Global Aerospace Underwriting Managers Limited

Annual Report and Financial Statements for the year ended 31 December 2022

Registered Number 02512067

Contents

Directors

R Barrie
(appointed 1 Jan 2022)

G Finney
(resigned 4 Nov 2022)

R Love

S A Michael

S Österlein

A M E Tasker

J C Wilkinson

Registered Office
Fitzwilliam House
10 St Mary Axe
London EC3A 8EQ

STRATEGIC REPORT

Business review and principal activities
The Company is the holding company of a group of companies, the principal activity of which is the transaction, as agent, of aerospace insurance. During 2022, business was underwritten on behalf of the Global Aerospace Pool, the members of which were:

National Indemnity Company
Münchener Rückversicherungs-Gesellshaft Aktiengesellschaft in München
The Tokio Marine & Nichido Fire Insurance Co. Ltd
Mitsui Sumitomo Insurance Co. Ltd
Mapfre Re, Compañia de Reaseguros, S.A.

The Group handles claims arising from current and previous business underwritten, and manages the run-off of the British Aviation Insurance Group pool in the UK and Canada and the Associated Aviation Underwriters pool in the US. The Group also provides management services to a number of aerospace insurance operations in run-off. The Company is authorised and regulated by the Financial Conduct Authority as an insurance intermediary. The Group has its Head Office in the UK and has operations in the US, Canada, Switzerland, France and Germany.

The financial performance of the Group depends primarily on the state of the aviation insurance market which has historically been cyclical. The income of the Group comes largely from management charges, fees and commissions charged to current and run-off pool members and depends upon the expenses of the Group, premiums written and pool profitability. The expenses of the Group are charged to the pool members by way of a management charge. The profit of the Group is therefore derived from the management fees and profit commissions from the Global Aerospace Pool but also reflects some timing differences relating to the recognition of pension expenses.

The business model of the Group also depends on it retaining its own regulatory approvals worldwide and the maintenance of a pool of financially strong insurers who can make licensed insurance capacity available to the Group in the jurisdictions in which the Group transacts aviation insurance worldwide.

Market conditions improved for several years at the end of the last decade following a difficult period during which premiums were driven down to unprofitable levels. Premium volumes underwritten have grown continuously since that time, the impact of the Covid-19 pandemic notwithstanding. Market sentiment and trading conditions started to become less favourable in some subsectors of our business during 2022 but our expectation is that they will remain satisfactory during 2023 and potentially improve in response to substantial reinsurance market hardening brought about by prior year claims deterioration.

Note 1 to the financial statements explains the various elements of Group income. The Group's income and Key Performance Indicators (KPIs) in 2022 includes the 2022 management fee and profit commission on the 2021 pool along with an update to the 2020 position. Income also includes the management charge in respect of the Group's expenses. Total income in 2022 was £90 million compared with £70 million in 2021. Because of the charging agreement with pool members, total comprehensive income for the year before currency translation movements is a KPI. This was £17.3 million in 2022 compared with £11.8 million in 2021.

The Group continues to develop and refine its underwriting approach and adopts a selective and disciplined approach to risk selection. The overall financial position at the end of the year was satisfactory and the directors expect this to continue.

The Group has adequate financial resources and enjoys the continued commitment of its pool members.
As a consequence, the directors believe that the Group is well placed to manage its business risks successfully.

After making enquiries, the directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

STRATEGIC REPORT

Principal risks and uncertainties
The management of the business and execution of the Group's strategy are subject to a number of risks. The key business risks affecting the Group are set out below. Risks are formally reviewed by the Board and processes are in place to monitor and mitigate them.

Market conditions
The aviation market has historically been cyclical, with market premium rising and falling both as capacity leaves and enters the market and as losses affect trading results. During soft market conditions the business underwritten on behalf of pool members is likely to be less profitable. Underwriting losses could arise due to the potential for catastrophic losses. Claims inflation also impacts the profitability of our underwriting, both in terms of the costs of repairing aircraft but also due to court liability awards which can substantially increase the costs of claims already incurred. To mitigate these risks, the Group's underwriting strategy is based on prevailing market conditions and senior management closely monitors and manages the underwriting, which includes holding regular formal reviews. The underwriting is underpinned by loss models and pricing algorithms which are regularly reviewed and updated. The Group's profits are affected by the profitability of the underwriting, through the profit commission earned.

Employees
The Group's performance depends largely on the expertise and commercial judgments of its staff. The resignation of key individuals or the inability to recruit people with the right experience and skills could adversely impact the Group's results. To mitigate this risk the Group's employment and remuneration strategies contain a number of elements specifically aimed at retaining key staff.

Financial risks
The Group's activities expose it to financial risks, mainly credit risk, currency risk and interest rate risk. Credit risk arises on deposits with financial institutions and is managed by restricting such deposits to highly rated institutions only and by spreading deposits over several institutions. Currency risk arises as substantial amounts of the Group's income and assets are US dollar denominated. These exposures are monitored but not generally hedged. Long term interest rate risk arises from the Company's investment in bond funds. The significance of financial instruments to the Group's performance and financial position is further detailed in Note 3.

Impact of Brexit
We restructured our arrangements in the European Union during 2019 and 2020 to transition seamlessly to a post-Brexit insurance regulatory environment where we continued to underwrite EU business. We underwrite EU business from our subsidiary company, Global Aerospace Underwriting Managers Europe, based in Paris, from its Cologne branch in Germany, and from its London branch in the UK. The London branch, which commenced business on 1 January 2021, is regulated under the Financial Conduct Authority's temporary permissions regime and has applied for full third country branch status.

Russian Invasion of Ukraine
Our insurance portfolio includes policies covering risks related to the leasing of aircraft by aviation lessors to operators, including operators in Russia. Although these lessors have in many cases not been able to take possession of many of their aircraft since the Russian invasion of Ukraine, having taken legal advice, we do not currently consider that they have valid or indemnifiable insurance claims under our policies. The amounts involved are substantial and if ultimately such policies were deemed to provide such cover, profit commission would be materially impacted. Other impacts on the Group of the conflict are considered to be minor.

STRATEGIC REPORT

Section 172 Statement
The Directors consider the key stakeholders of the Company to be its customers, its shareholders, its pool members, its employees, and the wider aerospace industry. In their decision-making, the Directors consider both the short and long-term impacts. The Directors promote the success of the Company for the benefit of its stakeholders by:

- Considering the likely consequences of strategic and operational decisions in the long term.
- Rewarding employees' performance and encouraging their personal development. Management briefings, biannual development reviews, health and wellbeing and social initiatives are used to engage with employees
- Providing an excellent service to our customers that is responsive to their aircraft insurance needs. Our long-term partnerships, based on mutual respect and confidence, put the customer at the centre of the Company's business decisions.
- Considering the impact of the Company's operations on the aerospace community and the environment. The Company positively supports the improvement of safety throughout the aerospace industry and considers the environmental impact of the way it runs its office locations.
- Underwriting profitably, operating efficiently and maintaining a reputation for high standards of business conduct and integrity.
- Acting fairly between the Company's key stakeholders when their priorities differ.

Approved and signed on behalf of the Board

N Fernandes
Company Secretary
26 April 2023

DIRECTORS' REPORT

Independent Auditors
In accordance with Section 489 of the Companies Act 2006, a resolution to reappoint Mazars LLP as auditors to the Company will be put to the Annual General Meeting.

Employees
The Group encourages the involvement of employees by means of regular updates on business performance and forecasts, staff surveys and performance related remuneration.

The Group is committed to employment policies which follow best practice based on equal opportunities for all employees irrespective of race, gender, sexual orientation, disability, or marital status. The Group gives full and fair consideration to applications for employment from disabled persons, having regard to their particular aptitudes and abilities. If members of staff become disabled, where possible, the Group continues their employment, either in the same or an alternative position, with appropriate retraining being given if necessary.

Financial Instruments
The Company holds financial instruments to support unfunded pension and post-retirement benefits as described in Note 14.

UK Energy and Carbon Report

	2022	2021
Electricity (kWh)	**187,439**	197,162
Transport (kWh)	**1,414**	1,432
Total UK Energy (kWh)	**188,853**	198,594
Tonnes of CO2e	**36.7**	42.3
Tonnes of CO2e per full time equivalent	**0.4**	0.5

The above table was created in accordance with the mandatory requirements of Streamlined Energy & Carbon Reporting (SECR) using the GHG accounting and reporting principals. The figures disclose fuel directly purchased for the London office and its staff in the course of business during the reporting period. Indirect fuel purchases, specifically for the fuel consumed by staff travelling on business by public transport, is excluded. Tonnes of CO2 equivalent greenhouse gases (CO2e) emitted is calculated using the UK Government Conversion Factors for Companies.

The majority of UK energy consumption is incurred through the electric heating/cooling and lighting of the London office and powering of computer equipment. All reasonable steps to reduce energy waste in the London office have been taken. To reduce energy consumption further would require material capital investment.

Approved and signed on behalf of the Board

N Fernandes
Company Secretary
26 April 2023

DIRECTORS' REPORT

Group directors' report for the year ended 31 December 2022
The directors present their report and the audited consolidated financial statements for the year ended 31 December 2022.

Results and dividend
The profit of the Group before income tax for the year ended 31 December 2022 amounted to £22,426,000 (2021: £11,796,000). The profit for the year for the Group was £18,195,000 (2021: £9,368,000). An interim dividend of £11,797,000 was paid in the year (2021: £7,439,000); no final dividend is proposed (2021: nil).

Directors and their interests
The names of the directors who held office during the year and up to the date of signing are shown on page 2.

None of the directors had any beneficial interest in the share capital of the Group companies at the beginning of the year, during the year, or at the end of the year.

Directors' indemnities
A qualifying third-party indemnity provision as defined in Section 234 of the Companies Act 2006 is in force for the benefit of each of the directors and the Company secretary in respect of liabilities incurred as a result of their office, to the extent permitted by law.

