Randall & Quilter Investment Holdings Ltd

Results for the year ended 31 December 2021

13 June 2022

Randall & Quilter Investment Holdings Ltd. (AIM: RQIH) ("R&Q" or the "Group"), the leading non-life global specialty insurance company focusing on the Program Management and Legacy Insurance businesses, today announces its audited results for the year ended 31 December 2021.

Strategic Update

- Shareholders did not approve the proposed cash acquisition of R&Q at 175 pence per share, which included $100 million of committed capital for R&Q
- R&Q is now focussed on raising at least $100 million via a placing and up to $8 million via an open offer (the "Fundraise"), which will be announced today

FY 2021 Financial Highlights

Program Management

- Gross Written Premium of $1.0 billion (2020: $539 million, a 92% increase)
- Fee Income of $56.1 million (2020: $24.1 million, a 133% increase)
- Pre-Tax Operating Profit of $20.6 million (2020: $3.4 million, a 506% increase)
- Pre-Tax Operating Profit Margin of 35.7% (2020: 14.3%, a 21.4 percentage point increase)

Legacy Insurance

- Completed 15 transactions with Gross Reserves Acquired of $735 million
- Reserves Under Management of $417 million
- Fee Income of 4.25% or $17.7 million beginning in 2022 as legacy transactions ceded to Gibson Re were concluded at year-end 2021
- Pre-Tax Operating Loss of $5.7 million due to $29 million of adverse development and transformation from upfront 'Day-One' Underwriting Income to annual recurring Fee-Income

Group

- Pre-Tax Operating Loss of $21.0 million results impacted by:
  - Legacy Insurance business model transformation
  - $29 million of adverse reserve development
- IFRS Loss of $127.4 million; results primarily impacted by a ~$90 million pre-tax, non-cash charge
- A final dividend for FY 2021 will not be declared; from FY 2022 onwards, the dividend strategy will be to payout 25-50% of Pre-Tax Operating Profit

Outlook

- Program Management expected to achieve $1.75 billion of Gross Written Premium in 2022
  - Q1 2022 Gross Written Premium of $370 million; 92% year-over-year growth
  - 76 programs at 31 March 2022 (an increase of 7 programs from 31 December 2021)
- Legacy Insurance transactions continue to have heavy weighting towards Q4
  - Year-to-date two legacy transactions have been completed
  - Strong pipeline of activity on which we expect to earn annual recurring fee income of 4.25% on Reserves Under Management
- R&Q reiterates guidance of achieving in excess of $90 million Pre-Tax Operating Profit in 2024

Summary Financial Performance (see Notes for definitions)
($m, except where noted)

Group Results

Income Statement	**2021**	**2020**
Pre-Tax Operating (Loss) Profit	(21.0)	20.6
Operating (Loss) Earnings per Share[1]	(7.5)¢	7.6¢
IFRS (Loss) Profit After Tax	(127.4)	37.7
IFRS (Loss) Earnings Per Share[1]	(46.9) ¢	14.2¢
Dividend Per Share	2.0p	3.8p

Balance Sheet	**31 Dec 2021**	**31 Dec 2020**
Tangible Net Asset Value Per Share[1]	130.7¢	173.3¢
Net Asset Value Per Share[1]	144.0¢	193.3¢

Business Segment Metrics	**2021**	**2020**
Program Management		
Gross Written Premium	1,032.8	538.9
Fee Income	56.1	24.1
Pre-Tax Operating Profit	20.6	3.4
Pre-Tax Operating Profit Margin	35.7%	14.3%
Legacy Insurance		
Gross Reserves Acquired	735.0	641.5
Reserves Under Management	417.0	0.0
Pre-Tax Operating (Loss) Profit	(5.7)	49.0

William Spiegel, Executive Chairman of R&Q, commented:

“2021 was a significant year for R&Q as we outlined an ambitious Five-Year Strategy that will see us transform into a fee-based, capital lighter business. This strategy will deliver higher quality and more predictable profits in both Legacy Insurance and Program Management, while also enabling us to better leverage our leading underwriting and origination capabilities. In turn, this will support our goal to further develop the compelling opportunities we have identified for these businesses.

We have already taken major strides in delivering against this strategy including the launch of Gibson Re, ongoing momentum in Program Management and a number of organisational improvements which will make us more efficient, strengthen our culture and enhance our risk management. We also have underway a series of projects as part of our goal to be a more data-driven business.

I am pleased to report continued momentum in our two core businesses. Program Management is now fully demonstrating its fee earning power, with Pre-tax Operating Profit increasing nearly fivefold to $21 million, and we expect it to achieve $1.75 billion of Gross Written Premium this year – one year ahead of schedule. Legacy Insurance continues to benefit from attractive market dynamics, completing 15 deals with Gross Reserves Acquired of $735 million. With the launch of Gibson Re, Legacy Insurance is in the process of moving to a recurring fee model and at year-end 2021 had Reserves Under Management of $417 million on which we will earn a 4.25% annual fee, alongside potential performance fees.

We expect to complete our Fundraise in the coming weeks, and I have been encouraged by the strong indications of interest we have had from shareholders. This funding will give us the capital we need to de-lever our balance sheet and maintain the strong financial profile that is an important part of our growth. Looking ahead, I remain truly excited by this business. This can be seen in our reiterated expectation that R&Q will deliver over $90 million of Pre-Tax Operating Profit in 2024 – a major step change in our earnings potential. I would like to thank all our employees for their hard work and our shareholders for their continued support.”

[1] On a fully diluted basis

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Notes to financials

Pre-Tax Operating Profit is a measure of how the Group's core businesses performed adjusted for Unearned Program Fee Income, intangibles created in Legacy Insurance acquisitions and net realised and unrealised investment gains on fixed income and lease-based assets.

Operating EPS represents Pre-Tax Operating Profit adjusted for the marginal tax rate, divided by the average number of diluted shares outstanding in the period.

Tangible Net Asset Value represents Net Asset Value adjusted for Unearned Program Fee Income, intangibles created in Legacy Insurance acquisitions, net unrealised investment gains on fixed income and lease-based assets and foreign translation currency reserves.

Gross Operating Income represents Pre-Tax Operating Profit before Fixed Operating Expenses and Interest Expense.

Fee Income represents Program Fee Income, Fee Income on Reserves Under Management and our share of earnings from minority stakes in MGAs.

Program Fee Income represents the full fee income from insurance policies already bound including Unearned Program Fee Income, regardless of the length of the underlying policy period. We believe Program Fee Income is a more appropriate measure of the revenue of the business during periods of high growth, due to a larger than normal gap between written and earned premium.

Unearned Program Fee Income represents the portion of Program Fee Income that has not yet earned on an IFRS basis.

Underwriting Income represents net premium earned less net claims costs, acquisition expenses, claims management costs and premium taxes / levies.

Investment Income represents income on the investment portfolio excluding net realised and unrealised investment gains on fixed income and lease-based assets.

Fixed Operating Expenses include employment, legal, accommodation, information technology, Lloyd's syndicate, and other fixed expenses of ongoing operations, excluding non-core and exceptional items.

Program Fee represents Program Fee Income as a percentage of ceded written premium.

Pre-Tax Operating Profit Margin is our profit margin on Gross Operating Income.

Gross Reserves Acquired represent Legacy Insurance reserves acquired gross of reinsurance to Gibson Re.

Reserves Under Management represent reserves ceded to Gibson Re for which R&Q earns an annual recurring fee of 4.25%.

Chairman's Statement

I am pleased to present my first full-year results since becoming Executive Chairman of R&Q in April 2021.

2021 was a significant year for our business as we outlined an ambitious Five-Year Strategy that will see R&Q transform into a fee-based, capital lighter business. Critically we believe this strategy will, over time, deliver higher-quality and more predictable profits in both Legacy Insurance and Program Management while also enabling us to better leverage our leading underwriting and origination capabilities to further develop the compelling opportunities we have identified for both businesses.

The last twelve months have already seen us take major strides in delivering against this strategy, including: the launch of Gibson Re as a legacy sidecar reinsurer to R&Q; ongoing momentum in Program Management with growth in Gross Written Premium (GWP) now expected to be ahead of the target we outlined last year; and adding a number of talented leaders to our management team. We have also begun work on a series of internal projects that will help us deliver on our objective to be a more cohesive, efficient and data-first, global business. Further supporting this progress are our actions as a responsible corporate citizen, and as part of this we have outlined our plans to further develop and implement a clear ESG strategy in 2022.

This was all achieved, once again, against the backdrop of a global pandemic. While we are now seeing encouraging signs of a world returning to normal, COVID-19 continues to have an impact on the lives and health of many. I am hugely proud of how our employees have continued to show resilience, adaptability, and compassion in the face of these challenges. However, we remain mindful that significant macroeconomic and political uncertainties remain. Like everyone, all of us at R&Q have been horrified by what is taking place in Ukraine and our thoughts are with all those impacted by the terrible events. In April 2022, R&Q and our employees made a donation to Save the Children International to support their work providing education, food, water, and cash grants to Ukrainians.

In late March 2022, we consulted the majority of our shareholders on the proposed cash acquisition and $100 million injection of capital into R&Q by Brickell PC Insurance Holdings LLC at 175 pence per share or the alternative of raising $100 million in new R&Q shares. Given the feedback from our shareholders and the uncertainty in the capital markets at the time, we announced on 1 April 2022 that the Board was recommending the cash acquisition of R&Q. At our Special General Meeting on 25 May 2022, our shareholders did not approve the acquisition of R&Q. We therefore announced our intention to raise $100 million by way of a Fundraise to de-lever our balance sheet and improve our financial profile.

I believe that the overwhelming interest we have received from a large number of shareholders to support the Fundraise is a strong demonstration of confidence in our strategy and the future value of the Group.

2021 in review

Our results are examined in more detail in the Chief Financial Officer Review but in summary, 2021 reflected the strategic repositioning of Legacy Insurance to become a more fee-based, capital lighter business and the continuation of strong growth and profitability of our Program Management business.

When setting out our Five-Year Strategy, we were clear that there would be a temporary reduction in near-term profits as a result of repositioning our Legacy Insurance business away from upfront 'Day-One' Underwriting Income to annual recurring Fee Income. Typically, a significant proportion of our Legacy Insurance acquisitions are closed in the fourth quarter. The successful launch of Gibson Re in September therefore meant a meaningful percentage of Underwriting Income was shared with Gibson Re, our reinsurance sidecar, which reduced R&Q's retained portion of that income in exchange for a contracted future fee-stream. Our Pre-Tax Operating Profit (PTOP) fell to a loss of $21.0 million, in part due to the shift to a recurring fee based business, as well as $29 million of adverse development.

However, this number does not capture the contracted fee-stream we will receive from managing legacy insurance reserves for Gibson Re for multiple years. At the end of 2021, we had $417 million of Reserves Under Management (RUM) from four Legacy Insurance transactions; on an annualised basis this represents $17.7 million of recurring Fee Income, however, this Fee Income is not included in 2021 PTOP since these transactions were completed at year-end 2021. It is important to note two further benefits from Gibson Re: in order to complete these four deals, our prior funding model would have required us to raise ~$100 million of additional capital and assume 100% of the risk on these transactions. Gibson Re enables us to continue the growth of our Legacy Insurance business while we transition to become a manager of legacy reserves, sharing risk and alleviating the constraints that a just-in-time capital funding model has historically placed on R&Q.

While we made great strides with Gibson Re, I am disappointed to have to report an extraordinary non-cash, pre-tax charge of ~$90 million. By way of background, R&Q acquired a company over 15 years ago which has a reinsurance policy that provides coverage once claim payments reach a certain level. The reinsurance policy contains an experience refund to the subsidiary of any residual assets under the reinsurance treaty above and beyond that needed to pay claims. The experience refund is treated as an asset under IFRS on the Group's balance sheet based on the amount expected to be realised in the ordinary course over a 40-year projection period. Recently, claims have accelerated above expectations, leaving the subsidiary with minimal liquid assets while still requiring $34 million in future claim payments before it can access the reinsurance coverage. Management believes it is in the best interests of shareholders for the subsidiary to commute the reinsurance policy in order to provide liquidity to meet anticipated claims rather than having R&Q contribute up to $34 million to this subsidiary over the next two to three years. The impairment of the asset arises from the early commutation of this reinsurance contract. It is important to know that this impairment is not related to our core Legacy Insurance and Program Management businesses nor any of the Accredited companies. The decision we have taken enables us to move forward with a cleaner, less volatile business.

Furthermore, in Q4 2021, the Group was required to use meaningful cash capacity to fund collateral requirements upon certain reserve strengthening in Lloyd's. Together with the ~$90 million non-cash charge, R&Q requires capital, which we are seeking to raise by way of a Fundraise..

In 2021, we also embarked upon an exciting efficiency project to automate and centralise our business processes. This project will allow us to achieve improved operating leverage as we continue to grow our businesses. We anticipate one-time investment spending over the next year of ~$20 million in this project. This initiative is anticipated to yield meaningful cost savings by FY 2024.

Our Group result reflects a year of evolution towards our future state, and I am pleased that we have reported underlying progress in both of our businesses, Program Management and Legacy Insurance. In addition to a number of strategic milestones, this is showcased by our two primary KPIs: growing GWP in Program Management and RUM in Legacy Insurance, each leading to growing Fee Income and highlighting the high quality revenue potential of R&Q.

Program Management

Growth in Program Management continues at pace, with PTOP increasing by 506% to $21 million. We also saw Pre-Tax Operating Margin improve to 36% as we started to see the benefits of operating leverage as the business grows to scale. During 2021, we added 21 new programs and increased Fee Income by 133% to $56.1 million and we remain excited by the potential opportunities in the US, UK and Europe. We have put in place an outstanding team of entrepreneurial leaders in Program Management and, aligned to the continued growing demand we are seeing from both MGAs and reinsurance capital, believe we will continue to enjoy accelerated growth in this part of our business. 2021 Fee Income benefited from the strong growth of Tradesman Program Managers, an MGA in which we own 40%. Tradesman added $11.1 million to our Fee Income.

Based on our success in growing GWP to over $1 billion in 2021, we believe we will achieve our previously announced target of $1.75 billion in 2022 rather than in 2023.

