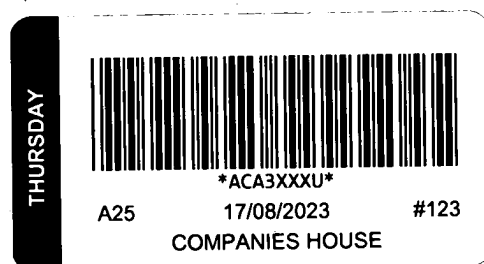


NEPHILA ADVISORS (UK) Limited
Annual report and financial statements

For the year ended 31 December 2022

Registered number: 08812429



NEPHILA ADVISORS (UK) Limited

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NEPHILA ADVISORS (UK) Limited

Company Information

Directors

S M Glassman
L A K Taylor

Registered Office

Walsingham House 4th Floor
35 Seething Lane
London
England
EC3N 4AH

Auditor

Deloitte LLP
Statutory Auditor
London
United Kingdom

NEPHILA ADVISORS (UK) Limited

Strategic Report

Introduction

The directors present their strategic report which accompanies the audited financial statements of Nephila Advisors (UK) Limited ("NUK" or "the Company") for the year ended 31 December 2022.

Principal activity and review of the business

The principal activity of NUK is to provide the non-discretionary advisory services to Nephila Capital Limited, one of the subsidiaries of the parent company, Nephila Holding Limited. The advisory service includes investor relations, information technology, client services and climate investment advisory services.

Results and dividends

The result for the year is disclosed on page 11. No dividend is proposed for the year (2021: \$nil).

Key performance indicators

The key financial performance indicators during the year were as follows:

	2022	2021
	\$'000	\$'000
Turnover	13,883	13,405
Profit on ordinary activities before tax	1,217	1,179
Net Current Assets	5,745	4,713

Turnover represents the advisory service fee charged to Nephila Capital Limited.

Section 172 statement

The directors are fully aware of their responsibilities to promote the success of the company in accordance with s172 of the Companies Act 2006 and have acted in accordance with these responsibilities during the year.

The Board is responsible for approving the annual business plan and the long-term plan to ensure the Company delivering on its strategy for the benefit of its stakeholders. The Board provides leadership based on a framework of effective controls and suitable risk management and sets the Company's risk appetite. The Board also seeks to ensure compliance with all relevant internal and external regulations governing the Company's activities.

The Board is committed to behaving responsibly and ensure that management operate the business in a responsible manner, operating within the highest standards of business conduct and good governance. NUK's Governance, Risk and Compliance function acts as a trusted advisor to the business, driving and supporting initiatives whilst ensuring NUK acts with integrity in the market and adheres to regulations.

NUK is an advisory service provider and as such a key asset is its people. The Board is committed to keeping all employees fully informed about matters relating to the business through regular staff meetings and the use of the intranet. The Board also promotes a continuous learning environment, encouraging employees to develop their skills to reach their maximum potential for their own benefit and the Company's.

NUK has a commitment to its communities which include environmental responsibilities. The Company's goal is to minimize its environmental impact and aims to use no more consumables than necessary and recycle the maximum of what is used. The Company has embedded environmental awareness throughout the organization by introducing a paperless working environment and encouraging employees to consider the impact on the environment in their day to day work.

All interactions with group companies are carried out at arm's length and are governed by service level agreements.

Strategic Report – continued

Section 172 statement - continued

Principal risks and uncertainties

The principal risks and uncertainties facing the Company are set out below.

Market Risk

Market risk is the potential for economic losses as a result of adverse market fluctuations. This risk is borne by Nephila Capital Limited, as changing market conditions may impact the price it can charge to its customers. NUK exposure to this risk is limited, as the activities it performs are supportive in nature, for which it is rewarded with a fixed cost plus return.

Operational Risk

This risk involves the retention of staff, compliance with the business plan and all the risks associated with claims management. This risk is borne by NUK in respect of the UK operations, and Nephila Capital Limited in respect of the Bermuda operations.

Foreign Exchange Risk

Foreign exchange risk is the financial risk that the currency exchange rates change leading to a variation in revenues or cost. Nephila Capital Limited pays NUK for its services in the Great Britain Pound ("GBP"). Thus, NUK bears no accounting FX risk on the covered transactions.