Statement of directors' responsibilities
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 prepared the Group and parent company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the UK Endorsement Board. 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 Group and the Company and of the profit or loss of the Company and Group 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 IFRSs as adopted by the UK Endorsement Board have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company and the Group 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 the Group 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 the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Disclosure of information to the Auditors
Each of the persons who is a director at the date of this report confirms that:

- so far as each of them is aware, there is no information relevant to the audit of the Company's consolidated financial statements for the year ended 31 December 2022 of which the auditors are unaware; and
- the director has taken all steps that he/she ought to have taken in his/her duty as a director in order to make him/herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GLOBAL AEROSPACE UNDERWRITING MANAGERS LIMITED

Opinion

We have audited the financial statements of Global Aerospace Underwriting Managers Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2022 which comprise the Consolidated and Parent Balance Sheet, the Consolidated Statement of Comprehensive Income, the Consolidated and the Parent Statement of Changes in Equity, the Consolidated and the Parent Cash Flows Statement 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 UK-adopted international accounting standards and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In our opinion, the financial statements:

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2022 and of the group's profit for the year then ended;
- have been properly prepared in accordance with UK-adopted international accounting standards and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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 are independent of the group and the parent 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, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the director's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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 group's and the parent 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.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. 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 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.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- 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.

Matters on which we are required to report by exception

In light of the knowledge and understanding of the group and the parent company and their environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

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:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company 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 directors' responsibilities statement set out on page 6, 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 group's and the parent 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 group or the parent 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 the financial statements.

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

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.

Based on our understanding of the group and the parent company and their industry, we considered that non-compliance with the following laws and regulations might have a material effect on the financial statements: employment regulation, health and safety regulation, anti-money laundering regulation.

To help us identify instances of non-compliance with these laws and regulations, and in identifying and assessing the risks of material misstatement in respect to non-compliance, our procedures included, but were not limited to:

- Inquiring of management and, where appropriate, those charged with governance, as to whether the group and the parent company is in compliance with laws and regulations, and discussing their policies and procedures regarding compliance with laws and regulations;
- Inspecting correspondence, if any, with relevant licensing or regulatory authorities;
- Communicating identified laws and regulations to the engagement team and remaining alert to any indications of non-compliance throughout our audit; and

- Considering the risk of acts by the group and the parent company which were contrary to applicable laws and regulations, including fraud.

We also considered those laws and regulations that have a direct effect on the preparation of the financial statements, such as UK tax legislation, pension legislation, the Companies Act 2006.

In addition, we evaluated the directors' and management's incentives and opportunities for fraudulent manipulation of the financial statements, including the risk of management override of controls, and determined that the principal risks related to posting manual journal entries to manipulate financial performance, management bias through judgements and assumptions in significant accounting estimates, in particular in relation to impairment assessment of investments in subsidiaries and goodwill, revenue recognition (which we pinpointed to the cut-off, accuracy, and occurrence), and significant one-off or unusual transactions.

Our audit procedures in relation to fraud included but were not limited to:

- Making enquiries of the directors and management on whether they had knowledge of any actual, suspected or alleged fraud;
- Gaining an understanding of the internal controls established to mitigate risks related to fraud;
- Discussing amongst the engagement team the risks of fraud; and
- Addressing the risks of fraud through management override of controls by performing journal entry testing.

There are inherent limitations in the audit procedures described above and the primary responsibility for the prevention and detection of irregularities including fraud rests with management. As with any audit, there remained a risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal controls.

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

Use of the audit 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.

Lionel Cazali
Lionel Cazali (Apr 26, 2023 17:03 GMT+1)

Lionel Cazali (Senior Statutory Auditor) for and on behalf of Mazars LLP
Chartered Accountants and Statutory Auditor
30 Old Bailey
London
EC4M 7AU

26 April 2023

CONSOLIDATED BALANCE SHEET
as at 31 December 2022

	Note	2022 £'000	2021 £'000
ASSETS			
Non-current assets			
Goodwill	4	72,739	64,907
Intangible assets	4	1,896	1,709
Property, plant and equipment	5	13,786	14,660
Deferred tax asset	7	4,604	2,610
Trade and other receivables	8	11,312	6,845
Financial assets	9	7,065	8,115
Retirement plan assets	14	4,135	3,031
		115,537	101,877
Current assets			
Trade and other receivables	8	26,309	10,661
Cash and cash equivalents	10	26,166	27,419
Current tax asset		480	1,123
		52,955	39,203
Total Assets		168,492	141,080
EQUITY AND LIABILITIES			
Equity attributable to owners of the parent			
Share capital	11	75,420	75,420
Cumulative translation reserve	12	14,262	4,617
Retained earnings		18,213	12,736
Total Equity		107,895	92,773
Non-current liabilities			
Lease liabilities	17	9,364	10,043
Trade and other payables	13	8,099	4,462
Contract liabilities	16	983	859
Deferred tax liability	7	311	417
Retirement benefit obligations	14	7,046	7,784
Provisions	15	384	385
		26,187	23,950
Current liabilities			
Lease liabilities	17	1,533	1,512
Trade and other payables	13	19,619	11,147
Contract liabilities	16	12,893	11,038
Current tax liabilities		365	660
		34,410	24,357
Total Liabilities		60,597	48,307
Total Equity and Liabilities		168,492	141,080

The financial statements on pages 11 to 48 were approved by the Board on 26 April 2023 and signed on its behalf by

S A Michael
Director

A M E Tasker
Director

Registered number: 02512067

PARENT COMPANY BALANCE SHEET
as at 31 December 2022

	Note	2022 £'000	2021 £'000
ASSETS			
Non-current assets			
Intangible assets	4	**390**	262
Property, plant and equipment	5	**2,758**	3,356
Investments in subsidiaries	6	**91,839**	91,839
Trade and other receivables	8	**4,899**	3,549
Retirement plan assets	14	**4,135**	2,835
		104,021	101,841
Current assets			
Trade and other receivables	8	**16,998**	4,834
Cash and cash equivalents	10	**10,025**	13,402
Current tax asset		**-**	1,122
		27,023	19,358
Total Assets		**131,044**	121,199
EQUITY AND LIABILITIES			
Equity attributable to owners of the parent			
Share capital	11	**75,420**	75,420
Retained earnings		**33,813**	27,980
Total Equity		**109,233**	103,400
Non-current liabilities			
Lease liabilities	17	**2,186**	2,837
Trade and other payables	13	**3,451**	1,769
Contract liabilities	16	**16**	27
Deferred tax liability	7	**311**	417
Provisions	15	**261**	240
		6,225	5,290
Current liabilities			
Lease liabilities	17	**661**	657
Trade and other payables	13	**9,064**	7,007
Contract liabilities	16	**5,530**	4,823
Current tax liability		**331**	22
		15,586	12,509
Total Liabilities		**21,811**	17,799
Total Equity and Liabilities		**131,044**	121,199

The financial statements on pages 11 to 48 were approved by the Board on 26 April 2023 and signed on its behalf by

S A Michael
Director

A M E Tasker
Director

Registered number: 02512067

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2022

	Note	2022 £'000	2021 £'000
Revenue	18	**90,001**	70,209
Administrative expenses	19	**(67,892)**	(58,491)
Other gains	20	**217**	82
Operating profit		**22,326**	11,800
Finance income	21	**422**	262
Finance costs	21	**(322)**	(266)
Profit before tax		**22,426**	11,796
Tax expense	22	**(4,231)**	(2,428)
Profit for the year		**18,195**	9,368
OTHER COMPREHENSIVE INCOME (NET OF TAX)			
Items that will not be reclassified to profit or loss			
Remeasurement of defined benefit obligation		**751**	2,898
Items that may be subsequently reclassified to profit or loss			
Losses on financial assets measured at fair value through other comprehensive income		**(1,672)**	(469)
Total comprehensive income for the year before currency translation movements		**17,274**	11,797
Currency translation difference	12	**9,645**	1,113
Total comprehensive income for the year		**26,919**	12,910

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2022

	Note	Share Capital £'000	Cumulative translation Reserve £'000	Retained Earnings £'000	Total Equity £'000
Balance at 1 January 2021		75,420	3,504	8,378	87,302
Profit for the year				9,368	9,368
Other comprehensive income					
Remeasurement of defined benefit obligation				2,898	2,898
Losses on financial assets measured at fair value through other comprehensive income				(469)	(469)
Currency translation differences	12		1,113		1,113
Total comprehensive income for the year					12,910
Transactions with owners					
Dividend paid				(7,439)	(7,439)
Balance at 31 December 2021		75,420	4,617	12,736	92,773
Balance at 1 January 2022		75,420	4,617	12,736	92,773
Profit for the year				18,195	18,195
Other comprehensive income					
Remeasurement of defined benefit obligation				751	751
Losses on financial assets measured at fair value through other comprehensive income				(1,672)	(1,672)
Currency translation differences	12		9,645		9,645
Total comprehensive income for the year					26,919
Transactions with owners					
Dividend paid				(11,797)	(11,797)
Balance at 31 December 2022		75,420	14,262	18,213	107,895

PARENT COMPANY STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2022

	Share Capital £'000	Retained Earnings £'000	Total Equity £'000
Balance at 1 January 2021	75,420	26,153	101,573
Profit for the year		6,790	6,790
Other comprehensive income			
Remeasurement of defined benefit obligation		2,476	2,476
Total comprehensive income for the year			9,266
Transactions with owners			
Dividend paid		(7,439)	(7,439)
Balance at 31 December 2021	75,420	27,980	103,400
Balance at 1 January 2022	75,420	27,980	103,400
Profit for the year		18,291	18,291
Other comprehensive income			
Remeasurement of defined benefit obligation		(661)	(661)
Total comprehensive income for the year			17,630
Transactions with owners			
Dividend paid		(11,797)	(11,797)
Balance at 31 December 2022	75,420	33,813	109,233

CONSOLIDATED CASH FLOWS STATEMENT
for the year ended 31 December 2022

	Note	2022 £'000	2021 £'000
Cash flow from operating activities			
Cash generated from operations	25	16,948	16,161
Interest paid		(327)	(268)
Income tax paid		(5,458)	(2,701)
Net cash generated from operating activities		11,163	13,192
Cash flow from investing activities			
Purchases of property, plant and equipment		(378)	(4,219)
Purchases of intangible assets		(1,054)	(1,108)
Purchase of investments		(182)	(50)
Interest received		190	16
Proceeds from sale of property, plant and equipment		205	1
Proceeds from sale of investments		188	1,289
Net cash used in investing activities		(1,031)	(4,071)
Cash flow from financing activities			
Repayment of lease borrowings		(1,513)	(2,040)
Dividends paid to Company's shareholders		(11,797)	(7,439)
Net cash used in financing activities		(13,310)	(9,479)
Net decrease in cash and cash equivalents		(3,178)	(358)
Cash and cash equivalents at beginning of year	10	27,419	27,401
Exchange gains on cash and cash equivalents		1,925	376
Cash and cash equivalents at end of the year	10	26,166	27,419

