2023

BRITISH AVIATION INSURANCE COMPANY LIMITED

STRATEGIC REPORT

PRINCIPAL ACTIVITY, REVIEW OF THE BUSINESS AND FUTURE DEVELOPMENTS

The Company's principal activity is the carrying out of aviation insurance and reinsurance. Up until 31 December 2000 the Company wrote an aviation insurance and reinsurance account in London and through its branch in Canada. From 1 January 1991 to 31 December 2000 the Company wrote aviation business as a member of the British Aviation Insurance Group pool. During 2001 the Company underwrote reinsurance of the Global Aerospace Underwriting Managers Pool, as well as a number of direct aviation risks. The Company went into run-off from 1 January 2002 and will continue to manage the run-off in the future. During 2011 the Company closed its Canadian branch.

The Company has considered climate change related risk and the impact on the environment. The company ceased writing business in 2002 and policies have limited or no exposure to climate risk. The investments of the Company are held in government bonds and a variety of high grade corporate bonds and are managed in line with the Group's investment guidelines. The directors of the Company will continue to monitor the risk posed by climate change. The Company has not consumed more than 40,000kWh of energy and is not required to report on energy and carbon consumption.

Statement by the Directors in Performance of Statutory Duties in Accordance with s172(1) Companies Act 2006

The directors of the Company act in the way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its shareholders as a whole and, in doing so have regard to:

- the likely consequences of any decisions in the long term;
- the need to foster the Company's business relationships with its customers and supplies;
- the impact of the Company's operations on the community and environment;
- the desirability of the Company maintaining a reputation for high standards of business conduct; and
- the need to act fairly between members of the company.

The directors consider the following stakeholders when making strategic decisions; shareholders, policyholders, regulators, and related parties.

The Company does not retain a license to write any new business, but it is available to accept additional run-off books of business should this arise. The Company intends to continue to manage the run-off of the insurance assets and liabilities in an orderly manner.

The Company treats customers fairly and has adequate systems to address Financial Crime risks. We are responsible for maintaining and embedding a corporate culture that is open and honest, and encourages both good and bad news to be communicated, and any concerns to be raised for discussion.

The Company employs no staff; activity is carried out by staff employed by Resolute Management Limited and Resolute Management Services Limited under a shared services agreement; investment management services are provided by New England Asset Management; Claims handling services are provided by Global Aerospace Underwriting Managers Limited under a services agreement.

The Company is authorised by the Prudential Regulation Authority (PRA) and regulated by the Financial Conduct Authority (FCA) and PRA. It is committed to working with the regulators in an open, cooperative and transparent manner. The Company has sufficient capital relative to regulatory requirements, with a comfortable margin.

BRITISH AVIATION INSURANCE COMPANY LIMITED

STRATEGIC REPORT (CONTINUED)

KEY PERFORMANCE INDICATORS

The Company's performance is measured and monitored by the Board with particular regard paid to the following Key Performance Indicators:

Capital Resources

The aim of the Company is to maintain an appropriate margin of regulatory capital over capital resource requirements. As required by the PRA rule book we have applied The Solvency II regulatory framework to manage a measure of our capital. In accordance with this, the available and eligible own funds of the Company were \$21,022,000 (2021: \$17,739,000) to meet a Solvency Capital Requirement of \$5,977,000 (2021: \$7,142,000). This gives rise to an increase in the Company's Solvency II surplus when compared to the prior year and the Directors believe the Company is in a good position with respect to its Solvency II surplus.

Profits after Taxation and Shareholders Funds

For the year ended 31 December 2022, the Company reported a loss after taxation of \$245,000 (2021: \$2,617,000 loss). As at 31 December 2022, the Company had shareholders' funds amounting to \$18,503,000 (2021: \$18,748,000). The loss for the year is attributable mainly to foreign exchange losses on the translation of non USD denominated net assets.

Cash Flows

Cash flows are monitored closely by the business to ensure that all liabilities can be met as they fall due.

GOING CONCERN

The financial position of the Company continues to be encouraging and cash flows are as expected. The capital structure of the Company has remained stable for a considerable period and financial risk management processes are in place to maintain the Company's liquidity and solvency position.

Having taken into account the risks and uncertainties, the performance of the business and after making enquiries, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for at least 12 months after the date the financial statements are signed. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

SUBSEQUENT EVENTS

The Company is not aware of any events which materially impact the financial information disclosed.

PRINCIPAL RISKS AND UNCERTAINTIES

The Company's largest potential risk is that technical provisions may prove to be inadequate or excessive. The amounts included as claims provisions are based on techniques of estimation undertaken by consulting actuaries from related party service providers who have extensive knowledge of relevant market developments for this company. Further information is provided in Note 3 to these financial statements.

The Directors continue to monitor the continuing impact of coronavirus and the current cost of living crisis and are satisfied that there is no significant impact on the Company's future operations. The Company is in run-off and is not exposed to any claims arising from the Coronavirus. The Company is, however, potentially exposed to movements in foreign exchange rates, investment markets and interest rates, which occurred as a result of the Covid-19 pandemic. Through matching of the foreign currency liabilities with assets in the same currencies, the company mitigates the impact of volatility in exchange rates. Investments are held in Government Securities. The Company's capital remains well in excess of its regulatory requirements. The company's reinsurance counterparties are well rated and are believed to be financially strong. From an operational risk perspective the Company continues to operate satisfactorily and the Directors have no reason to believe this cannot continue for the foreseeable future.

