Argenta

ARGENTA HOLDINGS LIMITED

ANNUAL REPORT & FINANCIAL STATEMENTS

31 December 2022

Company registration number: 4973117

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Company Information
For the year ended 31 December 2022

Directors	Mr S Althoff Mr G K Allen Mr N J Moore Mr J L P Whiter	(Chairman)
Company Secretary	Ms S C-A Burton	
Registered Office	5th Floor 70 Gracechurch Street London EC3V 0XL	
Independent Auditors	PricewaterhouseCoopers LLP 7 More London Riverside London SE1 2RT	
Bankers	Coutts & Co 440 Strand London WC2R 0QS	

The Directors present the Strategic Report of Argenta Holdings Limited ("the Company") and its subsidiaries (together "the Group") for the year ended 31 December 2022.

The financial reporting framework that has been applied is United Kingdom Generally Accepted Accounting Practice ("UK GAAP") comprising Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' ("FRS 102"), Financial Reporting Standard 103 'Insurance Contracts' ("FRS 103") and applicable law.

Principal activities and review of the business

Argenta Holdings Limited is the holding company of two specialised Lloyd's vehicles, Argenta Private Capital Limited ("APCL") and Argenta Syndicate Management Limited ("ASML"), both regulated by the Financial Conduct Authority ("FCA"). APCL is also authorised by the FCA and ASML is authorised and regulated by the Prudential Regulation Authority ("PRA").

APCL is a licensed Lloyd's adviser and Members' Agent advising both individual and corporate members of Lloyd's on their underwriting affairs with aggregate capacity under management of £3.3bn for the 2022 year of account which increased to £3.8bn for the 2023 year of account.

ASML is a Lloyd's Managing Agency which has managed the affairs of Syndicate 2121 since its inception in 2000. The capacity of Syndicate 2121 has increased steadily since then to £800m for the 2023 year of account. It has also managed the affairs of various syndicates under turnkey arrangements, the most recent of which concluded in 2015.

On 24 April 2018, ASML entered into an agreement to manage the affairs of Syndicate 6134, a Special Purpose Arrangement ("SPA") that underwrites quota share reinsurance protections of Syndicate 2121. The SPA is sponsored and capitalised by the Hannover Re group, which may also introduce new business for consideration by Syndicate 2121 which would then be reinsured by the SPA. Syndicate 2121 will retain at least 10% of the business introduced by the sponsor.

The SPA commenced the year with a business plan to underwrite gross net premium in 2023 of £99.6 million across various classes of business within the underwriting capability of the host syndicate. Syndicate 2121 receives an overriding commission in respect of these arrangements. The quota share contracts are being underwritten on a funds withheld basis although amounts may be advanced in certain circumstances.

The capacity under management is shown in the table below:

Syndicate	2023 £million	2022 £million	2021 £million
2121	800	660	600
6134	120	97	82
	920	757	682

During the year the Company was also the holding company for five Lloyd's corporate members (2021: five), three of which participated directly on Syndicate 2121 for the 2022 year of account (2021: four for the 2021 year of account). These active corporate members are known collectively as the Argenta underwriting vehicles ("AU's").

The capacity of the AU's is supported by capital from the Company and from third parties. The beneficial interest of the Group in the 2022 year of account was £55.0m (2021 year of account: £45.9m).

The other key operations within the Group are Argenta Tax & Corporate Services Limited ("ATCSL"), which has been offering tax compliance and planning services to individual and corporate clients for over 25 years, and Argenta Underwriting Asia Pte. Ltd. ("AUA"), which acts as a service company on the Lloyd's Asia platform in Singapore. AUA also holds a licence, granted by the Australian Securities and Investment Commission, to operate a branch in Australia. On 31 March 2023, APCL completed a transaction to acquire the full business of ATCSL, subject to all necessary approvals. In August 2022, the decision was made to stop underwriting from the Singapore office of AUA due to the performance of business from the region and the lack of strategic opportunities to put this on a long-term profitable footing.

In July 2017 100% of the issued share capital of the Company was acquired by Hannover Rück SE ("Hannover Re"). The immediate parent undertaking of Hannover Re is Talanx AG, a leading global insurance group. Hannover Re has, for some time, supported Syndicate 2121 as both a traditional reinsurer and by supporting some of its capital providers.

Financial highlights

The Group is reporting total comprehensive income for the year ended 31 December 2022 of £4.3m (2021: £4.0m), on total gross written premium of £138.3m (2021: £108.6m) and income from other activities of £25.1m (2021: £22.7m). The net assets of the Group have increased from £57.8m as at 31 December 2021 to £62.0m as at 31 December 2022.

The results before taxation of the principal operations within the Group are shown below:

	2022	2021
Argenta Holdings Limited (consolidated)	**£000**	**£000**
Balance on the general business Technical Account	694	1,283
Non-Technical Account Income	25,544	22,736
Profit before taxation	5,338	4,725
Net Assets	62,035	57,764

	2022	2021
Argenta Private Capital Limited	**£000**	**£000**
Managed Underwriting Capacity	3,275,000	2,717,000
Management Fees	9,421	8,875
Profit Commission	581	129
Profit before taxation	2,086	1,471
Net Assets	3,932	3,433

	2022	2021
Argenta Syndicate Management Limited	**£000**	**£000**
Managed Syndicate Capacity	757,000	682,000
Management Fees	5,757	5,244
Profit Commission	-	-
Profit before taxation	3,839	3,388
Net Assets	5,060	4,695

Future developments

The combined underwriting capacity of Syndicates 2121 and 6134 rose to £920m in 2023. The Group continues to support Syndicate 2121 for the 2023 year of account with the capacity in which it has a beneficial interest standing at £61m. A key strategic objective remains to grow Syndicate 2121 and Syndicate 6134 but subject always to market conditions.

The capacity under management for APCL has increased to £3.8bn in 2023 and APCL was able to increase its fee income. It has a resilient client base and there are improving market conditions. There is continuing interest from prospective clients to diversify their investment portfolio into the Lloyd's insurance market due to the lack of correlation with other holdings or business involvements. APCL will continue to provide advice and assistance to its clients and continue to develop both existing and new products.

Section 172 (1) statement

The Directors are aware of their responsibilities to take into consideration the interests of all stakeholders in their decision making process and to promote the success of the Group in accordance with s172 of the Companies Act 2006. The Directors continue to pay full regard to the interests of the Group's stakeholders, including the impact of its activities on its employees, shareholder, capital providers, regulators, customers, suppliers, the community, the environment and on the Group's reputation. Whilst always acting in good faith and exercising fairness and equality, the Directors also consider what is most likely to promote the success of the Group in the interests of its member.

The importance of giving due consideration to all stakeholders is a continuous and ongoing process and includes the following:

- The Directors fully understand their obligations to act responsibly towards the Group's sole shareholder and commit to act in accordance with the standards set by it.

- In December 2022 the Group Chief Executive Officer, Mr A Annandale, retired and was immediately replaced by Mr N Moore, who joined the Group in 2009 and brings a wealth of experience and continued stability to the role.

- The Directors continue to promote the success of the Group through expansion of its activities as referred to in the Strategic Report. The Group's ongoing dividend policy is to retain all profits for reinvestment, which has enabled it to increase its participation on Syndicate 2121 for the 2023 year of account. As part of its ongoing commitment to support the expansion of the Group, Hannover Re continues to supply significant levels of capital support to the core underwriting business on Syndicates 2121 and 6134 ("the Syndicates").

- The Group has a diversity and inclusion policy that sets out the principles underpinning the approach to ensuring fairness and equality in the workplace across all levels of the organisation. In accordance with a commitment to diversity and inclusion, the Group is signed-up to the Lloyd's Diversity and Inclusion Charter, which makes a public pledge to champion diversity and positive change.

- The Directors continue in their commitment to ensure that the Group maintains a healthy culture and working environment, which includes ongoing consideration of internal policies and procedures. Following a review, the Group has been able to more clearly articulate its culture, vision and purpose which in turn have been communicated to all staff. This has enabled all employees to gain a better understanding of what the Group stands for and its ultimate objectives.

- The Group recently introduced a Behavioural Framework to its employees designed to ensure that employees understand the core values and behaviours to which they are expected to observe for the benefit of both the employees and the business as a whole.

- The Directors understand that the quality and experience of the Group's employees are fundamental to the success of the business and the quality of its services. The Directors consider the training and development of its workforce to be fundamental and therefore promote a continuing commitment to training both internally and externally. Further commitment is made in the area of continuing professional development to ensure that its diversely qualified workforce continues to maintain a competitive level of training and qualification in an ever-changing industry.

- The Group is committed to the health, safety and wellbeing of its workforce, offering comprehensive health insurance and life cover and contributions to a defined contribution pension scheme. It has a hybrid-working environment for its employees to address the changing social environment. The Directors understand the importance of providing greater education and support for mental health issues in the workplace and continue to provide trained Mental Health First Aiders and to support the Employee Assistance Programme designed to offer further support to staff members.

- The Group is fully committed to working responsibly with its suppliers ensuring that those in the supply chain do not engage in slavery or human trafficking and regularly reviews its policies and procedures to ensure that they are up to date and reflect the changing regulatory environment. In addition to a periodic review of material outsourced arrangements, there are whistleblowing procedures in place to ensure that employees can raise any concerns they may have.

Section 172 (1) statement (continued)

- The Group has a large and diverse number of customers and capital providers associated with its various operations. The subsidiary companies strive to work closely with their customers and capital providers to fully understand their needs and always to operate on the basis of treating customers fairly. It continues to seek to grow the Syndicates to achieve greater economies of scale and improve returns for the capital providers. It is also mindful to ensure it maintains equity between its different capital supporters.

- The Group continues in its commitment to uphold the Criminal Finance Act by providing further and focussed training to its employees in the area of Financial Crime compliance.

- The Group works very closely with Lloyd's and other regulators, including those overseas. It places a high degree of importance on understanding and fully complying with the regulatory requirements that are set.

- The Group is committed to its place in the community and engages with a number of diverse charities. The underwriting policy is aligned with that of Hannover Re, which is not to provide cover to new coal-burning power stations or new thermal coal mines and the associated infrastructure on a direct or facultative reinsurance basis, and to effect a phased plan for a gradual withdrawal from such risks written on a treaty basis by the year 2038. The bespoke investment mandate adopted by the Group is aligned with Hannover Re's environmental, social and governance criteria.

Principal risks and uncertainties

Group risks

The most significant risks to the Group reside within the principal operating subsidiaries. The process of risk acceptance and risk management is addressed through a framework of policies, procedures and internal controls across the Group. All policies are subject to on-going review by management, risk management and internal audit as appropriate. Compliance with regulatory, legal and ethical standards is a high priority for the Group and the risk, compliance and finance teams take on an important role in this regard.

As a Lloyd's managing agent the principal risks to ASML's future cash flows come from its income generated from the management of the Syndicates. The management fees and profit commissions potentially receivable are related to the size and profitability of the Syndicates. If the results of the Syndicates are insufficient in the future, this may affect their ongoing sustainability with a consequent impact on the future income of ASML.

As specialised Lloyd's vehicles, both APCL and ASML must fulfil their expense obligations from the income they receive and are both required to hold a minimum amount of regulatory capital. Both companies monitor their financial position by way of monthly management accounts and quarterly regulatory returns. Action would be taken to maintain the regulatory capital position if required.

As regulated businesses, ASML and APCL are fully aware of their regulatory obligations to the UK Financial Conduct Authority ("FCA"), the Prudential Regulation Authority ("PRA"), Lloyd's, the Monetary Authority of Singapore ("MAS") and other overseas regulators as appropriate. The procedures adopted by ASML and APCL in this regard rigorously monitor compliance with the regulatory standards and, through continuous assessment, highlight any developments that might impact the businesses.

Other significant risks that the Group is exposed to arise from the categories of market risk, liquidity risk and credit risk. It does not enter into any hedging transactions.

Market risk is partly mitigated by a predominantly fixed income investment strategy designed to mitigate exposure to potential losses from movements in exchange rates, interest rates or inflation. The business has a low appetite for market risk and as such there is a requirement to hold mainly high grade fixed income investments or listed, highly diversified collective investment schemes.

Liquidity risk is the risk that there will be insufficient available cash resources to meet liabilities as they fall due. Management information is used to enable the effective monitoring of the liquidity risk framework in line with the agreed procedures and governance arrangements.

Business conducted by the Group with its counterparties naturally gives rise to credit risk. The potential for losses arising from a counterparty failing to fulfil its contracted payment obligations is managed by strict control procedures including the monitoring of the ageing of debt and the approval of significant counterparties.

In order to manage these risks the Board of Directors has established a strong risk management and internal control framework.

Principal risks and uncertainties (continued)

Syndicate risks

As underwriting businesses, the Syndicates are exposed to a variety of financial and non-financial risks. These risks, which shape the risk management strategy adopted by the Group, are integral to the capital setting process that is undertaken to ensure there is an appropriate level of capital held in respect of the insurance liabilities to which the Syndicates are exposed. The Own Risk and Solvency Assessments undertaken in respect of the Syndicates reflect the risk profile of the business as well as the business strategy. Risks are managed through the risk management framework in order to ensure that the risk profile of the business is fully understood and can be monitored against the agreed risk appetite.

The Group is committed to risk management as an integral part of management and governance best practice, and has developed a risk management strategy to protect the financial and non-financial assets of the Syndicates and to minimise losses and liabilities.

The risks to the business are grouped under various categories, each of which is the subject of a risk policy that sets out the Group's approach to the management of the risk in conjunction with the overarching risk management framework and risk strategy. The Group analyses risks into the following key categories:

Insurance risk

Insurance risk is the risk that arises from the inherent uncertainties in the occurrence, amount and timing of insurance liabilities. The underwriting profile of the Syndicates is such that it is likely that claims will arise on the business underwritten. An expected level of claims in relation to attritional, large and catastrophe type losses has, therefore, been included in the business planning process. Other mitigating measures, in the form of internal controls, are used to preserve the Syndicates' performance by limiting the exposure to wider underwriting, claims and reserving risks, such as:

- Adverse catastrophe loss experience;
- Adverse large and attritional loss experience;
- Poor or inappropriate risk selection;
- Inadequate reinsurance placement; and
- Final claims costs deviating materially from estimated earned reserves due to the inherent variability of the business.

The Group manages these risks against an agreed risk appetite. The framework of systems and controls is designed to reduce the likelihood of such risks occurring and to mitigate their impact, as far as possible, on the overall business of the syndicate.

Operational risk

Operational risk is defined as the risk of loss resulting from the workforce or inadequate or failed internal processes or systems or from external events. Control procedures are used to proactively address the risks associated with the Group's business processes, systems and other resources that might otherwise be detrimental to overall performance. Business continuity is considered key and the Group has developed a plan that provides for the Syndicates to be operational within a 48 hour period in the event that its current offices are no longer available.

The retention of key staff is also fundamental to the success of the business and the strategy adopted by the Group is designed to ensure that the terms and conditions offered to employees, as part of their overall remuneration package, remain competitive with the rest of the London market insurance industry.

Capital risk

Capital risk is defined as the risk to the Syndicates of losses arising from inappropriate levels or sources of capital. The Syndicates are supported by third party capital providers whose ongoing support is important to the Syndicates continuing to trade forward. The Group is committed to the controlled growth of the Syndicates and discussions with current and prospective capital providers are an ongoing process.

Principal risks and uncertainties (continued)

Liquidity risk

Liquidity risk is the risk that the Syndicates will not have sufficient available cash resources to be able to meet their liabilities as they fall due. The liquidity of the Syndicates is influenced by a number of factors that have the potential to arise from across the business. Management information is used to enable the effective monitoring of the liquidity risk framework in line with the agreed procedures and governance arrangements. Robust procedures are in place for the monitoring of cash flow and effective credit control. Claims activity is closely scrutinised and the movement of existing claims is reported at regular intervals.