Legacy Insurance

The formation and launch of Gibson Re last September was a landmark moment for Legacy Insurance, underpinning its transformation into what will become primarily a recurring fee-based business. Gibson Re is a Bermuda-domiciled collateralised reinsurer with ~$300 million of third-party capital, which will allow R&Q to support ~$2 billion of Gross Acquired Reserves. Gibson Re will reinsure 80% of R&Q's qualifying Legacy transactions for up to three years, with R&Q retaining 20%, which will promote alignment of interests. R&Q receives annual recurring fees of 4.25% of RUM for at least six years, plus potential performance fees.

Our ability to successfully raise capital for Gibson Re from a range of sophisticated institutional investors is testament to the strength, track-record, and reputation of our Legacy Insurance franchise. In the last 10 years alone, we have completed over 130 transactions across 38 regulatory jurisdictions. Crucially, this means we have a highly diverse portfolio with respect to both the years in which the books we acquired were written and the classes of business they cover.

While Gibson Re changes the model for Legacy Insurance, what has not changed is the team's ability to originate and underwrite. In 2021 we completed 15 deals, with $735 million of Gross Reserves Acquired, an increase of 15% relative to 2020. As already stated, under our old model this activity would have required a further $100 million of capital.

Of the 15 deals completed in 2021, four were 80% reinsured by Gibson Re. With RUM of $417 million in our first four months of deployment, we see this as an excellent achievement. We are also pleased that the Gibson Re transaction was recognised in the recent Trading Risk Awards as 'Non-Life Transaction of The Year'. Our pipeline remains strong, and we continue to be a leading player in small to middle market legacy insurance solutions.

Capital and liquidity framework

Last year we articulated a liquidity and capital framework to help investors understand the capital intensity of R&Q, particularly regarding Legacy Insurance. In response we were successful in launching Gibson Re. We also shared a dividend strategy of paying out 25-50% of PTOP and progressively growing our dividend from 4 pence per share. In H1 2021, we paid a dividend of 2 pence per share. Due to the extraordinary non-cash charge and required Fundraise, we will not pay a final dividend for the 2021 fiscal year. While we will endeavour to maintain our dividend strategy of paying 25-50% of PTOP, we believe it is in the best interest of the Group to not have a minimum dividend of 4 pence per share.

Market and strategy

Last year we set out our ambitious Five-Year Strategy to become a simpler, fee-orientated capital lighter business. There are five pillars of our strategy: Increasing Fee Income, Enhancing Transparency, Automating Processes, Engaging Employees and Acting Responsibly. We have already discussed the progress on increasing Fee Income with the launch of Gibson Re, and what this means for our Legacy Insurance business, as well as the excellent progress against our GWP target for Program Management. I am encouraged to report that we have already made good progress against the other pillars.

Enhancing transparency

As part of this strategy, we have defined a clear set of KPIs which capture the earnings potential of a capital-light R&Q and will enable our stakeholders to clearly assess our progress. These KPIs are:

- As a *Group* we focus on Fee Income and PTOP
- In *Program Management* we focus on GWP, Fee Income and PTOP and the corresponding Operating Margin
- In *Legacy Insurance* we focus on RUM, Fee Income and PTOP and the corresponding Operating Margin

These KPIs reflect the performance of Program Management and Legacy Insurance as primarily fee-generating businesses, while also capturing their ability to effectively grow and deliver operating leverage. Furthermore, we have articulated a capital/liquidity framework, introduced a robust internal Reserve Committee, enhanced our risk framework and optimised our investment portfolio based on appropriate asset-liability management.

Automating processes

In the second half of the year, we began work on an efficiency program. This is a significant organisational change program that will generate significant recurring annual savings by 2024. This program includes transitioning to a single group-wide accounting system, a single global Program Management operating model, moving our data to the cloud and the automation of a number of manual processes.

This automation will also empower our people, letting them spend greater time on the complex tasks associated with underwriting and origination where their skills are most valuable. In practice, automation will allow us to grow our business without adding incremental costs for certain processes. For example, we recently implemented a new piece of software that will deliver significant efficiency for our Actuarial and Finance functions, moving the team from manual data entry to an automated data feed. The new software is highly flexible and gives us data visualisation tools that offer better real-time insights and has increased usability for our underwriters. We are finalising the automation and centralization of the underlying data to save 200-300 hours a month and enhance our reporting capabilities. Another area we are progressing is the use of technology to automate manual processes, including robotic process automation: we have built and successfully launched our first robots, and we have begun to review the next set of process automation.

We are also changing how we process and store documents, again moving away from manual processing, which can be hugely time consuming. We have entered into a partnership with both a provider of a new document management system and a technology company specialising in Artificial Intelligence (AI) applied to documents for classification. This new approach makes it far quicker for our teams to file, retrieve and upload documents while also enabling us to automate monthly claims payment workflows – we have scanned and categorised over 1 million documents in this way.

These examples only represent the start of our efforts to improve processes to support the growth of the business and leverage AI to help us work smarter. Our team has identified a number of areas across our business where we can find

similar opportunities to automate reporting processes and document management. As a business that has historically been run on a more traditional basis, the potential upside for R&Q is meaningful, both in the greater efficiency it will create and in the ability to free our people up to focus on more strategic thinking.

Engaging employees

Another key pillar of our Five-Year Strategy is to Engage our People: we operate in businesses that require specialist skillsets aligned to longstanding market relationships. Our culture is one where we aim to motivate our people to be entrepreneurial and accountable and we are grateful for the hard work and dedication from all of our people in the past year. I would like to thank everyone at R&Q for their contribution to our results.

An important focus last year was on putting in place the right leadership team to support our long-term objectives, and we have been able to enter 2022 with an outstanding team in place. The exceptional talent we have added is testament to R&Q's reputation in the market and shared excitement for what we are building.

In our two core businesses, we added Andy Pinkes as Global CEO of Legacy Insurance, as well as making a number of senior hires in Program Management following the appointment of Pat Rastiello as CEO of Accredited America last year. We now have in place strong management teams for both Legacy Insurance and Program Management, which enables them to align across geographies and fully leverage our pan-Atlantic underwriting and origination capabilities.

From a corporate perspective we have also made a number of key hires. This includes Rob Thomas as Chief Data & Technology Officer as well as further appointments to support our Regulatory, Compliance and Corporate Development functions.

We have also spent time updating our workplace environment, offering our people greater flexibility over how and where they work. In addition, we have implemented regular Town Halls and other communication efforts across the Group including health and wellness tips. Not only will this help us motivate and support current employees, but it will also enable us to attract new talent to R&Q.

Acting responsibly

Issues such as the ongoing pandemic, the increasing urgency over climate action, and the wellbeing of our employees are influencing the way we act and behave as a business. We have taken the first important steps to support us in continuing to be a successful and sustainable long-term business. During 2021, we engaged with our key stakeholders to understand what is important to them from an environmental, social and governance (ESG) perspective and to gain insight into the associated potential impacts on our business, on society and the environment. The Board and leadership teams have been actively involved in selecting the material ESG topics that we will be prioritising in the coming years.

In addition to developing and looking after our people and considering our purpose, we have collected data on our environmental emissions for the first time which will provide us with visibility of our carbon footprint. We are also reviewing our policies, our governance structures and applying the Principle of Sustainable Insurance to ensure we are embedding ESG across our business.

2022 will be an important year for us as we look to develop and implement an ESG strategy which is aligned with and supports our Five-Year Strategy. As we continue to develop our approach, we will ensure that we continue to involve and engage our stakeholders, both internal and external.

Market outlook

We talked in detail last year about how R&Q competes in large and growing markets which enjoy both secular growth and structural protection from the Property and Casualty cycle. This has not changed, and we continue to be excited by what we are seeing in both Legacy Insurance and Program Management.

The legacy market, and our addressable market within this, remains highly attractive as risk carriers continue to proactively manage their capital positions. The ongoing attractive rating environment for 'live' business has meant we have seen ongoing strong demand for legacy solutions and expect this to continue through 2022 and beyond. More fundamentally, legacy has now firmly established itself as a permanent part of the capital life-cycle within non-life insurance. With the barriers to entry remaining high, R&Q is strongly positioned.

The program market is also benefiting from equally attractive market conditions as talented underwriters continue to establish their own MGAs and capital providers seek underwriting outperformance. As in the legacy market, R&Q is enviably positioned: we are a genuinely independent program manager with a highly rated balance sheet and licences

across Europe and the US. We believe few can match this independence, capital strength and global scale in terms of licenced platforms.

Chief Financial Officer Review

We are pleased to report our financial results for the year ending 31 December 2021, which are now reported in US dollars.

Group

Our KPIs measure the economics of the business and adjust IFRS results to include fully written Program Fee Income and exclude non-cash intangibles created from acquisitions in Legacy Insurance, net realised and unrealised investment gains on fixed income and lease-based assets, foreign currency translation reserves, non-core expenses and exceptional items. While our underlying businesses performed well in 2021, our Group operating results were negatively impacted by reserve development and a non-cash impairment of a structured reinsurance contract that was previously recognised as an asset.

Pre-Tax Operating Loss was $21.0 million primarily due to adverse reserve development of $29 million. Tangible Net Asset Value was $359.6 million, a 24% decrease compared to year-end 2020, primarily as a result of an ~$90 million non-cash, pre-tax charge. On a fully diluted basis, our Operating Loss Per Share was 7.5 cents and our Tangible Net Asset Value Per Share was 130.7 cents.

One of our objectives is to grow the relative contribution of Fee Income to total Gross Operating Income. Our Fee Income was $56.1 million, a 133% increase compared to 2020 and represented 41% of Gross Operating Income, an increase of 24 percentage points compared to 2020.

Our IFRS Loss After Tax was $127.4 million during the year and Net Asset Value was $396.5 million, a 25% decrease compared to year-end 2020 primarily due to adverse reserve development and an~$90 million non-cash, pre-tax charge. On a fully diluted basis, our Loss Per Share was 46.9 cents and our Net Asset Value Per Share was 144.0 cents.

Program Management

Our Program Management business continued to grow rapidly in 2021. We had 69 active programs, an increase of 21 programs compared to 2020 and Gross Written Premium was $1.0 billion, a 92% increase compared to 2020. Our results are demonstrating the benefits of scale as we earned a Pre-Tax Operating Profit of $20.6 million, a 506% increase compared to 2020, representing a 35.7% margin on Gross Operating Income, an increase of 21.4 percentage points compared to 2020.

The primary driver of Pre-Tax Operating Profit is our Fee Income, which represents Program Fee Income from written premium ceded to reinsurers and our 40% minority stake in Tradesman Program Managers, which increased from 35% in Q2 2021. Fee Income was $56.1 million, a 133% increase compared to 2020, which included $11.1 million from our minority stake in Tradesman Program Managers. The Program Fee averaged 4.7%, an increase of 0.2 percentage points compared to 2020, and we expect Fee Income to generally grow in line with Gross Written Premium. Underwriting Income represents our ~7% retention of Program Insurance risk. Our Underwriting Loss was $1.1 million primarily due to the purchase of reinsurance to minimise earnings volatility. We expect Underwriting Income to be roughly break-even as we purchase less reinsurance consistent with our risk appetite, as well as diversify our business away from programs that consume such coverage. Our Investment Income was $2.7 million, a slight increase compared to 2020. Finally, Fixed Operating Expenses increased 83% compared to 2020 due to the expansion of our staff and a higher allocation of corporate expenses.

Legacy Insurance

Our Legacy Insurance business continued to grow, concluding 15 transactions with Gross Reserves Acquired of $735 million, an increase of 15% compared to 2020. 2021 was the first year of utilising our Gibson Re sidecar, where we reinsured 80% of the reserves from four transactions. At year-end 2021, we had Reserves Under Management of $417 million, which will provide annual recurring Fee Income of 4.25% or $17.7 million beginning in 2022. Our Pre-Tax Operating Loss was $5.7 million due the impact of reinsuring upfront Underwriting Income to Gibson Re as well as adverse reserve development.

Currently, the primary driver of our Pre-Tax Operating Profit is our Underwriting Income, which represents tangible day one gains on retained transactions originated during the year as well as claims management of retained transactions closed in prior years. Underwriting Income was $58.5 million, a 44% decrease compared to 2020 due to ceding

Underwriting Income to Gibson Re and $29 million of adverse reserve development, primarily in our Lloyd's business. In the future, we expect Fee Income to be the primary driver of Pre-Tax Operating Profit as we grow our Reserves Under Management. Our Investment Income was $19.3m, a 15% increase compared to 2020 driven by acquired assets on transactions. Finally, our Fixed Operating Expenses grew 17% compared to 2020 primarily due to higher corporate allocations.

Corporate and other

Our Corporate and Other segment includes unallocated operating expenses and finance costs. Unallocated operating expenses were $16.0 million, a 25% decrease compared to 2020 primarily driven by higher allocations to the two business segments. Interest expense was $22.7 million, an 89% increase compared to 2020 due to the issuance of $125 million of subordinated debt in H2 2020.

Cash and investments

Our Cash and Investments at year-end 2021, excluding funds withheld, was $1.8 billion. We produced a book yield, which excludes net realised and unrealised gains on fixed income assets, of 1.4%, a decrease of 20 bps compared to 2020 due to the higher weightings toward non-US dollar assets acquired in Legacy transactions.

We maintain a conservative, liquid investment portfolio so that we can produce consistent cash flows to meet our liability obligations, while also earning a reasonable risk-adjusted return. 97% of our portfolio was invested in cash, money market funds, and fixed income investments. Of our fixed income investments, 97% were rated investment grade. After cash, which comprised 14% of our portfolio, our largest allocations were to corporate bonds (43%), government and municipal securities (24%), asset-backed securities (17%) and equities (3%). We have extended duration in our portfolio to both better match our expected liability cashflows and to capture additional investment return as the yield curve has steepened; our interest rate duration was 3.2 years at year-end 2021 compared to 1.8 years at year-end 2020.

During 2021, financial markets witnessed an increase in interest rates, with much of the increase occurring in the 4th quarter of the year. As a result, our investment portfolio experienced unrealised net investment losses of $18.4 million which are included in our IFRS results.