Development Risk

Development risk is the risk associated with incurring costs to develop a software platform, tool or model which does not perform as desired, e.g. by lacking accuracy or speed. In the context of the transaction under review, this can also be described as business or entrepreneurial risk. As the owner and end user of any IP developed by NUK, Nephila Capital Limited bears all risks associated with development of the IP, such as overruns of cost or the development timeline, and failure or shortcomings of the technology. NUK acts as a service provider and has limited exposure to the development risk.

Going concern

After making all relevant enquiries, the directors have a reasonable expectation that the Company has 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 the financial statements. Further details regarding the adoption of the going concern basis can be found in the statement of accounting policies in note 1 to the financial statements.

Approved by the Board of directors of Nephila Advisors UK Limited and signed on its behalf by:



Steve Glassman

Director

11 May 2023

NEPHILA ADVISORS (UK) Limited

Directors' report

The directors present their annual report on the affairs of the Company, together with the financial statements and auditor's report, for the year ended 31 December 2022.

Review of the business

Nephila Advisors (UK) Limited (the "Company") was incorporated on 12 December 2013. The Company was formed to provide certain investor relations and business development services to Nephila Capital Limited ("NCL"), a Bermuda based investment manager. The Company and NCL are wholly owned subsidiaries of Nephila Holdings Ltd. (the "Parent"), a Bermuda based company. The Company currently employs nineteen individuals and aims to continue to increase depth and breadth for the Nephila group's investor relations, information technology, client services and risk sourcing in the UK and throughout Europe. The net asset value for the years ended 31 December 2022 and 2021 were \$5,753,815 and \$4,712,548 respectively.

The Company will continue to provide these services.

Results and dividends

The profit for the year ended 31 December 2022 was \$1,041,268 (2021: \$978,464). No dividends were paid or declared.

As an advisory service provider, the Company does not expect Covid-19 outbreak to materially impact the ability to provide investor relations and business development services to our clients whose needs of our service are not materially affected by this event.

Going concern

The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis in preparing the annual financial statements.

Further details regarding the adoption of the going concern basis can be found in Note 1.

Directors

The directors, who served throughout the year and up to the date of signing this report, were as follows:

S M Glassman

L A K Taylor

NEPHILA ADVISORS (UK) Limited

Directors' report (continued)

Directors and their interests

The names of the persons who were Directors at any time during the year ended 31 December 2021 are set out on page 2 of the financial statements. Unless indicated the Directors served for the entire year. In accordance with the Articles of Association the existing Directors shall continue in office until resignation or removal.

Directors Indemnity

The Company has made qualifying third-party indemnity provisions for the benefit of its Directors which were made during the year and remain in force at the date of this report.

Auditor

Deloitte LLP were previously appointed and have expressed their willingness to continue in office as auditor and therefore in accordance with the Companies Act 2006, are deemed re-appointed.

Information provided to the Auditor

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

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

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

Approved by the Board and signed on its behalf by:



Steve Glassman
Director
11 May 2023

NEPHILA ADVISORS (UK) Limited

Directors' responsibilities statement

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

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

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

The Directors are responsible for the maintenance and integrity of the corporate and financial information published by the Company. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

NEPHILA ADVISORS (UK) Limited

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NEPHILA ADVISORS (UK) LIMITED

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Nephila Advisors (UK) Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 December 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the profit and loss account;
- the balance sheet;
- the statement of changes in equity; and
- the related notes 1 to 17.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (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 directors' 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 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.

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

We considered the nature of the company's industry and its control environment, and reviewed the company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management and directors about their own identification and assessment of the risks of irregularities.

We obtained an understanding of the legal and regulatory framework that the company operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included UK Companies Act and tax legislation; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty.

We discussed among the audit engagement team regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

As a result of performing the above, we identified the greatest potential for fraud in the following area, and our procedures performed to address it are described below:

- There is a significant risk due to fraud with respect to Nephila Advisors (UK) Limited's revenue recognition. To address the risk we performed the following specific procedures:
 - Inspected the service agreement and agreed the fee charged;
 - Obtained a breakdown of the revenue balance for the year and reconciled it to the financial statements; and
 - Recalculated the revenue from the expenses recharged to Nephila Advisors (UK) Limited to ensure the fee charged is equal agreed service percentage per the agreement.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management, legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance.