Credit risk

Credit risk is inherent to the business conducted with brokers, coverholders, reinsurers and other counterparties. The potential for losses arising from a counterparty failing to fulfil its contracted payment obligations is managed by strict control procedures. Aged debt in respect of the payment of premiums and reinsurance recoveries is closely monitored and actively managed. The ASML third party management group approves the brokers, coverholders and reinsurers with which the Syndicates may conduct their business. There is no appetite to deal with counterparties who have not been approved.

Financial Market risk

Financial market risk is concerned with the loss resulting from adverse movements in the financial markets. The risks are partly mitigated by following predominantly fixed income investment strategies designed to mitigate exposure to potential losses from movement in exchange rates, interest rates or inflation. The Syndicates have a low appetite for market risk and as such there is a requirement to hold only high grade fixed income investments, cash and high quality short term instruments. The Group may also invest in listed, highly diversified collective investment schemes, absolute return funds or funds of hedge funds, which serve to mitigate the impact of movements in the wider investment market. The Group also periodically seeks to match assets with liabilities in the Syndicates' principal reporting currencies to the extent that funds permit.

Emerging risk

In addition to monitoring the individual risk categories outlined above, the Group has in place an emerging risks process to review risks that may impact the business in the future, and to ensure that any such risks are understood and mitigated where possible.

Conduct risk

The Group defines conduct risk as any activities undertaken by the business that give rise to poor customer outcomes and has in place a mechanism for identifying, monitoring, reporting and mitigating its exposure to conduct related issues. This includes monitoring and reporting on a wide range of conduct management information and risk appetite metrics to the Group and subsidiary boards and sub-committees.

ON BEHALF OF THE BOARD

N Moore

Mr N J Moore
Director

14 July 2023

The directors submit their annual report and the audited consolidated financial statements of the Argenta Group for the year ended 31 December 2022. The Company's registration number is 4973117.

Going concern

The Group has adequate financial resources and, consequently, the directors believe that it is well placed to manage its business risks successfully in the current market and economic environment. After reviewing the cash flow and the principal risks and uncertainties, the Group is considered to be a going concern for at least a period of the next 12 months. The Group's projected cash inflows and projected cash outflows including the settlement of liabilities and payment of tax and pension liabilities have been reviewed to ensure a positive net position.

After making enquiries, the directors have an expectation that the Group and the Company have adequate resources to continue to trade for the foreseeable future. Accordingly, they continue to adopt the going concem basis in preparing the financial statements.

Dividend

The results for the Group for the year are shown on page 15.

The directors do not propose the payment of a dividend (2021: Nil).

Board of Directors

The directors listed below have held office during the period from 1 January 2022, up to the date of this report, unless indicated otherwise.

Mr S Althoff	(Chairman).
Mr G K Allen	
Mr A J Annandale	(Resigned 31 December 2022)
Mr N J Moore	(Appointed 28 July 2022)
Mr J L P Whiter	

Directors' and Officers' insurance

The Company provided its directors and officers with a qualifying third party indemnity and cover under an annual directors and officers insurance policy, since 1 January 2022, up to the date of this report.

Directors' responsibilities statement

The directors are responsible for preparing the Directors' responsibilities statement and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law).

Under company law, 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 Group for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements 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 Group and the Company will continue in business.

The directors are also responsible for safeguarding the assets of the Group and the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and the Company and enable them to ensure that the financial statements comply with the Companies Act 2006.

Directors' confirmations

In the case of each director in office at the date that the directors' report is approved:

- so far as the director is aware, there is no relevant audit information of which the Group's auditors are unaware; and
- they have taken all of the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Group's auditors are aware of that information.

Independent auditors

Pursuant to section 487 of the Companies Act 2006, the auditors will be deemed to have been reappointed and PricewaterhouseCoopers LLP will therefore continue in office.

ON BEHALF OF THE BOARD

N Moore

Mr N J Moore
Director

14 July 2023

Independent auditors' report to the member of Argenta Holdings Limited

Report on the audit of the financial statements

Opinion

In our opinion, Argenta Holdings Limited's group financial statements and company financial statements (the "financial statements"):

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

We have audited the financial statements, included within the Annual Report & Financial Statements (the "Annual Report"), which comprise: *the Consolidated and Company statements of financial position as at 31 December 2022; the Consolidated statement of* comprehensive income, the Consolidated statement of cash flows, and the Consolidated and Company statements of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

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 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.

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.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the group's and the company's ability to continue as a going concern.

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

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, 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 audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. 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 based on these responsibilities.

With respect to the Strategic report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' Report for the year ended 31 December 2022 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the group and company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Directors' responsibilities statement, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they 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 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 company or to cease operations, or have no realistic alternative but to do so.

Auditors' 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 auditors' 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.

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.

Based on our understanding of the group and industry, we identified that the principal risks of non-compliance with laws and regulations related to breaches of UK regulatory principles, such as those governed by the Prudential Regulation Authority and the Financial Conduct Authority, and regulations and bylaws set by the Council of Lloyd's, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries and management bias in accounting estimates. Audit procedures performed by the engagement team included:

- Discussions with management and the compliance function, including consideration of known or suspected instances of fraud and non-compliance with laws and regulations;
- Reviewing relevant meeting minutes of the Company and its subsidiaries, including those of the Board and correspondence with regulatory authorities, including Lloyd's of London, Prudential Regulation Authority and the Financial Conduct Authority;
- Testing journal entries and other adjustments for appropriateness, testing accounting estimates (because of the risk of management bias); and
- Designing audit procedures to incorporate unpredictability around the nature, timing or extent of our testing.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

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 auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's member as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.

Alexis Gish

Alexis Gish (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
15 July 2023

Argenta Holdings Limited

Consolidated Statement of Comprehensive Income
For the year ended 31 December 2022

Continuing operations:	Note	2022 £000	2021 £000
TECHNICAL ACCOUNT - GENERAL BUSINESS			
Earned premiums, net of reinsurance			
Gross premiums written	5	138,344	108,561
Outward reinsurance premiums		(94,828)	(75,010)
Net premiums written		43,516	33,551
Change in provision for unearned premiums			
Gross amount		(7,801)	5,508
Reinsurers' share		6,400	(1,268)
		(1,401)	4,240
Earned premiums net of reinsurance		42,115	37,791
Allocated investment return transferred from the non-technical account		608	69
Total technical income		42,723	37,860
Claims incurred, net of reinsurance			
Claims paid:			
Gross amount		(52,608)	(52,768)
Reinsurers' share		35,033	31,335
Net claims paid		(17,575)	(21,433)
Change in the provision for claims:			
Gross amount		(23,446)	(9,476)
Reinsurers' share		18,413	11,439
Change in the net provision for claims		(5,033)	1,963
Claims incurred, net of reinsurance		(22,608)	(19,470)
Net operating expenses	6	(19,421)	(17,107)
Balance on the technical account for general business		694	1,283

Argenta Holdings Limited

Consolidated Statement of Comprehensive Income (continued)
For the year ended 31 December 2022

	Note	2022 £000	2021 £000
NON-TECHNICAL ACCOUNT			
Balance on the general business technical account		694	1,283
Investment income	7	2,326	813
Net unrealised losses on investments	7	(1,128)	(617)
Investment expenses and charges	7	(102)	(82)
Allocated investment return transferred to the general business technical account		(608)	(69)
Income from other activities	8	25,056	22,691
Total income		26,238	24,019
Interest payable		-	(27)
Operating expenses		(20,900)	(19,267)
Profit on ordinary activities before tax	9	5,338	4,725
Tax charge on profit on ordinary activities	12	(783)	(680)
Profit for the year attributable to the owners of the Company		4,555	4,045
Other comprehensive expense		(284)	(72)
Total comprehensive income attributable to the owners of the Company		4,271	3,973

The notes on pages 22 to 62 form an integral part of these financial statements.

Argenta Holdings Limited

Consolidated Statement of Financial Position
As at 31 December 2022

		2022			Restated 2021		
	Note	Syndicate £000	Non-syndicate £000	Total £000	Syndicate £000	Non-syndicate £000	Total £000
ASSETS							
Intangible assets							
Goodwill	13	-	794	794	-	996	996
Other intangible assets	13	-	783	783	-	863	863
		-	1,577	1,577	-	1,859	1,859
Tangible fixed assets	14	-	2,268	2,268	-	1,270	1,270
Investments							
Financial investments	16	114,869	10,016	124,885	76,043	8,700	84,743
Deposits with ceding undertakings		415	-	415	315	-	315
		115,284	10,016	125,300	76,358	8,700	85,058
Reinsurers' share of technical provisions							
Provision for unearned premiums	23	18,536	22,646	41,182	15,870	17,425	33,295
Claims outstanding	24	72,173	39,661	111,834	65,575	26,185	91,760
		90,709	62,307	153,016	81,445	43,610	125,055
Debtors due within one year							
Debtors arising out of direct insurance operations		36,011	-	36,011	27,482	-	27,482
Debtors arising out of reinsurance operations		33,562	83,312	116,874	22,443	66,406	88,849
Other debtors	18	7,301	16,778	24,079	18,739	8,510	27,249
		76,874	100,090	176,964	68,664	74,916	143,580
Debtors due after one year							
Debtors arising out of direct insurance operations	18	1	-	1	2	-	2
Other assets							
Cash at bank and in hand		8,146	58,144	66,290	6,777	58,903	65,680
Other assets	20	17,030	-	17,030	16,272	-	16,272
		25,176	58,144	83,320	23,049	58,903	81,952
Prepayments and accrued income							
Accrued interest		28	1,448	1,476	5	1,144	1,149
Deferred acquisition costs	21	17,752	-	17,752	13,969	-	13,969
Other prepayments and accrued income		754	325	1,079	478	374	852
		18,534	1,773	20,307	14,452	1,518	15,970
TOTAL ASSETS		326,578	236,175	562,753	263,970	190,776	454,746

Consolidated Statement of Financial Position (continued)
As at 31 December 2022

		2022			Restated 2021		
	Note	Syndicate £000	Non-syndicate £000	Total £000	Syndicate £000	Non-syndicate £000	Total £000
LIABILITIES							
Capital and reserves							
Called up share capital	22	-	271	271	-	271	271
Profit and loss account		1,170	60,594	61,764	2,152	55,341	57,493
Total shareholder's funds		1,170	60,865	62,035	2,152	55,612	57,764
Technical provisions							
Provision for unearned premiums	23	63,158	-	63,158	50,715	-	50,715
Claims outstanding	24	177,966	-	177,966	150,042	-	150,042
		241,124	-	241,124	200,757	-	200,757
Creditors due within one year							
Creditors arising out of direct insurance operations		2,135	-	2,135	2,424	-	2,424
Creditors arising out of reinsurance operations		45,946	137,297	183,243	22,005	100,387	122,392
Other creditors	25	7,949	20,891	28,840	4,818	20,460	25,278
		56,030	158,188	214,218	29,247	120,847	150,094
Creditors due after one year							
Creditors arising out of reinsurance operations		22,073	-	22,073	26,926	-	26,926
Accruals and deferred income		6,181	17,122	23,303	4,888	14,317	19,205
TOTAL LIABILITIES AND EQUITY		326,578	236,175	562,753	263,970	190,776	454,746

The financial statements on pages 14 to 62 were approved and authorised for issue by the Board of Directors on 14 July 2023 and signed on its behalf by:

Mr G K Allen
Director

The notes on pages 22 to 62 form an integral part of these financial statements.

Argenta Holdings Limited

Company Statement of Financial Position
As at 31 December 2022

	Note	2022 £000	2021 £000
Fixed assets			
Tangible fixed assets	15	2,185	1,138
Investments in subsidiary undertakings	17	8,748	8,744
		10,933	9,882
Current assets			
Debtors	19	46,054	41,327
Cash at bank and in hand		6,778	9,995
		52,832	51,322
Current liabilities			
Creditors: amounts falling due within one year	26	(2,572)	(2,269)
Net current assets		50,260	49,053
Net assets		61,193	58,935
Capital and reserves			
Called up share capital	22	271	271
Profit and loss account		60,922	58,664
Total shareholder's funds		61,193	58,935

The Company has elected to take the exemption permitted under Section 408 of the Companies Act 2006 not to present the Company's profit and loss account. The Company's profit for the year was £2,258,000 (2021: £2,474,000).

The financial statements on pages 14 to 62 were approved and authorised for issue by the Board of Directors on 14 July 2023 and signed on its behalf by:

Mr G K Allen
Director

The notes on pages 22 to 62 form an integral part of these financial statements.

Argenta Holdings Limited

Consolidated Statement of Changes in Equity
For the year ended 31 December 2022

	Called up share capital £000	Profit and loss account £000	Total £000
At 1 January 2021	271	53,520	53,791
Other comprehensive expense	-	(72)	(72)
Profit for the year	-	4,045	4,045
At 31 December 2021	271	57,493	57,764
Other comprehensive expense	-	(284)	(284)
Profit for the year	-	4,555	4,555
At 31 December 2022	271	61,764	62,035

Reserves

Profit and loss account
The profit and loss account reserve represents the cumulative profits and losses of the Group.

The notes on pages 22 to 62 form an integral part of these financial statements.

Argenta Holdings Limited

Company Statement of Changes in Equity
For the year ended 31 December 2022

	Called up share capital £000	Profit and loss account £000	Total £000
At 1 January 2021	271	56,190	56,461
Other comprehensive income	-	-	-
Profit for the year	-	2,474	2,474
At 31 December 2021	271	58,664	58,935
Other comprehensive income	-	-	-
Profit for the year	-	2,258	2,258
At 31 December 2022	271	60,922	61,193

Reserves

Profit and loss account
The profit and loss account reserve represents the cumulative profits and losses of the Company.

The notes on pages 22 to 62 form an integral part of these financial statements.

Argenta Holdings Limited

Consolidated Statement of Cash Flows
For the year ended 31 December 2022

	Note	2022 £000	Restated 2021 £000
Profit on ordinary activities before tax		5,338	4,725
Adjustments for:			
Interest receivable		(489)	(45)
Interest payable		-	27
Depreciation of tangible assets	14	414	299
Amortisation of intangible assets	13	477	414
Net exchange (losses)/gains		(361)	103
Operating cash flow before movement in working capital		5,379	5,523
Increase in unearned premiums and outstanding claims		40,367	2,725
Increase in reinsurers' share of unearned premiums and outstanding claims		(27,961)	(9,808)
Increase in debtors		(16,478)	(9,820)
Increase in debtors – RI ops		(16,906)	(24,672)
Increase in prepayments and accrued income		(554)	(462)
(Increase)/decrease in Deferred acquisition costs		(3,783)	1,753
Increase in creditors		59,416	54,503
Increase in accruals and deferred income		4,098	1,735
Investment return		608	69
Interest received		489	18
Movement in other assets/liabilities		(767)	(579)
Exchange differences		(4,889)	(3,411)
Net cash flows generated from operating activities		39,019	17,574
Investing activities			
Investment income received		1,395	633
Purchases of debt and equity instruments		(134,875)	(35,455)
Sale of debt and equity instruments		95,277	18,457
Purchase of derivatives		(44,401)	(11,182)
Sale of derivatives		45,173	11,241
Increase in overseas deposits		(758)	(2,871)
Increase in deposits with ceded undertakings		(100)	(302)
Purchase of tangible assets		(1,433)	(315)
Purchase of intangible assets		(55)	(48)
Disposal of tangible assets		11	9
Net cash flows used in investing activities		(39,766)	(19,833)
Financing activities			
Cash calls made from members' personal reserve funds		9,767	5,617
Members' agents' fee advances		(237)	(240)
Net cash inflow/(outflow) from financing activities		9,530	5,377
Net increase in cash and cash equivalents		8,783	3,118
Cash and cash equivalents at the beginning of the year		85,618	82,882
Exchange differences on opening cash and cash equivalents		1,138	(382)
Cash and cash equivalents at the end of the year		95,539	85,618

Technical account transactions represent the Group's share of the transactions undertaken by Syndicate 2121. The cash flows arising from these transactions are not remitted to, or paid by, the Group but paid into or out of syndicate premiums trust funds held by trustees appointed by the managing agent of the syndicate. If the syndicate's premium trust funds are insufficient for the syndicate to meet its liabilities as they fall due, a cash call is made by the managing agent on all members of the syndicate and the Group pays its share pro-rata. Once a syndicate has effected a reinsurance to close in respect of a year of account, any distributable profit is available for release from the syndicate premiums trust funds to the participating members and any loss is collected from them. The Group receives or pays its pro-rata share of any profit distributed or loss collected.