PARENT COMPANY CASH FLOWS STATEMENT
for the year ended 31 December 2022

	Note	2022 £'000	2021 £'000
Cash flow from operating activities			
Cash generated from operations	25	3,996	11,085
Interest paid		(110)	(113)
Income tax paid		(1,220)	(1,759)
Net cash generated from operating activities		2,666	9,213
Cash flow from investing activities			
Purchases of intangible assets		(287)	(213)
Purchases of property, plant and equipment		(77)	(11)
Dividend received		6,653	3,699
Interest received		125	2
Proceeds from sale of property, plant and equipment		-	1
Net cash generated from investing activities		6,414	3,478
Cash flow from financing activities			
Repayment of lease borrowings		(660)	(614)
Dividends paid to Company's shareholders		(11,797)	(7,439)
Net cash used in financing activities		(12,457)	(8,053)
Net increase/(decrease) in cash and cash equivalents		(3,377)	4,638
Cash and cash equivalents at beginning of year	10	13,402	8,764
Cash and cash equivalents at end of the year	10	10,025	13,402

1. ACCOUNTING POLICIES

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

Basis of preparation

The consolidated financial statements of Global Aerospace Underwriting Managers Limited have been prepared in accordance with International Financial Reporting Standards as adopted by the UK Endorsement Board, IFRIC Interpretations and the Companies Act 2006 applicable to companies reporting under IFRS. The consolidated financial statements have been prepared under the historical cost convention, modified by the revaluation of financial assets at fair value through profit or loss. The going concern basis has been used.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 2.

Consolidation

The consolidated financial statements comprise the financial statements of Global Aerospace Underwriting Managers Limited and its subsidiaries as at 31 December each year. No profit or loss account is presented for Global Aerospace Underwriting Managers Limited, as provided by Section 408 of the Companies Act 2006. The profit after tax of the Company for the year is £18,291,000 (2021: £6,790,000).

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group uses the acquisition method to account for the purchase of subsidiaries. The excess of the consideration transferred over the fair value of the net assets acquired is recorded as goodwill.

The Group uses the predecessor value method to account for the transfer of business within the Group, where ultimate control of the transferred business remains unchanged. Assets and liabilities are transferred at their net book value, no goodwill is recorded, and no profit or loss is recognised.

Intra-group transactions, balances and unrealised gains on intra-group transactions are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Foreign currency

Functional and presentation currency
Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the 'functional currency'). The consolidated financial statements are presented in sterling, which is the parent company's functional and presentation currency.

Foreign currency transactions
Transactions in foreign currencies are translated into the functional currency at the exchange rate prevailing at the date of the transaction. Since most of the income in foreign currencies is earned over the year, the use of the average rate for the year is the most appropriate rate. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated into sterling at the foreign exchange rate at that date. Foreign exchange differences arising on translation are recognised in the statement of comprehensive income. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of transaction.

Foreign exchange differences arising on retranslation are recognised directly in a separate component of equity.

1. ACCOUNTING POLICIES (continued)

Financial statements of foreign operations

The results and financial position of all Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

1) The assets and liabilities of foreign operations, including goodwill arising on consolidation, are translated to sterling at exchange rates at the balance sheet date.
2) The revenues and expenses of foreign operations are translated to sterling at rates approximating the exchange rates at the dates of the transactions.

Net investment in foreign operations

Exchange differences arising at year end from the translation of net investment in foreign operations are taken to the translation reserve.

Property, plant and equipment

All property, plant and equipment are shown at cost less subsequent depreciation.

Depreciation on assets is calculated using the straight-line method to allocate the cost of each asset to its residual value over its estimated useful life as follows:

Computer equipment	3-6 years
Equipment	5-6 years

Equipment includes furniture and fixtures. Premises leases and leasehold improvements are depreciated over the lease term.

Intangible assets

Acquired computer software licences are capitalised on the basis of costs incurred to acquire and bring to use the specific software. The costs are amortised on the basis of the expected useful life (2-3 years).
Computer software development costs recognised as assets are amortised using the straight line method over their useful lives (2-3 years).

Investments in subsidiaries

Investments in subsidiaries are carried at cost less accumulated impairment losses.

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill is an intangible asset presented separately in the balance sheet. Goodwill has an indefinite useful life and is tested annually for impairment, or more frequently if events or changes in circumstances indicate potential impairment, and carried at cost less accumulated impairment losses. For the purposes of impairment testing, goodwill is allocated to individual subsidiaries as these are regarded as being individual cash generating units (CGUs).

Goodwill arising on acquisitions before the transition to IFRS on 1 January 2004 has been retained at the previous UK GAAP amounts subject to being tested for impairment.

Financial Assets

Financial assets are investments held to support deficits and liabilities of the Group's post-retirement schemes. Purchases and sales of investments are recognised on the date of trade. The fair value of the mutual funds are based on their net asset value per share.

Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents includes cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

1. ACCOUNTING POLICIES (continued)

Deferred taxation

Deferred taxation is recognised on all taxable temporary differences using the balance sheet liability method. In addition, a deferred tax asset is recognised to the extent that it is probable that a taxable surplus will be available against which the deductible temporary difference can be utilised.

Deferred tax assets and liabilities are measured at tax rates that are expected to apply to the period when the asset is realised or the liability is settled.

Pension obligations

The Group operates defined benefit pension schemes and defined contribution savings plans. Separate schemes are offered to employees in the United Kingdom, United States of America, Canada, France, Switzerland and Germany. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. A defined benefit plan is a pension plan that is not a defined contribution plan.

The asset and liability recognised in the balance sheet in respect of defined benefit pension plans is the fair value of plan assets less the present value of the defined obligation at the balance sheet date. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligations.

Actuarial gains and losses that arise from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income in the period in which they arise. Past service costs are recognised immediately in income.

For defined contribution plans, amounts payable to the plan are recognised as an employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or reduction in the future payments is available. The Group has no further payment obligations once the contributions have been paid.

Other post-retirement benefits

In the United States of America post-retirement healthcare is provided to certain retirees. The entitlement to those benefits is conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment using an accounting methodology similar to that for defined benefit pension plans. Actuarial gains and losses arising from experience adjustments are charged or credited to comprehensive income.

Leases

The Group is the lessee of certain property, plant and equipment.

On the commencement date of each lease, a right-of-use asset is recognised in property, plant and equipment and a corresponding liability is recognised in lease liabilities. The lease liability is equal to the contractual cash flows discounted at the rate of interest implicit in the lease or at the Group's incremental borrowing rate. The lease term covers any non-cancellable period and any optional periods which management are reasonably certain will be exercised.

The right of use asset is depreciated over the shorter of the lease term and the useful life of the asset. The finance costs of the lease liability are charged to the statement of comprehensive income. Lease payments reduce the lease liability.

The Group currently uses the risk-free rate + 2.00%, where the risk-free rate is the cost of borrowing at the commencement date, in the underlying lease currency. The Group's borrowing rate is reassessed at the inception of each major lease. The payments of low value leases and short-term leases are charged to the statement of comprehensive income on a straight-line basis. As a practical expedient, non-lease components are only separated from lease components for premises leases.

1. ACCOUNTING POLICIES (continued)

The Group also sublets certain property as an intermediate lessor. The sublease is classified as an operating lease because the Group substantially retains the risks and rewards of ownership. Operating lease income is recognised over the sublease term on a straight-line basis.

Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation. Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the balance sheet date and are discounted to present value where the effect is material.

Revenue

Management charge
Pool Members reimburse the Group's expenses as consideration for transacting aerospace insurance as their agent. Funding is received quarterly in advance and revenue is recognised through the year as expenses are incurred. The excess of funding received over revenue recognised for the current calendar year is a liability repayable to the pool members since, by year end, the Group has fulfilled its performance obligations for the year. Any funding received during the year in respect of the following year is a contract liability which reflects the Group's obligations in respect of the following calendar year.

Management fee
Pool Members pay a fee based on the aggregate gross written premium as consideration for transacting aerospace insurance on their behalf. Revenue is recorded on an estimated basis as premiums are written and is adjusted over the next two years, to reflect changes in estimated gross written premium, until the fee is received. Once the fee is received, no further adjustments to revenue are made.

Profit commission
Pool Members pay the Group a fee based on the total pool trading return as consideration for transacting aerospace insurance on their behalf. This performance obligation is satisfied throughout the year. The total trading returns cannot be reliably estimated until sometime after the year end as claims take time to be notified and settled. Therefore profit commission is only recognised as a receivable when it's probable that a significant reversal of revenue will not be required. For the 20x1 pool year total trading return, profit commission will first be recognised on an expected value basis in 20x2, then revised in 20x3 as loss experience develops; consideration is received in 20x4. Once consideration is received, no further adjustments to revenue are made. When an underwriting year makes a loss, the reduction this makes to the profit commission for the next profitable underwriting year is recognised when that profit commission is credited.

Other Aviation Insurance Management Revenue
This revenue category includes fees charged to policyholders, co-insurers and reinsurers. Where the Group transacts insurance as the lead market, policyholders are charged for the additional administrative work undertaken. Co-insurers are charged for claims handling and surveys undertaken. Ceding commission and other similar income streams are received from proportional reinsurers. In each of these contracts, revenue is recognised as services are provided. Some elements of this consideration are variable but are not constrained and all payment terms are within one year.

Fireside Disaster Response
Fireside generates revenue from service agreements and other emergency response related services. Service agreements typically cover a one-year term and provide asset monitoring by Fireside's Emergency Operations Centre. Consideration is received at contract inception and revenue is recognised evenly over the contract term. A contract liability for outstanding service agreement obligations is recognised each reporting period. Additional revenues are generated from training, speaking, seminars, consulting engagements, and disaster response services. Revenue for these engagements are recognised when the services are performed.