Capital and liquidity

Our preliminary Group Solvency ratio was at our target level of 150%, which represents a decrease of 38 percentage points compared to year-end 2020. Our adjusted debt to capital ratio, which provides for partial equity credit on our subordinated debt, was 37%, an increase of 9 percentage points compared to year end 2020 primarily due to the non-cash, pre-tax charge of ~$90 million. We have received pre-emptive waivers of certain financial covenants from our bank lenders until our Fundraise is complete in July 2022.

Consolidated Income Statement

For the year ended 31 December 2021

	Note	2021 $m	2021 $m	2020 $m	2020 $m
Gross written premiums		1,539.7		991.3	
Written premiums ceded to reinsurers		(1,463.5)		(520.2)	
Net written premiums			**76.2**		**471.1**
Net change in provision for unearned premiums			(12.2)		(4.8)
Earned premium, net of reinsurance			**64.0**		**466.3**
Earned fee income	6	31.8		18.5	
Gross investment income	7	6.4		28.6	
Other income	8	6.6		7.4	
Total fee, investment and other income			44.8		54.5
Total income			**108.8**		**520.8**
Gross claims paid		(485.9)		(270.7)	
Proceeds from commutations and reinsurers' share of gross claims paid		154.2		168.0	
Claims paid, net of reinsurance			(331.7)		(102.7)
Net change in provisions for claims			205.8		(295.1)
Net claims provision increase			**(125.9)**		**(397.8)**
Operating expenses	9		(166.0)		(143.4)
Result of operating activities before goodwill on bargain purchase			**(183.1)**		**(20.4)**
Goodwill on bargain purchase	29		49.7		84.2
Amortisation and impairment of intangible assets	15		(13.3)		(14.2)
Share of profit of associates			11.2		1.7
Result of operating activities			**(135.5)**		**51.3**
Finance costs	10		(26.5)		(12.6)
(Loss)/profit before income taxes	11		**(162.0)**		**38.7**
Income tax credit/(charge)	12		34.6		(1.0)
(Loss)/profit for the year			**(127.4)**		**37.7**
Attributable to:-					
Shareholders of the parent			(127.4)		37.8
Non-controlling interests			—		(0.1)
			(127.4)		**37.7**

The accounting policies and accompanying notes are an integral part of the Consolidated Financial Statements.

		2021	2020
Earnings per share			
Basic	13	(46.9)c	17.5c
Diluted	13	(46.9)c	14.2c

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2021

	2021 $m	2020 $m
Other Comprehensive Income:		
Items that will not be reclassified to profit or loss:		
Pension scheme actuarial gains/(losses)	3.1	(0.7)
Deferred tax on pension scheme actuarial (gains)/losses	(0.2)	0.3
	2.9	(0.4)
Items that may be subsequently reclassified to profit or loss:		
Exchange (losses)/gains on consolidation	(3.3)	12.6
Other comprehensive income	(0.4)	12.2
(Loss)/profit for the year	(127.4)	37.7
Total comprehensive income for the year	**(127.8)**	**49.9**
Attributable to:		
Shareholders of the parent	(127.8)	50.0
Non-controlling interests	—	(0.1)
Total comprehensive income for the year	**(127.8)**	**49.9**

The accounting policies and accompanying notes are an integral part of the Consolidated Financial Statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2021

	Notes	Share capital	Share premium	Treasury shares	Convertible debt	Foreign currency translation reserve	Retained earnings	Sub-total	Non-controlling interests	**Total**
		$m	$m	$m	$m	$m	$m	$m	$m	**$m**
Year ended 31 December 2021										
At beginning of year		6.2	200.9	(0.2)	80.0	(24.7)	267.5	529.7	(0.5)	**529.2**
Functional currency revaluation		(0.2)	7.2	—	7.2	12.3	(26.6)	(0.1)	—	**(0.1)**
Loss for the year		—	—	—	—	—	**(127.4)**	(127.4)	—	**(127.4)**
Other comprehensive income										
Exchange losses on consolidation		—	—	—	—	(3.3)	—	(3.3)	—	**(3.3)**
Pension scheme actuarial gains		—	—	—	—	—	3.1	3.1	—	**3.1**
Deferred tax on pension scheme actuarial gains		—	—	—	—	—	(0.2)	(0.2)	—	**(0.2)**
Total other comprehensive income for the year		**—**	**—**	**—**	**—**	**(3.3)**	**2.9**	(0.4)	**—**	**(0.4)**
Total comprehensive income for the year		**—**		**—**	**—**	**(3.3)**	**(124.5)**	(127.8)	**—**	**(127.8)**
Transactions with owners										
Share based payments		0.1	2.6	0.2	—	—	—	2.9	—	**2.9**
Issue of shares	25	—	—	—	—	—	—	—	—	**—**
Issue of convertible debt		1.4	85.9	—	(87.2)	—	—	0.1	—	**0.1**
Purchase of shares		—	—	—	—	—	—	—	—	**—**
Dividend	14	—	(8.3)	—	—	—	—	(8.3)	—	**(8.3)**
Non-controlling interest in subsidiary disposed		—	—	—	—	—	—	—	0.5	**0.5**
At end of year		**7.5**	**288.3**	**—**	**—**	**(15.7)**	**116.4**	396.5	**—**	**396.5**

	Notes	Share capital	Share premium	Treasury shares	Convertible debt	Foreign currency translation reserve	Retained earnings	Sub- total	Non-controlling interests	**Total**
		$m	**$m**	**$m**	**$m**	**$m**	**$m**	$m	**$m**	**$m**
Year ended 31 December 2020										
At beginning of year		5.4	178.3	—	—	(37.2)	230.1	376.6	0.6	**377.2**
Profit for the year		—	—	—	—	—	**37.8**	37.8	—	**37.8**
Other comprehensive income										
Exchange losses on consolidation		—	—	—	—	12.5	—	12.5	—	**12.5**
Pension scheme actuarial losses		—	—	—	—	—	(0.7)	(0.7)	—	**(0.7)**
Deferred tax on pension scheme actuarial losses		—	—	—	—	—	0.3	0.3	—	**0.3**
Total other comprehensive income for the year		—	—	—	—	**12.5**	**(0.4)**	12.1	—	**12.1**
Total comprehensive income for the year		—	—	—	—	**12.5**	**37.4**	49.9	—	**49.9**
Transactions with owners										
Share based payments		—	14.8	—	—	—	—	14.8	—	**14.8**
Issue of shares	25	0.8	19.4	—	—	—	—	20.2	—	**20.2**
Issue of convertible debt		—	—	—	80.0	—	—	80.0	—	**80.0**
Purchase of own shares		—	—	(0.2)	—	—	—	(0.2)	—	**(0.2)**
Issue of distribution shares		11.6	(11.6)	—	—	—	—	—	—	**—**
Cancellation of distribution shares	14	(11.6)	—	—	—	—	—	(11.6)	—	**(11.6)**
Non-controlling interest in subsidiary disposed of		—	—	—	—	—	—	—	(1.1)	**(1.1)**
At end of period		**6.2**	**200.9**	**(0.2)**	**80.0**	**(24.7)**	**267.5**	529.7	**(0.5)**	**529.2**

The accounting policies and accompanying notes are an integral part of the Consolidated Financial Statements.

Consolidated Statement of Financial Position

As at 31 December 2021

Company Number 47341	Note	**2021**	**2020**
		$m	**$m**
Assets			
Intangible assets	15	86.2	82.2
Investments in associates	18	46.2	45.4
Property, plant and equipment	16	2.1	2.1
Right of use assets	17	6.1	5.6
Investment properties	18a	1.8	1.8
Financial instruments			
- Investments (fair value through profit and loss)	18b	1,511.3	1,171.5
- Deposits with ceding undertakings	4b	21.8	180.4
Reinsurers' share of insurance liabilities	23	2,105.6	1,180.6
Deferred tax assets	24	20.4	5.7
Current tax assets	24	3.6	—
Insurance and other receivables	19	1,096.3	689.6
Cash and cash equivalents	20	266.3	363.5
Total assets		**5,167.7**	**3,728.4**
Liabilities			
Insurance contract provisions	23	3,207.5	2,402.8
Financial liabilities			
- Amounts owed to credit institutions	22	395.9	330.2
- Lease liabilities	22	7.6	6.8
- Deposits received from reinsurers	22	3.0	2.9
Deferred tax liabilities	24	9.0	18.0
Insurance and other payables	21	1,140.1	426.0
Current tax liabilities	24	2.4	2.6
Pension scheme obligations	27	5.7	9.9
Total liabilities		**4,771.2**	**3,199.2**
Equity			
Share capital	25	7.5	6.2
Share premium	25	288.3	200.9
Convertible debt	25	—	80.0
Treasury share reserve		—	(0.2)
Foreign currency translation reserve		(15.7)	(24.7)
Retained earnings		116.4	267.5
Attributable to equity holders of the parent		**396.5**	**529.7**
Non-controlling interests in subsidiary undertakings	30	—	(0.5)
Total equity		**396.5**	**529.2**
Total liabilities and equity		**5,167.7**	**3,728.4**

The Consolidated Financial Statements were approved by the Board of Directors on 12 June 2022 and were signed on its behalf by:

W L Spiegel T S Solomon

The accounting policies and accompanying notes are an integral part of the Consolidated Financial Statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2021

Cash flows from operating activities	Note	2021 $m	2020 $m
(Loss)/profit for the year		(127.4)	37.7
Tax included in consolidated income statement		(34.6)	1.0
Finance costs	10	26.5	12.6
Depreciation and impairment	16 & 17	2.9	3.0
Share based payments	25	2.8	14.8
Share of profits of associates		(11.2)	(1.7)
Profit on divestment		(2.6)	(0.7)
Goodwill on bargain purchase	29	(49.7)	(84.2)
Amortisation and impairment of intangible assets	15	13.3	14.2
Fair value loss/(gain) on financial assets		17.7	(5.6)
Loss on revaluation of investment property	18	—	0.2
Contributions to pension plan		(1.1)	(1.0)
Loss on net assets of pension schemes		0.1	0.3
Increase in receivables		(409.5)	(107.2)
Decrease/(increase) in deposits with ceding undertakings		158.7	(147.2)
Increase in payables		705.7	23.4
(Decrease)/increase in net insurance technical provisions		(193.5)	299.8
Net cash from operating activities		**98.1**	**59.4**
Cash flows from investing activities			
Purchase of property, plant and equipment	16	(0.7)	(1.4)
Proceeds from sale of financial assets		100.8	100.3
Purchase of financial assets		(397.6)	(364.7)
Acquisition of subsidiary undertakings (offset by cash acquired)		46.7	29.3
Divestment (offset by cash disposed of)		3.5	(5.1)
Distributions from associate		10.3	—
Net cash used in investing activities		**(237.0)**	**(241.6)**

	Note		
Cash flows from financing activities			
Repayment of borrowings		(42.0)	(56.7)
Proceeds from new borrowing arrangements		121.7	186.3
Dividends paid		(8.3)	—
Interest and other finance costs paid	10	(26.5)	(12.6)
Cancellation of shares	14	—	(11.6)
Receipts from issue of shares		—	19.9
Receipts from issue of convertible debt		—	80.0
Purchase of treasury shares		—	(0.2)
Net cash from financing activities		**44.9**	**205.1**
Net increase in cash and cash equivalents		**(94.0)**	**22.9**
Cash and cash equivalents at beginning of year		363.5	309.4
Exchange (losses)/gains on cash and cash equivalents		(3.2)	31.2
Cash and cash equivalents at end of year	20	**266.3**	**363.5**
Share of Syndicates' cash restricted funds		50.7	36.4
Other funds		215.6	327.1
Cash and cash equivalents at end of year		**266.3**	**363.5**

The accounting policies and accompanying notes are an integral part of the Consolidated Financial Statements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

1. Corporate information

Randall & Quilter Investment Holdings Ltd. (the "Company") is a company incorporated in Bermuda and listed on AIM, a sub-market of the London Stock Exchange. The Company and its subsidiaries (together forming the "Group") carry on business worldwide as owners and managers of insurance companies, providing program capacity to managing general agents ("MGAs") and run-off solutions to the non-life insurance market. The Consolidated Financial Statements were approved by the Board of Directors on 12 June 2022.

2. Accounting policies

The principal accounting policies adopted in the preparation of these Consolidated Financial Statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

a. ***Basis of preparation***

The Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), endorsed by the European Union, International Financial Reporting Interpretations Committee interpretations and with the Bermuda Companies Act 1981 (as amended).

The Consolidated Financial Statements have been prepared under the historical cost convention, except that financial assets (including investment property), financial liabilities (including derivative instruments) and purchased reinsurance receivables are recorded at fair value through profit and loss. All amounts are stated in US dollars and millions, unless otherwise stated.

The preparation of the Consolidated Financial Statements in conformity with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the Consolidated Financial Statements and the reported amounts of revenues and expenses during the year (Note 3). Although these estimates are based on management's best knowledge of the amount, event or actions, actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised in the year when the revised estimate is made.

New and amended Standards adopted by the Group

In the current year, the Group has applied new IFRSs and amendments to existing IFRSs issued by the IASB that are mandatory for an accounting period that begins on or after 1 January 2021.

IFRS 16 Amendments, Leases COVID-19 Related Rent Concessions. Lessees are provided with an exemption from assessing whether a COVID-19 related rent concession is a lease modification. The Group has not applied this exemption and the amendment has not had an impact on the Consolidated Financial Statements.

IFRS 3 Amendments, Business Combinations. The amendment is aimed at resolving the difficulties that arise when an entity determines whether it has acquired a business or a group of assets. The amendments provide further clarity on what constitutes an acquired business, and this clarification has not impacted the Group's recognition of acquired business in the year and has not had an impact on the Consolidated Financial Statements.

IFRS 9, IAS 39 and IFRS 7 Amendments, Interest Rate Benchmark Reform. The amendments deal specifically with interest rate hedge accounting and is the first phase of change relating to interest rate benchmark reform and the replacement of LIBOR. The Group has not been impacted by these amendments for hedge accounting but has reviewed internal and external contracts where LIBOR has been the interest rate reference point.

IAS 1 and IAS 8 Amendments, Definition of Material. The amendments clarify the definition of 'material' and align the definition used in the Conceptual Framework and the standards themselves. Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial

information about a specific reporting entity. The Financial Statements have been prepared in accordance of this clarification.