The consolidated statement of cash flows includes the syndicate flows and cash held within Lloyd's premium trust funds on behalf of the Group's underwriting subsidiaries. During the year there was a decrease in the balances between the syndicate and non-syndicate of £1.0m (2021: increase of £10.2m).

Cash and cash equivalents are made up of cash at bank and in hand of £66,289,000 (2021: £65,680,000) and short-term deposits with financial institutions of £29,250,000 (2021: £19,938,000).

The notes on pages 22 to 62 form an integral part of these financial statements.

1. General information

Argenta Holdings Limited is a limited company incorporated in the United Kingdom and registered in England and Wales. The address of its registered office and principal place of business is 5th Floor, 70 Gracechurch Street, London, EC3V 0XL. The principal activities of the Group are set out in the strategic report on page 3.

All of the Company's underwriting capacity is dedicated to Syndicate 2121 ("the Syndicate").

The Company is a parent undertaking and therefore these consolidated financial statements present the financial information of the Company and its subsidiary undertakings, as well as the Company's individual financial statements.

These financial statements have been presented in sterling as this is the Company's functional and presentational currency, being the currency of the primary economic environment in which the Company operates. All amounts are shown rounded to the nearest £ thousand unless stated otherwise.

2. Basis of preparation and statement of compliance

These financial statements have been prepared in accordance with FRS 102, FRS 103 and applicable legislation, as set out in the Companies Act 2006 and The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008. These financial statements have been prepared under the historical cost convention except for certain financial instruments held at fair value.

FRS 102 allows a qualifying entity certain disclosure exemptions, subject to certain conditions, which have been complied with, including the notification of and no objection to, the use of exemptions by the Company's shareholders. In preparing the Company standalone financial statements, the Company has taken advantage of the following exemptions:

- from disclosing key management personnel compensation, as required by paragraph 7 of Section 33: Related Party Disclosures (note 11);
- from presenting a reconciliation of the number of shares outstanding at the beginning and end of the year, as required by paragraph 12 of Section 4: Statement of Financial Position; and
- from presenting a statement of cash flows, as required by Section 7: Statement of Cash Flows.

Recognition of insurance transactions

The Group is required to recognise its proportion of all the transactions undertaken by the Lloyd's syndicates in which it participates.

For each such syndicate, the Group's proportion of the underwriting transactions, investment return and operating expenses, will be reflected within the Group's statement of comprehensive income. Similarly, its proportion of the syndicate's assets and liabilities will be reflected in the Group's statement of financial position (under the "syndicate" column). The syndicate assets are held subject to trust deeds for the benefit of the Group's insurance creditors. The proportion referred to above is calculated by reference to the Group's participation as a percentage of the syndicate's total capacity.

The Group has delegated sole management and control of its underwriting through each syndicate to the managing agent of the syndicate ("the managing agent") and it has further undertaken not to interfere with the exercise of such management and control. The managing agents of the syndicates are therefore responsible for determining the insurance transactions to be recognised by the Group.

Sources of data

The information used to compile the technical account and the syndicate statement of financial position is based on returns prepared for this purpose by the managing agents of the syndicates ("the returns"). The returns are subject to audit by the syndicate auditors and are based on the audited syndicate returns to Lloyd's and the audited annual reports to syndicate members. The format of the returns is established by Lloyd's and Lloyd's is also responsible for collating the data at a syndicate level and analysing it into corporate member level results.

2. Basis of preparation and statement of compliance (continued)

Basis of consolidation

These consolidated financial statements incorporate the results of the Company and its subsidiary undertakings for the year ended 31 December 2022. A subsidiary undertaking is an entity controlled by the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Where the Group holds less than the majority of the voting powers, but controls the financial and operating policies of an entity by virtue of the contractual arrangement, it accounts for that entity as a subsidiary.

All intra-group transactions, balances, income and expenses are eliminated on consolidation. Where necessary, adjustments are made to the financial statements of Group entities to bring the accounting policies used in line with those used by the Group.

3. Accounting policies

The following principal accounting policies have been applied consistently:

Gross premiums

Gross written premiums comprise the total premiums receivable for the whole period of cover provided by the contracts entered into during the reporting period, regardless of whether these are wholly due for payment in the reporting period, together with any adjustments arising in the reporting period to such premiums receivable in respect of business written in prior reporting periods. They are recognised on the date on which the policy commences. Additional or return premiums are treated as a remeasurement of the initial premium. Gross written premiums are stated gross of brokerage payable and exclude taxes and duties levied on them.

Written premiums include an estimate for pipeline premiums (i.e. premiums written but not reported to the syndicate by the reporting date) relating only to those underlying contracts of insurance where the period of cover has commenced prior to the reporting date. The most significant assumption in this estimate is that current year experience will be consistent with prior experience.

Under some policies, written premiums are adjusted retrospectively in the light of claims experience or where the risk covered cannot be assessed accurately at the commencement of cover. Where written premiums are subject to an increase retrospectively, recognition of any potential increase is deferred until the additional amount can be ascertained with reasonable certainty. Where written premiums are subject to a reduction, a remeasurement taking account of such a reduction is made as soon as there is an obligation to the policyholder.

Premiums written by a syndicate may also include the reinsurance of other insurance carriers on which the Group participates. Gross premiums written may include an amount in respect of a "reinsurance to close" receivable.

Reinsurance premiums

Reinsurance written premiums comprise the total premiums payable for all of the cover provided by contracts entered into in the period, including portfolio premiums payable, and are recognised on the date on which the policy incepts. Premiums include any adjustments arising in the accounting period in respect of reinsurance contracts incepting in prior accounting periods.

Under some policies, reinsurance premiums payable are adjusted retrospectively in the light of claims experience or where the risk covered cannot be assessed accurately at the commencement of cover. Where written premiums are subject to an increase retrospectively, any potential increase is recognised as soon as there is an obligation to the reinsurer.

Outwards reinsurance premiums are accounted for and earned in the same accounting period as the premiums for the related direct or inwards business being reinsured.

Claims

Claims include all claims occurring during the year, whether reported or not, related internal and external claims handling costs that are directly related to the processing and settlement of claims, a reduction for the value of salvage and other recoveries, and any adjustments to claims outstanding from previous years.

Reinsurance claims are recognised when the related gross insurance claim is recognised according to the terms of the relevant contract.

3. Accounting policies (continued)

Claims incurred comprise claims and settlement expenses (both internal and external) paid in the year and the movement in provision for outstanding claims and settlement expenses, including an allowance for the cost of claims incurred by the reporting date but not reported until after the year end. Claims outstanding are reduced by anticipated salvage and other recoveries.

Technical provisions

Technical provisions comprise claims outstanding, provisions for unearned premiums and provisions for unexpired risks.

Claims outstanding

The outstanding claims provision is based on the estimated ultimate cost of all claims incurred but not settled at the reporting date, whether reported or not, together with related claims handling costs and reduction for the expected value of salvage and other recoveries. Delays can be experienced in the notification and settlement of certain types of claims, therefore, the ultimate cost of these cannot be known with certainty at the reporting date. The liability is calculated at the reporting date using a range of standard actuarial claim projection techniques, based on empirical data and current assumptions that may include a margin for adverse deviation. The liability is not discounted for the time value of money.

Provisions for unearned premiums

Unearned premiums are those proportions of premiums written in a year that relate to periods of risk after the reporting date. In respect of general insurance business, written premiums are recognised as earned over the period of the policy on a time apportionment basis having regard, where appropriate, to the incidence of risk. The proportion attributable to subsequent periods is deferred as a provision for unearned premiums.

Unearned reinsurance premiums are those proportions of premiums written in a year that relate to periods of risk after the reporting date. Unearned reinsurance premiums are deferred over the term of the underlying direct insurance policies for risks attaching contracts and over the term of the reinsurance contract for losses occurring contracts.

Unexpired risks

A liability adequacy provision (the unexpired risks provision) is made where the cost of claims and expenses arising after the end of the financial year from contracts concluded before that date, is expected to exceed the provision for unearned premiums, net of deferred acquisition costs.

The assessment of whether a provision is necessary is made by considering separately each category of business on the basis of information available at the reporting date, after offsetting surpluses and deficits arising on products which are managed together. Investment income is taken into account in calculating the provision.

At 31 December 2022 and 31 December 2021 the Group did not have an unexpired risks provision.

Deferred acquisition costs

Acquisition costs comprise costs arising from the conclusion of insurance and reinsurance contracts. They include both direct costs, such as intermediary commissions or the cost of drawing up the insurance document or including the insurance contract in the portfolio, and indirect costs, such as the advertising costs or the administrative expenses connected with the processing of proposals and the issuing of policies.

Deferred acquisition costs are costs arising from the conclusion of insurance and reinsurance contracts that are incurred during the reporting period but which relate to a subsequent reporting period and which are carried forward to subsequent reporting periods.

Deferred acquisition costs are amortised over the period in which the related premiums are earned.

The reinsurers' share of deferred acquisition costs is amortised in the same manner as the underlying asset amortisation is recorded in the income statement.

Commissions receivable on outwards reinsurance contracts are deferred and amortised over the same period in which the related gross premiums are earned.

3. Accounting policies (continued)

Reinsurance to close

A reinsurance to close is a particular type of reinsurance contract entered into by Lloyd's syndicates. Under it, underwriting members (the reinsured members) who are members of a syndicate for a year of account (the closed year), agree with underwriting members who comprise that or another syndicate for a later year of account (the reinsuring members) that the reinsuring members will indemnify, discharge or procure the discharge, of the reinsured members against all known and unknown liabilities of the reinsured members arising out of insurance business undertaken through that syndicate and allocated to the closed year for consideration of:

a) a premium; and
b) either
  i) the assignment, or agreement to assign, to the reinsuring members of all the rights of the reinsured members arising out of, or in connection with, that insurance business (including without limitation the right to receive all future premiums, reinsurances and other monies receivable in connection with that insurance business); or
  ii) an agreement by the reinsured members that the reinsuring members shall collect on behalf of the reinsured members the proceeds of all such rights and retain them for their own benefit so far as they are not applied in discharge of the liabilities of the reinsured members.

Where the reinsurance to close is between members on successive years of account of the same syndicate, the managing agent has a duty to ensure both sets of members are treated equitably and to set the reinsurance to close with the intention that neither a profit nor a loss accrues to either group of members.

To the extent that the Group participates on successive years of account of the same syndicate and there is a reinsurance to close between those years, the Group has offset its share of the reinsurance to close received against its share of the reinsurance to close paid.

If the Group has increased its participation from one year of account to the next, the reinsurance to close paid is eliminated, as a result of this offset, leaving an element of the reinsurance to close received. This reflects the fact that the Group has assumed a greater proportion of the business of the syndicate. If the Group has reduced its participation from one year of account to the next, the reinsurance to close received is eliminated, leaving an element of the reinsurance to close paid. This reflects the reduction in the Group's exposure to risks previously written by the syndicate.

The reinsurance to close is technically a reinsurance contract and, as such, the payment of a reinsurance to close does not remove from members of that year of account ultimate responsibility for claims payable on risks they have written. If the reinsuring members under the reinsurance to close become insolvent and the other elements of the Lloyd's chain of security also fail, the reinsured members remain theoretically liable for the settlement of any outstanding claims.

However, payment of a reinsurance to close is conventionally accepted as terminating a reinsured member's participation on a syndicate year of account and it is treated for accounts purposes as settling all the Group's outstanding gross liabilities in respect of the business so reinsured. Due to the uncertainties relating to the underwriting losses from the COVID-19 pandemic, the managing agent of the Syndicate left the 2019 year of account open at its natural close date. However, the 2019 year of account has closed this year along with the 2020 year of account into the 2021 year of account.

Insurance contracts – product classification

Insurance contracts are those contracts when the Group (the insurer/reinsurer) has accepted significant insurance risk from another party (the policyholder or re/insured) by agreeing to compensate the policyholder if a specified uncertain future event (the re/insured event) adversely affects the policyholder. As a general guideline, the Group determines whether it has significant insurance risk, by comparing benefits paid with benefits payable if the insured event did not occur. Insurance contracts can also transfer financial risk.

Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during this period, unless all rights and obligations are extinguished or expire.

Any separable embedded derivatives within an insurance contract are separated and accounted for in accordance with sections 11 and 12 of FRS 102 unless the embedded derivative is itself an insurance contract (i.e. the derivative is not separated if the policyholder benefits from the derivative only when the insured event occurs).

3. Accounting policies (continued)

Participation deeds

In accordance with Lloyd's requirements the Group is required to deposit funds, known as Funds at Lloyd's ("FAL"), with the Corporation of Lloyd's to support its underwriting activities. The amount of FAL required is determined by Lloyd's through the Economic Capital Assessment ("ECA") based on the perceived level of risk the Group underwrites through its syndicate participations.

The Group entered into arrangements with third party capital providers to provide some or all of the required FAL on a year of account specific basis. These arrangements are referred to as "participation deeds" and are member level reinsurance contracts on either a proportional or a non-proportional basis.

In the event that the Group makes a loss through its syndicate participations on any particular year of account, the FAL provider may be required to meet its share of the loss in line with terms of the participation deed. For providing this reinsurance, the FAL provider may be entitled to a fee or to receive a share of any profit the Group makes through its syndicate participations on any particular year of account, in line with the terms of the participation deed.

Where a fee is payable by the Group for the depositing of FAL by external parties this is recorded through "operating expenses" in the non-technical account in the first twelve months of a year of account. For proportional arrangements, at the end of each calendar year, an assessment is made of any net amounts payable to or receivable from the FAL providers based on the performance of the Group's syndicate participations and the terms of the participation deed. Movements in these balances are recorded through the reinsurance lines in the technical account and amounts receivable or payable are recorded in the "non-syndicate" column of the statement of financial position.

Investment return

Dividends are recognised when the investments to which they relate are declared 'ex-dividend'. Interest income is recognised on a time proportionate basis taking into account effective interest yield.

Unrealised and realised gains and losses on financial investments are recognised based on the appropriate classification of financial investments and are covered in detail under the accounting policy for financial investments.

An allocation of actual investment return on investments supporting the general insurance technical provisions and associated members' balance is made from the non-technical account to the technical account. Investment return related to non-insurance business and members' balance is attributed to the non-technical account. Syndicate investment return has been allocated to the technical account. Non-syndicate investment return is attributable to the non-technical account.

Foreign currencies

The Group's functional and presentational currency is sterling. Transactions denominated in currencies other than the functional currency are initially recorded in the functional currency at the exchange rate ruling at the date of the transactions or at an approximate average rate.

Monetary assets and liabilities (which include all assets and liabilities arising from insurance contracts including unearned premiums and deferred acquisition costs) denominated in foreign currencies are retranslated into the functional currency at the exchange rate ruling on the reporting date.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction and are not subsequently restated. Non-monetary items denominated in a foreign currency, measured at fair value, are translated into the functional currency using the exchange rate ruling at the date when the fair value was determined. Non-monetary items arising on the acquisition of a foreign operation and measured at fair value in a foreign currency are translated at the rate of exchange ruling on the reporting date.

Exchange differences are recorded in the non-technical account and foreign operation currency translation differences are recorded in other comprehensive income.

3. Accounting policies (continued)

Income from other activities

Income from other activities is measured at the fair value of the consideration received or receivable and represents amounts for the provision of services, net of sales-related taxes.

Management fees receivable annually in advance and commission income are deferred and recognised as income over the period in which the services are performed.

Underwriting profit commission is recognised as income when the contractual right to receive it is established, but only to the extent that it can be estimated with sufficient reliability.

Other income relating to services rendered is recognised as income when the services are performed.