BRITISH AVIATION INSURANCE COMPANY LIMITED

STRATEGIC REPORT (CONTINUED)

With respect to the Russian invasion of Ukraine on 24th February 2022 the Company does not believe it has any exposure to insurance losses as a result of the conflict. The Company is also monitoring the rapidly changing sanctions regimes of the US, the EU and the UK to ensure our processes and controls ensure compliance. With respect to the enhanced risk of cyber-attacks on the Company's IT infrastructure the Company continues to take advice from our external cyber risk monitoring supplier to ensure we have effective threat monitoring and practices and processes to manage this risk.

The Directors conclude that there is no impact on the going concern status of the Company. The Company remains well capitalised and the Directors have no reason to believe this will change in the coming year.

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



A Wilson
Director

Date: 28 September 2023

BRITISH AVIATION INSURANCE COMPANY LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law, the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

By order of the Board



A Wilson
Director

Date: 28 September 2023

BRITISH AVIATION INSURANCE COMPANY LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BRITISH AVIATION INSURANCE COMPANY LIMITED

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2022 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of British Aviation Insurance Company Limited (the 'Company') for the year ended 31 December 2022 which comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Cash Flow, Statement of Changes in Equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *"The Financial Reporting Standard applicable in the UK and Republic of Ireland"* and Financial Reporting Standard 103 *"Insurance Contracts"* (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. Our audit opinion is consistent with the additional report to the Audit & Risk Committee.

Independence

Following the recommendation of the Audit & Risk Committee, we were appointed by the Board of Directors on 5 August 2019 to audit the financial statements for the year ended 31 December 2019 and subsequent periods. The period of total uninterrupted engagement including retenders and reappointments is 4 years, covering the years ended 2019 to 2022.

We remain independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. The non-audit services prohibited by that standard were not provided to the Company.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the Directors' assessment of the Company's ability to continue to adopt the going concern basis of accounting included:

- Review and challenge of the Company's current plans and budget forecasts, challenging future movements assertions and ensuring that movements were in line with justifiable assumptions and movements. This was done through review of historic budgets against actual performance, knowledge of the Company and the industry in which it operates and published market assumptions;
- Consider the accuracy of the Directors forecasting ability through comparison of prior year forecasts against actual results;
- As a part of this we have reviewed the Company's capital position to the solvency capital ratio as well as the Own Risk and Solvency Assessment ('ORSA') and forecasts to check compliance with regulatory solvency requirements, noting the Company to be in excess of the minimum solvency requirement;

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- Enquiries of the Directors and scrutiny of management information, board minutes and regulatory correspondence to ascertain the existence of undisclosed events or obligations that may cast doubt on the Company's ability to continue as a going concern; and
- Consider the impact of climate related matters on the activities of the Company and its financial position based on our knowledge of the Company.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Overview

	2022	2021
Key audit matters	Valuation of Technical Provisions	
Materiality	\$516k (2021: \$830k) based on 3% (2021: 4%) of net assets.	

An overview of the scope of our audit

Our audit was scoped by obtaining an understanding of the Company and its environment, including the Company's system of internal control, and assessing the risks of material misstatement in the financial statements. We also addressed the risk of management override of internal controls, including assessing whether there was evidence of bias by the Directors that may have represented a risk of material misstatement.

All audit work was performed directly by the audit engagement team with the assistance of internal specialists.

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 and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. 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.

Key audit matter		How the scope of our audit addressed the key audit matter
Valuation of Technical Provisions (Note 11 and 1E)	<p>The Company's technical provisions of \$19.5m (2021: \$20.3m) consist of two separately identifiable books of business:</p> <p>Pre 1991 – These years relate to risks that the Company underwrote itself and represent 80% of the total amounts held within these reserves. The risk exposure on these years is composed predominantly of APH (Asbestos, pollution and health).</p> <p>1991 to 2000 – During this period the Company participated on the Global Pools and the remaining 20% of the technical provisions</p>	<p>In order to assess the reasonableness and appropriateness of the Directors assessment of the valuation of technical provisions, we:</p> <ul style="list-style-type: none"> • Agreed a sample of case reserves for reported outstanding claims as at 31 December 2022 to supporting documents; • Tested a sample of claims movements in the month

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	<p>are made up of the Company's share of these pool years.</p> <p>The valuation of technical provisions is dependent on the selection and application of a variety of complex estimation techniques as well as the expertise of the claims adjusters. As a result there is a significant risk that technical provisions are materially misstated including adequacy of disclosures and for that reason we considered this to be a Key Audit matter.</p>	<p>before and after year end to supporting documentation to gain assurance that adjustments and payments were accounted for in the correct accounting period;</p> <ul style="list-style-type: none"> • Checked and reconciled the data used by management's actuarial experts in their projections to that used by the audit team and extracted from the underlying claims and underwriting systems to ensure completeness and accuracy; and • Assessed the adequacy of the disclosures in the financial statements to ensure that the inherent uncertainty of the claims is appropriately disclosed. <p>Using our internal actuarial specialists we:</p> <ul style="list-style-type: none"> • Obtained and checked the calculations prepared by managements experts. We have considered the appropriateness of the methodology applied, to ascertain whether it was appropriate to the classes of business written, the stage of run-off, and the purpose for which the calculations were made; and • Discussed and challenged the conclusions made by our actuarial specialists in performing the review including as regards the appropriateness of those assumptions and why other assumptions and/or methodologies were considered less appropriate than those used considering our understanding of the entity and its circumstances. <p>Key observations:</p> <p>Based on our procedures performed we consider the judgements and estimates made in the valuation of technical provisions and the related disclosure to be appropriate.</p>
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Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements.