New and amended Standards not yet adopted by the Group

A number of new standards and amendments adopted by the EU, as well as standards and interpretations issued by the IASB but not yet adopted by the EU, have not been applied in preparing the Consolidated Financial Statements.

The Group does not plan to adopt these standards early; instead, it will apply them from their effective dates as determined by their dates of EU endorsement. The Group continues to review the upcoming IFRS and other accounting standards to determine their impact.

IFRS 9, Financial Instruments (IASB effective date 1 January 2018) has not been applied under IFRS 4 Amendment option to defer until IFRS 17 comes into effect on 1 January 2023.

IFRS 17, Insurance Contracts. (IASB effective date 1 January 2023).

Amendments to IFRS 3 Business Combinations, IAS 16 Property, Plant and Equipment, IAS 37 Provisions, Contingent Liabilities and Contingent Assets. (IASB effective date 1 January 2022).

IAS 1 Presentation of Financial Statements Amendments, Classification of Liabilities as Current or Non-current. (IASB effective date 1 January 2023).

IAS 8 Accounting Policies Amendments, Changes in Accounting Estimates and Errors. (IASB effective date 1 January 2023).

Of the upcoming accounting standards and amendments, IFRS 9 and IFRS 17 will result in major changes to accounting for insurance and investment transactions and on the Company's annual reported results, whilst having no effects on the fundamental economics of the insurance industry. Impact analysis in respect of these and other accounting standards continues to be monitored and project plans are being implemented to deliver the changes to systems and accounting practices required to meet the effective date of 1 January 2023. A brief overview of these standards and the progress in implementation is provided below:

IFRS 9, Financial instruments (IASB effective date 1 January 2018) has not been applied under IFRS 4 Amendment option. IFRS 9 provides a reform of accounting for financial instruments to supersede IAS 39 Financial Instruments: Recognition and Measurement. Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts contained an optional temporary exemption from applying IFRS 9 for entities whose predominant activity is issuing contracts within the scope of IFRS 4. The Group meets the eligibility criteria and has taken advantage of this temporary exemption not to apply this standard until the effective date of IFRS 17. Workstreams are being developed to cater for the requirements of IFRS 9, ready for implementation on 1 January 2023.

IFRS 9 requires all recognised financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement to be subsequently measured at amortised cost or fair value. Under IFRS 9, financial assets that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that give rise on specified dates to cash flows that are solely payments of

principal and interest on the principal outstanding are generally measured at amortised cost unless the entity applies the fair value option. All other financial assets, including equity investments are measured at their fair values at the end of subsequent accounting periods. Under IFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or increase an accounting mismatch in profit or loss. Changes in the fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss.

IFRS 17 Insurance Contracts, published in May 2017, addresses recognition, measurement, presentation and disclosure for insurance contracts. The measurement approach is based on the following building blocks: (i) a current, unbiased probability-weighted estimate of future cash flows expected to arise as the insurer fulfils its contracts; (ii) the effect of the time value of money; (iii) a risk adjustment that measures the effects of uncertainty about the amount and timing of future cash flows; and (iv) a contractual service margin which represents the unearned profit in a contract (that is recognised in net earnings as the insurer fulfils its performance obligations under the contracts). Estimates are required to be re-measured at each reporting date or period end. In addition, a simplified measurement approach is permitted for short-duration contracts in which the coverage period is approximately one year or less. The standard is effective for annual periods beginning on or after 1 January 2023. This new standard introduces significant changes to the statutory reporting of insurance entities that prepare financial statements according to IFRS, changing the presentation and measurement of insurance contracts, including the effect of technical reserves and reinsurance on the value of insurance contracts. The effect of changes required to the Group's accounting policies as a result of implementing the new standard is currently being considered but these changes can be expected to, among other things, alter the timing of IFRS profit recognition, costs and distributable reserves and impact the Group's reported results of operations and financial position.

The Group also has the option to adopt US GAAP as permitted under the AIM listing rules. The rationale to consider an alternative accounting regime is primarily based on the cost of implementing certain new IFRS standards and the impact on the Company's competitive position in each of its business lines.

During 2021, the Group continued to engage with external consultants to carry out an operational gap analysis and implementation plan. A financial impact assessment was carried out and a sub-ledger selection process finalised. The Group has a roadmap in place to mobilise an implementation program which includes the provision of technical training on the main interpretations of the standard to all directors and relevant internal stakeholders, as well as the development of the sub-ledger system in conjunction with an external service provider and consultancy firm.

b. ***Selection of accounting policies***

Judgement, estimates and assumptions are made by the Directors in selecting each of the Group's accounting policies. The accounting policies are selected by the Directors to present Consolidated Financial Statements based on the most relevant information. In the case of certain accounting policies, there are different accounting treatments that could be adopted, each of which would be in compliance with IFRS and would have a significant influence upon the basis on which the Consolidated Financial Statements are presented.

In respect of financial instruments, the Group accounting policy is to designate all financial assets as fair value through profit or loss, including purchased reinsurance receivables.

c. *Consolidation*

The Consolidated Financial Statements incorporate the Financial Statements of the Company, and entities controlled by the Company (its subsidiaries), for the years ended 31 December 2021 and 2020. Control exists when the Group is exposed to, or has the right to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. In assessing control, the Group takes into consideration potential voting rights that are currently exercisable. The acquisition date is the date on which control is transferred to the acquirer. The financial results of subsidiaries are included in the Consolidated Financial Statements from the date that control commences until the date that control ceases. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes non-controlling interests to have a deficit balance.

The Group uses the acquisition method of accounting to account for business combinations. The cost of an acquisition is measured as the fair value of the assets acquired, equity instruments issued and liabilities incurred or assumed at the date of acquisition. Acquisition-related costs are charged to the Consolidated Income Statement in the year in which they are incurred.

Certain Group subsidiaries underwrite as corporate members of Lloyd's on Syndicates managed by Coverys Managing Agency Limited, Asta Managing Agency Limited, Capita Managing Agency Limited and Vibe Syndicate Management Limited. In view of the several and direct liability of underwriting members at Lloyd's for the transactions of Syndicates in which they participate, only attributable shares of transactions, assets and liabilities of those Syndicates are included in the Consolidated Financial Statements. The Group continues to conclude that it remains appropriate to consolidate only its share of the result of these Syndicates. The Group is the sole provider of capacity on Syndicate 1110 and Syndicate 5678, and these Consolidated Financial Statements include 100% of the economic interest in these Syndicates. For Syndicate 1991, the Group provides 0.04% of the capacity on the 2018, 2019 and 2020 years of account. For Syndicate 2689, the Group provides 0.07% of the capacity on the 2021 year of account. These Consolidated Financial Statements include the Group's relevant share of the result for those years and attributable assets and liabilities.

Associates are those entities in which the Group has power to exert influence but which it does not control. Investments in associates are accounted for using the equity method of accounting. Under this method the investments are initially measured at cost. Thereafter the Group's share of post-acquisition profits or losses are recognised in the Consolidated Income Statement and adjusted against the cost of the investment included in the Consolidated Statement of Financial Position.

When the Group's share of losses equals or exceeds the carrying amount of the investment in the associate, the carrying amount is reduced to nil and recognition for the losses is discontinued except to the extent that the Group has incurred obligations in respect of the associate. Equity accounting is discontinued when the Group no longer has significant influence over the investment.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated in preparing the Consolidated Financial Statements. Unrealised losses are also eliminated unless the transaction provides evidence of impairment of the asset transferred. Where necessary, amounts reported by subsidiaries have been adjusted to conform to the Group's accounting policies. Non-controlling interests represent the portion of profit or loss and net assets not held by the Group and are presented separately in the Consolidated Income Statement and Consolidated Statement of Comprehensive Income and within equity in the Consolidated Statement of Financial Position, separately from the equity attributable to the shareholders of the parent.

Insurance broking cash, receivables and payables held by subsidiary companies which act as intermediaries, other than any receivable for fees, commissions and interest earned on a transaction, are not included in the Group's Consolidated Statement of Financial Position as the subsidiaries act as agents for the client in placing the insurable risks of their clients with insurers and as such are not liable as principals for amounts arising from such transactions.

d. ***Going concern***

The Consolidated Financial Statements have been prepared on a going concern basis, which is conditional on the raising of capital by end of July 2022. At the date of signing these Consolidated Financial Statements, the Group has not yet completed its raise, which requires shareholder approval. The Group has received indicative orders from its shareholders to demonstrate that the capital raise will generate sufficient funding to enable the Group to continue as a going concern. Assuming the capital raise is completed by end July 2022, the Group's financial position and forecasts for 2022 and 2023 demonstrate that it has adequate cash resources to meet its liabilities as they fall due. The Group has continued to make advances with its strategy, including the continuation of Legacy Insurance deals and ongoing development of the Program Management business.

Given these factors, the Directors have a reasonable expectation that the Group will be able to continue in operational existence for the foreseeable future. For the purposes of these Consolidated Financial Statements, this is considered to be a minimum of 12 months from the date on which these financial statements are signed.

The Group's operations have not been materially impacted by the COVID-19 pandemic and it has continued to operate effectively during the period.

e. ***Foreign currency translation***

Functional and presentational currency

Items included in the Financial Statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The Consolidated Financial Statements are presented in US dollars, which is the Group's presentational currency.

The Group has changed functional and presentation currency from GBP to US dollars with effect from 1 January 2021. The change in functional currency was made to reflect the fact that US dollars has become the predominant currency used in the Company, accounting for a significant part of the Group's cash flow, cash flow management and financing. The change has been implemented with prospective effect. The change of presentation currency is applied retrospectively for comparative figures. Currency translation effects for the comparative figures arising from the change to the new presentation currency US dollars, are booked as translation differences within the equity statement. Comparison figures in the Consolidated Statement of Comprehensive Income have been re-presented to reflect the average currency rates of transactions in foreign currencies for the period.

The different components of assets and liabilities in US dollars correspond to the amount published in the prior year financial statements in GBP translated at the USD/GBP closing rate applicable at the end of each reporting period. As such, the change in presentation currency has not impacted the measurement of assets, liabilities, equity, or any ratios between these components, such as debt to equity ratios.

Transactions and balances

Transactions in foreign currencies are recorded at the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the end of the reporting period; the resulting exchange gain or loss is recognised in the Consolidated Income Statement. Non-monetary items recorded at 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.

Group translation

The assets and liabilities of overseas subsidiaries, including associated goodwill, held in functional currencies other than the Group's presentational currency are translated at the exchange rate as at the period end date.

Income and expenses are translated at average rates for the period. All resulting exchange differences are recognised in other comprehensive income and accumulated in the foreign currency translation reserve in the Consolidated Statement of Financial Position.

On the disposal of foreign operations, cumulative exchange differences previously recognised in other comprehensive income are recognised in the Consolidated Income Statement as part of the gain or loss on disposal.

f. ***Premiums***

Gross written premiums represent premiums on business commencing in the financial year together with adjustments to premiums written in previous accounting periods and estimates for premiums from contracts entered into during the course of the year. Gross written premiums are stated before deduction of brokerage and commission but net of taxes and duties levied on premiums.

Unearned premiums
A provision for unearned premiums represents that part of the gross written premiums that is estimated will be earned in the following financial periods. It is calculated on a time apportionment basis having regard, where appropriate, to the incidence of risk. For After the Event policies written by the Group, premiums remain unearned until the point at which the claims exposures relating to these policies become crystallised.

Reinsurance premium costs are allocated to financial periods to reflect the protection arranged in respect of the business written and earned.

Acquisition costs
Acquisition costs, which represent commission and other related direct underwriting expenses, are deferred over the period in which the related premiums are earned. Acquisition costs recognised during the period are recorded in operating expenses in the Consolidated Income Statement.

g. ***Claims***

These include the cost of claims and related expenses paid in the year, together with changes in the provisions for outstanding claims, including provisions for claims incurred but not reported and related expenses, together with any other adjustments to claims from previous years. Where applicable, deductions are made for salvage and other recoveries. These are shown as net claims provisions (increase)/release in the Consolidated Income Statement.

h. ***Insurance contract provisions and reinsurers' share of insurance liabilities***

Provisions are made in the insurance company subsidiaries and in the Lloyd's Syndicates on which the Group participates for the full estimated costs of claims notified but not settled, including claims handling costs, on the basis of the best information available, taking account of inflation and latest trends in court awards. The Directors of the subsidiaries, with the assistance of run-off managers, independent actuaries and internal actuaries, have established such provisions on the basis of their own investigations and their best estimates of insurance payables, in accordance with accounting standards. Legal advice is taken where appropriate. Deductions are made for salvage and other recoveries as appropriate.

The provisions for claims incurred but not reported ("IBNR") have been based on a number of factors including previous experience in claims and settlement patterns, the nature and amount of business written, inflation and the latest available information as regards specific and general industry experience and trends.

A reinsurance asset (reinsurers' share of technical provisions) is recognised to reflect the amount estimated to be recoverable under the reinsurance contracts in respect of the outstanding claims reported and IBNR. The amount recoverable from reinsurers is initially valued on the same basis as the underlying claims provision. The

amount recoverable is reduced when there is an event arising after the initial recognition that provides objective evidence that the Group may not receive all amounts due under the contract.

Neither the claims provisions nor the IBNR provisions have been discounted.

The uncertainties which are inherent in the process of estimating are such that, in the normal course of events, unforeseen or unexpected future developments may cause the ultimate cost of settling the outstanding liabilities to differ materially from that estimated. Any differences between provisions and subsequent settlements are recorded in the Consolidated Income Statement in the year which they arise.

Having regard to the significant uncertainty inherent in the business of insurance as explained in Note 3, and in light of the information available, in the opinion of the Directors the provisions for outstanding claims and IBNR in the Consolidated Financial Statements are fairly stated.

Provision for future claims handling costs

Provision for future run-off costs relating to the Group's run-off businesses is made to the extent that the estimate of such costs exceeds the estimated future investment income expected to be earned by those businesses.

Estimates are made for the anticipated costs of running off the business of those insurance subsidiaries and the Group's participation in Syndicates which have insurance businesses in run-off. Where insurance company subsidiaries have businesses in run-off and underwrite new business, management estimates the run-off costs and the future investment income relating to the run-off business. Syndicates are treated as being in run-off for the Consolidated Financial Statements where they have ceased writing new business and, in the opinion of management, there is no current probable reinsurer available to close the relevant syndicate year of account.