Sublease Income
The Company sublets its Vancouver office space, the head lease and sub-lease both expire on 30 June 2023.

1. ACCOUNTING POLICIES (continued)

Dividend distribution

Dividend distribution to the Company's shareholders is not recognised in the Group's financial statements until dividends are approved by the board and paid.

Changes to accounting standards

New and amended standards adopted by the Group

No new standards or amendments to standards became effective from 1 January 2022 that had an impact on the consolidated financial statements of the Group.

New standards and interpretations not yet adopted

Several amendments to standards that will become effective on or after 1 January 2023 have been issued but have not been adopted in the preparation of these financial statements. None of these amendments are expected to have a material impact on the consolidated financial statements of the Group when they are adopted.

2. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements 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.

Estimated impairment of goodwill and investments in subsidiaries

The Group tests annually whether goodwill has suffered any impairment in accordance with the accounting policy stated in Note 1 above. The recoverable amount of a cash-generating unit (CGU) is determined based on cash flows of the underwriting pool. These calculations require the use of estimates of premiums written, loss ratios and the timing of cash flows (see Note 4).

Pension Benefits

The present value of the pension obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions will impact the carrying amount of pension obligations.

The Group determines the appropriate discount rate at the end of each year. This is the interest rate used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the Group considers the interest rates of high-quality corporate bonds denominated in the currency in which the benefits will be paid, and with terms to maturity approximating the terms of the related pension liability.

Other key assumptions for pension obligations are based in part on current market conditions. Additional information is disclosed in Note 14.

Revenue Recognition

The Pool Members' Agreement describes the services to be provided by the Group as agent to the Pool Members in exchange for remuneration via management charge, management fee and profit commission. The Group provides these services as a single integrated product. For that reason, in the opinion of management, the services in the Pool Members' Agreement constitute a single performance obligation which is fulfilled each calendar year.

3. FINANCIAL RISKS

The financial instruments held by the Group and Company are as follows:

	Group		Company	
	2022	2021	**2022**	2021
	£'000	£'000	**£'000**	£'000
Cash and cash equivalents	**26,166**	27,419	**10,025**	13,402
Trade and other receivables	**35,983**	15,966	**21,161**	7,532
Financial assets at fair value through profit or loss	**366**	378	**-**	-
Financial assets at fair value through other comprehensive income	**6,699**	7,737	**-**	-
Trade and other payables	**26,687**	14,539	**12,515**	8,776
Lease liabilities	**10,897**	11,555	**2,847**	3,494

The carrying amount of financial instruments approximates to their fair value.

The Group charges all expenses incurred in managing pool business directly to those pool members. Funds for those expenses are generally collected in advance and expenses charged are reduced by interest received on such funds held. Accordingly, with the exception of market risk, any risks giving rise to changes in the net expenses charged to pool members and other entities has no effect on the Group's profit or shareholders' equity.

The main risks arising from the use of financial instruments by the Group are credit risk, market risk (encompassing currency risk, interest rate risk and other price risk) and liquidity risk. The Group's exposure to these risks and how the exposure is managed is set out below:

3a. Credit risk

Credit risk arises on deposits with financial institutions and is managed by restricting such deposits to highly rated institutions only. Credit risk also arises on trade and other receivables as debtors could default on their obligation to pay monies due to the Group.

i) ***Trade and Other Receivables Overdue***

	Group		Company	
	2022	2021	**2022**	2021
	£'000	£'000	**£'000**	£'000
Under one month	**454**	168	**324**	53
Two to six months	**229**	358	**92**	280
Six months to one year	**10**	-	**10**	-
More than one year	**-**	10	**-**	10
	693	536	**426**	343

No expected credit losses have been recognised during the period in respect of trade receivables. Receivables due from pool members carry very low credit risk since any default would be recovered from forthcoming payables. When the historical default rate for each category of receivable is applied to the respective outstanding balances at the reporting date, the total expected credit losses are immaterial. The majority of aged receivables detailed above are leader's fees which routinely take longer than 60 days to recover but historically have a negligible default rate. Management monitors the leader's fee recoverability monthly and balances are written off only in the case of default. Other receivable categories with marginally higher default rates are written off when they are 12 months past due but they remain subject to enforcement activity until they default. Management considers receivables to be in default only when there is no reasonable possibility of recovery.

3. **FINANCIAL RISKS (continued)**
3a) Credit risk (continued)

	Group		Company	
	2022	2021	**2022**	2021
	£'000	£'000	**£'000**	£'000
Maximum exposure to credit risk	**4,764**	4,504	**1,107**	1,103

ii) Debt Instruments at Fair Value through Other Comprehensive Income

To measure expected credit losses, each of the underlying debt instruments are grouped by credit quality and the relevant Standard and Poors default rate is applied to the aggregate value of each group. Loss allowances are limited to 12 months of expected credit losses since there has been no significant increase in credit risk since initial recognition. The size of the loss allowance measured is trivial and therefore no impairment has been recognised in respect of financial assets held at fair value through other comprehensive income. Changes in credit risk are assessed annually by calculating the composite default rate of the assets held on the reporting date and comparing them to the composite default rate when the same assets were initially recognised.

3b) Market risk

Currency risk
The Group is exposed to currency risk on items that are denominated in a currency other than the respective functional currency of the Group entities. The risk arises primarily for the UK parent company as substantial amounts of the Group's income and receivables are US dollar denominated. As the Group's net income is expected to be distributed to shareholders by way of dividends, and as each shareholder's functional currency is different (and not sterling) these exposures are not hedged. Foreign currency income is sold at spot rates to fund the tax, interest and dividend cash flows which are denominated in sterling. The Group's sensitivity to changes in the USD:GBP rate of exchange is shown below.

The Group and Company had the following exposures to the US Dollar (based on notional amounts):

	Group		Company	
	2022	2021	**2022**	2021
	£'000	£'000	**£'000**	£'000
Cash and cash equivalents	**16,376**	14,884	**1,666**	2,135
Trade and other receivables	**30,351**	17,434	**17,397**	12,665
Financial assets at fair value through profit or loss	**366**	378	**-**	-
Financial assets at fair value through other comprehensive income	**6,699**	7,737	**-**	-
Trade and other payables	**(13,307)**	(6,304)	**(667)**	(854)
Lease liabilities	**(7,436)**	(7,279)	**-**	-
	33,049	26,850	**18,396**	13,946

At 31 December 2022, £1 = US $1.2026 (2021: US $1.3477) and the average exchange rate during the year was £1 = US $1.2359 (2021: US $1.3757).

3. FINANCIAL RISKS (continued)

3b) Market risk (continued)

Movements in the value of financial instruments arising from movements in the value of the US dollar at 31 December would have had the following effects on profit after tax and equity:

	Group		Company	
	2022	2021	**2022**	2021
	£'000	£'000	**£'000**	£'000
Profit				
Increase of 10 %	**(1,143)**	(469)	**(1,143)**	(469)
Decrease of 10 %	**1,397**	574	**1,397**	574
Equity				
Increase of 10 %	**(2,475)**	(2,304)	**(1,143)**	(469)
Decrease of 10 %	**3,025**	2,816	**1,397**	574

Interest rate risk

At the reporting date the interest rate profile of the Group's interest-bearing financial instruments was:

	Group		Company	
	2022	2021	**2022**	2021
	£'000	£'000	**£'000**	£'000
Variable rate instruments				
Cash and cash equivalents	**26,166**	27,419	**10,025**	13,402
Financial assets at fair value through profit or loss	**141**	146	**-**	-
Financial assets at fair value through other comprehensive income	**6,699**	7,737	**-**	-

Short-term interest rate risk arises on deposits of cash and cash equivalents. Longer term interest rate risk arises on investments in bond funds. Investments are held to support various post-retirement benefit plans and are limited to the liability associated with those plans. They are designated as fair value though other comprehensive income in order to avoid any accounting mismatch with the pension charge in the income statement. A one percent change in long term interest rates would have resulted in a movement of £752,000 (2021: £1,059,000) in valuation. There would have been no change in total comprehensive income for the year as the management charge income would be adjusted to reflect the change in value.

3c) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient funds to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. Funding for the Group's operating expenses is received from pool members in advance each quarter. Other significant cash out flows are expected to be covered by the management fee from the insurance pools and dividends from subsidiaries and are monitored via a cash flow forecast. Cash balances are monitored regularly, at least on a weekly basis.

3. FINANCIAL RISKS (continued)

3c) Liquidity risk (continued)

A maturity analysis for financial liabilities showing the remaining contractual maturities is shown below:

	Group		Company	
	2022	2021	**2022**	2021
	£'000	£'000	**£'000**	£'000
Trade and other payables				
Less than one year	**21,669**	10,741	**9,230**	7,213
1 to 5 years	**4,178**	2,958	**3,111**	1,368
More than 5 years	**840**	840	**174**	195
Lease liabilities				
Less than one year	**1,785**	1,790	**729**	745
1 to 5 years	**5,867**	6,541	**2,213**	2,903
More than 5 years	**4,221**	4,391	**-**	-

3d) Capital management

The Group's objectives when managing capital are to safeguard the ability to continue as a going concern, to provide returns for shareholders, to maintain adequate capital to meet regulatory requirements in the UK and to maintain an efficient capital structure to ensure an optimal cost of capital. Since the cancellation of the shareholders' loan on 17 April 2020, the Group's capital structure is entirely equity. The business model of the Group, whereby the Group's expenses are reimbursed by the companies to which it provides services, means that the Group can normally distribute as dividends its comprehensive income for the year excluding currency translation difference.

The parent Company needs to maintain a minimum level of capital to meet FCA regulatory requirements. Compliance with these requirements is reviewed regularly including a formal board review of capital adequacy which includes stress and scenario testing. The Company has complied with the FCA requirements during the year.

3e) Fair value estimation

Financial instruments are measured in the balance sheet at their fair value which requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

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

The financial instruments totalling £7,065,000 constitute £6,840,000 of bond fund investments and £225,000 of equity investments held by the group. In 2021, the financial instruments totalling £8,115,000 constituted £7,883,000 of bond fund investments and £232,000 of equity investments held by the group. These are valued at their net asset value and are all categorised as level 1.