In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole and performance materiality as follows:

Company financial statements		
	2022 \$ 000	2021 \$ 000
Materiality	516	830
Basis for determining materiality	3% of net assets	4% of net assets
Rationale for performance materiality	<p>Based on our professional judgement, the principal determinant in this assessment was the Company's net assets, which we consider to be the most relevant benchmark, as due to the fact that the Company is in the advanced stages of run-off, the net assets and solvency of the Company are considered to be the most important measure. Benchmark percentile is based on auditor's risk assessment and methodology.</p> <p>Materiality based on reporting date net assets position was higher than planning risk assessment date, therefore, we have considered materiality determined at risk assessment stage for our audit purposes.</p>	
Performance materiality	361	581
Basis for determining performance materiality	70% of financial statement materiality	
Rationale for performance materiality	We have set performance materiality at the 70% level due to the fact that this provides us with suitable detail of testing and remains a level at which the owners of the firm would reasonably expect any misstatement to be found.	

Reporting threshold

We agreed with the Audit & Risk Committee that we would report to them all individual audit differences in excess of \$10,000 (2021: \$16,000). We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

Other information

The directors are responsible for the other information. The other information comprises the information included in the report and financial statements, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

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inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Other Companies Act 2006 reporting

Based on the responsibilities described below and our work performed during the course of the audit, we are required by the Companies Act 2006 and ISAs (UK) to report on certain opinions and matters as described below.

Strategic report and Directors' report	<p>In our opinion, based on the work undertaken in the course of the audit:</p> <ul style="list-style-type: none">• the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and• the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements. <p>In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the Directors' report.</p>
Matters on which we are required to report by exception	<p>We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:</p> <ul style="list-style-type: none">• adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or• the financial statements are not in agreement with the accounting records and returns; or• certain disclosures of Directors' remuneration specified by law are not made; or• we have not received all the information and explanations we require for our audit.

Responsibilities of Directors

As explained more fully in the Statement of directors' responsibilities in respect of the financial statements, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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Extent to which the audit was capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, and through discussion with the Directors and other management, and discussed with the Directors and other management the policies and procedures regarding compliance with laws and regulations. We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

Legal and regulatory frameworks determined most significant are:

- Companies Act 2006
- Financial Reporting Standards 102 and 103 applicable in the UK and Republic of Ireland
- Prudential Regulation Authority Rulebook and Financial Conduct Authority Handbook
- Bribery Act 2010

Non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We performed procedures including:

- Obtaining an understanding of the legal and regulatory framework applicable to the Company's operations;
- Obtaining an understanding of the control environment in monitoring compliance with laws and regulations;
- Inspecting correspondence with the Prudential Regulation Authority (PRA) and Financial Conduct Authority (FCA); and
- Enquiring of the Directors and other management of instances of non-compliance.

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

- Enquiring of Directors and management as to whether they have knowledge of any actual, suspected or alleged fraud.
- Inspecting Board and Audit & Risk Committee minutes.
- Identifying any unusual journal entries based on characteristics of journal posting date and description.
- Considering where the financial statements could be misstated due to irregularity, including fraud. We identified two significant audit risks (valuation of technical provisions and management override of controls) and our responses are designed to sufficiently address the potential risk of fraud. In particular we engaged an internal actuarial auditor's specialists to review the assumptions and methodology applied by the Company in the valuation of technical provisions to check the assumptions and methods utilised are appropriate. Additional procedures are detailed in the key audit matters section above. Manipulation of the valuation of technical provisions is considered the key area in which management override of controls may manifest.

The engagement team was deemed to collectively have the appropriate competence and capabilities to identify or recognise non-compliance with laws and regulations. We communicated identified fraud risks throughout the audit team and remained alert to any indications for fraud throughout the audit.

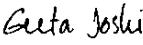
BRITISH AVIATION INSURANCE COMPANY LIMITED

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

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

DocuSigned by:

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Geeta Joshi
Senior Statutory Auditor

28 September 2023

For and on behalf of
BDO LLP, Statutory Auditor
London, UK

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

BRITISH AVIATION INSURANCE COMPANY LIMITED

STATEMENT OF COMPREHENSIVE INCOME For the year ended 31 December 2022

	Notes	2022 \$000	2021 \$000
TECHNICAL ACCOUNT			
Total Technical Income		-	-
Claims paid:			
Gross amount		(545)	(293)
Reinsurers' share		60	19
Claims paid, net of reinsurance		(485)	(274)
Change in provision for claims:			
Gross amount		817	(1,707)
Reinsurers' share		(60)	(19)
Net change in the provision for claims		757	(1,726)
Claims incurred, net of reinsurance		272	(2,000)
Net operating expenses	4	(277)	(561)
Total Technical Expenses		(5)	(2,561)
Balance on the general business technical account		(5)	(2,561)
NON-TECHNICAL ACCOUNT			
Balance on the general business technical account		(5)	(2,561)
Investment return	5	77	3
Net foreign exchange loss		(733)	(59)
Loss on ordinary activities before tax		(661)	(2,617)
Tax credit	9	416	-
Loss and total comprehensive result for the year		(245)	(2,617)

All amounts are in respect of continuing operations.

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

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STATEMENT OF FINANCIAL POSITION At 31 December 2022

	Notes	2022 \$000	2021 \$000
Assets			
Financial investments	10	34,053	34,091
Reinsurance assets	11	1,152	1,213
Insurance and other receivables	12	525	386
Cash and cash equivalents	13	3,660	4,492
Total Assets		39,390	40,182
Liabilities and Equity			
Liabilities			
Insurance liabilities	11	19,497	20,329
Insurance and other payables	14	1,390	1,105
Total Liabilities		20,887	21,434
Equity			
Called up share capital	15	2,645	2,645
Retained earnings		15,858	16,103
Total Equity		18,503	18,748
Total Liabilities and Equity		39,390	40,182

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

Approved at a meeting of the Board of Directors and signed on its behalf.