Report on other legal and regulatory requirements

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 directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the directors' report has been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the directors' report.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of these matters.

Use of our report

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



Adam Knight (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom
11 May 2023

NEPHILA ADVISORS (UK) LIMITED
PROFIT AND LOSS ACCOUNT
For the year ended 31 December 2022

	Note	2022 \$	2021 \$
TURNOVER		13,883,109	13,404,523
ADMINISTRATIVE EXPENSES		<u>(12,666,004)</u>	<u>(12,225,201)</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	6	1,217,106	1,179,322
Tax on profit on ordinary operations	7	<u>(184,727)</u>	<u>(200,858)</u>
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		<u><u>1,032,378</u></u>	<u><u>978,464</u></u>

All results are from continuing operations

There is no other comprehensive income other than the profit for the period. Accordingly, no statement of other comprehensive income is presented.

See accompanying notes to the financial statements.

NEPHILA ADVISORS (UK) LIMITED
BALANCE SHEET
As at 31 December 2022

	Note	2022	2021
		\$	\$
NON CURRENT ASSETS			
Intangible Assets	8	2,265,317	1,897,840
Tangible Assets	9	831,977	999,127
		<u>3,097,294</u>	<u>2,896,967</u>
CURRENT ASSETS			
Cash		1,144,442	660,476
Debtors: amounts falling due within one year	10	5,676,745	3,662,028
		<u>6,821,187</u>	<u>4,322,504</u>
TOTAL ASSETS		<u>9,918,482</u>	<u>7,219,471</u>
CURRENT LIABILITIES			
Creditors: amounts falling due within one year	11	4,173,556	2,506,923
NET ASSETS		<u>5,744,926</u>	<u>4,712,548</u>
SHAREHOLDER'S FUNDS			
Called up share capital	12	3	3
Profit and loss account		5,744,923	4,712,544
TOTAL SHAREHOLDERS' FUNDS		<u>5,744,926</u>	<u>4,712,547</u>

The notes on pages 12 to 24 form an integral part of these financial statements.

The financial statements of Nephila Advisors (UK) Limited, company number 08812429 were approved by the board of directors and authorised for issue on 11 May 2023. They were signed on its behalf by:


Steve Glassman
Director
11 May 2023

NEPHILA ADVISORS (UK) LIMITED
STATEMENT OF CHANGES IN EQUITY
As at 31 December 2022

	Called-up share capital \$	Profit and loss account \$	Total \$
At 1 January 2021	3	3,734,080	3,743,083
Profit for the financial year		978,464	936,464
At 31 December 2021	3	4,712,544	4,712,547
Profit for the financial year		1,032,378	1,032,378
At 31 December 2022	3	5,744,922	5,744,925

The notes on pages 11 to 20 form an integral part of these financial statements.

NEPHILA ADVISORS (UK) LIMITED
NOTES TO THE FINANCIAL STATEMENTS

1. STATEMENT OF ACCOUNTING POLICIES

The principal accounting policies are summarized below. They have all been applied consistently throughout the year and the previous year.

General information and basis of accounting

Nephila Advisors (UK) Limited is a company incorporated in the United Kingdom under the Companies Act.

The Company is a private Company limited by shares and is registered in England and Wales. The address of the registered office is given on page 1.

The average monthly number of employees (including executive directors) was 20 (2021:16).

The financial statements have been prepared under the historical cost convention, modified to include certain items at fair value, and in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council.

The Company meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the disclosure exemptions available to it in respect of its separate financial statements. The Company is consolidated in the financial statements of its parent, Markel Corporation, which may be obtained at 4521 Highwoods Parkway, Glen Allen, Virginia, U.S. 23060. Exemptions have been taken in these separate Company financial statements in relation to presentation of a cash flow statement and remuneration of key management personnel

Exemptions have been taken to prepare a strategic report in according with Company Act 2006 414B (b).

Going concern

After making all relevant enquiries, the directors have a reasonable expectation that the Company has 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 the financial statements.

Tangible assets

Tangible assets are stated at acquisition cost, net of accumulated depreciation. Cost includes major expenditures for improvements and replacements, which extend useful lives or increase capacity and interest costs associated with significant capital additions.