Changes in the estimates of such costs and future investment income are reflected in the year in which the changes in estimates are made.

When assessing the amount of any provision to be made, the future investment income and claims handling and all other costs of all the insurance company subsidiaries' and syndicates' businesses in run-off are considered in aggregate.

The uncertainty inherent in the process of estimating the period of run-off and the pay-out pattern over that period, the anticipated run-off administration costs to be incurred over that period and the level of investment income to be received is such that in the normal course of events unforeseen or unexpected future developments may cause the ultimate costs of settling the outstanding liabilities to differ from that previously estimated.

Unexpired risks provision

Provisions for unexpired risks are made where the costs of outstanding claims, related expense and deferred acquisition costs are expected to exceed the unearned premium reserve carried forward at the end of the reporting period. The provision for unexpired risks is calculated separately by reference to classes of business which are managed together, after taking into account relevant investment return.

i. ***Provisions***

Provisions, other than insurance provisions, are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation, using a pre-tax rate that reflects current market assessments of the time value of money and the
risks specific to the obligation. The increase in the provision due to the passage of time is recognised as an interest expense.

j. ***Structured settlements***

Certain of the US insurance company subsidiaries have entered into structured settlements whereby their liability has been settled by the purchase of annuities from third party life insurance companies in favour of the claimants. The subsidiary retains the credit risk in the unlikely event that the life insurance company defaults on its obligations to pay the annuity amounts. Provided that the life insurance company continues to meet the annuity obligations, no further liability will fall on the insurance company subsidiary. The amounts payable to claimants are recognised in liabilities. The amount payable to claimants by the third-party life insurance companies are also shown in liabilities as reducing the Group's liability to nil.

In the opinion of the Directors, this treatment reflects the substance of the transaction on the basis that any remaining liability of Group companies under structured settlements will only arise upon the failure of the relevant third-party life insurance companies and will be reduced by any available reinsurance cover.

Should the Directors become aware of a claim arising from a policy holder that a third-party life insurance company responsible for the payment of an annuity under a structured settlement may not be in a position to meet its annuity obligations in full, appropriate provision will be made for any such failure.

Disclosure of the position in relation to structured settlements is shown in Note 21.

k. ***Segmental reporting***

The Group's business segments are based on the Group's management and internal reporting structures and represent the level at which financial information is reported to the Board, being the chief operating decision maker as defined in IFRS 8.

l. ***Financial instruments***

Financial instruments are recognised in the Consolidated Statement of Financial Position at such time that the Group becomes a party to the contractual provisions of the financial instrument. A financial asset is derecognised when the contractual rights to receive cash flows from the financial assets expire, or where the financial assets have been transferred, together with substantially all the risks and rewards of ownership. Financial liabilities are derecognised if the Group's obligations specified in the contract expire, are discharged or cancelled.

Financial assets

i) Acquisition

On acquisition of a financial asset, the Group is required under IFRS to classify the asset into one of the following categories: 'financial assets at fair value through profit or loss', 'loans and receivables held to maturity' and 'available for sale'. The Group does not currently hold assets classified as 'held to maturity' and 'available for sale'.

ii) Financial assets at fair value through profit and loss

All financial assets, other than cash, loans and receivables, are currently designated as fair value through profit and loss upon initial recognition because they are managed and their performance is evaluated on a fair value basis. Information about these financial assets is provided internally on a fair value basis to the Group's key management. The Group's investment strategy is to invest and evaluate their performance with reference to their fair values.

iii) Fair value measurement

When available, the Group measures the fair value of an instrument using quoted prices in an active market for that instrument.

If a market for a financial instrument is not active, the Group establishes fair value using a valuation technique. Valuation techniques include using recent arm's length transactions between knowledgeable, willing parties (if available) and reference to the current fair value of other instruments that are substantially the same or discounted cash flow analyses.

Assets and long positions are measured at a bid price; liabilities and short positions are measured at an asking price. Where the Group has positions with offsetting risks, mid-market prices are used to measure the offsetting risk positions and a bid or asking price adjustment is applied only to the net open position as appropriate. Fair values reflect the credit risk of the instrument and include adjustments to take account of the credit risk of the Group entity and counterparty where appropriate. Fair value estimates obtained from models are adjusted for any other factors, such as liquidity risk or model uncertainties, to the extent that the Group believes a third-party market participant would take them into account in pricing a transaction.

Upon initial recognition, attributable transaction costs relating to financial instruments at fair value through profit or loss are recognised when incurred in other operating expenses in the Consolidated Income Statement. Financial assets at fair value through profit or loss are measured at fair value, and changes therein are recognised in the Consolidated Income Statement. Net changes in the fair value of financial assets at fair value through profit and loss exclude interest and dividend income, as these items are accounted for separately as set out in the investment income section below.

iv) Insurance receivables and payables
Insurance receivables and payables are recognised when due. These include amounts due to and from agents, brokers and insurance contract holders. Insurance receivables are classified as 'loans and receivables' as they are non-derivative financial assets with fixed or determinable payments that are not quoted on an active market. Insurance receivables are measured at amortised cost less any provision for impairment. Insurance payables are stated at amortised cost. Insurance receivables and payables are not discounted.

v) Investment income
Investment income consists of dividends, interest, realised and unrealised gains and losses and exchange gains and losses on financial assets at fair value through profit and loss. The realised gains or losses on disposal of an investment are the difference between the proceeds and the original cost of the investment. Unrealised investment gains and losses represent the difference between the carrying amount at the reporting date, and the carrying amount at the previous period end or the purchase value during the period.

Financial liabilities
Borrowings
Borrowings are initially recorded at fair value less transaction costs incurred. Subsequently borrowings are stated at amortised cost and interest is recognised in the Consolidated Income Statement over the period of the borrowings.

Senior and subordinated debt
Randall & Quilter Investment Holdings Ltd. and Group subsidiaries have issued senior and subordinated debt. At Group level this is treated as a financial liability and interest charges are recognised in the Consolidated Income Statement.

Derivative financial instruments
Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at their fair value. The best evidence of fair value of a derivative at initial recognition is the transaction price. The method of recognising the resulting fair value gains or losses depends on whether the derivative is designated as a hedging instrument and, if so, the nature of the item being hedged.

Fair values are obtained from quoted market prices in active markets, recent market transactions, and valuation techniques which include discounted cash flow models. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

The Group has not designated any derivatives as fair value hedges, cash flow hedges or net investment hedges.

m. ***Property, plant and equipment***

All assets included within property, plant and equipment ("PPE") are carried at historical cost less depreciation and assessed for impairment. Depreciation is calculated to write down the cost less estimated residual value of motor vehicles, office equipment, IT equipment, freehold property and leasehold improvements by the straight-line method over their expected useful lives.

The principal rates per annum used for this purpose are:

	%
Motor vehicles	25
Office equipment	8 – 50
IT equipment	20 – 25
Freehold property	2
Leasehold improvements	Term of lease

The gain or loss arising on the disposal of an item of PPE is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the Consolidated Income Statement.

n. ***Leases***

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to refurbish the underlying asset, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of Property, plant and equipment. In addition, the right-of-use asset is reviewed for impairment losses, if any, and adjusted for certain re-measurements of the lease liability.

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets, including IT equipment. The Group recognises the lease payments associated with these leases as an expense to the Consolidated Income Statement on a straight-line basis over the lease term.

Right-of-use assets are disclosed under note 17.

o. ***Goodwill***

The Group uses the acquisition method in accounting for acquisitions. The difference between the cost of acquisition and the fair value of the Group's share of the identifiable net assets acquired is capitalised and recorded as goodwill. If the cost of an acquisition is less than the fair value of the net assets of the subsidiary

acquired the difference is recognised directly in the Consolidated Income Statement as goodwill on bargain purchase.

Goodwill acquired in a business combination is initially measured at cost, being the excess of the fair value of the consideration paid for the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment at the cash generating unit level, as shown in Note 15, on a biannual basis or if events or changes in circumstances indicate that the carrying amount may be impaired.

p. ***Other intangible assets***

Intangible assets, other than goodwill, that are acquired separately are stated at cost less accumulated amortisation and impairment.

Intangible assets acquired in a business combination, and recognised separately from goodwill, are recognised initially at fair value at the acquisition date. This includes intangible assets calculated by measuring the difference between the discounted and undiscounted fair value of net technical provisions acquired.

Amortisation is charged to operating expenses in the Consolidated Income Statement as follows:

Purchased IT software	3 – 5 years, on a straight-line basis
On acquisition of insurance companies in run-off	Estimated pattern of run-off
On acquisitions – other	Useful life, which may be indefinite

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised in the Consolidated Income Statement to reduce the carrying amount to the recoverable amount.

US insurance authorisation licences
US state insurance authorisation licences acquired in business combinations are recognised initially at their fair value. The asset is not amortised, as the Directors consider that economic benefits will accrue to the Group over an indefinite period due to the long-term stability of the US insurance market. The licences are tested annually for impairment. This assumption is reviewed annually to determine whether the asset continues to have an indefinite life. Costs of acquiring new licences are recognised in the year of acquisition.

Rights to customer contractual relationships
Costs directly attributable to securing the intangible rights to customer contractual relationships are recognised as an intangible asset where they can be identified separately and measured reliably, and it is probable that they will be recovered by directly related future profits. These costs are amortised on a straight-line basis over the useful economic life which is deemed to be 15 years and are carried at cost less accumulated amortisation and impairment losses.

q. ***Employee Benefits***
The Group makes contributions to defined contribution schemes and a defined benefit scheme.

The pension cost in respect of the defined contribution schemes represents the amounts payable by the Group for the year. The funds of the schemes are administered by trustees and are separate from the Group. The Group's liability is limited to the amount of the contributions.

The defined benefit scheme is funded by contributions from a subsidiary company and its assets are held in a separate Trustee administered fund. Pension scheme assets are measured at market value, and liabilities are measured using the projected unit method and discounted at the current rate of return on high quality corporate bonds of equivalent term and currency to the liability.

Current service cost, net interest income or cost and any curtailments/settlements are charged to the Consolidated Income Statement. The present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets is recognised and disclosed separately as a net pension liability in the Consolidated Statement of Financial Position. Surpluses are only recognised up to the aggregate of any cumulative unrecognised net actuarial gains and past service costs, and the present value of any economic benefits available in the form of any refunds or reductions in future contributions.

Subject to the restrictions relating to the recognition of a pension surplus, all actuarial gains and losses are recognised in full in other comprehensive income in the period in which they occur.

r. ***Cash and cash equivalents***

For the purposes of the Consolidated Cash Flow Statement, cash and cash equivalents comprise cash at bank and other short-term highly liquid investments with a maturity of three months or less from the date of acquisition, and bank overdrafts which are repayable on demand.

s. ***Finance costs***

Finance costs comprise interest payable and are recognised in the Consolidated Income Statement in line with the effective interest rate on liabilities.

t. ***Operating expenses***

Operating expenses are accounted for in the Consolidated Income Statement in the period to which they relate.

Pre-contract costs

Directly attributable pre-contract costs are recognised as an asset when it is virtually certain that a contract will be obtained and the contract is expected to result in future net cash inflows in excess of any amounts recognised as an asset.

Pre-contract costs are charged to the Consolidated Income Statement over the shorter of the life of the contract or five years.

Onerous contracts

Onerous contract provisions are provided for in circumstances where the Group has a present legal or constructive obligation as a result of past events to provide services, the costs of which exceed future income. The costs of providing the services are projected based on management's assessment of the contract.

Arrangement fees

Arrangement fees in relation to loan facilities are deducted from the relevant financial liability and amortised over the period of the facility.

u. ***Other income***

Other income is stated excluding any applicable value added tax and includes the following items:

Management fees

Management fees are from non-Group customers and are recognised when the right to such fees is established through a contract and to the extent that the services concerned have been performed. Billing follows the supply of service and the consideration is unconditional because only the passage of time is required before the payment is due.

Purchased reinsurance receivables
The Group accounts for these financial assets at fair value through profit and loss. Fair value is defined as the price at which an orderly transaction would take place between market participants at the reporting date and is therefore an estimate which requires the use of judgement.

Earned fee income
Earned fee income comprises brokerage and profit commission arising from the placement of insurance contracts. Brokerage is recognised at the inception date of the policy, or the date of contractual entitlement, if later. Alterations in brokerage arising from premium adjustments are taken into account as and when such adjustments are notified. To the extent that the Group is contractually obliged to provide services after this date, a suitable proportion of income is deferred and recognised over the life of the relevant contracts to ensure that revenue appropriately reflects the cost of fulfilling those obligations. Profit commission is recognised when the right to such profit commission is established through a contract but only to the extent that a reliable estimate of the amount due can be made. Such estimates are made on a prudent basis that reflects the level of uncertainty involved.

v. ***Share based payments***
The Group issues equity settled payments to certain of its employees.

The cost of equity settled transactions with employees is measured by reference to the fair value at the date at which they are granted and is recognised as an expense on a straight-line basis over the vesting period. The fair value is measured using the binomial option pricing method, taking into account the terms and conditions on which the awards were granted.

w. ***Current and deferred income tax***
Tax on the profit or loss for the year comprises current and deferred tax.

Tax is recognised in the Consolidated Income Statement except to the extent that it relates to items recognised in other comprehensive income, in which case it is recognised in the Consolidated Statement of Comprehensive Income.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company's subsidiaries and associates operate and generate taxable income.

Deferred tax liabilities are provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Consolidated Financial Statements. However, if the deferred tax arises from initial recognition of an asset or liability in a transaction other than a business combination and which, at the time of the transaction, affects neither accounting, nor taxable profit or loss, it is not provided for.

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which these temporary differences can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis. Deferred tax assets and liabilities are determined using tax rates

that have been enacted or substantively enacted by the period end date and are expected to apply when the related deferred tax asset is realised, or the deferred tax liability is settled.

x. ***Share capital***
Ordinary shares and Preference A and B shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

y. ***Distributions***
Distributions payable to the Company's shareholders are recognised as a liability in the Consolidated Financial Statements in the period in which the distributions are declared and approved.