A Wilson
Director
Date: 28 September 2023

Company Number: 00246018

BRITISH AVIATION INSURANCE COMPANY LIMITED

STATEMENT OF CASH FLOW

For the year ended 31 December 2022

	Notes	2022 \$000	2021 \$000
Cash generated from operations			
Loss before tax		(661)	(2,617)
Adjusted for non-cash movements:			
Realised & unrealised losses on investments		124	547
Foreign exchange losses		733	56
Movement in operating assets & liabilities:			
Insurance and other receivables		92	(208)
Insurance and other payables		(538)	1,399
Tax received		212	-
Net cash outflow from operating activities		(38)	(823)
Cash flows from investing activities			
Sale of Investments net of purchases		(625)	334
Net cash (outflow)/inflow from investing activities		(625)	334
Net decrease in cash and cash equivalents		(663)	(489)
Cash and cash equivalents at beginning of year		4,492	5,045
Effect of exchange rate fluctuations on cash and cash equivalents		(169)	(64)
Cash and cash equivalents at the end of the year	13	3,660	4,492

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

BRITISH AVIATION INSURANCE COMPANY LIMITED

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2022

	Share Capital \$000	Retained Earnings \$000	Total Equity \$000
At 1 January 2021	2,645	18,720	21,365
Retained loss for the financial year	-	(2,617)	(2,617)
At 31 December 2021	2,645	16,103	18,748
At 1 January 2022	2,645	16,103	18,748
Retained loss for the financial year	-	(245)	(245)
At 31 December 2022	2,645	15,858	18,503

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

BRITISH AVIATION INSURANCE COMPANY LIMITED
Notes to the Financial Statements
For the year ended 31 December 2022

1. Accounting Policies

The principal accounting policies adopted in the preparation of these financial statements are summarised below. These policies have been applied consistently throughout the year and to the preceding year.

(A) General Information and Basis of Preparation

The Company is a private limited company incorporated in England and domiciled in Great Britain, and transacted insurance and reinsurance business in the London Market until 2001. Since that date the business has been in run-off. The address of the registered office is given on page 1.

The Financial Statements have been prepared in accordance with Financial Reporting Standards 102 & 103 (FRS 102 & 103) applicable in the United Kingdom and Republic of Ireland and provisions of Section 396 of the Companies Act 2006 and schedule 3 of Large and Medium-sized companies and Groups (Accounts and Reports) Regulations 2008. The financial statements have been prepared on the going concern basis as explained in the Strategic report on pages 3 to 5.

The functional currency of British Aviation Insurance Company Limited is considered to be US Dollars because that is the currency of the primary economic environment in which the Company operates, and the currency of the largest proportion of the Company's assets and liabilities, having regard to the duration of those liabilities. The financial statements are also presented in U.S. Dollars.

The underwriting activities of all classes of business are accounted for on an annual basis.

(B) Going Concern

Having taken into account the risks and uncertainties and the performance of the business as disclosed in the directors' report and strategic report, and after making enquiries, there is a reasonable expectation that the Company has adequate resources to continue in operational existence for at least 12 months after the date the financial statements are signed. As a result, the Company continues to adopt the going concern basis in the preparation of the financial statements.

(C) Foreign Currency Translation

Transactions in foreign currencies other than US Dollars are converted at the rate of exchange prevailing on the dates of the transactions, or at the average rate where this is a reasonable approximation. Monetary assets and liabilities denominated in foreign currencies at the date of the statement of financial position are translated into US Dollars at the rates of exchange prevailing at that date.

Exchange differences are recognised in profit or loss in the period in which they arise.

Non-monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into US Dollars at the historic rate pertaining on the date of the transaction.

(D) Claims Incurred

Claims incurred comprise all claim payments and internal and external settlement expense payments made in the financial year and the movement in the provisions for outstanding claims and settlement expenses, including claims incurred but not reported, net of salvage and subrogation recoveries.

Outwards reinsurance recoveries are accounted for in the same accounting period as the claims for the related direct or inwards reinsurance business being reinsured.

BRITISH AVIATION INSURANCE COMPANY LIMITED
Notes to the Financial Statements
For the year ended 31 December 2022

1. Accounting Policies (continued)

(E) Outstanding Claims Provision

Provision is made for outstanding claims and settlement expenses incurred at the statement of financial position date including an estimate for the cost of claims incurred but not reported at that date. Included in the provision is an estimate of the internal and external costs of handling the outstanding claims over the expected length of the run-off. Material salvage and other recoveries are deducted from outstanding claims.

The provision for claims outstanding is based on information available at the statement of financial position date. Significant delays are experienced in the notification and settlement of certain claims and accordingly the ultimate cost of such claims cannot be known with certainty at the date of the statement of financial position. Subsequent information and events may result in the ultimate liability being less than, or greater than, the amount provided. Further details are given in note 11 to these financial statements. Any differences between provisions and subsequent settlements are dealt with in the general business technical account of later years.

Reinsurers' share of technical provisions represents the amount of the Company's gross claims outstanding that is recoverable from reinsurers, calculated by reference to policy limits or cession percentages, adjusted as appropriate for commuted proportions and having regard to collectability.

(F) Net Investment Income

Investment income, excluding the tax credit and interest income is recognised on an accruals basis, taking into account the effective yield on the investment. Investment expenses are also recognised on an accruals basis. All investment and interest income is recognised through profit or loss.

A gain or loss on a financial investment is only realised on disposal or transfer, and is the difference between the proceeds received, net of transaction costs, and its carrying value.

Unrealised gains and losses, arising on financial investments which have not been derecognised as a result of disposal or transfer, represent the difference between the carrying value at the year end and the carrying value at the previous year end or purchase value during the year, less the reversal of previously recognised unrealised gains and losses in respect of disposals made during the year.