4. INTANGIBLE ASSETS

A) Group

	Goodwill £'000	Software £'000
At 1 January 2022		
Cost or valuation	93,994	11,417
Accumulated amortisation	(29,087)	(9,708)
Net book amount	64,907	1,709
Twelve months ended 31 December 2022		
Opening net amount at 1 January 2022	64,907	1,709
Exchange differences	7,832	151
Additions	-	1,054
Amortisation charge	-	(1,018)
Net book amount	72,739	1,896
At 31 December 2022		
Cost or valuation	105,337	12,787
Accumulated amortisation	(32,598)	(10,891)
Net book amount	72,739	1,896

The recoverable amount of a CGU is determined based on returns of the underwriting pool managed by that CGU. These calculations use discounted cash flow projections which extend forward to a terminal value. The cash flows are based on financial forecasts approved by management, covering a five-year period, and are projected beyond that using a growth rate of 2.60%. Cash flows are discounted to net present value using an after-tax discount rate of 7.38%. Forecasts assume that premium income will decline over the next five years, that loss ratios will not be materially different from current trading and that investment income on funds generated will be 5.44% p.a.

B) Company

	Software £'000
At 1 January 2022	
Cost or valuation	1,976
Accumulated amortisation and impairment	(1,714)
Net book amount	262
Twelve months ended 31 December 2022	
Opening net amount at 1 January 2022	262
Additions	287
Amortisation charge	(159)
Net book amount	390
At 31 December 2022	
Cost or valuation	2,263
Accumulated amortisation and impairment	(1,873)
Net book amount	390

5. PROPERTY, PLANT AND EQUIPMENT

A) Group

	Premises £'000	Equipment £'000	Computer Equipment £'000	Aircraft and Motor Vehicles £'000	Total £'000
At 1 January 2022					
Cost or valuation	12,430	7,049	1,253	174	20,906
Accumulated depreciation	(3,151)	(2,016)	(905)	(174)	(6,246)
Net book amount	9,279	5,033	348	-	14,660
Twelve months ended 31 December 2022					
Opening net amount at 1 January 2022	9,279	5,033	348	-	14,660
Reclassification	-	(1)	1	-	-
Exchange differences	703	525	21	-	1,249
Additions	-	244	134	-	378
Depreciation charge	(1,576)	(755)	(170)	-	(2,501)
Closing net book value at 31 December 2022	8,406	5,046	334	-	13,786
At 31 December 2022					
Cost or valuation	12,692	7,890	1,318	-	21,900
Accumulated depreciation	(4,286)	(2,844)	(984)	-	(8,114)
Net book amount	8,406	5,046	334	-	13,786

B) Company

	Premises £'000	Equipment £'000	Computer Equipment £'000	Total £'000
At 1 January 2022				
Cost or valuation	4,521	1,319	611	6,451
Accumulated depreciation	(1,563)	(1,038)	(494)	(3,095)
Net book amount	2,958	281	117	3,356
Twelve months ended 31 December 2022				
Opening net amount at 1 January 2022	2,958	281	117	3,356
Reclassification	-	(1)	1	-
Exchange Differences	11	-	-	11
Additions	-	16	61	77
Depreciation charge	(553)	(72)	(61)	(686)
Closing net book value at 31 December 2022	2,416	224	118	2,758
At 31 December 2022				
Cost or valuation	4,535	1,332	591	6,458
Accumulated depreciation	(2,119)	(1,108)	(473)	(3700)
Net book amount	2,416	224	118	2,758

6. INVESTMENTS IN SUBSIDIARIES

	2022 £'000	2021 £'000
At 1 January	91,839	91,839
Investments during the period	-	-
At 31 December	91,839	91,839

Details of Investments in Subsidiaries can be found in Note 26.

7. DEFERRED TAX

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The offset amounts are as follows:

	Group		Company	
	2022 £'000	2021 £'000	**2022 £'000**	2021 £'000
Deferred tax assets:				
Deferred tax asset to be recovered after more than 12 months	**3,766**	2,395	**723**	291
Deferred tax asset to be recovered within 12 months	**2,377**	1,331	**-**	-
	6,143	3,726	**723**	291
Deferred tax liabilities				
Deferred tax liability to be paid after more than 12 months	**(1,850)**	(1,533)	**(1,034)**	(708)
Deferred tax liability to be paid within 12 months	**-**	-	**-**	-
	4,293	2,193	**(311)**	(417)
The gross movement on the deferred income tax account is as follows:				
At beginning of the year	**2,193**	2,681	**(417)**	299
Exchange differences	**358**	35	**-**	-
Income statement (charge)/credit	**1,351**	266	**(205)**	111
Adjustment in respect of prior years	**90**	15	**91**	(2)
Tax (charge)/credit relating to components of other comprehensive income	**301**	(804)	**220**	(825)
	4,293	2,193	**(311)**	(417)
Disclosed in the balance sheet as:				
Deferred tax asset	**4,604**	2,610	**-**	-
Deferred tax liability	**(311)**	(417)	**(311)**	(417)
	4,293	2,193	**(311)**	(417)

7. DEFERRED TAX (continued)

The deferred tax balance is analysed below. All items are charged through the statement of comprehensive income.

	Group		Company	
	2022	2021	**2022**	2021
	£'000	£'000	**£'000**	£'000
Fixed asset decelerated capital allowances	**73**	85	**73**	84
Employee remuneration liabilities	**3,433**	1,544	**650**	207
Other timing differences	**524**	424	**-**	-
Post retirement obligations	**2,114**	1,673	**-**	-
Total gross deferred tax asset	**6,144**	3,726	**723**	291
Fixed asset accelerated capital allowance	**(817)**	(823)	**-**	-
Pension asset	**(1,034)**	(710)	**(1,034)**	(708)
Total gross deferred tax liability	**(1,851)**	(1,533)	**(1,034)**	(708)
Deferred tax asset/(liability)	**4,293**	2,193	**(311)**	(417)

8. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2022	2021	**2022**	2021
	£'000	£'000	**£'000**	£'000
Non-Current				
Receivable from contracts with customers				
Management services to pool members	**11,214**	6,746	**4,861**	3,503
Other				
Other receivables	**98**	99	**38**	46
	11,312	6,845	**4,899**	3,549
Current				
Receivable from contracts with customers				
Management services to pool members	**20,613**	4,354	**11,624**	1,689
Other management services	**3,288**	3,145	**1,025**	1,441
Fireside disaster response	**439**	377	**-**	-
Other				
Amounts owed by subsidiaries	**-**	-	**3,536**	862
Other receivables	**433**	1,341	**179**	87
Prepayments	**1,536**	1,444	**634**	755
	26,309	10,661	**16,998**	4,834

9. FINANCIAL ASSETS

	FVOCI £'000	FVPL £'000	Total £'000
At 1 January 2021	9,165	322	9,487
Investment income	246	-	246
Realised gain on investments	112	-	112
Unrealised loss on investments	(622)	-	(622)
Additions	-	50	50
Disposals	(1,289)	-	(1,289)
Exchange differences	125	6	131
At 31 December 2021	7,737	378	8,115
At 1 January 2022	7,737	378	8,115
Investment income	234	-	234
Realised gain on investments	18	-	18
Unrealised loss on investments	(2,219)	-	(2,219)
Additions	182	-	182
Disposals	(132)	(56)	(188)
Exchange differences	879	44	923
At 31 December 2022	6,699	366	7,065
Investments in bond funds	6,699	141	6,840
Investments in equity funds	-	225	225
At 31 December 2022	6,699	366	7,065

Assets held at fair value through other comprehensive income (FVOCI) are investments held in respect of post-employment medical scheme deficits and supplemental pension scheme liabilities.

Assets held at fair value through profit or loss (FVPL) are investments held in respect of US post-retirement liabilities. Management has made an irrevocable election to designate the US post-retirement liabilities as fair value through profit or loss in order to eliminate accounting mismatches. Accordingly, changes to the fair value of the investments have no impact on the statement of comprehensive income, since all such movements are eliminated by the equal and opposite movements in the fair value of the US post-retirement liabilities.

10. CASH AND CASH EQUIVALENTS

	Group		Company	
	2022 £'000	2021 £'000	**2022 £'000**	2021 £'000
Cash at bank and in hand	**18,160**	10,261	**6,492**	6,679
Short-term bank deposits	**8,006**	17,158	**3,533**	6,723
	26,166	27,419	**10,025**	13,402

Cash and cash equivalents for the purposes of the cash flow statement are the same as those listed above.

11. SHARE CAPITAL

	2022 £'000	2021 £'000
Authorised, allotted, called up and fully paid		
75,420,379 (2021: 75,420,379) Ordinary shares of £1 each	**75,420**	75,420

12. CUMULATIVE TRANSLATION RESERVE

	2022 £'000	2021 £'000
At 1 January	**4,617**	3,504
Exchange adjustments	**9,645**	1,113
At 31 December	**14,262**	4,617

13. TRADE AND OTHER PAYABLES

	Group		Company	
	2022 £'000	2021 £'000	**2022 £'000**	2021 £'000
Non-current				
Accrued expenses	**7,733**	4,084	**3,451**	1,769
Financial liabilities at fair value through profit or loss	**366**	378	**-**	-
	8,099	4,462	**3,451**	1,769
Current				
Amount due to subsidiaries	**-**	-	**951**	655
Other payables	**2,522**	2,022	**1,283**	2,589
Accrued expenses	**17,097**	9,125	**6,830**	3,763
	19,619	11,147	**9,064**	7,007

14. POST-RETIREMENT BENEFITS

The Group has a number of pension and post-retirement benefit schemes for its employees. Schemes are administered in accordance with local laws and practice. The principal schemes are the ones established in the UK and US, which together cover the vast majority of the employees in the Group.

In the UK, there is a defined contribution pension scheme for all employees. Previously, the scheme also had a defined benefit section but this closed to accrual on 31 March 2018. The Trustee is required to equalise UK Guaranteed Minimum Pensions between men and women and is working on implementing this. In 2022, a decision in principle was made to prepare the scheme for buyout with an external insurer with a target period of five years.