Employee benefits

Retirement benefits

The Group operates a defined contribution pension scheme, the assets of which are held separately from those of the Group in independently administered funds. Contributions are charged to the profit or loss in the year to which the contributions relate.

As required by law, AUA makes contributions in Singapore to a defined contribution scheme, the Central Provident Fund ("CPF"). AUA is also required to make contributions in Australia in relation to the Superannuation Guarantee ("SG"). CPF and SG contributions are recognised as a compensation expense in the same period as gives rise to the contributions.

Short-term benefits

Short-term benefits, including holiday pay and other similar non-monetary benefits, are recognised as an expense in the period in which the service is received. An accrual is recognised for long service leave in relation to AUA's Australia branch and for short-term compensated absences where entitlement has accumulated, but has not been taken, at the reporting date.

Share-based payments

The cost of equity-settled share-based payments is measured by reference to the fair value of the share options at the date at which they are granted and is recognised as an expense over the vesting period, which ends on the date at which the relevant employees become fully entitled to the award. In accordance with FRS 102, the fair value of the share options at the date of grant is determined using an appropriate pricing model, observable market price, or an alternative valuation methodology. In valuing equity settled transactions, no account is taken of any vesting conditions, other than conditions linked to the price of the shares (market conditions).

No expense is recognised for rewards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

At each reporting date, before vesting the cumulative expense is calculated representing the extent to which the vesting period has expired and management's best estimate of the achievement or otherwise of non-market conditions on the number of equity instruments that will ultimately vest or in a case where an instrument is subject to a market condition, be treated as vesting as described above. The movement in cumulative expense since the previous balance sheet date is recognised in the profit or loss account with a corresponding entry in equity.

Financial investments

As permitted by FRS 102, the Group has elected to apply the recognition and measurement provisions of sections 11 and 12 in full to account for all of its financial instruments.

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument.

All financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value (which is normally the transaction price excluding transaction costs), unless the arrangement constitutes a financing transaction. If an arrangement constitutes a financing transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument. Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

3. Accounting policies (continued)

Derivative financial instruments

The Group uses derivative financial instruments to reduce exposure to foreign exchange risk and interest rate movements. The Group does not hold or issue derivative financial instruments for speculative purposes. Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at banks and in hand and short term deposits with an original maturity date of three months or less. For the purpose of the cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts if applicable.

Fair value of financial assets

The Group uses the following hierarchy for determining the fair value of financial instruments by valuation technique:

- Level 1: The unadjusted quoted price in an active market for identical assets or liabilities that the entity can access at the measurement date.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable (i.e. developed using market data) for the asset or liability, whether directly or indirectly.
- Level 3: Inputs are unobservable (i.e. for which market data is unavailable) for the asset or liability.

See note 16 for details of financial instruments classified by fair value hierarchy.

Impairment of financial assets

For financial assets not held at fair value through profit or loss, the Group assesses at each reporting date whether the financial asset or group of financial assets is impaired. The Group first assesses whether objective evidence of impairment exists for financial assets. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment.

Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in the collective assessment of impairment.

Derecognition of financial assets

A financial asset or, when applicable, a part of a financial asset is derecognised when:

- The rights to the cash flows from the asset have expired; or
- The Group retains the right to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass–through' arrangement and either (a) the Group has transferred substantially all the risks and rewards of the asset; or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its right to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay. In that case, the Group also recognises an associated liability.

Offsetting of financial instruments

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

3. Accounting policies (continued)

Financial liabilities

The Group's financial liabilities include trade and other payables, borrowings, insurance payables and derivative financial instruments, where applicable. All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs. Trade and other payables and loans and borrowings are subsequently measured at amortised cost using the Effective Interest Rate ("EIR") method. Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the EIR method amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the EIR. The EIR amortisation is included in investment return in the profit or loss.

Derivative financial liabilities are subsequently measured at fair value through profit or loss. A financial liability is derecognised when the obligation under the liability is discharged or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of the existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective amounts is recognised in profit or loss.

Reinsurance assets

The Group cedes insurance risk in the normal course of business for all of its areas of operation. Reinsurance assets represent balances due from reinsurance companies. Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision or settled claims associated with the reinsurer's policies and are in accordance with the related reinsurance contract.

Reinsurance assets are reviewed for impairment at each reporting date, or more frequently, when an indication of impairment arises during the reporting year. Impairment occurs when there is objective evidence as a result of an event that occurred after initial recognition of the reinsurance asset that the Group may not receive all outstanding amounts due under the terms of the contract and the event has a reliably measurable impact on the amounts that the Group will receive from the reinsurer. The impairment loss is recorded in the income statement.

Gains or losses on buying reinsurance are recognised in the income statement immediately at the date of purchase and are not amortised. There were no such gains recognised in 2022 or 2021.

Ceded reinsurance arrangements do not relieve the Group from its obligations to policyholders.

Insurance receivables

Insurance receivables are recognised when due and measured on initial recognition at the fair value of the consideration delivered or deliverable. Subsequent to initial recognition, insurance receivables are measured at amortised cost, using the EIR method. The carrying value of insurance receivables is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable, with the impairment loss recorded in the income statement.

Insurance receivables are derecognised when the derecognition criteria for financial assets have been met.

Insurance payables

Insurance payables are recognised when due and measured on initial recognition at the fair value of the consideration received less directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the EIR method. Insurance payables are derecognised when the obligation under the liability is settled, cancelled or expired.

Goodwill and other intangible assets

Goodwill represents the excess of the sum of the fair value of the consideration transferred in a business combination, over the net fair value of the identifiable assets and liabilities. Goodwill is initially measured at cost and subsequently measured at cost less any accumulated impairment losses and less any accumulated amortisation. Goodwill is tested for impairment annually and whenever there is an indication that the goodwill may be impaired. Intangible assets with finite lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated impairment losses and less any accumulated amortisation. Intangible assets are tested for impairment whenever there is an indication that the intangible asset may be impaired. Goodwill and intangible assets are being amortised over their estimated useful lives. Annual amortisation rates are as follows:

Goodwill	10%
Intangible asset - customer relationships	12.5%
Intangible asset - software	20%
Intangible asset - purchased capacity	10%

3. Accounting policies (continued)

Tangible fixed assets

Tangible fixed assets comprise office fixtures and equipment, computer equipment and motor vehicles which are initially recognised at cost, being the purchase price plus any directly attributable costs, and are subsequently measured at cost less accumulated depreciation and impairment losses.

Depreciation is charged on a straight line basis to profit or loss so as to allocate the asset's cost, less its estimated residual value, over its estimated useful life. Annual depreciation rates are as follows:

Office fixtures and equipment	10% - 20%
Computer equipment	20% - 100%
Motor vehicles	12.5% - 20%

Tangible fixed assets are tested for impairment where an indication of impairment exists at the reporting date.

Investments in subsidiary undertakings

Investments in subsidiary undertakings are measured at cost less impairment. Investments are tested for impairment where an indication of impairment exists at the reporting date.

Debtors

Debtors are initially recognised at the transaction price, including any transaction costs, and are subsequently measured at amortised cost using the EIR method, less any provision for impairment. Amounts that are receivable within one year are measured at the undiscounted amount expected to be receivable, net of any impairment. Where a financial asset constitutes a financing transaction it is initially and subsequently measured at the present value of the future payments, discounted at a market rate of interest.

Impairment of assets

At each reporting date, the Group reviews the carrying value of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss.

The recoverable amount of an asset is the higher of fair value less costs to sell and value in use. Value in use is the present value of the future cash flows expected to be derived from the asset. The present value calculation involves estimating the future cash inflows and outflows to be derived from continuing use of the asset, and from its ultimate disposal, applying an appropriate discount rate to those future cash flows.

Where the recoverable amount of an asset is less than the carrying amount, an impairment loss is recognised immediately in profit or loss. An impairment loss recognised for all assets is reversed in a subsequent year if, and only if, the reasons for the impairment loss have ceased to apply.

Creditors

Creditors are initially measured at the transaction price, including any transaction costs, and are subsequently measured at amortised cost using the EIR method. Amounts that are payable within one year are measured at the undiscounted amount expected to be payable. Where a financial liability constitutes a financing transaction it is initially and subsequently measured at the present value of the future payments, discounted at a market rate of interest.

3. Accounting policies (continued)

Taxation

The tax expense for the year comprises current and deferred tax. Tax currently payable, relating to UK corporation tax, is calculated on the basis of the tax rates and laws that have been enacted or substantively enacted as at the reporting date.

The Group is taxed on its share of the underwriting results declared by syndicates and these are deemed to accrue evenly over the calendar year in which they are declared. HM Revenue and Customs determines the taxable results of syndicates on the basis of computations submitted by the managing agent. Any adjustments that may be necessary to the tax provisions established by the Group as a result of HM Revenue and Customs' agreement of individual syndicate taxable results will be reflected in the financial statements of subsequent years. Other profits are assessable to corporation tax in the same year as they are recognised for accounting purposes, after adjustment in accordance with tax legislation.

Deferred tax is recognised on all timing differences that have originated but not reversed at the reporting date. 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 give rise to a deferred tax liability or asset. Timing differences are differences between taxable profits and total comprehensive income as stated in the financial statements that arise from the inclusion of income and expenses in tax assessments in years different from those in which they are recognised in the financial statements.

Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted as at the reporting date, that are expected to apply to the reversal of the timing difference. The tax expense is recognised in the same component of comprehensive income or equity as the transaction or other event that resulted in the tax expense.

Deferred income tax assets are recognised only to the extent that, on the basis of all available evidence, it is deemed probable that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Current and deferred tax assets and liabilities are offset only when there is a legally enforceable right to set off the amounts and there is the intention either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Lease arrangements

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Operating lease rentals are charged on a straight-line basis over the term of the lease. Any benefits receivable as an incentive to enter into an operating lease are spread on a straight-line basis over the lease term.

4. Critical accounting judgements and key sources of estimation uncertainty

In applying the Group's accounting policies, the directors are required to make judgements, estimates and assumptions in determining the carrying amounts of assets and liabilities. The directors' judgements, estimates and assumptions are based on the best and most reliable evidence available at the time when the decisions are made, and are based on historical experience and other factors that are considered to be applicable. Due to the inherent subjectivity involved in making such judgements, estimates and assumptions, the actual results and outcomes may differ. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised, if the revision affects only that year, or in the year of the revision and future years, if the revision affects both current and future years.

In assessing whether there have been any indicators of impairment of assets, the directors have considered both external and internal sources of information such as market conditions, counterparty credit ratings and experience of recoverability.

The critical judgements that the directors have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in the financial statements are discussed below.

Recognition of income

The measurement and recognition of management fees and profit commissions requires the directors to make judgements regarding the period in which the services are performed and the final profits are expected to be achieved. In arriving at these views, the directors considered the scope and scale of activities associated with the role of the agency businesses and the underwriting performance to date.

4. Critical accounting judgements and key sources of estimation uncertainty (continued)

Intangible assets

Intangible asset values relate to a proprietary software system and long standing relationships with customers, acquired with the purchase of the business assets and syndicate capacity purchased as detailed in note 13. The valuation of the software system was estimated using a replacement cost approach. The long standing customer relationships valuation was based on a multi-period excess earnings method that used a discount rate of 10%. It included a discounted cash flow model based on forecast recurring customer income, adjusted for appropriate expenses. Purchased capacity is valued at cost. There is no indication of an impairment and no impairment loss has therefore been recognised for the financial year ended 31 December 2022.

Goodwill

Goodwill relates to the acquisition of the business of an established coverholder, MHIA, with a significant market share in a niche industry sector and with low cost operations that will complement existing operations in Australia. Management test the impairment of goodwill using a discounted cash flow forecast based on assumptions of future growth and inflating costs. There is no indication of an impairment and no impairment loss has therefore been recognised for the financial year ended 31 December 2022.

Insurance contracts

For insurance contracts, estimates have to be made both for the expected ultimate cost of claims reported at the reporting date and for the expected ultimate cost of claims incurred but not yet reported ("IBNR") at the reporting date. It can take a significant period of time before the ultimate claims cost can be established with certainty and for some types of policies, claims IBNR form the majority of the liability in the statement of financial position.

The ultimate cost of outstanding claims is estimated by using a range of standard actuarial claims projection techniques, such as Chain Ladder and Bornhuetter-Ferguson methods.

The main assumption underlying these techniques is that past claims development experience can be used to project future claims development and hence ultimate claims costs. The provision for claims outstanding is based on the estimated ultimate cost of all claims notified but not settled by the reporting date assessed on an individual case basis, together with the provision for related claims handling costs. The provision also includes the estimated cost of claims IBNR at the reporting date based on statistical methods.

These methods generally involve projecting from past experience the development of claims over time to form a view of the likely ultimate claims to be experienced for more recent underwriting, having regard to variations in the business accepted and the underlying terms and conditions. For the most recent years, where a high degree of volatility arises from projections, estimates may be based in part on output from rating and other models of the business accepted and assessments of underwriting conditions. The amount of salvage and subrogation recoveries is separately identified and, where material, reported as an asset.

Similar judgements, estimates and assumptions are employed in the assessment of adequacy of provisions for unearned premiums. Judgement is also required in determining whether the pattern of insurance service provided by a contract requires amortisation of unearned premiums on a basis other than time apportionment. These judgements will have a consequential impact on the estimates of the reinsurers' share of technical provisions. For certain insurance contracts, premium is initially recognised based on estimates of ultimate premiums. These estimates are judgmental and could result in misstatements of revenue recorded in the financial statements. The main assumption underlying these estimates is that past premium development can be used to project future premium development.

Financial assets and financial liabilities

Where the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of discounted cash flow models and/or mathematical models. The inputs to these models are derived from observable market data where possible, but where observable market data is not available, judgement is required to establish fair values. The judgements include considerations of liquidity risk, credit risk and model inputs such as estimated future cash flows based on management's best estimates and discount rates.

For discounted cash flow analysis, estimated future cash flows and discount rates are based on current market information and rates applicable to financial instruments with similar yields, credit quality and maturity characteristics. Estimated future cash flows are influenced by factors such as economic conditions (including country specific risks), concentrations in specific industries, types of instruments or currencies, market liquidity and financial conditions of counterparties. Discount rates are influenced by risk free interest rates and credit risk. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

4. Critical accounting judgements and key sources of estimation uncertainty (continued)

Recoverability of debtors

A provision for debtors is established where it is estimated that the debtors are not considered to be fully recoverable. When assessing recoverability, the directors have considered factors such as the ageing of the receivables, past experience of recoverability and the credit profile of individual or groups of customers.

Calculation of deferred tax

A deferred tax asset is recognised only to the extent that it will be recoverable against the future profits of the Group. The directors have reviewed the business plans and forecasts of the Group and have judged it appropriate that all deferred tax assets be recognised in full except where indicated in note 27.

5. Particulars of business written

2022	Gross premiums written £000	Gross premiums earned £000	Gross claims incurred £000	Gross operating expenses £000	Reinsurance balance £000	Total £000
Direct business:						
Accident and health	(69)	(102)	21	18	(28)	(91)
Motor – third party liability	(57)	(117)	75	(993)	456	(579)
Motor – other classes	2,115	1,947	(824)	(3,183)	704	(1,356)
Marine, aviation and transport	12,929	12,307	(4,080)	(3,205)	(3,773)	1,249
Fire and other damage to property	41,186	37,592	(13,919)	(12,259)	(7,330)	4,084
Third party liability	42,870	41,549	(30,001)	(15,959)	2,886	(1,525)
Credit and suretyship	3,855	4,172	(861)	(1,152)	(1,775)	384
Total direct	102,829	97,348	(49,589)	(36,733)	(8,860)	2,166
Reinsurance business:						
Reinsurance acceptances	35,515	33,195	(26,465)	(8,683)	(127)	(2,080)
Total	138,344	130,543	(76,054)	(45,416)	(8,987)	86

2021	Gross premiums written £000	Gross premiums earned £000	Gross claims incurred £000	Gross operating expenses £000	Reinsurance balance £000	Total £000
Direct business:						
Accident and health	(81)	45	(179)	(50)	140	(44)
Motor – third party liability	(39)	13	13	(771)	213	(532)
Motor – other classes	1,017	1,422	(551)	(3,118)	1,004	(1,243)
Marine, aviation and transport	11,184	11,704	(8,197)	(1,979)	(1,153)	375
Fire and other damage to property	30,258	34,298	(12,839)	(10,507)	(8,311)	2,641
Third party liability	35,779	36,127	(20,395)	(12,766)	(3,227)	(261)
Credit and suretyship	3,628	4,129	(1,982)	(1,125)	(742)	280
Total direct	81,746	87,738	(44,130)	(30,316)	(12,076)	1,216
Reinsurance business:						
Reinsurance acceptances	26,815	26,331	(18,114)	(7,239)	(980)	(2)
Total	108,561	114,069	(62,244)	(37,555)	(13,056)	1,214

All premiums were concluded in the United Kingdom.