(G) Recognition and Derecognition of Financial Assets and Financial Liabilities

Financial assets and financial liabilities are recognised when the Company becomes party to the contractual provisions of a contract. The Company has designated on initial recognition its financial assets held for investment purposes (investments) at fair value through profit or loss (FVTPL). Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

A financial asset is derecognised when either the contractual rights to the asset's cash flows expire, or the asset is transferred and the transfer qualifies for derecognition under a combination of risks and rewards and control tests. A financial liability is derecognised when it is extinguished which is when the obligation in the contract is discharged, cancelled or expired.

(H) Cash and Cash Equivalents

Cash and cash equivalents in the statement of financial position include cash in hand, deposits held at call with banks and other short-term highly liquid investments with a maturity of three months or less at the date of acquisition.

BRITISH AVIATION INSURANCE COMPANY LIMITED
Notes to the Financial Statements
For the year ended 31 December 2022

1. Accounting Policies (continued)

(I) Taxation

Current income tax is the expected tax payable on the taxable profit for the period using tax rates (and laws) enacted or substantively enacted at the date of the statement of financial position and any adjustment to the tax payable in respect of previous periods.

Deferred taxation is provided for using the liability method on all timing differences, arising from the different treatment of items for accounting and taxation purposes, calculated at the rates enacted or substantively enacted for the period when it is expected that tax will arise. Deferred tax balances are not discounted.

(J) Receivables

Receivables are recognised initially at their fair value and are subsequently assessed for indicators of impairment at each statement of financial position date. Any losses arising from impairment are recognised in the statement of comprehensive income.

(K) Payables and other financial liabilities

Payables (including intercompany balances), with no stated interest rate and payable within one year are recorded at transaction price. Any losses arising from impairment are recognised in the statement of comprehensive income.

(L) Provisions

Provisions are liabilities with uncertainties in the amounts or timing of payments. Provisions are recognised if there is a present obligation as a result of past events that it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made at the date of the statement of financial position.

(M) Liability adequacy test

At each reporting date, a liability adequacy test is performed on insurance liabilities to ensure that the carrying value is adequate, using current estimates of future cash flows, taking into account the relevant investment returns. If that assessment shows that the carrying amount of the liabilities is inadequate, any deficiency is recognised by recording an additional liability for claims provision. The provision is assessed in aggregate for business classes which are managed together.

2. CRITICAL ACCOUNTING POLICIES AND THE USE OF ESTIMATES

The preparation of financial statements requires the Company to select accounting policies and make estimates and assumptions that affect items reported in the statement of comprehensive income, statement of financial position, other primary statements and notes to the financial statements. This is particularly so in the estimation of amounts for insurance liabilities, for which further details are given in policy E and in note 11 to these financial statements. All estimates are based on management's knowledge of current facts and circumstances, assumptions based on that knowledge and their predictions of future events and actions. Actual results may differ from those estimates, possibly significantly.

BRITISH AVIATION INSURANCE COMPANY LIMITED
Notes to the Financial Statements
For the year ended 31 December 2022

3. RISK MANAGEMENT

A Risk Management Framework has been developed which the board have approved with respect to British Aviation Insurance Company Limited. This framework has the following key elements:-

- a clear organisational structure with defined authorities and responsibilities;
- defined terms of reference for the Board of the Company and management committees; and
- adoption of the company risk management framework that defines risk appetite measures and sets out risk management and control standards for the Company's operations. The risk management framework also sets out the roles and responsibilities of businesses, policy owners and risk oversight committees.

The Company operates a risk management framework, which is a collection of processes and tools that have been put in place to ensure that the risks to which it is exposed are identified, measured, managed, monitored and reported on a continuous basis. The key instruments of this framework include the risk management policies, risk reports, the governance and oversight infrastructure and the risk appetite framework. The Company works within this risk management framework.

The Company has a set of formal risk policies that facilitate a consistent approach to the management of all the Company's risks across all business streams and locations in which the Company operates. These risk policies define the Company's appetite for different, specific risk types and set out risk management and control standards for the Company's operations. The Company sets limits to manage material risks to ensure the risks stay within risk appetite (the amount of risk the Company is willing to accept). Where risks are outside of appetite, actions are agreed to mitigate the exposure.

In addition to monitoring regulatory Solvency under applicable UK Prudential Regulation Authority (PRA) regulations, the PRA also requires the Company to assess its economic capital requirements to ensure that it adequately reflects the risks facing the business. The main risks being faced by the Company are as follows:-

(i) Insurance Risk

The Company is in run-off and considers insurance risk within its general insurance activity to be the management of claims and the adequacy of reserving. The risk relates to the inherent uncertainty around the level of reserves held. Actuarial claims reserving is conducted by Resolute Management Services Limited, a related company with actuarial expertise on a prudent basis such that reserves are more likely to be overstated rather than understated, however there remains a reasonable possibility that the final outcome will show that reserves are understated and possibly by a material margin; the Company therefore has a moderate reserving risk. The adequacy of the Company's reserves is overseen by the board who are also responsible for capital requirements.

(ii) Credit Risk

Credit Risk is the risk of loss in the financial assets due to counterparties failing to meet all or part of their obligations. Of the Company's total assets of \$39.0m, \$34.1m relates to financial investments which are invested with institutions which have a credit rating of A and above per S&P rating agency. Of the remaining assets, \$3.7m relates to cash and cash equivalents with institutions that have a credit rating of A and above.