Depreciation are calculated using the straight-line method, based on the estimated useful lives of the related assets, as follows:

	Useful Life (Years)
Furniture, fixtures and fittings	5
Computer equipment	3
Leasehold Improvements	10

NEPHILA ADVISORS (UK) LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1. STATEMENT OF ACCOUNTING POLICIES (continued)

Intangible Assets

Internally generated software costs during development phase are capitalized as an intangible asset if the following can be demonstrated: a) the project is technically feasible; b) the project is intended to complete and has the ability to use; b) the asset is expected to generate future economic benefits; c) there is availability of adequate technical, financial and other resources to complete the development and to use the intangible asset. Once the internally generated software costs have met the criteria for capitalization, they will be amortized over their expected useful life in accordance with the Company's amortization policies. The capitalized costs included direct costs of materials and services including travel costs, software purchase fees, and payroll costs arising from the generation of intangible software.

Amortization are calculated using the straight-line method, based on the estimated useful lives of the related assets, as follows:

	Useful Life (Years)
Internally generated software	3 or 5

Turnover

Advisory fees are recognised as income on an accruals basis and in accordance with the Company's agreement with Nephila Capital Limited ("NCL") and Nephila Syndicate Management Limited ("NSML").

Expenses

All expenses including salaries and benefits, payroll taxes, professional fees, travel and entertainment and communications are recognised on an accrual basis.

Foreign currency

The functional and presentational currency is in US Dollars, which is in line with the ultimate parent's functional and presentational currency. Income and expenditure in other currencies is translated at the rate of exchange at the date of the transaction. The Company translates monetary assets and liabilities denominated in foreign currencies at the rate of exchange at the balance sheet date.

Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognized in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Group's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognized in the financial statements.

A net deferred tax asset is regarded as recoverable and therefore recognized only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted. Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

NEPHILA ADVISORS (UK) LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. CRITICAL ACCOUNTING JUDGEMENTS

In the application of the Company's accounting policies, which are described in note 1, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described in the statement of accounting policies. There are no significant judgements, apart from those involving estimations in the process of applying the company's accounting policies.

3. AUDITOR'S REMUNERATION

Fees payable to Deloitte LLP for the audit of the Company's financial statements the years ended 31 December 2022 and 2021 were \$27,639.83 and \$30,806 respectively. No other fees were paid to the auditor in respect of the Company.

4. DIRECTORS' REMUNERATION

The Directors are executives of the related group company, Nephila Capital Ltd., and are also directors of the Company. The Directors received no remuneration from Nephila Advisors (UK) Limited during the year (2021: Nil).

NEPHILA ADVISORS (UK) LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5. EMPLOYEES AND STAFF COSTS

The average monthly number of employees was:	2022	2021
	Number	Number
IT/Technology	11	4
Climate Underwriting	2	9
Admin	1	2
Legal	1	-
Operation & Change	4	-
Data Analytics&Insight	1	-
	<hr/>	<hr/>
Total	20	16
	<hr/>	<hr/>
Aggregate remuneration comprised:	2022	2021
	\$	\$
Wages and salaries	5,210,373	5,506,270
Social Security	872,088	713,325
Pension	234,992	190,761
Other Employee benefits	<u>92,837</u>	<u>268,805</u>
	<hr/>	<hr/>
Total	<u>6,410,290</u>	<u>6,679,071</u>

The other employee benefits consist of the premium for the employment healthcare and life insurance, the HR recruiting and consulting expenses, the immigration expenses and the professional training expenses.