Net operating expenses shown in the income statement include an amount of £10.3 million (2021: £10.7m) in respect of commissions on outward reinsurance that have been set off from the gross operating expenses but are included in the reinsurance balance above.

5. Particulars of business written (continued)

A geographical analysis of gross written premiums by destination is as follows:

	2022 £000	2021 £000
United Kingdom	49,784	39,226
EU member states	9,589	5,435
Rest of the world	78,971	63,900
	138,344	108,561

6. Net operating expenses

	2022 £000	2021 £000
Administrative expenses – personal expenses	1,724	1,371
Acquisition costs	44,314	32,151
Change in deferred acquisition costs	(2,643)	1,647
Administrative expenses – other	2,021	2,386
Gross operating expenses	45,416	37,555
Reinsurance commissions	(10,992)	(9,011)
Change in deferred reinsurance commissions	694	(1,656)
Member level quota share reinsurance	(15,697)	(9,781)
	19,421	17,107

Included within acquisition costs are commissions on direct business of £32.6m (2021: £22.6m).

7. Investment return

	2022 £000	2021 £000
Syndicate:		
Income from other financial investments	1,862	1,026
Net losses on realisation of investments		
- designated at fair value through profit or loss	(24)	(258)
Total investment income	1,838	768
Net unrealised losses on investments		
- designated at fair value through profit or loss	(1,128)	(617)
Investment expenses and charges	(102)	(82)
Total investment return	608	69
Non-syndicate:		
Deposit interest	488	45
Total investment return	1,096	114

8. Income from other activities

An analysis of income from other activities by category is as follows:

	2022 £000	2021 £000
Management fees	23,428	21,500
Profit commissions	581	129
Other service fees	1,047	1,062
	25,056	22,691

Income from other activities arises wholly within the United Kingdom with the exception of £7.3m (2021: £6.5m) arising from the service company in Singapore and its Australian branch.

9. Profit on ordinary activities before tax

		2022 £000	2021 £000
The profit/(loss) on ordinary activities before tax is stated after charging:			
Amortisation of intangible assets (note 13)		477	414
Depreciation of tangible fixed assets (note 14)		414	299
Staff costs (note 10)		13,116	11,881
Hire of other assets under operating leases		653	634
Auditors' remuneration		316	291
Audit			
Fees payable to the Company's auditors and their associates for the audit of the Company's annual report and financial statements		48	44
Fees payable to the Company's auditors and their associates for other services to the Company:			
- The audit of the Company's subsidiaries	(a)	100	108
- Other – Lloyd's syndicate	(b)	61	58
Non-audit			
Assurance services			
- Company's subsidiaries	(a)	67	42
- Other – Lloyd's syndicate	(b)	40	40
		316	291

a) The auditors' remuneration for the audit and non-audit services rendered to the Company's subsidiaries.

b) The proportion of fees payable to the Company's auditors and their associates in relation to Syndicate 2121 recognised by Argenta's corporate members based on their participation in the Syndicate. Non-audit services typically relate to regulatory reporting requirements.

10. Employee information

	2022 £000	2021 £000
Salaries and associated expenses:		
Wages, salaries and bonuses	11,287	10,265
Social security costs	1,361	1,167
Other pension costs	468	449
	13,116	11,881

Average number of employees:	2022 Number	2021 Number
Argenta Holdings Limited	36	31
Argenta Private Capital Limited	29	29
Argenta Syndicate Management Limited	120	114
Argenta Tax & Corporate Services Limited	10	9
Argenta Underwriting Asia Pte. Ltd.	36	35
	231	218

11. Directors' emoluments

Emoluments disclosed below relate to amounts paid during the year to the directors who are remunerated specifically for their services to the Group and do not include any amounts accrued but not yet due at the balance sheet date.

	2022 £000	2021 £000
Aggregate remuneration	1,497	748
Company pension contributions	-	-
	1,497	748

During the year none of the directors accrued benefits under a defined contribution scheme (2021: none).

Directors' remuneration includes amounts paid to the highest paid director of:

	2022 £000	2021 £000
Aggregate remuneration	740	405
Company pension contributions	-	-
	740	405

The key management personnel of the Group are considered to be the directors of the Company.

12. Tax charge on profit on ordinary activities

a) Analysis of profit or loss charge in the year

	2022 £000	2021 £000
Current tax:		
Foreign tax	(659)	(628)
Adjustments in respect of prior years	350	116
Total current tax charge	(309)	(512)
Deferred tax:		
Origination and reversal of timing differences	(537)	(597)
Adjustments in respect of prior years	(152)	24
Effect of decreased tax rate on opening liability	215	405
Total deferred tax charge (note 27)	(474)	(168)
Total tax charge	(783)	(680)

b) Factors affecting the tax charge for the year

Tax on profit on ordinary activities for the year is lower (2021: lower) than the standard rate of corporation tax in the UK of 19% (2021: 19%). The differences are reconciled below:

	2022 £000	2021 £000
Profit on ordinary activities before tax	5,338	4,725
Profit on ordinary activities before tax multiplied by standard rate of corporation tax in the UK of 19% (2021: 19%)	(1,014)	(898)
Effects of:		
Expenses not deductible for tax	(11)	(27)
Profits subject to a higher tax rate	(250)	(231)
Adjustments in respect of prior years	198	140
Income not subject to tax	5	(56)
Effect of foreign taxes	74	(13)
Effect of decreased tax rate on opening liability/other differences	215	405
Total tax charge	(783)	(680)

Factors that may affect future tax charges

The increase in the UK corporation tax rate from 19% to 25% was enacted within the Finance Act 2021 and will be effective from 1 April 2023. Deferred tax expected to reverse in the year to 31 December 2023 has been measured using a rate of 23.5%. For years ending after 31 December 2023, the group has used the new tax rate of 25%.

13. Intangible assets

	Goodwill £000	Software £000	Customer relationships £000	Purchased capacity £000	Total £000
Cost:					
At 1 January 2022	2,398	186	882	660	4,126
Exchange differences	118	9	44	-	171
Additions	-	-	-	55	55
At 31 December 2022	2,516	195	926	715	4,352
Accumulated amortisation:					
At 1 January 2022	1,402	186	511	168	2,267
Exchange differences	-	9	22	-	31
Charged in the year	320	-	91	66	477
At 31 December 2022	1,722	195	624	234	2,775
Net book value at 31 December 2022	794	-	302	481	1,577
Net book value at 31 December 2021	996	-	371	492	1,859

Goodwill

On 1 June 2016 AUA acquired the business assets of MHIA, an Australian managing general agent. The consideration was approximately £3.4 million. The fair value of the net tangible liabilities acquired was £0.4 million, the fair value of intangible assets was £1.2 million and the fair value of the goodwill was £2.6 million. The intangible assets relate to the long standing relationships with customers acquired and a software system used within the business.

A significant proportion of the MHIA underwriting activities is underwritten under a binding authority between Syndicate 2121 and AUA's Australian branch in accordance with a licence granted by the Australian Securities and Investment Commission on 19 February 2016.

Software

The software was the primary system used by the MHIA business at the date of acquisition and this continues to be the case at the reporting date. This is fully amortised.

Customer relationships

The value attached to the customer relationships is based on the assumption that customer retention is in excess of 80%. An impairment review would be considered where the renewal rate falls below this level on an annual basis. There is no indication of an impairment for the financial year ended 31 December 2022.

Purchased capacity

Argenta Underwriting No.3 Limited has purchased capacity on Syndicate 2121 at the Lloyd's auctions. In 2017 it paid £281,855 to acquire £10.3m of capacity; in 2019 it paid £147,807 to acquire £7.0m of capacity; in 2020 it paid £181,609 to acquire £61.5m of capacity; in 2021 it paid £48,907 to acquire £19.1m of capacity and in 2022 it paid £54,873 to acquire a further £30.3m of capacity.

14. Tangible fixed assets - Group

	Office fixtures and fittings £000	Motor Vehicles £000	Computer equipment £000	Total £000
Cost:				
At 1 January 2022	2,417	100	538	3,055
Exchange differences	41	5	9	55
Additions	1,273	-	160	1,433
Disposals	-	(41)	-	(41)
At 31 December 2022	3,731	64	707	4,502
Accumulated depreciation:				
At 1 January 2022	1,282	21	482	1,785
Exchange differences	40	1	5	46
Charged in the year	357	9	48	414
Disposals	-	(11)	-	(11)
At 31 December 2022	1,679	20	535	2,234
Net book value at 31 December 2022	2,052	44	172	2,268
Net book value at 31 December 2021	1,135	79	56	1,270

15. Tangible fixed assets - Company

	Office fixtures and fittings £000	Computer equipment £000	Total £000
Cost:			
At 1 January 2022	1,936	386	2,322
Additions	1,270	153	1,423
At 31 December 2022	3,206	539	3,745
Accumulated depreciation:			
At 1 January 2022	810	374	1,184
Charged in the year	355	21	376
At 31 December 2022	1,165	395	1,560
Net book value at 31 December 2022	2,041	144	2,185
Net book value at 31 December 2021	1,126	12	1,138

16. Financial investments – Group

	Cost 2022 £000	Fair value 2022 £000	Listed 2022 £000
Syndicate:			
Shares and other variable yield securities and units in unit trusts	20,758	20,758	11,303
Debt securities and other fixed income securities	87,941	87,101	-
Participation in investment pools	6,978	6,965	-
Loans and deposits with credit institutions	-	-	-
Derivative financial instruments	-	45	-
Other investments	-	-	-
	115,677	114,869	11,303

	Cost 2022 £000	Fair value 2022 £000	Listed 2022 £000
Non-syndicate:			
Shares and other variable yield securities and units in unit trusts	10,016	10,016	-

	Cost 2021 £000	Fair value 2021 £000	Listed 2021 £000
Syndicate:			
Shares and other variable yield securities and units in unit trusts	12,623	12,623	7,840
Debt securities and other fixed income securities	57,394	56,853	-
Participation in investment pools	6,571	6,567	-
Loans and deposits with credit institutions	-	-	-
Derivative financial instruments	-	-	-
	76,588	76,043	7,840

	Cost 2021 £000	Fair value 2021 £000	Listed 2021 £000
Non-syndicate:			
Shares and other variable yield securities and units in unit trusts	8,700	8,700	-

The shares and other variable yield securities and units in unit trusts primarily relate to holdings in highly diversified collective investment schemes. This also includes a Syndicate loan with Lloyd's as part of its capital structure.

There was no material change in fair value for financial instruments held at fair value attributable to own credit risk in the current or comparative period.

There have been no day one profits recognised in respect of financial instruments designated at fair value through profit or loss.

The syndicate's investment managers are permitted to directly purchase derivative financial instruments (interest rate futures) to hedge its interest rate risks. These derivatives are classified as trading instruments.

16. Financial investments – Group (continued)

The following table shows financial investments including overseas deposits (note 20) recorded at fair value analysed between the three levels in the fair value hierarchy.

31 December 2022	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Syndicate:				
Shares and other variable yield securities and units in unit trusts	19,180	-	1,578	20,758
Debt securities and other fixed income securities	-	87,101	-	87,101
Participation in investment pools	-	6,965	-	6,965
Derivative financial instruments	45	-	-	45
Loans and deposits with credit institutions	-	-	-	-
Overseas deposits	3,674	13,356	-	17,030
	22,899	107,422	1,578	131,899
Non-syndicate:				
Shares and other variable yield securities and units in unit trusts	10,016	-	-	10,016

31 December 2021	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Syndicate:				
Shares and other variable yield securities and units in unit trusts	11,046	-	1,577	12,623
Debt securities and other fixed income securities	-	56,853	-	56,853
Participation in investment pools	1	6,566	-	6,567
Derivative financial instruments	-	-	-	-
Loans and deposits with credit institutions	-	-	-	-
Overseas deposits	2,310	13,962	-	16,272
	13,357	77,381	1,577	92,315
Non-syndicate:				
Shares and other variable yield securities and units in unit trusts	8,700	-	-	8,700

Included in the level 1 category are financial assets that are measured by reference to published quotes in an active market. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry syndicate, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis.

Included in the level 2 category are financial assets measured using a valuation technique based on assumptions that are supported by prices from observable current market transactions. For example, assets for which pricing is obtained via pricing services but where prices have not been determined in an active market, financial assets with fair values based on broker quotes, investments in private equity funds with fair values obtained via fund managers and assets that are valued using the Syndicate's and Group's own models whereby the significant inputs into the assumptions are market observable.

Included in the level 3 category, are financial assets measured using a valuation technique (model) based on assumptions that are neither supported by prices from observable current market transactions in the same instrument nor are they based on available market data. Therefore, unobservable inputs reflect the Syndicate's and Group's own assumptions about the assumptions that market participants would use in pricing the asset or liability (including assumptions about risk). These inputs are developed based on the best information available, which might include the Syndicate's and Group's own data.

The asset in the level 3 category is a Syndicate loan with Lloyd's introduced in 2019 as part of Lloyd's capital structure, with further tranches added in 2020.

17. Investment in subsidiary undertakings - Company

	2022	2021
	£000	£000
At 1 January	8,744	8,751
Additions	-	-
Disposal	(56)	-
Exchange adjustment	60	(7)
At 31 December	8,748	8,744

The Company's active subsidiary undertakings at 31 December 2022, incorporated in the United Kingdom in which it holds 100% of the ordinary voting shares of £1 each were Argenta Private Capital Limited, Argenta Tax & Corporate Services Limited, Argenta Underwriting No.2 Limited, Argenta Underwriting No.3 Limited, Argenta Underwriting No.9 Limited, Argenta Underwriting No.10 Limited, Argenta Underwriting No.11 Limited and Residual Services Limited.

The Company also has an active subsidiary undertaking, incorporated in the United Kingdom in which it holds 100% of the ordinary voting shares of 1p each called Argenta Syndicate Management Limited and an active subsidiary undertaking, incorporated in Singapore in which it holds 100% of the ordinary voting shares of 1c each called Argenta Underwriting Asia Pte. Ltd.