(iii) Liquidity Risk

Liquidity risk is the risk that the Company cannot meet its obligations associated with financial liabilities as they fall due. This risk is largely mitigated by the investment guideline requirements which ensure compliance with the operational risk appetite statements. Financial investments are kept in highly liquid marketable securities and although likely payment dates of liabilities are uncertain the Company retains significant liquid balances and the investment portfolio is such that it may be converted to liquid assets at short notice. Given that liquidity is not a material risk for the Company, no specific risk sensitivity is provided.

BRITISH AVIATION INSURANCE COMPANY LIMITED
Notes to the Financial Statements
For the year ended 31 December 2022

3. RISK MANAGEMENT (CONTINUED)

(iv) Market Risk

Market Risk is the risk of an adverse financial impact due to changes in future cash flows of financial instruments due to fluctuations in interest rates and market prices. The Company's portfolio is kept in highly liquid marketable securities sufficient to meet its liabilities as they fall due. There is no material interest rate risk due to the short term duration of the treasuries held. The Company accounts for business in US Dollars, Canadian Dollars, Euro and Sterling and has minimal exposure to currency risk as the Company seeks to match assets and liabilities across currency. The table below gives an indication of the impact on profit of a percentage movement in the relative strength of the US Dollar against the value of Canadian Dollars, Euro and Sterling simultaneously. The analysis is based on the information at 31 December 2022.

	2022 \$'000	2021 \$'000
Impact on profit before tax		
<u>US Dollar weakens:</u>		
5% against other currencies	289	338
10% against other currencies	577	677
<u>US Dollar strengthens:</u>		
5% against other currencies	(289)	(338)
10% against other currencies	(577)	(677)

Subject to taxation, the effect on shareholders' equity would be the same as the effect on profit.

The Company has no off-statement of financial position transactions and has a policy of not investing in derivative contracts.

(v) Operational Risk

Operational Risk is the risk of an adverse financial impact due to being in business and can arise from the operation's people, processes, and systems. These risks are managed through controls that are aligned with the Board's risk appetite and monitored through key risk indicators that are reported to the Risk Committee. From an operational risk perspective the Company operated satisfactorily during the Covid-19 pandemic and the Directors have no reason to believe this cannot continue for the foreseeable future.

Sensitivity, Scenario and Stress Testing

The Company uses a number of sensitivity or stress-test based risk management tools to understand the impact of the above risks on earnings and capital in both normal and stressed conditions. These stress tests combine deterministic shocks, analysis of historical scenarios and stochastic modelling using the capital model to inform the decision making and planning process.

Scenario testing is also undertaken based on a number of management defined scenarios. They are by definition considered to be adverse, and potentially extreme, events and therefore a representation of the circumstances that may apply and prompt one of the adverse scenarios in the capital modelling; they are used to help contextualise extreme outcomes projected by modelling. Macro-economic and specific company scenarios are considered for scenario testing. The company specific scenarios considered relate to claims reserving scenarios where a class of claim develops materially worse than expected or there is a new claim type.

Reverse Stress Testing is designed to identify events that would potentially lead to either the business model becoming unviable, or business failure. A reverse stress testing exercise is carried out annually.

The results of the sensitivity, scenario and stress testing undertaken is disclosed in the Company's Own Risk and Solvency Assessment (ORSA) Report.

BRITISH AVIATION INSURANCE COMPANY LIMITED
Notes to the Financial Statements
For the year ended 31 December 2022

4. NET OPERATING EXPENSES

	2022 \$000	2021 \$000
Administrative expenses	277	561
Net operating expenses	277	561

5. INVESTMENT RETURN

	Investment Income \$000	Net realised losses \$000	Net unrealised gains/(losses) \$000	Total investment return \$000
Year ended 31 December 2022				
Debt securities	158	(171)	18	35
Cash and cash equivalents	42	-	-	42
Total investment return	200	(171)	48	77
Year ended 31 December 2021				
Debt securities	551	(392)	(155)	4
Cash and cash equivalents	(1)	-	-	(1)
Total investment return	550	(392)	(155)	3

6. AUDITOR'S REMUNERATION

	2022 \$000	2021 \$000
Fees for the audit of the Company's annual accounts	68	64

The Company's auditor did not provide any other services to the Company in 2022 and 2021.

7. STAFF COSTS

The Company has no full time employees, with services provided by another Group Company and Global Aerospace Underwriting Managers Limited. Accordingly, no employment costs are incurred by the Company.

8. DIRECTORS' EMOLUMENTS

The Directors do not receive any remuneration specifically for activity as directors of this Company as allocation would be impractical. Their costs are borne by another Group Company and not recharged. The Company did not make any contribution to any pension scheme during the current year and no director is entitled to any other benefits.

BRITISH AVIATION INSURANCE COMPANY LIMITED
Notes to the Financial Statements
For the year ended 31 December 2022

9. TAXATION AND DEFERRED TAXATION

The standard rate of current tax for the year is 19% (2021: 19%). The current tax charge for the year is not 19% (2021: 19% average) for the reasons set out below:

	2022 \$000	2021 \$000
Loss on ordinary activities before tax	(661)	(2,617)
Tax on loss on ordinary activities at standard rate	126	497
Factors affecting tax charge:		
Deferred tax asset not recognised	(126)	(497)
Corporation Tax credit re prior years	416	-
Total	416	-

Deferred tax assets are recognised to the extent that realising the related tax benefit through future taxable profits is likely. No provision is made for potential deferred tax assets (2021: nil) on losses carried forward at 2022 as this is dependent upon the availability of future profits within this company or the rest of the UK group. The unrelieved losses at year end are \$11,732k (2021: \$11,071k).

The Company's Tax Strategy Statement is available at www.bhiil.com.

10. FINANCIAL INVESTMENTS

All financial investments have been designated as held at fair value through profit or loss.