In the US, there is a defined contribution pension scheme for all employees. There is also a funded defined benefit pension scheme with assets held in a separate trustee administered fund and a further defined benefit scheme (the US supplemental pension scheme) for which the company holds assets outside of a trust fund. Both these defined benefit schemes are closed to accrual. In 2015, annuities for all pensioner members of the US defined benefit scheme were purchased, funded through the liquidation of scheme assets.

In Canada, there is a defined contribution pension scheme for all employees. Previously, the scheme also had a defined benefit section but this closed to accrual on 31 March 2020 and was bought out by a third party insurer during 2022.

The Group provides defined benefit medical and dental post-retirement benefits to certain employees in the US. The cost and obligation is accrued and recognised over the period of relevant employee service. This scheme closed to new members with effect from 31 December 2002. Medical benefits under the scheme are provided through a fully insured Medicare supplement program for participants over the age of 65. Medical benefits for participants under the age of 65 are provided through the Company's primary medical insurance program. This obligation is supported through assets held in both a separate trust as well as assets held by the Company outside of the trust. The trust was initially funded during 2017. The amount funded was the maximum amount permissible under the US tax regulations. The funds in the trust were invested in identical assets to those outside of the trust. Previously, the Company purchased a supplemental medical insurance policy for each eligible participant and the participant made a contribution to the Company for a portion of the insurance premium. From 1 January 2019, the Company changed how medical benefits are provided to participants over the age of 65, instead the Company provides a set amount (stipend) every month to each eligible participant. Each participant can select the medical insurance policy that is best suited for their particular circumstances. The amount of the Company's stipend will increase by 5% per year. In 2020, a similar change was made to the dental plan whereby retirees over the age of 65 receive a monthly stipend.

The amounts recognised in the balance sheet for post-retirement benefits are as follows:

	Group		Company	
	2022	2021	**2022**	2021
	£'000	£'000	**£'000**	£'000
Defined benefit pension schemes				
Present value of funded obligations	**63,708**	96,639	**54,471**	84,871
Fair value of scheme assets	**(67,488)**	(99,670)	**(58,606)**	(87,706)
	(3,780)	(3,031)	**(4,135)**	(2,835)
Present value of unfunded obligations	**1,977**	2,251	**-**	-
Total deficit/(surplus)	**(1,803)**	(780)	**(4,135)**	(2,835)
Post-employment medical benefits				
Present value of funded obligations	**6,841**	8,533	**-**	-
Fair value of scheme assets	**(2,127)**	(3,000)	**-**	-
Total deficit/(surplus)	**4,714**	5,533	**-**	-
Total post-retirement benefits				
Present value of obligations	**7,046**	7,784	**-**	-
Fair value of scheme assets	**(4,135)**	(3,031)	**(4,135)**	(2,835)
Net liability/(asset) in the balance sheet	**2,911**	4,753	**(4,135)**	(2,835)

14. POST-RETIREMENT BENEFITS (continued)

14.1 Defined benefit pension schemes

14.1a Analysis of movement in the net funded obligation

	Group			Company		
	Present value of obligation £'000	Fair value of scheme assets £'000	Total £'000	Present value of obligation £'000	Fair value of scheme assets £'000	Total £'000
At 1 January 2021	102,958	(103,040)	(82)	87,268	(86,013)	1,255
Past service cost, curtailment and settlements	(2,312)	3,662	1,350	-	-	-
Administration expenses	-	59	59	-	-	-
Interest expense/(income)	1,406	(1,416)	(10)	1,121	(1,109)	12
	(906)	2,305	1,399	1,121	(1,109)	12
Return on scheme assets excluding amounts included in interest income	-	(1,764)	(1,764)	-	(1,928)	(1,928)
Actuarial (gain)/loss arising from:						
change in demographic assumptions	1,774	-	1,774	1,826	-	1,826
change in financial assumptions	(4,612)	-	(4,612)	(3,963)	-	(3,963)
Experience losses	1,059	-	1,059	763	-	763
	(1,779)	(1,764)	(3,543)	(1,374)	(1,928)	(3,302)
Exchange differences	158	(163)	(5)	-	-	-
Employer contributions	-	(800)	(800)	-	(800)	(800)
Benefits paid	(3,792)	3,792	-	(2,144)	2,144	-
At 31 December 2021	96,639	(99,670)	(3,031)	84,871	(87,706)	(2,835)
At 1 January 2022	96,639	(99,670)	(3,031)	84,871	(87,706)	(2,835)
Past service cost, curtailment and settlements	(385)	494	109	-	-	-
Administration expenses	-	49	49	-	-	-
Interest expense/(income)	1,880	(1,965)	(85)	1,544	(1,625)	(81)
	1,495	(1,422)	73	1,544	(1,625)	(81)
Return on scheme assets excluding amounts included in interest income	-	32,524	32,524	-	29,942	29,942
Actuarial (gain)/loss arising from:						
change in demographic assumptions	(50)	-	(50)	-	-	-
change in financial assumptions	(34,292)	-	(34,292)	(32,266)	-	(32,266)
Experience losses	3,272	-	3,272	3,205	-	3,205
	(31,070)	32,524	1,454	(29,061)	29,942	881
Exchange differences	1,272	(1,281)	(9)	-	-	-
Employer contributions	-	(2,267)	(2,267)	-	(2,100)	(2,100)
Benefits paid	(4,628)	4,628	-	(2,883)	2,883	-
At 31 December 2022	63,708	(67,488)	(3,780)	54,471	(58,606)	(4,135)

14. POST-RETIREMENT BENEFITS (continued)

14.1b Analysis of movement in the net unfunded obligation

	Group Present value of obligation £'000
At 1 January 2021	2,398
Interest expense	46
	46
Actuarial (gain)/loss arising from:	
change in demographic assumptions	8
change in financial assumptions	(101)
Experience losses	30
	(63)
Exchange differences	30
Benefits paid	(160)
At 31 December 2021	2,251
At 1 January 2022	2,251
Interest expense	58
	58
Actuarial (gain)/loss arising from:	
change in demographic assumptions	1
change in financial assumptions	(446)
Experience losses	34
	(411)
Exchange differences	257
Benefits paid	(178)
At 31 December 2022	1,977

Assets/liabilities are held in respect of the net benefit obligation as follows:	**2022 £'000**	2021 £'000
Investments at fair value through OCI	**2,066**	2,369
Due to pool members	**(89)**	(118)
	1,977	2,251

14. POST-RETIREMENT BENEFITS (continued)

14.2 Post-employment medical benefits

Analysis of the movement in the post-retirement medical obligation

	Group		
	Present value of obligation £'000	Fair value of plan assets £'000	Total £'000
At 1 January 2021	8,819	(3,333)	5,486
Current service cost	81	-	81
Administrative expenses	-	27	27
Interest expenses/(income)	205	(73)	132
	286	(46)	240
Return on scheme assets excluding amounts included in interest expense	-	150	150
Actuarial (gain)/loss arising from:			
change in demographic assumptions	38	-	38
change in financial assumptions	(474)	-	(474)
Experience losses	36	-	36
	(400)	150	(250)
Exchange differences	119	(41)	78
Employee contributions	36	(36)	-
Employer contributions	-	(21)	(21)
Benefits paid	(327)	327	-
At 31 December 2021	8,533	(3,000)	5,533
At 1 January 2022	8,533	(3,000)	5,533
Current service cost	75	-	75
Administrative expenses	-	31	31
Interest expenses/(income)	242	(83)	159
	317	(52)	265
Return on scheme assets excluding amounts included in interest expense	-	915	915
Actuarial (gain)/loss arising from:			
change in demographic assumptions	-	-	-
change in financial assumptions	(2,358)	-	(2,358)
Experience gains	(239)	-	(239)
	(2,597)	915	(1,682)
Exchange differences	954	(328)	626
Employee contributions	51	(51)	-
Employer contributions	-	(28)	(28)
Benefits paid	(417)	417	-
At 31 December 2022	6,841	(2,127)	4,714

14. POST-RETIREMENT BENEFITS (continued)

14.2 Post-employment medical benefits (continued)

Assets/liabilities are held in respect of the net benefit obligation as follows:	**2022**	**2021**
	£'000	**£'000**
Investments at fair value through OCI	4,633	5,368
Due from pool members	82	165
	4,715	5,533

14.3 Post-employment pension and medical benefits

The significant actuarial assumptions used in determining pension and post-employment benefit obligations for the Group's schemes are shown below:

		2022			2021	
	UK	**US**	**Canada**	UK	US	Canada
Discount rate	**4.9%**	**4.8%**	**N/A**	1.9%	2.4%	3.0%
Pension growth rate	**3.4%**	**N/A**	**N/A**	3.4%	N/A	N/A
Deferred pension growth rate	**2.7%**	**N/A**	**N/A**	2.7%	N/A	N/A
Average life expectancy for pensioners aged 62, in years:						
Male	**26.9**	**24.7**	**N/A**	26.9	24.6	24.9
Female	**28.2**	**26.1**	**N/A**	28.1	26.1	27.5

Mortality assumptions for 2022 and 2021 in the UK are from the PCxA00 tables with the CMI 2020 projections and a long term rate of improvement of 1.25% pa;
Mortality assumptions for 2022 in the US are from the PRI-2012 Private Pension Plans Mortality Tables with White Collar adjustments projected forward with Scale MP-2021; and for 2021 are from the PRI-2012 Private Pension Plans Mortality Tables with White Collar adjustments projected forward with Scale MP-2020.
Mortality assumptions for 2022 and for 2021 in Canada are from the 2014 CPM Private Sector Mortality Table with Improvement Scale MI-2017.

14. POST-RETIREMENT BENEFITS (continued)

14.3 Post-employment pension and medical benefits (continued)

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is:

Group	Impact on defined benefit obligation		
	Change in assumption	Increase in assumption £'000	Decrease in assumption £'000
Discount rate	+/-1%	Decrease by 7,946	Increase by 9,819
Pension growth rate	+/-1%	Increase by 6,396	Decrease by 5,439
Deferred pension growth rate	+/-1%	Increase by 841	Decrease by 1,043
Medical inflation	Trend +/-1%	Increase by 950	Decrease by 783
Life expectancy	+/-1 year	Increase by 1,545	Decrease by 1,232

Company	Impact on defined benefit obligation		
	Change in assumption	Increase in assumption £'000	Decrease in assumption £'000
Discount rate	+/-1%	Decrease by 6,536	Increase by 8,138
Pension growth rate	+/-1%	Increase by 6,396	Decrease by 5,439
Deferred pension growth rate	+/-1%	Increase by 841	Decrease by 1,043
Life expectancy	+/-1 year	Increase by 2,031	Decrease by 2,034

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the pension obligation recognised in the statement of financial position.