3. Estimation techniques, uncertainties and contingencies

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

Significant uncertainty in technical provisions
Significant uncertainty exists as to the accuracy of the insurance contract provisions and the reinsurers' share of insurance liabilities established in the insurance company subsidiaries and the Lloyd's Syndicates on which the Group participates as shown in the Consolidated Statement of Financial Position. The ultimate costs of claims and the amounts ultimately recovered from reinsurers could vary materially from the amounts established at the year end.

In the event that further information were to become available to the Directors of an insurance company subsidiary which gave rise to material additional liabilities, the going concern basis might no longer be appropriate for that company and adjustments would have to be made to reduce the value of its assets to their realisable amount, and to provide for any further liabilities which might arise in that subsidiary. The Group bears no financial responsibility for any liabilities or obligations of any insurance company subsidiary in run-off, except as disclosed. Should any insurance company subsidiary cease to be able to continue as a going concern in the light of further information becoming available, any loss to the Group would thus be restricted to the book value of their investment in and amounts due from that subsidiary and any guarantee liability that may arise.

Claims provisions
The Consolidated Financial Statements include provisions for all outstanding claims and IBNR, for related reinsurance recoveries and for all costs expected to be incurred to run-off its liabilities.

The insurance contract provisions including IBNR are based upon actuarial and other studies of the ultimate cost of liabilities including exposure based and statistical estimation techniques. There are significant uncertainties inherent in the estimation of each insurance company subsidiary's and Lloyd's Syndicate's insurance liabilities and reinsurance recoveries. There are many assumptions and estimation techniques that may be applied in assessing the amount of those provisions which individually could have a material impact on the amounts of liabilities, related reinsurance assets and reported shareholders' equity funds. Actual experience will often vary from these assumptions, and any consequential adjustments to amounts previously reported will be reflected in the results of the year in which they are identified. Potential adjustments arising in the future could, if adverse in the aggregate, exceed the amount of shareholders' equity funds of an insurance company subsidiary.

Independent external actuaries are contracted to provide a Statement of Actuarial Opinion for the Lloyd's Syndicates on which Group participates. This statement confirms that, in the opinion of the actuary, the booked reserves are greater than or equal to their view of best estimate.

In the case of the Group's larger insurance companies, independent external actuaries provide a view of best estimate reserves and confirm that the held reserves are within their range of reasonable estimates.

The business written by the insurance company subsidiaries consists in part of long-tail liabilities, including asbestos, pollution, health hazard and other US liability insurance. The claims for this type of business are typically not settled until many years after policies have been written. Furthermore, much of the business

written by these companies is reinsurance and retrocession of other insurance companies' business, which lengthens the settlement period.

Significant delays occur in the notification and settlement of certain claims and a substantial measure of experience and judgement is involved in making the assumptions necessary for assessing outstanding liabilities, the ultimate cost of which cannot be known with certainty at the period end date. The gross insurance contract provisions and related reinsurers' share of insurance liabilities are estimated on the basis of information currently available. Provisions are calculated gross of any reinsurance recoveries. A separate estimate is made of the amounts that will be recoverable from reinsurers based upon the gross provisions and having due regard to collectability.

The insurance contract provisions include significant amounts in respect of notified and potential IBNR claims for long-tail liabilities. The settlement of most of these claims is not expected to occur for many years, and there is significant uncertainty as to the timing of such settlements and the amounts at which they will be settled.

While many claims are clearly covered under policy wordings and are paid quickly, many other claims are subject to significant disputes, for example over the terms of a policy and the amount of the claim. The provisions for disputed claims are based on the view of the Directors of each insurance company subsidiary as to the expected outcomes of such disputes. Claim types impacted by such disputes include asbestos, pollution and certain health hazards and retrocessional reinsurance claims.

Uncertainty is further increased because of the potential for unforeseen changes in the legal, judicial, technological or social environments, which may increase or decrease the cost, frequency or reporting of claims, and because of the potential for new sources or types of claim to emerge.

Asbestos, pollution and health hazard claims

The estimation of the provisions for the ultimate cost of claims for asbestos, pollution, health hazard and other US liability insurance is subject to a range of uncertainties that is generally greater than those encountered for other classes of insurance business. As a result, it is not possible to determine the future development of asbestos, pollution, health hazard and other US liability insurance with the same degree of reliability as with other types of claims. Consequently, traditional techniques for estimating claims provisions cannot wholly be relied upon. The Group employs further techniques which utilise, where practical, the exposure to these losses by contract to determine the claims provisions.

Insurance claims handling expenses

The provision for the cost of handling and settling outstanding claims to extinction and all other costs of managing the run-off is based on an analysis of the expected costs to be incurred in run-off activities, incorporating expected savings from the reduction of transaction volumes over time.

The period of the run-off may be between 5 and 50 years depending upon the nature of the liabilities within each insurance company subsidiary. Ultimately, the period of run-off is dependent on the timing and settlement of claims and the collection of reinsurance recoveries; consequently, similar uncertainties apply to the assessment of the provision for such costs.

Reinsurance recoveries

Reinsurance recoveries are included in respect of claims outstanding (including IBNR claims) and claims paid after making provision for irrecoverable amounts. The reinsurance recoveries on IBNR claims are estimated based on the recovery rate experienced on notified and paid claims for each class of business.

The insurance company subsidiaries are exposed to disputes on contracts with their reinsurers and the possibility of default by reinsurers. In establishing the provision for non-recovery of reinsurance balances, the Directors of each insurance company subsidiary consider the financial strength of each reinsurer, its ability to settle their

liabilities as they fall due, the history of past settlements with the reinsurer, and the Group's own reserving standards and have regard to legal advice regarding the merits of any dispute.

Recognition and de-recognition of assets and liabilities in run-off

In the course of the Group's business of managing the run-off of insurers and brokers, accounting records are initially recognised in the form provided by previous management. As part of managing run-off the Group carries out extensive enquiries to clarify the assets and liabilities of the run-off and to obtain all available and relevant information. Those enquiries may lead the Group to identify and record additional assets and liabilities relating to that run-off, or to conclude that previously recognised assets and liabilities should be increased or no longer exist and should be de-recognised. Where decisions to de-recognise liabilities are supported by an absence of relevant information there may remain a remote possibility that a third party may subsequently provide evidence of its entitlement to such de-recognised liabilities which may lead to a transfer of economic benefit to settle such entitlement. The right of a third party to such a settlement will be recognised in the accounting period in which the position is clarified.

Defined benefit pension scheme

The pension assets and post retirement liabilities are calculated in accordance with IAS 19. The assets, liabilities and Consolidated Income Statement charge or credit, calculated in accordance with IAS 19, are sensitive to the assumptions made, including inflation, interest rate, investment return and mortality. IAS 19 compares, at a given date, the current market value of a pension fund's assets with its long-term liabilities, which are calculated using a discount rate in line with yields on high quality bonds of suitable duration and currency. As such, the financial position of a pension fund on this basis is highly sensitive to changes in bond rates and equity markets.

Litigation, mediation and arbitration

The Group in common with the insurance industry in general, is subject to litigation, mediation and arbitration, and regulatory, governmental and other sectorial inquiries in the normal course of its business. The Directors do not believe that, in the aggregate, current litigation, governmental or sectorial inquiries and pending or threatened litigation or dispute is likely to have a material impact on the Group's financial position. However, if the outcome of any individual dispute differs substantially from expectation, there could be a material impact on the Group's profit or loss, financial position or cash flows in the year in which that impact is recognised.

Changes in foreign exchange rates

The Group's Consolidated Financial Statements are prepared in US dollars. Therefore, fluctuations in exchange rates used to translate other currencies, particularly the Euro and sterling, into US dollars will impact the reported Consolidated Statement of Financial Position, results of operations and cash flows from year to year. These fluctuations in exchange rates will also impact the US dollar value of the Group's investments and the return on its investments. Income and expenses are translated into US dollars at average exchange rates. Monetary assets and liabilities are translated at the closing exchange rates at the period end date.

Assessment of impairment of intangible assets

Goodwill and US insurance authorisation licences are deemed to have an indefinite life as they are expected to have a value in use that does not erode or become obsolete over the course of time. Consequently, they are not amortised but tested for impairment on a biannual basis or if events or changes in circumstances indicate that the carrying amount may be impaired.

The impairment tests involve evaluating the recoverable amount of the Group's cash generating units and comparing them to the relevant carrying amounts. The recoverable amount of each cash generating unit is determined based on cash flow projections. These cash flow projections are based on the financial budgets approved by management covering a five-year period. Management also considers the current net asset value and earnings of each cash generating unit for impairment.

Provisions

Estimates are based on reports provided by recognised specialists as well as the Group's own internal review. Liabilities may not be settled for many years and significant judgement is involved in making an assessment of these liabilities, the period over which they will be settled and, where appropriate, the discount rate to be applied to assess the present value of the amounts to be settled.

4. Management of insurance and financial risks

The Group's activities expose it to a variety of insurance and financial risks. The Board is responsible for managing the Group's exposure to these risks and, where possible, for introducing controls and procedures that mitigate the effects of the exposure to risk.

The Group has a Risk and Compliance Committee which is a formal Committee of the Board. The Committee has responsibility for maintaining the effectiveness of the Group's Risk Management Framework, systems of internal control, risk policies and procedures and adherence to risk appetite.

The following describes the Group's exposure to the more significant risks and the steps management have taken to mitigate their impact from a quantitative and qualitative perspective.

a. *Investment risks (including market risk and interest rate risk)*

The Group has established a dedicated Investment Committee which has taken over responsibility from the former Group Capital and Investment Committee for setting and recommending to the Board a strategy for the management of the Group's investment assets owned or managed by companies within the Group within an acceptable level of risk as set out in the Group's Risk Management Framework. The investment of the Group's financial assets, except certain deposits with ceding undertakings, is managed by external investment managers, appointed by the Investment Committee. The Investment Committee is responsible for setting the policy to be followed by the investment managers. The investment strategy strives to mitigate the impact of interest rate fluctuation and credit risks and to provide appropriate liquidity, in addition to monitoring and managing foreign exchange exposures.

The Investment Committee is also responsible for keeping under review the investment control procedures, monitoring and amending (where appropriate) the investment policies and oversight of loans and guarantees between Group companies.

The main objective of the investment policy is to maximise risk adjusted returns whilst adhering to regulatory and group investment guidelines together with seeking to optimise the matching of asset and liability cashflows.

The investment allocation (including surplus cash) at 31 December 2021 and 2020 is shown below:

	2021 $m	2020 $m
Government and government agencies	330.9	311.8
Corporate bonds	1,055.9	778.2
Equities	11.9	7.5
Cash based investment funds	112.6	74.0
Cash and cash equivalents	266.3	363.5
	1,777.6	1,535.0

	%	%
Government and government agencies	18.6	20.3
Corporate bonds	59.4	50.7
Equities	0.7	0.5
Cash based investment funds	2.4	4.8
Cash and cash equivalents	18.9	23.7
	100.0	100.0

Corporate bonds include asset backed mortgage obligations totalling $45.1m (2020: $41.2m).

Based on invested assets at external managers of $1,511.3m as at 31 December 2021 (2020: $1,171.5m), a 1 percentage increase/decrease in market values would result in an increase/decrease in the profit before income taxes for the year to 31 December 2021 of $15.1m (2020: $11.7m).

(i) Pricing risk

The following table shows the fair values of financial assets using a valuation hierarchy; the fair value hierarchy has the following levels:

Level 1 – Valuations based on quoted prices in active markets for identical instruments. An active market is a market in which transactions for the instrument occur with sufficient frequency and volume on an ongoing basis such that quoted prices reflect prices at which an orderly transaction would take place between market participants at the measurement date.

Level 2 – Valuations based on quoted prices in markets that are not active or based on pricing models for which significant inputs can be corroborated by observable market data.

Level 3 – Valuations based on inputs that are unobservable or for which there is limited activity against which to measure fair value.

2021	Level 1 $m	Level 2 $m	Level 3 $m	Total $m
Government and government agencies	330.9	—	—	330.9
Corporate bonds	999.0	56.9	—	1,055.9
Equities	11.6	0.3	—	11.9
Cash based investment funds	—	112.6	—	112.6
Purchased reinsurance receivables (Note 19)	—	—	6.6	6.6
Total financial assets measured at fair value	**1,341.5**	**169.8**	**6.6**	**1,517.9**

2020	Level 1 $m	Level 2 $m	Level $m	Total $m
Government and government agencies	311.3	0.5	—	311.8
Corporate bonds	742.4	35.8	—	778.2
Equities	7.2	0.3	—	7.5
Cash based investment funds	—	74.0	—	74.0
Purchased reinsurance receivables (Note 19)	—	—	6.4	6.4
Total financial assets measured at fair value	**1,060.9**	**110.6**	**6.4**	**1,177.9**

The following table shows the movement on Level 3 assets measured at fair value:

	2021 $m	2020 $m
Opening balance	6.4	8.1
Total net gains recognised in the Consolidated Income Statement	0.2	0.5
Disposals	—	(2.0)
Exchange adjustments	—	(0.2)
Closing balance	**6.6**	**6.4**

Level 3 investments (purchased reinsurance receivables) have been valued using detailed models outlining the anticipated timing and amounts of future receipts. The net gains recognised in the Consolidated Income Statement in other income for the year amounted to $0.2m (2020: $0.5m). The Group purchased no further reinsurance receivables in 2021 (2020: nil). Short term delays in the anticipated receipt of these investments will not have a material impact on their valuation.

There were no transfers between Level 1 and Level 2 investments during the year under review.

The following shows the maturity dates and interest rate ranges of the Group's debt securities:

(ii) Liquidity risk

As at 31 December 2021

Maturity date or contractual re-pricing date

	Total	Less than one year	After one year but less than two years	After two years but less than three years	After three years but less than five years	More than five years
	$m	$m	$m	$m	$m	$m
Debt securities	1,499.4	258.0	176.2	172.6	235.4	657.2

Interest rate ranges (coupon-rates)

	Less than one year	After one year but less than two years	After two years but less than three years	After three years but less than five years	More than five years
	%	%	%	%	%
Debt securities	0.13 - 8.25	0 - 8.25	0.10 - 7.38	0.13 - 9.75	0.01 - 9.25

As at 31 December 2020

Maturity date or contractual re-pricing date

	Total	Less than one year	After one year but less than	After two years but less than	After three years but less than	More than five years
	$m	$m	$m	$m	$m	$m
Debt securities	1,164.0	226.6	206.4	167.3	162.8	400.9

Interest rate ranges (coupon-rates)

	Less than one year	After one year but less than	After two years but less than	After three years but less than	More than five years
	%	%	%	%	%
Debt securities	0.13-10.00	0.13-8.25	0.10-7.88	0.14-9.75	0.37-9.00

The Investment Committee determines, implements and reviews investment strategies for each entity and for the Group as a whole, having appropriate regard for the duration characteristics of the liabilities supported by the investments and the specific liquidity requirements for each entity. Liquidity risk is also monitored by the Group's financial planning and treasury function's established cash flow and liquidity management processes.