The Company has classified the fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making those measurements. The fair value hierarchy comprises the following levels:

- (a) Level (i) – fair values measured using quoted prices (unadjusted) in active markets for identical assets. An active market exists where transactions take place with sufficient frequency and volume to provide pricing information on an on-going basis.

Level (i) investments

	Historical Cost \$000	Unrealised loss \$000	Estimated Fair Value \$000
As at December 2022			
Listed Government fixed interest	34,147	(94)	34,053
Corporate Bonds	-	-	-
Total investments	34,147	(94)	34,053

	Historical Cost \$000	Unrealised loss \$000	Estimated Fair Value \$000
As at December 2021			
Listed Government fixed interest	32,748	(97)	32,651
Corporate Bonds	1,496	(56)	1,440
Total investments	34,244	(153)	34,091

BRITISH AVIATION INSURANCE COMPANY LIMITED
Notes to the Financial Statements
For the year ended 31 December 2022

10. FINANCIAL INVESTMENTS (CONTINUED)

(b) Level (ii) – fair values measured using inputs other than quoted prices included within level one that are observable for the asset, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

The Company has no Level (ii) investments

(c) Level (iii) – inputs for the assets that are not based on observable market data (unobservable inputs).

The Company has no Level (iii) investments

11. INSURANCE LIABILITIES AND REINSURANCE ASSETS

(a) Carrying Amounts

The following is a summary of the gross insurance liabilities and the related reinsurance assets as at 31 December:

As at December 2022	Gross Insurance Liabilities \$000	Reinsurance Assets \$000	Net \$000
Provision for outstanding claims reserves	5,063	367	4,696
Provisions for claims incurred but not reported	14,434	785	13,649
Total claims provisions	19,497	1,152	18,345

As at December 2021	Gross Insurance Liabilities \$000	Reinsurance Assets \$000	Net \$000
Provision for outstanding claims reserves	5,562	431	5,131
Provisions for claims incurred but not reported	14,767	782	13,985
Total claims provisions	20,329	1,213	19,116

Further details of the gross liabilities are described in (b), (c) and (d) below.

(b) Provisions for Gross Outstanding Claims Insurance Liabilities

Claims handling services are provided by Global Aerospace Underwriting Managers Limited under a services agreement and outstanding claims provisions are estimated based on known data and information at the date of estimation.

Delays occur in the notification and settlement of claims and a substantial measure of experience and judgement is involved in assessing insurance liabilities, the ultimate cost of which cannot be known with certainty at the statement of financial position date. The reserves are based on information currently available. However, it is inherent in the nature of the business written that the ultimate liabilities may vary as a result of subsequent developments.

BRITISH AVIATION INSURANCE COMPANY LIMITED
Notes to the Financial Statements
For the year ended 31 December 2022

11. INSURANCE LIABILITIES AND REINSURANCE ASSETS (CONTINUED)

(c) Estimates and Assumptions

In order to arrive at the appropriate level of gross provision, the Company has reviewed the information currently available including outstanding loss advices, past development of notifications, assured specific information and industry benchmarks.

It is believed that the aforementioned have been appropriately considered in estimating ultimate losses that have occurred, including future developments in known claims as well as those yet to be reported. However, the future uncertainties that are inherent in the estimating process are such that future developments might cause these provisions to be inadequate or excessive.

In addition, a significant portion of exposure remaining open is mass tort or latent injury. This exposure is dominated by asbestos and environmental claims but other situations are represented as well. The uncertainties concerning these claims are increased by legislation and judicial actions that are attempting to expand the availability of indemnity. One characteristic of these types of claims is that they are not subject to traditional actuarial analysis. With traditional actuarial analysis, projections of future claims development are heavily informed by observations of past claim development for claims in the same class, especially with regard to the development of each underwriting year.

The future emergence and settlements for the type of claims mentioned above is not adequately described by the patterns of the broader class of liability business from the past. As a result, traditional analysis of historical loss development triangles yields no information useful in projecting the future progression of these losses.

However the industry has built up a considerable body of knowledge with respect to the development of mass tort situations. Based on this body of industry information, benchmark valuations involving both the "Survival Ratio" and the ratio of required IBNR to notified claims, and which require much subjective judgement, can be used to establish estimates of the Company's future liability. In this context, with knowledge of these previous benchmark valuations, together with an understanding of the current period claims run-off, and where available of the assured specific circumstances, an assessment has been made to estimate future requirements. Benchmark ratios and multipliers are derived based on explicit or implicit assumptions about long term inflation. In the presence of significant divergence from or changes in long term inflation rates, adjustments to the benchmarks are taken into consideration and included in the reserving assessment as appropriate. Notwithstanding this assessment, it is considered that significant uncertainty remains in respect of the provisions, which is greater than the uncertainty that would be normally expected for insurance technical provisions at this stage of development.

Any reserving approach requires judgement, and involves an understanding of the nature of the liabilities and the selection of the particular methodology, as well as many decisions on how best to apply both the factual claims data and the other knowledge gained.

(d) Loss Development Tables

The Company ceased to write business in 2002. Since that date the business has been in run-off.