The Company's dormant subsidiary undertakings at 31 December 2022, incorporated in the United Kingdom with 100% of ordinary voting shares of £1 each were APCL Corporate Director No.1 Limited, APCL Corporate Director No.2 Limited, Argenta Continuity Limited, Argenta General Partner Limited, Argenta General Partner II LLP, Argenta LLP Services Limited, Argenta Secretariat Limited, Argenta SLP Continuity Limited, Argenta Underwriting No.1 Limited, Argenta Underwriting No.4 Limited, Argenta Underwriting No.7 Limited, Fountain Continuity Limited, Names Taxation Services Limited, Residual Services Corporate Director Limited, RSL No.1 Limited (formerly R A Lee Underwriting Limited), RSL No.2 Limited (formerly Frank Barber Underwriting Limited), RSL No.3 Limited (formerly Jaycee Underwriting Limited), RSL No.4 Limited (formerly Callewa Underwriting Limited, RSL No.5 Limited (formerly Grayfield Underwriting Limited), RSL No.6 Limited (formerly Mortlake Underwriting Limited), RSL No.7 Limited (formerly Bouncer Underwriting Limited), RSL No.8 Limited (formerly Abacus Corporate Capital Member Limited), RSL No.9 Limited (formerly Redcar Underwriting Limited), RSL No.10 Limited (formerly Northfield Partners Limited), RSL No.11 Limited (formerly Crest Underwriting Limited), RSL No.12 Limited (formerly Ben Rinnes Underwriting Limited), RSL No.13 Limited (formerly Amco Underwriting Limited), RSL No.14 Limited (formerly FMJ Investment Limited), RSL No.15 Limited (formerly Trumpeldor Underwriting Limited), RSL No.16 Limited (formerly Agate Underwriting Limited), RSL No.17 Limited (formerly Plough Penny Corporate Capital Member Limited), RSL No.18 Limited (formerly Cowley Underwriting Limited), RSL No.19 Limited (formerly Boscawen Underwriting Limited), RSL No.20 Limited (formerly Augusta Underwriting Limited), RSL No.21 Limited (formerly Tora Underwriting Limited), RSL No.22 Limited (formerly Gregory & Partners Limited), RSL No.23 Limited (formerly RMUW Limited), RSL No.24 Limited (formerly Tarrel Underwriting Limited), RSL No.25 Limited (formerly Sperandum Est Limited), RSL No.26 Limited (formerly H.M. (Underwriting) Limited), RSL No.27 Limited (formerly S B G Underwriting Limited), RSL No.28 Limited (formerly Heico Underwriting Limited), RSL No.29 Limited (formerly Old Broad Street Underwriting Limited), RSL No.30 Limited (formerly Chariot (I) Underwriting Limited), RSL No.31 Limited (formerly Gustavia Underwriting Limited), RSL No.32 Limited (formerly O.A.M. Limited), RSL No.33 Limited (formerly BHC Winton Underwriting Limited), RSL No.34 Limited (formerly BHC Winton Underwriting II Limited), RSL No.35 Limited (formerly BHC Winton Underwriting III Limited), RSL No.36 Limited (formerly Constellation Underwriting Limited), RSL No.37 Limited (formerly Damillo Limited), RSL No.38 Limited (formerly Ritch Underwriting Limited), RSL No.39 Limited (formerly Jefren Underwriting Limited), RSL No.40 Limited (formerly Stanger Underwriting Limited), RSL No.41 Limited (formerly Samaria Limited), RSL No.42 Limited (formerly Sumac Underwriting (UK) Limited), RSL No.43 Limited (formerly Torridon Underwriting Limited), RSL No.44 Limited (formerly Schafer Underwriting Limited) and RSL No.45 Limited (formerly Yarrum Limited)

Argenta No.16 was incorporated on 2 October 2020 and dissolved on 12 January 2021. Argenta No.13 Limited, Argenta No.14 Limited and Argenta No.15 Limited were all dissolved on 16 March 2021.

Argenta Underwriting (Europe) Limited was incorporated in Ireland on 19 January 2022.

17. Investment in subsidiary undertakings – Company (continued)

The Company also had a dormant subsidiary undertaking, incorporated in Labuan in which it held 100% of the ordinary voting shares of $1 each called Argenta Underwriting Labuan Limited. The process for dissolution of this company was completed in August 2022.

The registered office of all subsidiary undertakings is 5th Floor, 70 Gracechurch Street, London, EC3V 0XL, with the exception of Argenta Underwriting Asia Pte. Ltd. whose registered office is 138 Market Street, #04-03, Capita Green, Singapore 048946; Argenta Underwriting (Europe) Limited whose registered office is 6th Floor, 2 Grand Canal Square, Dublin 2, Ireland, D02 A342; and Argenta General Partner Limited, Argenta General Partner II LLP, Argenta SLP Continuity Limited and Fountain Continuity Limited whose registered office is Quartermile One, 15 Lauriston Place, Edinburgh, EH3 9EP.

18. Other debtors – Group

	2022	2021
Syndicate:	£000	£000
Amounts falling due within one year:		
Other debtors	7,301	18,739

	2022	2021
	£000	£000
Amounts falling due after one year:		
Debtors arising out of direct insurance operations	1	2

	2022	2021
Non-syndicate:	£000	£000
Amounts falling due within one year:		
Amounts due under participation deeds and uncalled profits	7,215	-
Deferred taxation (note 27)	4,002	4,476
Amounts due from managed syndicates	1,240	1,029
Other	4,321	3,005
	16,778	8,510

Amounts due from managed syndicates are unsecured, interest free and repayable on demand.

19. Debtors – Company

	2022	2021
	£000	£000
Amounts falling due within one year:		
Amounts owed by group undertakings	43,231	39,123
Deferred taxation (note 28)	1,926	1,193
Other taxation and social security	681	779
Prepayments	-	127
Other	216	105
	46,054	41,327

Amounts owed by group undertakings are unsecured, interest free and repayable on demand.

20. Other assets - Group

	2022 £000	2021 £000
Syndicate:		
Overseas deposits	17,030	16,272

Overseas deposits are made as a condition of carrying on business in various jurisdictions.

21. Deferred acquisition costs - Group

	2022 £000	2021 £000
Syndicate:		
At 1 January	13,969	15,722
Change in deferred acquisition costs	2,643	(1,647)
Foreign exchange	1,140	(106)
At 31 December	17,752	13,969

22. Called up share capital – Group and Company

	2022 Number	2022 £000	2021 Number	2021 £000
Allotted, issued and fully paid ordinary voting "A" shares of 1p each	27,083,340	271	27,083,340	271

The ordinary shares are non-redeemable, have full voting rights and full rights to participate in a distribution.

23. Provision for unearned premiums - Group

2022	Gross £000	Reinsurers' share £000	Net £000
Syndicate:			
At 1 January	50,715	(15,870)	34,845
Change in share of capacity	(202)	86	(116)
Premiums written in the year	138,344	(45,355)	92,989
Premiums earned in the year	(130,543)	44,149	(86,394)
Foreign exchange	4,844	(1,546)	3,298
At 31 December	63,158	(18,536)	44,622

	Gross £000	Reinsurers' share £000	Net £000
Non-syndicate:			
At 1 January	-	(17,425)	(17,425)
Participation agreement change for closing year of account	-	(27)	(27)
Premiums written in the year	-	(49,473)	(49,473)
Premiums earned in the year	-	44,279	44,279
At 31 December	-	(22,646)	(22,646)

23. Provision for unearned premiums – Group (continued)

2021

	Gross £000	Reinsurers' share £000	Net £000
Syndicate:			
At 1 January	56,612	(20,625)	35,987
Premiums written in the year	108,561	(42,769)	65,792
Premiums earned in the year	(114,069)	47,380	(66,689)
Foreign exchange	(389)	144	(245)
At 31 December	50,715	(15,870)	34,845

	Gross £000	Reinsurers' share £000	Net £000
Non-syndicate:			
At 1 January	-	(14,082)	(14,082)
Premiums written in the year	-	(32,241)	(32,241)
Premiums earned in the year	-	28,898	28,898
Foreign exchange	-	-	-
At 31 December	-	(17,425)	(17,425)

24. Claims outstanding - Group

2022

	Gross £000	Reinsurers' share £000	Net £000
Syndicate:			
At 1 January	150,042	(65,575)	84,467
Change in share of capacity	(8,489)	3,562	(4,927)
Claims incurred in current underwriting year	33,074	(13,474)	19,600
Claims incurred in prior underwriting years	42,980	(11,765)	31,215
Claims paid during the year	(52,608)	21,115	(31,493)
Foreign exchange	12,967	(6,036)	6,931
At 31 December	177,966	(72,173)	105,793

	Gross £000	Reinsurers' share £000	Net £000
Non-syndicate:			
At 1 January	-	(26,185)	(26,185)
Participation agreement change for closing year of account	-	814	814
Claims incurred in current underwriting year	-	(12,243)	(12,243)
Claims incurred in prior underwriting years	-	(15,965)	(15,965)
Claims paid during the year	-	13,918	13,918
Foreign exchange	-	-	-
At 31 December	-	(39,661)	(39,661)

24. Claims outstanding – Group (continued)

2021	Gross £000	Reinsurers' share £000	Net £000
Syndicate:			
At 1 January	141,420	(63,164)	78,256
Change in share of capacity	-	-	-
Claims incurred in current underwriting year	25,183	(8,980)	16,203
Claims incurred in prior underwriting years	37,061	(15,340)	21,721
Claims paid during the year	(52,768)	21,690	(31,078)
Foreign exchange	(854)	219	(635)
At 31 December	150,042	(65,575)	84,467

	Gross £000	Reinsurers' share £000	Net £000
Non-syndicate:			
At 1 January	-	(17,376)	(17,376)
Participation agreement change for closing year of account	-	-	-
Claims incurred in current underwriting year	-	(9,311)	(9,311)
Claims incurred in prior underwriting years	-	(9,143)	(9,143)
Claims paid during the year	-	9,645	9,646
Foreign exchange	-	-	-
At 31 December	-	(26,185)	(26,185)

RITC has been treated as a portfolio transfer, having the effect of extinguishing claims. However, in the event that the Lloyd's chain of security fails, the corporate members within the group will still be liable to pay these claims.

25. Other creditors – Group

	2022 £000	2021 £000
Syndicate:		
Amounts falling due within one year:		
Inter-year loans	6,760	4,433
Other	1,189	385
	7,949	4,818

	2022 £000	2021 £000
Non-syndicate:		
Amounts falling due within one year:		
Amounts owed to managed syndicate	8,493	4,786
Amounts payable under participation deeds	5,394	1,378
Taxation and social security	1,319	1,195
Other	5,685	13,101
	20,891	20,460

The amounts owed to managed syndicate are in respect of business underwritten on behalf of the syndicate under binding authority agreements.

26. Creditors: amounts falling due within one year – Company

	2022 £000	2021 £000
Amounts falling due within one year:		
Amounts owed to group undertakings	22	78
Taxation and social security	928	763
Other creditors	8	5
Accruals and deferred income	1,614	1,423
	2,572	2,269

Amounts due to group undertakings are unsecured, interest free and repayable on demand.

27. Deferred tax – Group

	2022 £000	2021 £000
At 1 January	(4,476)	(4,644)
Charge to profit or loss in the year	322	192
Adjustments in respect of prior years	152	(24)
At 31 December	(4,002)	(4,476)
The deferred tax asset at 31 December is made up of:		
Accelerated capital allowances	78	44
Double taxation relief	(1,206)	(1,095)
Tax losses	(2,714)	(1,855)
Accruals and other timing differences	(287)	(258)
Customer relationships	70	134
Timing difference on underwriting results	57	(1,446)
	(4,002)	(4,476)

The deferred tax asset expected to reverse in 2023 is £442,000. This primarily relates to the reversal of timing differences on the utilisation of double taxation relief and tax losses against underwriting results and trading profits.

The deferred tax liability expected to reverse in 2023 is £58,000. This primarily relates to the reversal of timing differences on the underwriting results.

The Group had no unrecognised deferred tax asset at the year end (2021: £nil) in respect of crystallised tax losses and underwriting losses not yet brought into tax.

28. Deferred tax – Company

	2022 £000	2021 £000
At 1 January	(1,193)	(821)
Charge to profit or loss in the year	(474)	(317)
Effects of a change in rate	(201)	(251)
Adjustments in respect of prior years	(58)	196
At 31 December	(1,926)	(1,193)
The deferred tax asset at 31 December is made up of:		
Decelerated capital allowances	90	58
Tax losses	(2,016)	(1,251)
	(1,926)	(1,193)

The deferred tax asset expected to reverse in 2023 is £254,000. This is in relation to tax losses.

The deferred tax liability expected to reverse in 2023 is £12,100. This is in relation to timing differences on capital allowances.

29. Insurance risk and financial risk management

The Group is principally exposed to insurance risk and financial risk through its participation on the Syndicate. The Group has delegated sole management and control of its underwriting to the managing agent of the Syndicate and the policies, procedures and internal controls of the managing agent are used to manage the Syndicate's exposures to insurance risk, credit risk, market risk and liquidity risk. The Group is also directly exposed to credit risk, market risk and liquidity risk.

Information relating to the risk environment of the Syndicate has been obtained from the Syndicate's report and accounts and represents 100% of the Syndicate of which the Group had an 18.3% participation for the most recent year of account (2021: 15.7%).

Insurance risk – Syndicate 2121

General

The principal risk the Syndicate faces under insurance contracts is that the actual claims and benefit payments or the timing thereof, differ from expectations. This is influenced by the frequency of claims, severity of claims, actual benefits paid and subsequent development of long–term claims. Therefore, the objective of the Syndicate is to ensure that sufficient reserves are available to cover these liabilities. References to insurance business should, as appropriate, be understood to include the equivalent reinsurance business underwritten by the Syndicate.

The risk exposure is mitigated by diversification across a large portfolio of insurance contracts and geographical areas. The variability of risks is also improved by careful selection and implementation of underwriting strategy guidelines, as well as the use of reinsurance arrangements.

The Syndicate purchases reinsurance as part of its risk mitigation programme. Reinsurance ceded is placed on both a proportional and non–proportional basis. The majority of proportional reinsurance is quota share reinsurance which is taken out to reduce the overall exposure to certain classes of business. Non–proportional reinsurance is primarily excess of loss reinsurance designed to mitigate the Syndicate's net exposure to catastrophe losses and large individual risk losses. Retention limits for the excess of loss reinsurance vary by product line and territory.

Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision and are in accordance with the reinsurance contracts. Although the Syndicate has reinsurance arrangements, it is not relieved of its direct obligations to its policyholders and thus a credit exposure exists in respect of ceded insurance, to the extent that any reinsurer is unable to meet its obligations assumed under such reinsurance agreements. The Syndicate's placement of reinsurance is diversified such that it is neither dependent on a single reinsurer nor are the operations substantially dependent upon any single reinsurance contract.

The Syndicate principally issues the following types of general insurance contracts: fire and other damage to property; marine, aviation and transport; energy; and third party liability. Risks usually cover twelve months duration.

The most significant risks arise from natural disasters, terrorist activities, cyber attacks, large risk losses and adverse attritional claims experience. For longer tail claims that take some years to settle, there is also inflation risk.

The variability of risks is improved by careful selection and implementation of underwriting strategies, which are designed to ensure that risks are diversified in terms of type of risk and level of insured benefits. This is largely achieved through diversification across industry sectors and geography. Furthermore, strict claim review policies to assess all new and ongoing claims, regular detailed review of claims handling procedures and frequent investigation of possible fraudulent claims are all policies and procedures put in place to reduce the risk exposure of the Syndicate. The Syndicate further enforces a policy of actively managing and promptly pursuing claims, in order to reduce its exposure to unpredictable future developments that can negatively impact the business. Inflation risk is mitigated by taking expected inflation into account where appropriate when estimating insurance contract liabilities.

The Syndicate has also limited its exposure by imposing maximum claim amounts on certain contracts as well as the use of reinsurance arrangements in order to limit exposure to catastrophic events (e.g. hurricanes, earthquakes and flood damage).

The purpose of these underwriting and reinsurance strategies is to limit exposure to catastrophes based on the Syndicate's risk appetite as agreed by the ASML board. The overall aim currently is to restrict the impact of a single Realistic Disaster Scenario (RDS) on a gross of reinsurance basis to less than 80% of the sum of the ECA and business plan profit, and less than 30% on a net of reinsurance basis. The reinsurance counterparty exposure is managed such that the exposure to, for instance, a single 'A' rated reinsurer is estimated not to exceed 10% of the total recoverable amount for the programme. The board may decide to increase or decrease the maximum tolerances based on market conditions and other factors.

The Syndicate uses both its own and commercially available proprietary risk management software to assess catastrophe exposure. However, there is always a risk that the assumptions and techniques used in these models are unreliable or that claims arising from an unmodelled event are greater than those arising from a modelled event.

29. Insurance risk and financial risk management (continued)

As a further guide to the level of catastrophe exposure written by the Syndicate, the following table shows forecast claims arising from various hypothetical catastrophe events for the 2023 year.

These include Realistic Disaster Scenario events, as well as annual aggregate losses in respect of natural catastrophe events that would be expected to occur once every 30 years (30-year loss).