6. PROFIT BEFORE TAXATION

Profit before taxation	2022	2021
	\$	\$
Advisory fee income	13,883,109	13,404,523
Staff costs	6,410,290	6,679,071
Professional fees	236,419	62,851
Foreign exchange gain or loss	366,723	216,780
Amortization	1,071,728	1,225,343
Depreciation	167,150	166,765
Other operating expenses	<u>4,413,694</u>	<u>3,874,391</u>
	<hr/>	<hr/>
Profit before taxation	<u>1217,105</u>	<u>1,179,322</u>

NEPHILA ADVISORS (UK) LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

7. TAXATION

The tax charge comprises:

	2022	2021
	\$	\$
Corporation tax	298,006	372,402
Deferred tax	<u>(113,279)</u>	<u>(171,544)</u>
 UK Corporation tax	 <u>184,727</u>	 <u>200,858</u>
 In the Spring Budget 2021, the Government announced that from 1 April 2023 the corporation tax rate will increase to 25% (the rate applicable to the company). As the proposal to increase the rate to 25% had not been substantively enacted at the balance sheet date, its effects are not included in these financial statements. The overall effect of the change is deemed to be immaterial.		
	2022	2021
	\$	\$
Current tax on profit		
UK corporation tax	310,694	372,548
Double tax relief	—	—
Foreign tax	—	—
Adjustments in respect of prior years		
UK corporation tax at 19 per cent (PY:19 per cent)	(11,807)	(146)
Payment for group relief	—	—
Foreign tax	—	—
 Total current tax	 <u>298,887</u>	 <u>372,402</u>
Deferred tax		
Origination and reversal of timing differences	(73,293)	(133,973)
Effect of increase in tax rate on opening liability	(23,145)	(37,570)
Effect of a change in the tax status of the entity or its shareholders	—	—
Decrease in estimate of recoverable deferred tax asset	—	—
Adjustments in respect of prior years	(16,841)	—
Total deferred tax (credit)	<u>(113,279)</u>	<u>(171,544)</u>
 Total tax on profit	 <u>185,608</u>	 <u>200,858</u>

NEPHILA ADVISORS (UK) LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

7. TAXATION (CONTINUED)

Nephila Syndicate Management Services, a wholly owned subsidiary of the Parent, will render \$1,635,231 of its net loss through group relief in 2022 which will be settled in 2023, to offset the Company's taxable profit.

Tax on profit

The differences between the total tax charge shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax is as follows:

Reconciliation of tax charge

	2022 \$	2021 \$
Profit before tax	<u>1,170,761</u>	<u>1,179,322</u>
Tax on profit at standard UK corporation tax rate of 19 per cent (2020: 19 per cent)	222,445	224,071
Effects of:		
- Expenses not deductible for tax purposes	5,270	18,180
- Income not taxable in determining taxable profit	-	-
Adjustments to tax charge in respect of previous periods	(11,807)	(146)
Adjustments to tax charge in respect of previous-deferred tax	(16,841)	-
Difference arising on the change in future tax rate	(23,145)	(37,570)
Current tax (prior period) exchange difference arising on movement between opening and closing spot rates	-	-
Total tax charge for period	<u>175,922</u>	<u>204,535</u>

NEPHILA ADVISORS (UK) LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

7. TAXATION (CONTINUED)

Deferred tax is provided as follows:	2022	2021
	\$	\$
Company		
Accelerated capital allowances	(269,921)	(156,543)
Deferred tax arising in relation to retirement benefit obligations	-	-
Tax losses available	-	-
Other timing differences	<u>-</u>	<u>-</u>
Provision for deferred tax	<u><u>(269,921)</u></u>	<u><u>(156,543)</u></u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

8. INTANGIBLE ASSETS

Intangible fixed assets	Internally generated software in use	
	As at 31 December 2022	As at 31 December 2021
Cost		
At 1 January	4,831,830	4,831,830
Addition	1,439,205	-
Disposal	-	-
At 31 December	6,271,035	4,831,830
Amortization		
At 1 January	2,933,991	1,708,649
Charge for year	1,071,726	1,225,343
Disposal	-	-
At 31 December	4,005,717	2,933,992
Net book value		
At 1 January	1,897,839	3,123,182
At 31 December	2,265,317	1,897,840

NEPHILA ADVISORS (UK) LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

8. INTANGIBLE ASSETS (CONTINUED)

Development costs have been capitalized in accordance with the requirements of FRS 102 and are therefore not treated, for dividend purposes, as a realized loss.

The Company had capitalized a total of \$1,439,205 self-generated intangible assets associated with four software development projects during the year. The four projects were completed and put into use before 31 December 2022. As of 31 December 2022, the Company recorded a total of \$ 4,005,717 of accumulated amortization related to these internally generated software projects on its profit and loss account.