(iii) Interest rate risk

Fixed income investments represent a significant proportion of the Group's assets and the Investment Committee continually monitors investment strategy to minimise the risk of a fall in the portfolio's market value.

The fair value of the Group's investment portfolio of debt and fixed income securities is normally inversely correlated to movements in market interest rates. If market interest rates rise, the fair value of the Group's debt and fixed income investments would tend to fall and vice versa.

Debt and fixed income assets are predominantly invested in high-quality corporate, government and asset-backed bonds. The investments typically have relatively short durations and terms to maturity.

The Group is exposed to interest rate risk within the Group's financial liabilities. This exposure lies predominately with amounts owed to credit institutions and debentures secured over the assets of the Company and its subsidiaries.

b. **Credit risk**

Credit risk arises where counterparties fail to meet their financial obligations as they fall due. The most significant area where it arises for the Group is where reinsurers fail to meet their obligations in full as they fall due. In addition, the Group is exposed to the risk of disputes on individual claims presented to its reinsurers or in relation to the contracts entered into with its reinsurers.

The Group guideline is for the reinsurers of program management to meet a minimum of the AM Best A credit rating or otherwise fully collateralise the obligation, in order to mitigate counterparty credit risk.

The ratings used in the below analysis are based upon the published rating of Standard & Poor's or other recognised ratings agency.

As at 31 December 2021

	A rated	**B rated**	**Less than B**	**Other ***	**Exposures of less than $200k**	**Total**
	$m	**$m**	**$m**	**$m**	**$m**	**$m**
Deposits with ceding undertakings	16.8	0.6	—	4.0	0.4	21.8
Reinsurers' share of insurance liabilities	1,301.3	50.3	—	729.1	24.9	2,105.6
Receivables arising out of reinsurance contracts	367.5	14.2	—	87.8	7.0	476.5

As at 31 December 2020

	A rated	B rated	Less than B	Other *	Exposures of less than $200k	Total
	$m	$m	$m	$m	$m	$m
Deposits with ceding undertakings	130.3	9.1	—	40.4	0.6	180.4
Reinsurers' share of insurance liabilities	852.6	59.6	—	264.4	4.0	1,180.6
Receivables arising out of reinsurance contracts	191.2	13.4	—	59.3	0.9	264.8

* Other includes reinsurers who currently have no credit rating, but for which the Group endeavours to obtain collateral.

The reinsurers' share of insurance liabilities is based upon a best estimate given the profile of the insurance provisions outstanding and the related IBNR. Receivables arising out of reinsurance contracts are included in insurance and other receivables in the Consolidated Statement of Financial Position.

The average credit period of receivables arising out of reinsurance contracts is as follows:

As at 31 December 2021	0-6 months	6-12 months	12-24 months	> 24 months
	%	%	%	%
Percentage of receivables	93.2	1.2	1.6	4.0

As at 31 December 2020	0-6 months	6-12 months	12-24 months	> 24 months%
	%	%	%	
Percentage of receivables	50.7	8.8	11.0	29.5

Part of the Group's business consists of acquiring debts or companies with debts, which are normally past due. Any further analysis of these debts is not meaningful. The Directors monitor these debts closely and make appropriate provision for impairment.

As at 31 December 2021	Neither past due nor impaired $m	Financial assets past due but not impaired Past due 1-90 days $m	Past due more than 90 days $m	Assets that have been impaired $m	Carrying value in the balance sheet
Deposits with ceding undertakings	19.0	—	—	2.8	21.8
Reinsurers' share of insurance liabilities	2,011.2			94.4	2,105.6
Receivables arising out of reinsurance contracts	419.5	—	—	57.0	476.5

As at 31 December 2020	Neither past due nor impaired $m	Financial assets past due but not impaired Past due 1-90 days $m	Past due more than 90 days $m	Assets that have been impaired $m	Carrying value in the balance sheet
Deposits with ceding undertakings	180.2	—	—	0.2	180.4
Reinsurers' share of insurance liabilities	1,071.1			109.5	1,180.6
Receivables arising out of reinsurance contracts	120.4	0.3	0.3	143.8	264.8

The Directors believe the amounts past due but not impaired, or with no provisions provided, are recoverable in full. Where no provisions have been made, the Directors believe that there are no merits for a provision to be made and amounts are recoverable in full. Where there are merits for a provision then such provisions are made.

Credit risk is managed by committees established by the Group, Capita Managing Agency Limited ("Capita"), Vibe Syndicate Management Limited ("Vibe"), Asta Managing Agency Limited ("Asta") and Coverys Managing Agency Limited ("Coverys"). Capita, Vibe, Asta and Coverys are the Lloyd's Managing Agents which manage the Syndicates on which the Group participates. Capita, Vibe, Asta and Coverys have established Syndicate Management Committees in relation to each managed syndicate and the Group has representation on each of these committees with the exception of the S1991 and S2689 Committees on which the Group only has a nominal participation. The committees are responsible for establishing minimum security levels for all reinsurance purchases by the managed Syndicates by reference to appropriate rating agencies, for agreeing maximum concentration levels for individual reinsurers and intermediaries, and for dealing with any other issue relating to reinsurance assets.

The Group Board had a Group Reinsurance Asset Committee, chaired by a Non-Executive Director, which met quarterly. Its function was to monitor and report on the Group's Syndicate and non-Syndicate reinsurance assets and, where necessary, recommend courses of action to the Group to protect the asset. The committee was

disbanded at the end of 2021 and from 2022 onwards reinsurance assets will be overseen by the Group Risk and Compliance and Audit committees, with some responsibilities now residing with management.

There are also a number of Key Risk Indicators pertaining to reinsurance security and concentration which have been developed under the auspices of the Group Risk and Compliance Committee and the Capita, Vibe, Asta and Coverys Risk and Capital Committees, which monitor adherence to predefined risk appetite and tolerance levels.

c. ***Currency risk***

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

The Group's principal transactions are carried out in US dollars and its exposure to foreign exchange risk arises primarily with respect to Sterling and Euros.

The Group's main objective in managing currency risk is to mitigate exposure to fluctuations in foreign exchange rates. There have been no material changes in trading currencies during the year under review. The Group manages this risk by way of matching assets and liabilities by individual entity. Asset and liability matching is monitored by the Group's financial planning and treasury functions' established cash flow and liquidity management processes.

The Group's financial assets are primarily denominated in the same currencies as its insurance and investment contract liabilities. This mitigates the foreign currency exchange rate risk for the overseas operations. Thus, the main foreign exchange risk arises from assets and liabilities denominated in currencies other than those in which insurance and investment contract liabilities are expected to be settled. The currency risk is effectively managed by the Group through derivative financial instruments. Forward currency contracts are used to eliminate the currency exposure on individual foreign transactions. The Group will not enter into these forward contracts until a firm commitment is in place.

The table below summarises the Group's principal assets and liabilities by major currencies:

31 December 2021	Sterling $m	US dollar $m	Euro $m	Total $m
Intangible assets	12.5	73.7	—	86.2
Reinsurers' share of insurance liabilities	1,156.5	895.3	53.8	2,105.6
Financial instruments	811.9	697.3	71.8	1,581.0
Insurance receivables	301.4	476.0	1.7	779.1
Cash and cash equivalents	132.9	124.6	8.8	266.3
Insurance liabilities and insurance payables	(1,929.9)	(2,071.4)	(70.1)	(4,071.4)
Deferred tax and pension scheme obligations	3.9	(6.0)	(0.2)	(2.3)
Trade and other (payables)/receivables	(453.0)	151.4	(46.4)	(348.0)
Total	**36.2**	**340.9**	**19.4**	**396.5**

31 December 2020	Sterling $m	US dollar $m	Euro $m	Total $m
Intangible assets	36.2	45.8	0.2	82.2
Reinsurers' share of insurance liabilities	715.7	439.0	25.9	1,180.6
Financial instruments	279.4	1,094.2	25.4	1,399.0
Insurance receivables	294.4	158.7	1.2	454.3
Cash and cash equivalents	180.6	181.5	1.4	363.5
Insurance liabilities and insurance payables	(1,431.6)	(1,187.8)	(53.3)	(2,672.7)
Deferred tax and pension scheme obligations	(4.1)	(23.7)	(0.1)	(27.9)
Trade and other (payables)/receivables	(89.8)	(150.3)	(9.7)	(249.8)
Total	**(19.2)**	**557.4**	**(9.0)**	**529.2**

The analysis that follows is performed for reasonably possible movements in key variables with all other variables held constant, showing the impact on profit before tax and equity due to changes in the fair value of currency sensitive monetary assets and liabilities including insurance contract claim liabilities. The correlation of variables will have a significant effect in determining the ultimate impact on market risk, but to demonstrate the impact due to changes in variables, variables had to be changed on an individual basis. It should be noted that movements in these variables are non–linear.

Currency	Changes in variables	31 December 2021 Impact on profit $m	31 December 2021 Impact on equity* $m	31 December 2020 Impact on profit $m	31 December 2020 Impact on equity* $m
Euro weakening	10 %	(3.1)	(5.9)	3.0	(0.2)
Sterling weakening	10 %	(4.8)	(27.4)	(14.4)	(43.7)
Euro strengthening	10 %	3.8	7.3	(2.4)	0.2
Sterling strengthening	10 %	5.8	33.5	17.6	53.4

* Impact on equity reflects adjustments for tax, where applicable.

d. ***Capital management***

The Group's objectives with respect to capital sufficiency are to maintain capital at a level that provides a suitable margin over that deemed by the Group's regulators and supervisors as providing an acceptable level of policyholder protection, whilst remaining economically viable. The Group is regulated in Bermuda by the Bermuda Monetary Authority ('BMA'). The BMA assesses the capital and solvency adequacy of the Group and requires that sufficient capital is in place to meet the Bermuda Solvency Capital Requirement ('BSCR'). The BSCR generates a risk-based capital measure by applying capital factors to capital and solvency return elements, including investments and other assets, premiums and reserves, operational risk, and insurer-specific catastrophe exposure measures, in order to establish an overall measure of capital and surplus for statutory solvency purposes.

The Group maintains a capital level that provides an adequate margin over the Group's solvency capital requirements whilst maintaining local capital which meets or exceeds the relevant local minima including, where appropriate, those relating to maintenance of external credit ratings. This is monitored by way of a capital sufficiency assessment by the Group Risk and Compliance Committee.

e. ***Insurance risk***

(i) Program management business

The Group underwrites live business (which is largely reinsured) through a network of MGAs. This program management business is underwritten in the US by Accredited Surety and Casualty Inc. ("ASC") and Accredited Speciality Insurance Company ("ASI"), and in Europe by Accredited Insurance (Europe) Limited ("AIEL"). Each of these insurance companies are rated A- by AM Best. The Group is exposed to the risk of its net retention increasing due to fluctuations in the timing, frequency and severity of insured events.

(ii) Syndicate participations

The Group participates on Syndicates shown below:

Syndicate	Year of account	Syndicate Capacity £m	Group participation £m	Open / closed
2689	2022	71.6	0.1	Open
1991	2020	110.0	—	Open
1991	2019	126.8	0.1	Open
1991	2018	126.8	0.1	Open
1110	2020	3.0	3.0	Open
1110	2019	3.0	3.0	Open
1110*	2017	280.0	280.0	Open
5678	2019	122.8	122.8	Closed
5678	2018	114.1	114.1	Closed

* Syndicate 1110 2017 year of account benefits from reinsurance arrangements in place with New York Marine and General Insurance Company, which protects the Group from any adverse net claims development.

Syndicates 1110, 1991 and 5678 and 2689 are classified by Lloyd's as run-off Syndicates and their capacity shown above is reflective of this status. Syndicate 1110 is the Group's platform for consolidating legacy transactions at Lloyd's. The capacity of run-off Syndicates does not represent the level of risk these are able to take on, but is a nominal level set by Lloyd's; they are able to receive portfolios of risk greater than this nominal capacity.

The Group is exposed to the risk of its Syndicate participation exposures increasing due to fluctuations in the timing, frequency and severity of insured events.

(iii) Underwriting risk

Underwriting risk is the primary source of risk in the Group's program management operations and is reflected in the scope and depth of the risk appetite and monitoring frameworks implemented in those entities. Individual operating entities are responsible for establishing a framework for the acceptance and monitoring of underwriting risk including appropriate consideration of potential individual and aggregate occurrence exposures, adequacy of reinsurance coverage and potential geographical and demographic concentrations of risk exposure.

In the event that potential risk concentrations are identified across operating entities, appropriate monitoring is developed to manage the overall Group exposure.

(iv) Reserving risk

Reserving risk represents a significant risk to the Group in terms of both driving required capital levels and the threat to volatility of earnings.

Reserving risk is managed through the application of an appropriate reserving approach to both live and run-off portfolios and the performance of extensive due diligence on new run-off portfolios and acquisitions prior to acceptance. Reserving exercises undertaken by the in-house actuarial team are supplemented with both scheduled and ad hoc reviews conducted by external actuaries.

Reserving risk is also mitigated through the use of reinsurance on live underwriting portfolios and through assuming the inuring reinsurance treaties in place in respect of acquired run-off acquisitions/portfolios.