The methods and types of assumptions used in preparing the sensitivity analyses did not change compared to the previous period.

Pension and medical scheme assets are comprised as follows:

Group	2022				2021			
	Quoted £'000	**Unquoted £'000**	**Total £'000**	**%**	Quoted £'000	Unquoted £'000	Total £'000	%
Equity instruments	**1,128**	**-**	**1,128**	**1.6%**	11,070	-	11,070	10.8%
Debt instruments	**40,510**	**-**	**40,510**	**58.2%**	53,252	-	53,252	51.9%
Annuities	**-**	**27,278**	**27,278**	**39.2%**	-	37,609	37,609	36.6%
Cash and cash equivalents	**-**	**699**	**699**	**1.0%**	-	739	739	0.7%
Total	**41,638**	**27,977**	**69,615**	**100.0%**	64,322	38,348	102,670	100.0%

Company	2022				2021			
	Quoted £'000	**Unquoted £'000**	**Total £'000**	**%**	Quoted £'000	Unquoted £'000	Total £'000	%
Equity instruments	**-**	**-**	**-**	**0.0%**	7,748	-	7,748	8.8%
Debt instruments	**30,970**	**-**	**30,970**	**52.8%**	41,918	-	41,918	47.8%
Annuities	**-**	**27,279**	**27,279**	**46.6%**	-	37,609	37,609	42.9%
Cash and cash equivalents	**-**	**357**	**357**	**0.6%**	-	431	431	0.5%
Total	**30,970**	**27,636**	**58,606**	**100.0%**	49,666	38,040	87,706	100.0%

14. POST-RETIREMENT BENEFITS (continued)

14.4 Risks

Through its defined benefit pension schemes and post-employment medical schemes, the Group is exposed to a number of risks, the most significant of which are detailed below:

14.4a) Asset Volatility

For the purposes of these financial statements the defined benefit scheme obligations are calculated using a discount rate set with reference to corporate bond yields; if scheme assets underperform this yield, ceteris paribus, scheme funding will deteriorate. The US scheme holds a proportion of its investments in equities, which are expected to outperform bonds in the long-term while providing increased volatility and risk in the short-term. The UK scheme has a policy of purchasing annuities in respect of pensioner obligations when the Trustee considers it cost effective to do so.

As the schemes mature, the Group is reducing investment risk by investing more in assets that better match the obligations.

14.4b) Changes in bond yields

A decrease in bond yields will increase scheme obligations, although this will be partially offset by an increase in the value of the schemes' bond holdings.

14.4c) Inflation risk

The UK scheme's obligations are linked to inflation, and higher inflation will lead to higher obligations. The majority of the scheme's bond assets are index linked government bonds of long duration which will move broadly in line with the obligations as inflation expectations change.

Part of the US medical scheme is exposed to inflation in medical costs. The US pension payments are not linked to inflation, so this is not a relevant risk.

14.4d) Life expectancy

The majority of the schemes' obligations are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the schemes' obligations. This is particularly significant in the UK scheme, where inflationary increases to pensions result in higher sensitivity to changes in life expectancy.

14.4e) Insurer default risk

As a significant proportion of the UK scheme's assets are held in annuities, the scheme bears the risk of the insurance company defaulting on the payments, resulting in the scheme being forced to make additional pension payments.

14. POST-RETIREMENT BENEFITS (continued)

14.5 Asset matching and funding

14.5a) Asset matching

For the funded schemes, the Group ensures that a portion of the schemes' investments are invested in bonds of a broadly similar duration to and in the same currency as the schemes' obligations. The Group does not use derivatives to manage its risk. Investments are well diversified, such that the failure of any single investment would not have a material impact on the overall level of assets.

A significant proportion of the UK scheme assets are held in annuity policies in respect of almost all of the current pensioner obligations in the scheme. The Scheme has historically bought annuities in respect of pensioner obligations and further purchases may be made in the future for new pensioners.

14.5b) Funding

Up to 2021, the Group had an established practice with its pool members whereby pension deficits calculated under IAS 19 were reimbursed by them in the year after they arose. Such receipts were either paid into the appropriate scheme or held on the balance sheet. In 2022, a decision was made to prepare the UK defined benefit scheme, which closed to accrual in 2018, for buyout with an external insurer over a target period of five years. This prompted a change in the methodology of charging UK pension expenses to pool members. The charge is now based on the cash paid into the scheme by the Company rather than the IAS 19 surplus or deficit.

The triennial valuation of the UK scheme reported a £3.3 million deficit on 1 January 2021. The UK Company has agreed to eliminate the deficit in two years and one month from the valuation date. The next triennial valuation is due to be completed as at 1 January 2024.

Expected contributions to post-employment defined benefit schemes for the year ending 31 December 2023 are £0.4 million. At 31 December 2021, the expected contributions for the following year were £2.0 million.

The weighted average duration of the defined benefit obligation is 12.7 years (2021: 17.4 years).

15. PROVISIONS

	Group		Company	
	2022	2021	**2022**	2021
	£'000	£'000	**£'000**	£'000
At 1 January	**385**	302	**240**	234
Additional provisions and increases to provisions	**-**	81	**-**	-
Unused amounts reversed	**(29)**	-	**-**	-
Unwinding of discount	**21**	6	**21**	6
Exchange differences	**7**	(4)	**-**	-
At 31 December	**384**	385	**261**	240

The provision for the Company is the present value of the expected dilapidations cost of Fitzwilliam House, which the Company leases for its head office. On expiry of the lease the Company will be required to restore the occupied space to its original condition at its own expense.

The provision for the Group includes statutory expenses payable to French employees on retirement. The expense payable depends on the remuneration of employees during their employment and their length of service.
The provision assumes the rate of annual staff turnover is 2%.

16. CONTRACT LIABILITIES

	Group		Company	
	2022	2021	**2022**	2021
	£'000	£'000	**£'000**	£'000
Non-current				
Other management services	**983**	859	**16**	27
	983	859	**16**	27
Current				
Management services to pool members	**7,122**	6,163	**4,345**	3,721
Fireside disaster response	**1,043**	672	**-**	-
Other management services	**4,728**	4,203	**1,185**	1,102
	12,893	11,038	**5,530**	4,823

Non-current contract liabilities at 31 December 2022 are expected to be recognised as revenue within six years. Current contract liabilities at 31 December 2021 were recognised as revenue in the reporting period.

17. LEASES

17.1 Lease amounts in the Balance Sheet

	Group		Company	
	2022	2021	**2022**	2021
	£'000	£'000	**£'000**	£'000
Property, plant and equipment				
Right-of-use assets				
Premises	**8,406**	9,279	**2,416**	2,958
Equipment	**99**	132	**11**	33
	8,505	9,411	**2,427**	2,991
Lease Liabilities				
Non-Current	**9,364**	10,043	**2,186**	2,837
Current	**1,533**	1,512	**661**	657
	10,897	11,555	**2,847**	3,494

Additions to right-of-use assets during 2022 were £15,000 for the Group (2021: £5,244,000). There were no additions for the Company during the year (2021: £139,000). Disposals of right-of-use assets during 2022 were £491,000 for the Group (2021: £21,000). There were no disposals for the Company during the year (2021: nil). See Note 3c for a maturity analysis of lease liabilities.

17.2 Lease amounts in the Statement of Comprehensive Income

	Group	
	2022	2021
	£'000	£'000
Revenue		
Sublease income	**45**	41
Administrative expenses		
Depreciation charges		
Premises	**(1,576)**	(1,952)
Equipment	**(57)**	(54)
Short term lease expenses	**(10)**	(28)
Low value lease expenses	**(24)**	(21)
Other gains/(losses)		
Gain on lease disposal	**-**	3
Finance Costs		
Lease liability interest	**(295)**	(258)
	(1,917)	(2,269)

17. LEASES (continued)

17.3 Lease terms and cash flows as a lessee

Some of the Group's leases contain options to extend the lease term. Where it is reasonably certain that leases will be extended, the additional cash outflows are included in the lease liability at a discounted rate. Otherwise, where extension is not reasonably certain, additional cash outflows are excluded.

Some premises leases contain variable lease payments that are linked to an inflation index. The cash flow impact from a 1.00% increase in the inflation index is shown below.

	Group		Company	
	2022	2021	**2022**	2021
	£'000	£'000	**£'000**	£'000
Cash flows as a lessee				
Cash outflow from lease payments	**1,942**	2,437	**772**	770
Cash inflow from lease incentives	**1,346**	-	-	-
Cash outflow from extension options				
Included in the lease term	-	-	-	-
Excluded from the lease term	**484**	829	-	-
Variable lease payments				
1.00% increase to index	-	4	-	-

17.4 Lease terms and cash flows as a lessor

The Group sublets premises as an intermediate lessor where office space has become superfluous. The terms of the sublease issued match the head lease, but the Group retains the credit risk for the sublease. The following payments are receivable in respect of the sublet premises:

	Group		Company	
	2022	2021	**2022**	2021
	£'000	£'000	**£'000**	£'000
Less than one year	**22**	41	-	-
1 to 2 years	-	21	-	-
	22	62	-	-

18. REVENUE

	2022	2021
	£'000	£'000
Revenue from services provided during the period		
Management services to pool members	**71,508**	55,524
Other management services	**7,901**	7,113
Fireside disaster response	**2,223**	1,853
Sublease income	**45**	41
Revenue from services provided in prior periods		
Management services to pool members	**7,146**	5,674
Other revenue		
Foreign exchange gain	**1,178**	4
	90,001	70,209

19. ADMINISTRATIVE EXPENSES

	2022 £'000	2021 £'000
Depreciation, amortisation and impairment charges	3,519	3,519
Employee benefit expense (see Note 19.2)	51,308	39,392
Other expenses	13,065	15,580
	67,892	58,491

19.1 Auditors' remuneration

During the year, the Group's auditors provided the following services:

	2022 £'000	2021 £'000
Fees payable to Mazars:		
Audit services		
Audit of the consolidated financial statements	119	106
Non-audit services		
Tax services	68	45
Other services not covered above	270	230
Fees in respect of the Global Aerospace pension scheme		
Audit	11	9
	468	390
Fees payable to MNP:		
Audit services		
Audit of Canadian subsidiary financial statements	15	12
Non-audit services		
Tax services	5	5
Other services not covered above	60	50
Fees in respect of the Global Aerospace pension scheme		
Audit	14	12
	94	79
Fees payable to SEC Burette:		
Audit Services		
Audit of French subsidiary financial statements	9	9
	571	478

19.2 Employee benefit expenses

	2022 £'000	2021 £'000
Wages and salaries	43,468	34,775
Social security costs	4,077	3,363
Other pension costs – defined contribution plans	3,011	2,871
Other pension costs – defined benefit plans	487	(1,857)
Other post-employment benefits	265	240
	51,308	39,392

19.3 Employee numbers

	2022	2021
Average number of employees:		
UK	87	89
Canada	26	26
US (Global Aerospace Inc.)	160	166
US (Fireside Partners Inc.)	40	39
Switzerland	5	6
France	16	12
Germany	4	3
	338	341

20. OTHER GAINS/(LOSSES)

	2022 £'000	2021 £'000
Gain on disposal of financial assets at fair value through other comprehensive income	18	112
Gain/(loss) on disposal of property, plant and equipment	199	(30)
	217	82

21. FINANCE INCOME AND COSTS

	2022 £'000	2021 £'000
Finance income		
Other interest	422	262
	422	262
Finance costs		
Lease interest	(295)	(258)
Other interest	(27)	(8)
	(322)	(266)

Finance income and costs are interest on financial instruments.

22. INCOME TAX EXPENSE

	2022 £'000	2021 £'000
Current tax:		
- on profit for the year	5,601	2,677
- adjustments in respect of prior years	71	32
Deferred tax (see Note 7)	(1,441)	(281)
	4,231	2,428

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the consolidated companies as follows:

	2022 £'000	2021 £'000
Profit before tax	22,426	11,796
Tax calculated at domestic tax rates applicable to profits in the respective countries	4,195	2,468
Expenses not deductible for tax purposes	18	47
Change in tax rates or regulations	47	(106)
Adjustments in respect of prior years	(18)	18
Excess foreign taxes	(11)	1
	4,231	2,428

The weighted average applicable tax rate was 18.71% (2021: 20.93%).

22. INCOME TAX EXPENSE (continued)

The tax charge/(credit) relating to components of other comprehensive income is as follows:

	2022		
	Before tax £'000	Tax charge/ (credit) £'000	After tax £'000
Re-measurement of defined benefit obligation	(997)	246	(751)
Losses on financial assets measured at FVOCI	2,219	(547)	1,672
Currency translation difference	(9,645)	-	(9,645)
Other comprehensive expense/(income)	(8,423)	(301)	(8,724)
Current tax		-	
Deferred tax		(301)	
		(301)	

	2021		
	Before tax £'000	Tax charge/ (credit) £'000	After tax £'000
Re-measurement of defined benefit obligation	(3,856)	958	(2,898)
Gains on financial assets measured at FVOCI	622	(153)	469
Currency translation difference	(1,113)	-	(1,113)
Other comprehensive expense/(income)	(4,347)	805	(3,542)
Current tax		-	
Deferred tax		805	
		805	

23. NET FOREIGN EXCHANGE GAINS/(LOSSES)

The exchange differences credited/(charged) to the statement of comprehensive income are included as follows:

	2022 £'000	2021 £'000
Revenue	**1,178**	4
Other Comprehensive Income	**9,645**	1,113
	10,823	1,117

24. DIVIDENDS PER SHARE

The interim dividends paid in 2022 and 2021 were £11,797,000 (15.64 pence per share) and £7,439,000 (9.86 pence per share) respectively. No final dividends were paid (2021: nil).

25. CASH GENERATED FROM OPERATIONS

A) Group

	2022 £'000	2021 £'000
Profit before taxation	**22,426**	11,796
Adjustments for:		
Amortisation	**1,018**	766
Depreciation	**2,501**	2,753
Realised gain on sale of investments at FVOCI	**(18)**	(112)
Realised (gain)/loss on sale of property, plant and equipment	**(199)**	30
Finance income	**(422)**	(262)
Finance costs	**322**	266
Post-employment benefits	**997**	3,856
Changes in working capital		
Trade and other receivables	**(14,267)**	(5,692)
Trade and other payables	**4,598**	2,673
Provisions	**(8)**	87
Cash generated from operations	**16,948**	16,161

B) Company

	2022 £'000	2021 £'000
Profit before taxation	**21,056**	7,418
Adjustments for:		
Amortisation	**159**	91
Depreciation	**686**	668
Dividends receivable	**(6,653)**	(3,699)
Finance income	**(126)**	(2)
Finance costs	**110**	113
Post-employment benefits	**(881)**	3,302
Changes in working capital		
Trade and other receivables	**(14,812)**	(4,062)
Trade and other payables	**4,436**	7,250
Provisions	**21**	6
Cash generated from operations	**3,996**	11,085

26. COMPANY INFORMATION AND PRINCIPAL SUBSIDIARIES

The Company is incorporated and domiciled in England, and is a company limited by shares.

The Company owns the entire share capital of GAUM Holdings Inc. (formerly Global Aerospace Underwriting Managers (USA) Inc.) registered in Delaware, USA. GAUM Holdings Inc. owns the entire share capital of Global Aerospace, Inc. registered in Delaware, USA, which is the management company for the Group in the US. It also owns Fireside Partners, Inc. registered in Delaware, USA which was acquired in April 2015.

The Company owns the entire share capital of Global Aerospace Underwriting Managers (Canada) Limited (incorporated in Canada), which is the management company for the Group in Canada.

The Company owns the entire share capital of Global Aerospace Underwriting Managers (Europe) SAS which was incorporated in France on 25 July 2018. The Company transferred its French and German business into Global Aerospace Underwriting Managers (Europe) SAS, in exchange for newly issued shares, with retroactive effect on 1 January 2019. Global Aerospace Underwriting Managers (Europe) SAS was established to ensure continuity of business in the European Union after Brexit.

The Company owns the entire share capital of British Aviation Insurance Group (Underwriting Services) Limited, British Aviation Insurance Group (Technical Services) Limited, BAIG Limited, Global Aerospace Underwriters Limited, Associated Aviation Underwriters Limited and Global Limited. All of these companies are registered in England and were dormant throughout the year.

All subsidiaries are included in the consolidated financial statements.

27. RELATED PARTY TRANSACTIONS

Münchener Rückversicherungs-Gesellshaft Aktiengesellschaft in München (Munich Re) holds 51% of the Company's share capital and Northern States Agency, Inc. holds 49%.

The Articles of Association provide that the voting rights between Shareholders are equal. Resolutions at directors' meetings are decided by a majority of votes cast, with each Shareholder having an equal number of votes. Therefore, there is no ultimate controlling party of the Company.

The pool member National Indemnity Company is under common ownership with Northern States Agency, Inc.

Management fees, profit commission, and management charges were charged to these parties as follows:

	Management fees		Profit commission		Management charges	
	2022	2021	**2022**	2021	**2022**	2021
	£'000	£'000	**£'000**	£'000	**£'000**	£'000
National Indemnity*	**1,888**	1,650	**1,312**	1,042	**12,229**	9,926
Munich Re**	**5,129**	4,482	**3,564**	2,831	**32,149**	25,540

At year end the following balances were due to and from these parties:

	Amounts owed to related party		Amounts owed by related party	
	2022	2021	**2022**	2021
	£'000	£'000	**£'000**	£'000
National Indemnity*	**132**	264	**5,020**	2,494
Munich Re**	**360**	441	**14,843**	6,969

* includes other fellow companies under common ownership with the National Indemnity Company.
** includes other fellow companies under common ownership with Munich Re.

27. RELATED PARTY TRANSACTIONS (continued)

In 2022, the Group received management charge funding of £710,600 (2021: £683,100) from Berkshire Hathaway International Insurance Limited, £92,500 (2021: £75,400) from Berkshire Hathaway European Insurance DAC, £127,700 (2021: £366,100) from British Aviation Insurance Company Limited and £2,300 (2021: £2,300) from Tenecom Limited. The Group received fees from Net Jets Inc. of £116,200 (2021: £87,200), Flight Safety International of £49,900 (2021: £13,100) and Executive Jet Management Inc. of £1,600 (2021: nil). The Group also purchased internal audit services from Resolute Management Limited for £33,900 (2021: £14,100). All of these companies are fellow group companies of Northern States Agency, Inc.

In 2022, the Group leased office space in Paris from Munich Re for £176,800 (2021: £177,200) and purchased cyber security services from BitSight Technologies Inc. for £30,500 (2021: nil). No office space was leased in Atlanta from the Munich American Reinsurance Company (2021: £20,200). BitSight Technologies Inc. and the Munich American Reinsurance Company are subsidiary companies of Munich Re.

At 31 December 2022 the parent Company had amounts due from subsidiaries of £3,536,000 (2021: £862,000) and due to subsidiaries of £951,000 (2021: £655,000).

Key Management Compensation

	2022	2021
	£'000	£'000
Salary and short-term benefits	**3,706**	3,416
Post-employment benefits	**182**	182
Bonus based on pool trading profits	**3,025**	2,302
Total	**6,913**	5,900

During 2022, a close family member of a key manager received compensation of £396,000 (2021: £393,000) as an employee. No impairments or provisions were recognised during the period and there were no outstanding balances or commitments at the reporting date in respect of this close family member.

Directors' Remuneration

	2022		2021	
	Highest Paid Director	**Total Remuneration**	Highest Paid Director	Total Remuneration
	£'000	**£'000**	£'000	£'000
Salary and other benefits	**350**	**704**	378	716
Post-employment benefits	-	**11**	-	-
Bonus based on pool trading profits	**497**	**873**	750	975
Total	**847**	**1,588**	1,128	1,691

The bonus paid on pool trading profits are amounts relating to profits of prior pool years. In 2022, Company contributions were made into pension schemes for one director (2021: nil).