	As at 2018 \$000	As at 2019 \$000	As at 2020 \$000	As at 2021 \$000	As at 2022 \$000
2002 and prior years					
Gross Claim Insurance Liabilities	20,600	20,269	18,650	20,329	19,497
Gross Recovery from reinsurers	1,838	1,674	1,234	1,213	1,152
Total Net Insurance Liabilities	18,762	18,595	17,416	19,116	18,345
Gross Claims cumulative	(4,004)	(6,267)	(6,612)	(6,905)	(7,450)
Gross Recovery cumulative	1,978	2,086	2,119	2,138	2,198
Total Net cumulative claims	(2,026)	(4,181)	(4,493)	(4,767)	(5,252)

BRITISH AVIATION INSURANCE COMPANY LIMITED
Notes to the Financial Statements
For the year ended 31 December 2022

11. INSURANCE LIABILITIES AND REINSURANCE ASSETS (CONTINUED)

(e) Movements in Insurance and Reinsurance Contracts

The following is a summary of the movements in the gross insurance liabilities and the related reinsurance assets during the year ended 31 December:

	Gross Insurance Liabilities \$000	Reinsurance Assets \$000	Net \$000
Year ended 31 December 2022			
Balance as at 1 January	20,329	1,213	19,116
Cash paid for claims and expenses settled in the year	(822)	(60)	(762)
Increase/(decrease) in liabilities	-	-	-
Net foreign exchange differences	(10)	(1)	(9)
Claims and run-off expenses as at 31 December	19,497	1,152	18,345

	Gross Insurance Liabilities \$000	Reinsurance Assets \$000	Net \$000
Year ended 31 December 2021			
Balance as at 1 January	18,650	1,234	17,416
Cash paid for claims settled in the year	(293)	(19)	(274)
Increase in liabilities	2,000	-	2,000
Net foreign exchange differences	(28)	(2)	(26)
Claims and run-off expenses as at 31 December	20,329	1,213	19,116

12. INSURANCE AND OTHER RECEIVABLES

	2022 \$000	2021 \$000
Debtors arising out of insurance operations	15	16
Debtors arising out of reinsurance operations	5	29
Accrued interest	56	57
Corporation tax refundable	235	284
Other debtors	214	-
Total	525	386

13. CASH AND CASH EQUIVALENTS

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash.

	2022 \$000	2021 \$000
Cash at bank and on deposit	1,836	2,222
Cash equivalents	1,824	2,270
Total	3,660	4,492

BRITISH AVIATION INSURANCE COMPANY LIMITED
Notes to the Financial Statements
For the year ended 31 December 2022

14. INSURANCE AND OTHER PAYABLES

	2022 \$000	2021 \$000
Arising out of insurance operations	1,229	864
Arising out of reinsurance operations	-	10
Accruals and deferred income	158	202
Amounts due to other Group Companies	3	-
Other creditors	-	29
Total	1,390	1,105

15. SHARE CAPITAL

	2022 \$000	2021 \$000
Authorised Shares:		
2,000,000 ordinary shares of \$1.327307 each	2,655	2,655
Allotted, issued and fully paid shares:		
1,992,510 ordinary shares of \$1.327307 each	2,645	2,645
Total	2,645	2,645

Each share is entitled to equal rights and there are no restrictions on the distribution of dividends or the repayment of capital. The objective of the Company in managing its capital is to ensure that it will be able to continue as a going concern and comply with the regulators' capital requirements of the markets in which the Company operates. The level of the surplus capital held by the Company is based on its risk appetite and provides flexibility, allowing the Company to deal with shock events and to take advantage of opportunities as they arise.

The capital structure of the Company consists of equity attributable to shareholders, comprising ordinary shares and retained earnings as disclosed above and in the Statement of Changes in Equity.

The Company was in compliance with capital requirements imposed by regulators throughout the financial year.

The capital requirement of the Company is determined by its exposure to risk and the solvency criteria established by management and statutory regulations.

The table below sets out the Solvency II capital surplus position of the Company.

	2022 \$000	2021 \$000
Own Funds	21,022	17,739
Solvency capital requirement	5,977	7,142
Solvency II capital surplus	15,045	10,597
Solvency Cover %	352%	248%

The Company fully complied with all externally imposed capital requirements throughout the financial year.

There were no changes made to the capital base or to the objectives, policies and processes for managing capital during the financial year.

BRITISH AVIATION INSURANCE COMPANY LIMITED
Notes to the Financial Statements
For the year ended 31 December 2022

16. RELATED PARTY TRANSACTIONS

(a) The Company had the following related party transactions in 2022 and 2021:

(i) Services Provided To and From Related Parties

	2022 Receivable at year end \$000	2022 Payable at year end \$000	2021 Receivable at year end \$000	2021 Payable at year end \$000
<u>Key management personnel and services</u>				
Resolute Management Limited	-	3	-	-
Total	-	3	-	-

The related parties' receivables are not secured and no guarantees were received in respect thereof.

The Company has taken advantage under Section 33.1A, Financial Reporting Standards 102, not to disclose transactional details as all related parties are members of a group that is wholly owned by one such member of that group.

(ii) Services Provided By and To Related Parties

Resolute Management Ltd and Resolute Management Services Ltd provide administrative services.

(iii) Key Management Compensation

The key management of the Company are considered to be the statutory Directors of the Company. Note 8, directors' emoluments, gives details of their compensation as directors of the Company.

(b) Parent Companies

The Company's immediate parent company is National Indemnity Company, a company incorporated in the state of Nebraska.

The Company's ultimate parent company, controlling party, company which heads the largest group of undertakings for which group accounts were drawn up and of which the Company was a member of, is Berkshire Hathaway Inc. incorporated in the United States of America.

The parent undertaking which heads the smallest group of undertakings for which group accounts were drawn up and of which the Company is a member is National Indemnity Company, a company incorporated in the state of Nebraska.

The consolidated financial statements of both of these companies are available to the public and may be obtained from 1440 Kiewit Plaza, Omaha, Nebraska, USA 68131.

17. GUARANTEES AND CONTINGENT LIABILITIES

In addition, and in the normal course of business, the Company has provided letters of credit amounting to US\$556,000 (2021: US\$600,000), the cash collateral for which is included in Cash and cash equivalents within the Statement of Financial position.

18. SUBSEQUENT EVENTS

The Directors are not aware of any further subsequent events which materially impact the financial information disclosed.