9. TANGIBLE ASSETS

	Leasehold improvements		Fixtures, fittings & equipment		Computer Equipment		Total	
	As at 31 December 2022	As at 31 December 2021	As at 31 December 2022	As at 31 December 2021	As at 31 December 2022	As at 31 December 2021	As at 31 December 2022	As at 31 December 2021
Cost								
At 1 January	969,225	946,122	341,108	341,108	103,820	103,820	1,414,152	1,391,050
Addition	-	23,103	-	-	-	(1)	-	23,102
Disposal	-	-	-	-	-	-	-	-
At 31 December	969,225	969,225	341,108	341,108	103,820	103,819	1,414,152	1,414,152
Depreciation								
At 1 January	182,522	85,985	130,923	62,763	101,580	99,512	415,025	248,260
Charge for year	96,922	96,537	68,160	68,160	2,067	2,068	167,150	166,765
Disposal	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
At 31 December	279,445	182,522	199,083	130,923	103,647	101,580	582,175	415,025
Net book value								
1-Jan-22	786,703	860,137	210,185	278,345	2,240	4,308	999,127	1,142,790
31-Dec-22	689,780	786,703	142,025	210,185	172	2,239	831,977	999,127

NEPHILA ADVISORS (UK) LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10. DEBTOR: AMOUNT FALLING DUE WITHIN ONE YEAR

	2,022	2,021
Amount owed by group undertaking	5,064,233	3,193,642
Prepayments and accrued income	173,440	204,455
Corporation Tax	38,842	(22,867)
Deferred tax asset	269,921	-
Other debtors	<u>130,310</u>	<u>107,289</u>
	<u>5,676,745</u>	<u>3,482,519</u>

Debtor: amount falling due after one year

11. CREDITORS

	2022	2021
Amount owed by group undertaking	1,487,985	-
Other creditors	461,265	508,585
Bonus accruals	1,908,058	1,932,497
Corporation tax payable	-	-
Deferred tax payable	-	(156,642)
Accruals	<u>316,248</u>	<u>42,974</u>
Total creditors	<u>4,173,556</u>	<u>2,327,414</u>

12. CALLED UP SHARE CAPITAL

	2022	2021
	\$	\$
Allotted, called up and not paid		
Ordinary shares of £1 each	3	3

NEPHILA ADVISORS (UK) LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

13. SHAREHOLDER'S FUNDS

	2022 \$	2021 \$
At January 1	4,712,544	3,734,083
Profit for the year	1,032,378	978,464
	<u>5,744,922</u>	<u>4,712,544</u>
At 31 December	<u>5,744,922</u>	<u>4,712,544</u>

14. LEASE COMMITMENT

The Company entered into a new lease with a 10-year term at a new location in October 2019. The confirmed commencement date of the new lease is October 28, 2019. The future minimum lease payments under the lease agreements are in the amount of \$3,631,071:

Total future minimum lease payments under non-cancellable operating leases are as follows:

	2022 \$	2021 \$
Land and Buildings		
Expiring:		
Less than one year	531,380	598,239
Between two and five years	2,656,900	2,392,957
In excess of five years	<u>442,817</u>	<u>1,695,011</u>
	3,631,097	4,686,207

15. POST BALANCE SHEET EVENTS

There have been no material post balance sheet events.

NEPHILA ADVISORS (UK) LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

16. RELATED PARTY TRANSACTIONS

All related party transactions are with companies owned by the ultimate parent company Markel Corporation. The company has taken advantage of the disclosure exemption available in FRS 102 section 33 in respect of related party transactions which are with entities that are wholly owned by the immediate parent.

17. IMMEDIATE AND ULTIMATE PARENT COMPANY

The immediate parent company of the Company is Nephila Holding Limited. Copies of the group financial statements may be obtained from Nephila Holdings Ltd at 31 Victoria Street, City of Hamilton HM10 in the Islands of Bermuda. The Directors regard Markel Corporation, a company incorporated in 1930, as the ultimate parent company. The smallest and largest group into which the financial statements of Nephila Advisors (UK) Limited are consolidated into is Markel Corporation. Copies of the group financial statements may be obtained from Markel Corporation at 4521 Highwoods Parkway, Glen Allen, Virginia, U.S. 23060.