Figures are consistent with the 2023 Syndicate Business Forecast (SBF) approved by Lloyd's, therefore are based on expected risk exposures estimated for the 2023 year.

Catastrophe event	Estimated gross loss £m	Estimated final net loss £m
30-year loss – Whole world natural catastrophe	208	110
30-year loss – US windstorm	133	65
Cyber – Ransomware contagion	66	43
30-year loss – US & Canada earthquake	48	27
Cyber – Major data security breach	35	26

The analysis presented represents 100% of the Syndicate of which the Group has a 7.6% participation in 2023 (2022: 18.3%).

The table below sets out the concentration of the Syndicate's outstanding claim liabilities and unearned premiums by type of contract:

	2022		2021	
	Gross liabilities £'000	Net liabilities £'000	Gross liabilities £'000	Net liabilities £'000
Direct insurance:				
Accident and health	3,473	1,686	3,914	2,195
Motor (other classes)	9,240	5,595	6,724	4,805
Marine, aviation and transport	64,662	47,149	62,605	48,122
Energy	74,668	63,399	71,621	53,857
Fire and other damage to property	262,270	179,260	249,884	160,986
Third party liability	500,838	276,983	359,926	188,303
Pecuniary loss	47,600	20,404	39,669	16,508
	962,751	594,476	794,343	474,776
Reinsurance acceptances:				
Fire and other damage to property	149,444	95,900	104,151	61,693
Marine, aviation and transport	65,286	46,132	57,820	42,284
Motor	12,400	7,585	9,434	5,282
Energy	34,245	26,805	21,979	18,611
Casualty	89,463	49,397	53,523	24,020
	350,838	225,819	246,907	151,890
	1,313,589	820,295	1,041,250	626,666

The geographical concentration of the outstanding claim liabilities and unearned premiums is noted below. The disclosure is based on the domicile of counterparties. The analysis is not expected to be materially different if based on the countries in which the risks are situated.

	2022		2021	
	Gross liabilities £'000	Net liabilities £'000	Gross liabilities £'000	Net liabilities £'000
United Kingdom	554,422	357,702	413,428	259,529
EU member states	61,574	39,387	30,814	19,166
USA	403,536	230,303	261,155	144,041
Canada	59,443	37,495	29,026	16,426
Other	234,614	155,408	306,827	187,504
	1,313,589	820,295	1,041,250	626,666

29. Insurance risk and financial risk management (continued)

Key assumptions

The principal assumption underlying the liability estimates is that the future claims development will follow a similar pattern to past claims development experience. This includes assumptions in respect of claims indemnity costs, claims handling costs and claims inflation for each underwriting year. For more recent years of account, 'a priori' loss ratio selections are also key assumptions in determining the reserves, which are themselves based on historical experience as well as judgements to reflect current underwriting conditions.

Additional qualitative judgements are used to assess the extent to which past trends may not apply in the future, for example: one–off occurrence; changes in market factors; economic conditions; as well as internal factors such as portfolio mix, policy conditions and claims handling procedures. Judgement is further used to assess the extent to which external factors such as judicial decisions and government legislation affect the estimates.

Other key circumstances affecting the reliability of assumptions include the occurrence of large losses, delays in settlement and changes in foreign currency rates.

Sensitivities

The claim liabilities are sensitive to the key assumptions that follow. It has not been possible to quantify the sensitivity of certain assumptions such as legislative changes or uncertainty in the estimation process.

The following analysis is performed for reasonably possible movements in key assumptions with all other assumptions held constant, showing the impact on the Syndicate's gross and net liabilities, result and members' balances (equity). The correlation of assumptions will have a significant effect in determining the ultimate claims liabilities, but to demonstrate the impact due to changes in each assumption, assumptions had to be changed on an individual basis. It should be noted that movements in these assumptions are non–linear.

31 December 2022	Change in assumptions	Impact on gross liabilities £'000	Impact on net liabilities £'000	Impact on result £'000	Impact on equity £'000
"A priori" loss ratios	+5%	30,760	18,905	(19,694)	(19,694)
Incurred claims development patterns	Recede development by 1 month	21,659	14,127	(14,620)	(14,620)

31 December 2021	Change in assumptions	Impact on gross liabilities £'000	Impact on net liabilities £'000	Impact on result £'000	Impact on equity £'000
"A priori" loss ratios	+5%	21,944	12,815	(13,795)	(13,795)
Incurred claims development patterns	Recede development by 1 month	18,775	12,204	(13,180)	(13,180)

The methods used for deriving sensitivity information and the significant assumptions are the same for both periods.

29. Insurance risk and financial risk management (continued)

Claims development table

The following tables show the estimates of the Syndicate's cumulative incurred claims, including both claims notified and IBNR for each successive underwriting year at each reporting date, together with cumulative payments to date. The cumulative claims estimates and cumulative payments are translated to sterling at the rate of exchange that applied at 31 December 2022.

In setting claims provisions the Syndicate gives consideration to the probability and magnitude of future adverse experience. Due to the uncertainty inherent in the estimation process, the actual overall claim provision may not always be in surplus.

Gross insurance contract outstanding claims provision as at 31 December 2022:

Underwriting year	Before 2013	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	Total
Syndicate:	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Estimate of cumulative claims incurred:												
At end of underwriting year		63.4	50.5	67.9	72.7	127.6	131.9	120.0	179.7	177.2	184.9	
12 months later		125.2	112.6	146.0	178.8	230.8	316.2	345.7	364.7	415.1		
24 months later		127.5	112.8	158.3	203.2	274.0	369.4	354.0	396.3			
36 months later		123.4	106.8	163.9	223.6	274.4	361.9	339.6				
48 months later		122.8	112.3	165.7	221.4	285.6	377.0					
60 months later		119.2	111.9	162.0	228.8	299.4						
72 months later		117.6	111.7	163.1	223.8							
84 months later		116.5	110.9	162.3								
96 months later		116.6	109.0									
108 months later		114.4										
Current estimate of cumulative claims incurred		114.4	109.0	162.3	223.8	299.4	377.0	339.6	396.3	415.1	184.9	
Cumulative payments to date		110.5	107.0	150.8	194.7	240.1	301.8	245.4	184.9	110.9	25.1	
Gross outstanding claims provision at 31 December 2022 per the statement of financial position	13.4	3.9	2.0	11.5	29.1	59.3	75.2	94.2	211.4	304.2	159.8	964.0

29. Insurance risk and financial risk management (continued)

Net insurance contract outstanding claims provision as at 31 December 2022:

Underwriting year	Before 2013	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	Total
Syndicate:	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Estimate of cumulative claims incurred:												
At end of underwriting year		58.4	46.8	51.6	59.9	69.3	87.9	75.1	89.7	113.7	109.5	
12 months later		117.2	104.0	121.9	130.5	176.7	199.5	220.3	188.7	278.5		
24 months later		118.8	105.0	127.9	147.5	198.2	227.6	226.2	219.3			
36 months later		114.9	99.4	129.2	152.8	196.5	229.6	226.6				
48 months later		112.1	101.7	130.1	151.7	203.4	236.6					
60 months later		111.9	101.0	127.7	154.9	200.2						
72 months later		109.9	100.9	128.2	153.0							
84 months later		109.3	100.2	128.0								
96 months later		109.4	98.9									
108 months later		108.5										
Current estimate of cumulative claims incurred		108.5	98.9	128.0	153.0	200.2	236.6	226.6	219.3	278.5	109.5	
Cumulative payments to date		104.7	97.2	119.7	137.7	171.8	186.1	155.5	115.9	85.0	20.6	
Net outstanding claims provision at 31 December 2022 per the statement of financial position	8.3	3.8	1.7	8.3	15.3	28.4	50.5	71.1	103.4	193.5	88.9	573.2

The estimate of cumulative claims incurred on an underwriting year will increase whilst premium continues to be earned. This will naturally give rise to an increase in incurred claims in the period up to 24 months beyond the underwriting year.

Russia-Ukraine and COVID-19

Syndicate 2121 has material exposure to losses arising from the Russia-Ukraine conflict and Covid-19 pandemic. This increases the uncertainty of the syndicate's total reserves but does not increase that uncertainty significantly beyond the normal range of uncertainty for the liabilities of an insurance carrier at this stage of development.

Financial risk – credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss to the other party by failing to discharge an obligation.

29. Insurance risk and financial risk management (continued)

Syndicate

The following policies and procedures are in place to mitigate the exposure to credit risk:

- A credit risk policy setting out the assessment and determination of what constitutes credit risk for the Syndicate. Compliance with the policy is monitored and exposures and breaches are reported to the risk framework and compliance committee of the managing agency. The policy is regularly reviewed for pertinence and for changes in the risk environment.
- Net exposure limits are set for each investment counterparty or syndicate of counterparties, with minimum credit quality requirements at a portfolio level.
- Reinsurance is placed with counterparties that have a good credit rating and concentration of risk is avoided by following policy guidelines in respect of counterparties' limits that are set by the third party management group of the managing agency and are subject to regular reviews. At each reporting date management performs an assessment of creditworthiness of reinsurers, ascertaining a suitable allowance for impairment.
- Guidelines determine when to obtain collateral and guarantees.
- The credit risk in respect of customer balances, incurred on non-payment of premiums or contributions, will only persist during the grace period specified in the policy document or trust deed until expiry, when the policy is either paid up or terminated. Commission paid to intermediaries is netted off against amounts receivable from them to reduce the risk of doubtful debts.

Non-syndicate

The Group manages credit risk by ensuring that cash and cash equivalent deposits are placed only with highly rated credit institutions. The Group is not exposed to material credit risk in respect of its debtor balances. The Group did not hold any collateral as security against its debtors, or have any other credit enhancements at the reporting dates.

The tables below show the maximum exposure to credit risk (including an analysis of financial assets exposed to credit risk) for the components of the statement of financial position. The maximum exposure is shown gross, before the effect of mitigation through collateral agreements and the use of credit derivatives. The Syndicate amounts relate to the whole Syndicate.

31 December 2022 Syndicate:	Neither past due nor impaired £'000	Past due £'000	Impaired £'000	Total £'000
Financial investments:				
- Debt securities and other fixed income securities	472,562	-	-	472,562
- Shares and other variable yield securities and units in unit trusts	114,379	-	-	114,379
- Participation in investment pools	39,429	-	-	39,429
- Loans secured by mortgages	-	-	-	-
- Derivative assets	243	-	-	243
- Deposits with credit institutions	-	-	-	-
Deposits with ceding undertakings	2,124	-	-	2,124
Reinsurers' share of claims outstanding	390,750	-	-	390,750
Debtors arising out of insurance operations	300,195	70,628	-	370,823
Other debtors	4,875	-	-	4,875
Cash at bank and in hand	41,877	-	-	41,877
Overseas deposits	91,239	-	-	91,239
	1,457,673	70,628	-	1,528,301
Non-syndicate:				
Cash at bank and in hand	58,144	-	-	58,144
Shares and other variable yield securities and units in unit trusts	10,016	-	-	10,016
	68,160	-	-	68,160

29. Insurance risk and financial risk management (continued)

31 December 2021 - Restated	Neither past due nor impaired	Past due	Impaired	Total
Syndicate:	£'000	£'000	£'000	£'000
Financial investments:				
- Debt securities and other fixed income securities	298,994	-	-	298,994
- Shares and other variable yield securities and units in unit trusts	65,090	-	-	65,090
- Participation in investment pools	34,942	-	-	34,942
- Loans secured by mortgages	-	-	-	-
- Derivative assets	-	-	-	-
- Deposits with credit institutions	-	-	-	-
Deposits with ceding undertakings	1,341	-	-	1,341
Reinsurers' share of claims outstanding	319,353	-	-	319,353
Debtors arising out of insurance operations	188,402	77,063	-	265,465
Other debtors	501	-	-	501
Cash at bank and in hand	35,105	-	-	35,105
Overseas deposits	77,875	-	-	77,875
	1,021,603	77,063	-	1,098,666
Non-syndicate:				
Cash at bank and in hand	58,903	-	-	58,903
Shares and other variable yield securities and units in unit trusts	8,700	-	-	8,700
	67,603	-	-	67,603

Assets which are past due but not impaired include amounts relating to binding authority business as at 31 December 2022. The past due amounts have principally been in arrears for less than 3 months from the reporting date.

The table below provides information regarding the credit risk exposure of the whole Syndicate at 31 December 2022 by classifying assets according to Standard & Poor's credit ratings of the counterparties. AAA is the highest possible rating. Assets that fall outside the range of AAA to BBB are classified as speculative grade and have not been rated. Insurance and Other debtors have been excluded from the table as these are generally not rated.

31 December 2022	AAA	AA	A	BBB	<BBB	Not rated	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Syndicate:							
- Shares and other variable yield securities and units in unit trusts	79,820	-	-	-	-	34,559	114,379
- Debt securities and other fixed income securities	279,888	15,595	134,695	42,384	-	-	472,562
- Participation in investment pools	23,925	6,151	5,586	3,766	-	1	39,429
- Loans secured by mortgages	-	-	-	-	-	-	-
- Deposits with credit institutions	-	-	-	-	-	-	-
- Overseas deposits	35,302	8,638	4,884	4,871	14,835	22,709	91,239
- Derivative assets	243	-	-	-	-	-	243
- Deposits with ceding undertakings	-	-	2,050	-	-	74	2,124
- Reinsurers' share of claims outstanding	-	57,059	331,038	-	-	2,653	390,750
- Cash at bank and in hand	-	-	41,877	-	-	-	41,877
Total credit risk	419,178	87,443	520,130	51,021	14,835	59,996	1,152,603

29. Insurance risk and financial risk management (continued)

31 December 2022	AAA £'000	AA £'000	A £'000	BBB £'000	<BBB £'000	Not rated £'000	Total £'000
Non-syndicate:							
- Cash at bank and in hand	-	-	57,777	-	367	-	58,144
- Shares and other variable yield securities and units in unit trusts	10,016	-	-	-	-	-	10,016
Total credit risk	10,016	-	57,777	-	367	-	68,160

31 December 2021	AAA £'000	AA £'000	A £'000	BBB £'000	<BBB £'000	Not rated £'000	Total £'000
Syndicate:							
- Shares and other variable yield securities and units in unit trusts	49,041	-	-	-	-	16,049	65,090
- Debt securities and other fixed income securities	16,995	199,042	56,838	26,119	-	-	298,994
- Participation in investment pools	15,656	11,787	3,947	3,341	-	211	34,942
- Loans secured by mortgages	-	-	-	-	-	-	-
- Deposits with credit institutions	-	-	-	-	-	-	-
- Overseas deposits	29,269	9,151	4,756	4,984	18,344	11,371	77,875
- Derivative assets	-	-	-	-	-	-	-
- Deposits with ceding undertakings	-	-	1,275	-	-	66	1,341
- Reinsurers' share of claims outstanding	-	38,100	275,800	-	-	5,453	319,353
- Cash at bank and in hand	-	-	35,105	-	-	-	35,105
Total credit risk	110,961	258,080	377,721	34,444	18,344	33,150	832,700
Non-syndicate:							
- Cash at bank and in hand	-	56,989	-	-	1,914	-	58,903
- Shares and other variable yield securities and units in unit trusts	8,700	-	-	-	-	-	8,700
Total credit risk	8,700	56,989	-	-	1,914	-	67,603

Maximum credit exposure

It is the Syndicate's policy to maintain accurate credit ratings across its portfolio of investments and reinsurance counterparties.

Credit ratings are provided regularly by the Syndicate's investment managers and are subject to regular review to ensure any counterparty risk is in line with the Syndicate's risk appetite and complies with the specified investment guidelines. The management of the Syndicate's investments is largely outsourced to professional investment managers who are given clearly defined credit, concentration and asset parameters within which they can operate. Specific provisions are included within the investment guidelines around notification of any credit breaches which would result in action being taken to rectify the position, subject to materiality.

Financial risk – liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with financial instruments. In respect of catastrophic events there is also a liquidity risk associated with the timing differences between gross cash out flows and expected reinsurance recoveries.

29. Insurance risk and financial risk management (continued)

Syndicate

The following policies and procedures are in place to mitigate the Syndicate's exposure to liquidity risk:

- A liquidity risk policy exists that sets out the assessment and determination of what constitutes liquidity risk. Compliance with the policy is monitored and exposures and breaches are reported to the risk framework and compliance committee of the managing agency. The policy is regularly reviewed for pertinence and for changes in the risk environment.
- Guidelines on asset allocation, portfolio limit structures and maturity profiles of assets are set, in order to ensure that sufficient funding is available to meet insurance and investment contracts obligations.

Non-syndicate

The Group manages liquidity by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of assets and liabilities.

Maturity profiles

The table below summarises the maturity profile of the whole Syndicate's and Group's financial liabilities based on remaining undiscounted contractual obligations, including interest payable, and outstanding claim liabilities based on the estimated timing of claim payments resulting from recognised insurance liabilities. Repayments which are subject to notice are treated as if notice were to be given immediately.

31 December 2022	Up to a year £'000	1–3 years £'000	3–5 years £'000	Over 5 years £'000	Total £'000
Syndicate:					
Outstanding claim liabilities	363,249	337,007	135,214	128,523	963,993
Other	258,811	129,790	-	-	388,601
Non-syndicate:					
Other	40,117	118,071	-	-	158,188

31 December 2021	Up to a year £'000	1–3 years £'000	3–5 years £'000	Over 5 years £'000	Total £'000
Syndicate:					
Outstanding claim liabilities	297,065	254,505	95,330	84,172	731,072
Other	178,152	147,547	-	-	325,699
Non-syndicate:					
Other	57,819	63,028	-	-	120,847

29. Insurance risk and financial risk management (continued)

Financial risk – financial market risk

Financial market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Financial market risk comprises three types of risk:

a) Currency risk;
b) Interest rate risk; and
c) Equity price risk.

The following policies and procedures are in place to mitigate the Syndicate's exposure to financial market risk:

- A financial market risk policy exists that sets out the assessment and determination of what constitutes financial market risk for the Syndicate. Compliance with the policy is monitored and exposures and breaches are reported to the managing agent's risk framework and compliance committee. The policy is reviewed regularly for pertinence and for changes in the risk environment.

- Strict control over derivative instruments (e.g. equity derivatives are only permitted to be held to facilitate portfolio management or to reduce investment risk).

- For assets backing outstanding claims provisions, financial market risk is managed by ensuring the duration and profile of assets are aligned to the technical provisions they are backing. This helps manage financial market risk to the extent that changes in the values of assets are matched by a corresponding movement in the values of the technical provisions.

a) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Syndicate

The Syndicate's functional currency is sterling and its exposure to foreign exchange risk arises primarily with respect to transactions in euros, Australian dollars, US dollars and Canadian dollars. The Syndicate seeks to mitigate the risk by regularly seeking to match the estimated foreign currency denominated liabilities with assets denominated in the same currency.

Non-syndicate

The Group's functional currency is sterling. The Group manages currency risk by ensuring that exchange rate exposures are managed within approved policy parameters. Where appropriate the Group uses derivative financial instruments to manage exposure to currency risk. The Group is not currently exposed to material currency risk in respect of its non-syndicate balances.

The table below summarises the exposure of the financial assets and liabilities by settlement currency to foreign currency exchange risk at the reporting date for the whole Syndicate, as follows:

2022	UK £	US $	CAD $	AUS $	EUR €	Other	Total
	£000	£000	£000	£000	£000	£000	£000
Syndicate:							
Total assets	138,932	1,174,300	103,851	154,320	111,101	51,193	1,733,697
Total liabilities	(213,216)	(1,171,465)	(77,567)	(143,090)	(114,924)	(16,393)	(1,736,655)
Total (liabilities/assets)	(74,284)	2,835	26,284	11,230	(3,823)	34,800	(2,958)

2021 - Restated	UK £	US $	CAD $	AUS $	EUR €	Other	Total
	£000	£000	£000	£000	£000	£000	£000
Syndicate:							
Total assets	143,056	809,992	70,501	144,729	74,481	39,443	1,282,202
Total liabilities	(199,078)	(836,312)	(52,416)	(144,643)	(83,787)	(19,994)	(1,336,230)
Total (liabilities/assets)	(56,022)	(26,320)	18,085	86	(9,306)	19,449	(54,028)

The non-sterling denominated net assets of the syndicate may lead to a reported loss or gain should exchange rates fluctuate.

29. Insurance risk and financial risk management (continued)

In part, foreign currency forward contracts may be used for the Syndicate to achieve the desired exposure to each currency. From time to time the Syndicate may also choose to utilise options on foreign currency derivatives to mitigate the risk of reported losses due to changes in foreign exchange rates. The degree to which options are used is dependent on the prevailing cost versus the perceived benefit to members' value from reducing the chance of a reported loss due to changes in foreign currency exchange rates. The details of all foreign currency derivatives contracts entered into are given in note 16.

The table below gives an indication of the impact on the Syndicate's result of a percentage change in the relative strength of sterling against the value of the main settlement currencies simultaneously. The analysis is based on the information as at 31 December 2022.

	Impact on result and equity	
	2022 £000	2021 £000
Syndicate:		
Sterling weakens		
10% against other currencies	4,292	(2,639)
20% against other currencies	9,657	(5,937)
Sterling strengthens		
10% against other currencies	(3,511)	2,159
20% against other currencies	(6,438)	3,958

b) Interest rate risk

Interest rate risk is the risk that the value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Floating rate instruments expose the Syndicate to cash flow interest risk, whereas fixed rate instruments expose the Syndicate to fair value interest risk.

The Syndicate has no significant concentration of interest rate risk.

Insurance liabilities are not discounted and therefore are not exposed to interest rate risk.

The analysis below is performed for reasonably possible movements in interest rates with all other variables held constant, showing the impact on the Syndicate's result of the effects of changes in interest rates on financial assets and liabilities for items recorded at fair value through profit and loss.

The correlation of variables will have a significant effect in determining the ultimate impact on interest rate risk, but to demonstrate the impact due to changes in variables, the variables were altered on an individual basis. It should be noted that movements in these variables are non-linear.

	Impact on result and equity	
Changes in variables	2022 £000	2021 £000
Syndicate:		
+50 basis points	(2,772)	(1,262)
-50 basis points	2,817	1,343

The methods used for deriving sensitivity information and the significant variables are the same for both periods.

Non-syndicate:

The Group is not exposed to material interest rate risk in respect of its non-syndicate balances.

29. Insurance risk and financial risk management (continued)

c) Equity price risk

Equity price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

Syndicate

The Syndicate's equity price risk exposure relates to financial assets and financial liabilities whose values will fluctuate as a result of changes in market prices, principally investment securities.

The financial market risk policy requires it to manage such risks by setting and monitoring objectives and constraints on investments, diversification plans, limits on investments in each sector and market, and careful and planned use of derivative financial instruments. There is no significant concentration of equity price risk.

Non-syndicate

The Group does not hold significant levels of equity investments and as such is not materially exposed to equity price risk.

The analysis below is performed for reasonably possible movements in market indices on financial instruments, with all other variables held constant, showing the impact on the result of the Syndicate due to changes in fair value of financial assets and liabilities whose fair values are recorded in the statement of comprehensive income. The correlation of variables will have a significant effect in determining the ultimate impact on equity price risk, but to demonstrate the impact due to changes in variables, the variables were altered on an individual basis. It should be noted that movements in these variables are non-linear.

	Impact on result	
	2022	2021
Changes in variables – market indices	£000	£000
Syndicate:		
S&P 500/FTSE 100 +5%	-	-
S&P 500/FTSE 100 -5%	-	-

The methods used for deriving sensitivity information and the significant variables are the same for both periods.

30. Capital management

Lloyd's capital setting process

In order to meet Lloyd's requirements, each syndicate is required to calculate its Solvency Capital Requirement ("SCR") for the prospective underwriting year. This amount must be sufficient to cover a 1 in 200 year loss, reflecting uncertainty in the ultimate run-off of underwriting liabilities (SCR "to ultimate"). Syndicates must also calculate their SCR at the same confidence level but reflecting uncertainty over a one year time horizon (one year SCR) for Lloyd's to use in meeting Solvency II requirements. The SCRs of each syndicate are subject to review by Lloyd's and approval by the Lloyd's Capital and Planning Group.

Each syndicate member is liable for its own share of underwriting liabilities on the syndicate on which it participates but not other members' shares.

Accordingly, the capital requirement that Lloyd's sets for each member operates on a similar basis. Each member's SCR shall thus be determined by the sum of the member's share of the syndicates SCR "to ultimate".

Over and above this, Lloyd's applies a capital uplift to the member's capital requirement, the ECA. The purpose of this uplift, which is a Lloyd's not a Solvency II requirement, is to meet Lloyd's financial strength, licence and ratings objectives. The capital uplift applied for 2022 was 35% of the member's SCR "to ultimate".

With effect from 1 January 2016, Lloyd's became subject to the Solvency II capital regime and the Solvency I figures were no longer applicable from that date. Although the capital regime had changed, this did not significantly impact the SCR of the Syndicate, since this had been previously calculated using Solvency II principles.

31. Funds at Lloyd's

The Group's underwriting is supported by assets held in cash of £34,113,000 (2021: £36,322,000). The cash balance is held within Funds at Lloyd's and the availability of these funds for use by the Group is restricted and subject to the prior authorisation of Lloyd's.

32. Operating leases

The Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases as at the reporting date as follows:

	Land and buildings		Other	
Operating leases which expire:	2022	2021	2022	2021
	£000	£000	£000	£000
Within one year	1,579	1,540	-	-
Within two to five years	5,400	5,351	-	-
Later than five years	666	1,911	-	-
	7,645	8,802	-	-

33. Related party disclosures

The Company has taken advantage of the exemption conferred by Section 33: Related Party Disclosures not to disclose transactions entered into between two or more wholly owned members of the Group.

The Group's capacity for the 2019, 2020, 2021 and 2022 underwriting years was placed as follows:

Year of Account	Syndicate	Managing Agent	Group syndicate capacity £000	Total syndicate capacity £000
2022	2121	Argenta Syndicate Management Limited	121,000	660,000
2021	2121	Argenta Syndicate Management Limited	94,036	599,950
2020	2121	Argenta Syndicate Management Limited	83,719	424,736
2019	2121	Argenta Syndicate Management Limited	75,767	339,845

The effective capacity supported by the Group's Funds at Lloyd's for 2022 was £55.0m (2021: £45.9m).

The Managing Agent charges evergreen capacity capital providers 0.75% of capacity for managing the Syndicate's underwriting, in addition to a profit commission on profits of either 15% or 17.5% for 2012 onwards, subject to certain performance criteria.

Argenta Underwriting No. 2 Limited ("AU2"), Argenta Underwriting No. 3 Limited ("AU3"), and Argenta Underwriting No. 9 Limited ("AU9") provide underwriting capacity to Syndicate 2121. For the 2022 year of account the capacity supplied to Syndicate 2121 was £36.5m from AU2, £18.5m from AU3 and £66.0m from AU9. HDI Global Specialty SE ("HGS"), a subsidiary of Talanx AG, supported Syndicate 2121 for the 2022 year of account by way of a pro-rata participation agreement with AU9 in respect of 100% of the member's participation.

Hannover Re has supported Syndicate 2121 for the 2019 to 2020 years of account by way of a 100% pro-rata participation agreement with a corporate member. Hannover Re acquired that corporate member on 1 July 2020. Hannover Re provides capital support to AU3 for the 2019 through 2023 years of account by way of an excess participation agreement. Hannover Re also provides capital support to AU2 for the 2022 and 2023 years of account by way of an excess participation agreement.

Inter Hannover (No. 1) Ltd, a wholly owned subsidiary of the Hannover Re group, participates on Syndicate 2121 for the 2019, 2020, 2021, 2022 and 2023 years of account.

Hannover Re and certain of its subsidiaries have, in the past, provided and are likely to provide in the future, traditional types of reinsurance protection to Syndicate 2121. Syndicate 2121 has in the past, and may in the future, provide insurance or reinsurance cover to Hannover Re and its subsidiaries.

On 24 April 2018, ASML entered into an agreement to manage the affairs of Syndicate 6134, a new Special Purpose Arrangement ("SPA") that underwrites quota share reinsurance protections of Syndicate 2121. The SPA is sponsored and capitalised by the Hannover Re group, which may also introduce new business to Syndicate 2121 to be reinsured by the SPA. Syndicate 2121 will retain at least 10% of the business introduced by the sponsor. It is expected that the SPA will underwrite gross net premium in 2023 of at least £99.6 million across various classes of business within the underwriting capability of the host syndicate. Syndicate 2121 receives an overriding commission in respect of these arrangements. The quota share contracts are being underwritten on a funds withheld basis although amounts may be advanced in the future.

Directors

Mr Sven Althoff is a member of the Executive Board of Hannover Re and a director of other Hannover Re group companies. He was appointed a director of HGS on 20 May 2022. Mr John Whiter was chairman of a Lloyd's broker, Piiq Risk Partners Limited (formerly PSE Partners Limited and, before that, Ed Broking (London) Limited) and was the chairman of Ed Broking Group Limited, their parent company (formerly Cooper Gay Swett & Crawford Limited) until his resignation from both on 31 March 2022. The above entities may in the past have transacted business with syndicates managed by ASML and may do so in the future. Any such business, however, has been, and will continue to be, conducted on an arm's length commercial basis with no involvement, either directly or indirectly, from the individuals above.

Mr Allen was appointed as director of Inter Hannover (No.1) Limited and Dynastic Underwriting Limited with effect from 18 January 2021 which have both participated on Syndicate 2121. Mr Moore was also appointed as director of Inter Hannover (No.1) Limited on 31 December 2022. Mr Annandale was director of Inter Hannover (No.1) Limited and Dynastic Underwriting Limited until his resignation on 31 December 2022. Mr Allen and Mr Moore are currently, and Mr Annandale previously, directors of other Group companies.

Other than directorship fees, salaries and other related remuneration and any increase in capital value arising on shareholdings, no personal benefit is derived by the individuals concerned from these arrangements.

34. Ultimate controlling party

On 20 July 2017, the entire share capital of Argenta Holdings Limited was acquired by Hannover Rück SE, the ultimate controlling party of which is HDI Haftpflichtverband der Deutschen Industrie V.a.G. ("HDI").

Consequently, the Company's immediate parent company is Hannover Rück SE and the ultimate controlling party is HDI, both registered in Germany. The financial statements of HDI can be obtained from its registered office address at HDI-Platz 1, 30659 Hannover, Germany.

35. Subsequent events

On 31 March 2023, Argenta Private Capital Limited completed a transaction to acquire the full business of Argenta Tax & Corporate Services Limited, a fellow group entity, subject to all necessary approvals.

36. Restatement of 2021 financial statements

The table below shows the movements in the statement of financial position line items between the 2021 balances previously reported and the restated 2021 comparative amounts.

	Restated 2021 £'000	As reported 2021 £'000	Movement 2021 £'000
ASSETS - Syndicate			
Debtors due within one year			
Debtors arising out of direct insurance operations	27,482	38,412	(10,930)
LIABILITIES – Syndicate			
Creditors due within one year			
Creditors arising out of direct insurance operations	2,424	13,354	10,930
Statement of Cash Flows			
(Increase)/decrease in debtors	(9,820)	(20,750)	10,930
Increase/(decrease) in creditors	54,503	65,433	(10,930)

The prior period restatements reflect a commensurate reduction in insurance debtors and insurance creditors as previously reported, where offset is appropriate for amounts settled but not matched. There is no impact on the previously reported result.

The comparative amounts in note 29 have also been restated accordingly. There is no impact on any other disclosures within the financial statements.

The comparatives within the Consolidated Statement of Cash Flows have been restated to include cash movements relating to Syndicate balances in line with current presentation in the Consolidated Statement of Comprehensive Income and Consolidated Statement of Financial Position respectively.