Claims development information is disclosed below in order to illustrate the effect of the uncertainty in the estimation of future claims settlements by the Group. The tables compare the ultimate claims estimates with the payments made to date. Details are presented on an aggregate basis and show the movements on a gross and net basis, and separately identify the effect of the various acquisitions made by the Group since 1 January 2018. The analysis of claims development in the Group's run-off insurance entities is as follows:

Gross	Group entities at 1 January 2018 $m	Entities acquired by the Group during 2018 $m	Entities acquired by the Group during 2019 $m	Entities acquired by the Group during 2020 $m	Entities acquired by the Group during 2021 $m
Gross claims at:					
1 January/acquisition	522.8	22.5	374.6	938.0	521.5
First year movement	(67.6)	(10.1)	(173.1)	9.2	(10.8)
Second year movement	(71.3)	(6.0)	30.5	(131.4)	—
Third year movement	148.1	2.7	13.0	—	—
Fourth year movement	(112.5)	(2.9)	—	—	—
Gross provision at 31 December 2021	**419.5**	**6.2**	**245.0**	**815.8**	**510.7**
Gross claims at:					
1 January/acquisition	522.8	22.5	374.6	938.0	521.5
Exchange adjustments	31.3	(8.2)	(13.4)	9.3	(0.6)
Payments	(196.3)	(8.6)	(185.3)	(135.1)	(10.3)
Gross provision at 31 December 2021	(419.5)	(6.2)	(245.0)	(815.8)	(510.7)
Deficit to date	**(61.7)**	**(0.5)**	**(69.1)**	**(3.6)**	**(0.1)**

Net	Group entities at 1 January 2018 $m	Entities acquired by the Group during 2018 $m	Entities acquired by the Group during 2019 $m	Entities acquired by the Group during 2020 $m	Entities acquired by the Group during 2021 $m
Net claims at :					
1 January/acquisition	350.5	21.5	351.6	642.1	109.8
First year movement	(51.1)	(10.1)	(159.9)	(6.6)	(10.8)
Second year movement	(44.7)	(5.7)	18.4	(106.7)	—
Third year movement	84.9	2.6	15.0	—	—
Fourth year movement	(155.7)	(2.1)	—	—	—
Net provision at 31 December 2021	**183.9**	**6.2**	**225.1**	**528.8**	**99.0**
Net claims at:					
1 January/acquisition	350.5	21.5	351.6	642.1	109.8
Exchange adjustments	(5.5)	(8.8)	(18.6)	16.1	(0.6)
Payments	(186.7)	(7.7)	(177.7)	(119.9)	(10.3)
Net position at 31 December 2021	(183.9)	(6.2)	(225.1)	(528.8)	(99.0)
(Deficit)/surplus to date	**(25.6)**	**(1.2)**	**(69.8)**	**9.5**	**(0.1)**

The above figures include the Group's participation on Lloyd's Syndicates treated as being in run-off.

Foreign exchange movements shown above are offset by comparable foreign exchange movements in cash and investments held to meet insurance liabilities.

Additional information regarding movements in claims reserves are disclosed in note 23.

5. Segmental information

The Group's segments represent the level at which financial information is reported to the Board, being the chief operating decision maker as defined in IFRS 8. For these financials the reporting segments have been realigned to reflect the Group's core operating businesses. The reportable segments have been identified as follows:-

- Program Management – delegates underwriting authority to MGAs to provide program capacity through its licensed platforms in the US and Europe
- Legacy Insurance – acquires legacy portfolios and manages the run-off of claims reserves
- Corporate / Other – primarily includes the holding company costs and interest expense on debt

Segmental results for the year ended 31 December 2021

	Note	Program Management $m	Legacy Insurance $m	Corporate / Other $m	Total $m
Underwriting income	(i)	(1.1)	58.5	—	57.4
Fee income	(ii)	56.1	—	—	56.1
Investment income	(iii)	2.7	19.3	2.8	24.8
Gross Operating Income	(iv)	**57.7**	**77.8**	**2.8**	**138.3**
Fixed operating expenses	(v)	(37.1)	(83.5)	(16.0)	(136.6)
Interest expense		—	—	(22.7)	(22.7)
Pre-Tax Operating Profit	(vi)	**20.6**	**(5.7)**	**(35.9)**	**(21.0)**
Unearned program fee income	(vii)				(13.2)
Net intangibles	(viii)				2.3
Net unrealised and realised gains/(losses)					(18.4)
Non-core and exceptional items	(ix)				(111.7)
Profit Before Tax					**(162.0)**
Segment assets		**1,039.6**	**4,113.3**	**14.8**	**5,167.7**
Segment liabilities		**864.1**	**3,292.2**	**614.9**	**4,771.2**

Segmental results for the year ended 31 December 2020

	Note	Program Management $m	Legacy Insurance $m	Corporate / Other $m	Total $m
Underwriting income	(i)	(3.1)	103.6	—	100.5
Fee income	(ii)	24.1	—	—	24.1
Investment income	(iii)	2.6	16.8	1.4	20.8
Gross Operating Income	(iv)	**23.6**	**120.4**	**1.4**	**145.4**
Fixed operating expenses	(v)	(20.3)	(71.4)	(21.1)	(112.8)
Interest expense		—	—	(12.0)	(12.0)
Pre-Tax Operating Profit	(vi)	**3.3**	**49.0**	**(31.7)**	**20.6**
Unearned program fee income	(vii)				(4.0)
Net intangibles	(viii)				19.9
Net unrealised and realised gains/(losses)					6.8
Non-core and exceptional items	(ix)				(4.6)
Profit Before Tax					**38.7**
Segment assets		**909.3**	**2,632.6**	**186.5**	**3,728.4**
Segment liabilities		**853.7**	**2,021.0**	**324.5**	**3,199.2**

Our KPIs measure the economics of the business and adjust IFRS results to include fully written Program Fee Income and exclude non-cash intangibles created from acquisitions in Legacy Insurance, net realised and unrealised investment gains on fixed income and lease-based assets, foreign currency translation reserves, non-core expenses and exceptional items. While our underlying businesses performed well in 2021, our Group operating results were negatively impacted by reserve development and a non-cash impairment of a structured reinsurance contract that was previously recognised as an asset.

Notes:

(i) Underwriting income represents Legacy Insurance tangible day one gains and reserve development / savings, net of claims costs and brokerage commissions. Underwriting income also includes Program Management retained earned premiums, net of claims costs, acquisition costs, claims handling expenses and premium taxes / levies.

(ii) Fee income comprises program fee income from insurance policies already bound (written), regardless of the amount of premium earned in the financial period, and earnings from minority stakes in MGAs.

(iii) Investment income represents income arising on the investment portfolio excluding net realised and unrealised investment gains or losses on fixed income and lease-based assets.

(iv) Gross operating income represents pre-tax operating profit before fixed operating expenses (v) and interest expense.

(v) Fixed operating expenses include employment, legal, accommodation, information technology, Lloyd's Syndicate and other fixed expenses of ongoing operations, excluding non-core and exceptional items.

(vi) Pre-tax operating profit is a measure of how the Group's core businesses performed adjusted for unearned program fee income (vii), intangibles created in Legacy acquisitions and net realised and unrealised investment gains on fixed income and lease-based assets.

(vii) Unearned program fee income represents the portion of program fee income (ii) which has not yet been earned on an IFRS basis.

(viii) Movement on net intangibles comprises the aggregate of intangible assets arising on acquisitions in the period less amortisation on existing intangible assets charged in the period.

(ix) Non-core and exceptional items comprises the results of entities which are considered non-core and one-off or exceptional P&L items.

No income from any one client included within the fee income generated more than 10% of the total external income.

Geographical analysis

As at 31 December 2021

	UK	**North America**	**Europe**	**Total**
	$m	**$m**	**$m**	**$m**
Gross assets	1,716.7	2,418.6	1,331.9	5,467.2
Intercompany eliminations	(137.4)	(103.5)	(58.6)	(299.5)
Segment assets	**1,579.3**	**2,315.1**	**1,273.3**	**5,167.7**
Gross liabilities	1,307.3	2,566.5	1,196.9	5,070.7
Intercompany eliminations	(238.3)	(12.2)	(49.0)	(299.5)
Segment liabilities	**1,069.0**	**2,554.3**	**1,147.9**	**4,771.2**
Revenue from external customers	**7.9**	**59.6**	**41.3**	**108.8**

Revenue from external customers represents the Group's total consolidated income, after elimination of internal revenue. This has reduced in 2021 from 2020 due the Group ceding qualifying Legacy Insurance revenue to a third-party legacy sidecar.

As at 31 December 2020

	UK	North America	Europe	Total
	$m	$m	$m	$m
Gross assets	1,302.6	1,936.1	867.2	4,105.9
Intercompany eliminations	(116.4)	(197.2)	(63.9)	(377.5)
Segment assets	**1,186.2**	**1,738.9**	**803.3**	**3,728.4**
Gross liabilities	1,083.7	1,737.1	756.0	3,576.8
Intercompany eliminations	(155.4)	(213.5)	(8.6)	(377.5)
Segment liabilities	**928.3**	**1,523.6**	**747.4**	**3,199.3**
Revenue from external customers	**160.2**	**291.9**	**68.7**	**520.8**

6. Earned fee income

Written fee income for Program Management represents the fee income from insurance policies written in the period. Earned fee income adjusts written fee income to reflect the portion of written free income to be earned in the following financial periods and to recognise the written fee income written in prior financial periods to be earned in this financial period.

	2021 $m	2020 $m
Written fee income	45.0	22.5
Unearned fee income	(13.2)	(4.0)
Earned fee income	31.8	18.5

7. Gross investment income

	2021 $m	2020 $m
Investment income (excluding realised and unrealised gains and losses)	24.1	23.0
Realised net gains/(losses) on financial assets	3.8	(4.5)
Unrealised (losses)/gains on financial assets	(21.5)	10.1
Investment income	6.4	28.6

8. Other income

	2021 $m	2020 $m
Income from contracts with customers		
Management fees	3.0	4.3
Income from other sources		
Insurance commissions	0.7	2.6
Gain on sale of subsidiary	2.6	—
Interest expense on pension scheme deficit	(0.1)	(0.2)
Rental income from investment properties	0.2	0.2
Purchased reinsurance receivables	0.2	0.5
	6.6	7.4

Income from contracts with customers is derived from the supply of insurance and administration related management services to third parties. The Group derives this income from the transfer of services over time.

9. Operating expenses

	2021 $m	2020 $m
Expenses of insurance company subsidiaries	58.6	53.0
Expenses of Syndicate participations	24.8	7.4
Employee benefits	59.3	59.7
Other operating expenses	23.3	23.3
	166.0	143.4

The expenses of insurance company subsidiaries represent external expenses borne by subsidiaries of the Group; intragroup charges are removed on consolidation.

Operating expenses have increased as a result of the organic and acquisitive growth of the Group's Program Management and Legacy Insurance (including Syndicate participations) segments.

Auditor remuneration

	2021 $m	2020 $m
Fees payable to the Group's auditors for the audit of the parent company and its Consolidated Financial Statements	0.3	0.2
Fees payable for the audit of the Group's subsidiaries by:		
– Group auditors	0.9	0.8
– Other auditors	0.8	1.2
Other services under legislative requirements	0.2	0.2
Total	2.2	2.4

The above include the Group's share of the audit fee payable for Syndicate audits.

10. Finance costs

	2021 $m	2020 $m
Bank loan and overdraft interest	11.1	3.2
Interest on lease liabilities	0.3	0.2
Subordinated debt interest	15.1	9.2
	26.5	12.6

Finance costs have increased in 2021 as a result of the increase in average drawn Group Bank facility compared to 2020, as well as subordinated debt interest associated with the $125,000k notes issued in December 2020.

11. Profit before income taxes

Profit before income taxes is stated after charging:

	2021 $m	2020 $m
Employee benefits (Note 26)	59.3	59.7
Legacy acquisition costs (including aborted transactions)	4.3	4.5
Depreciation and impairment of fixed assets and right-of-use assets (Notes 16 & 17)	2.9	3.0
Short term and low value lease rental expenditure	0.1	0.1
Amortisation of pre contract costs	1.6	1.0
Amortisation and impairment of intangibles (Note 15)	13.3	14.2

12. Income tax charge

a. ***Analysis of charge in the year***

	2021 $m	2020 $m
Current tax		
Current year	—	—
Adjustments in respect of prior periods	0.3	(2.0)
Foreign tax	(7.7)	5.9
	(7.4)	3.9
Deferred tax		
Current year	(27.2)	(4.8)
Adjustments in respect of prior periods	—	1.9
Income tax (credit)/charge for the year	(34.6)	1.0

b. ***Factors affecting tax charge for the year***

The tax assessed differs from the standard rate of corporation tax in the United Kingdom of 19%. The differences are explained below:

	2021 $m	2020 $m
(Loss)/profit before income taxes	(162.0)	38.8
(Loss)/profit on ordinary activities at the standard rate of corporation tax in the UK of 19.00% (2020: 19.00%)	(30.8)	7.4
Income not taxable for tax purposes	(24.1)	(26.9)
Expenses not deductible for tax purposes	6.3	3.2
Differences in taxation treatment	(1.8)	—
Unrelieved tax losses carried forward	20.0	20.0
Utilisation of brought forward losses	(0.7)	(0.2)
Foreign tax	(7.7)	5.9
Tax rate differential	3.9	(8.3)
Adjustments in respect of previous years	0.3	(0.1)
Income tax charge/(credit) for the year	(34.6)	1.0

c. ***Factors that may affect future tax charges***

In addition to the recognised deferred tax asset, the Group has other trading losses of approximately $366.4m (2020: $269.9m) in various Group companies available to be carried forward against future trading profits of those companies. The recovery of these losses is uncertain and no deferred tax asset has been provided in respect of these losses. Should it become possible to offset these losses against taxable profits in future years, the Group tax charge in those years will be reduced accordingly.

The Group has available capital losses of $37.9m (2020: $35.3m).

In the Finance Bill 2021, it was announced that the main rate of UK corporation tax would increase to 25% from April 2023.

13. Earnings and net assets per share

a. *Basic earnings per share*

Basic earnings per share is calculated by dividing the earnings attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year.

Reconciliations of the earnings and weighted average number of shares used in the calculations are set out below:

	2021 $m	2020 $m
(Loss)/profit for the year attributable to ordinary shareholders	(127.4)	37.8
	No. 000's	**No. 000's**
Shares in issue throughout the year	224,284	200,827
Weighted average number of ordinary shares issued in year	47,327	15,199
Weighted average number of ordinary shares	271,611	216,026
Basic earnings per ordinary share	(46.9)c	17.5c

b. *Diluted earnings per share*

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares for conversion of all potentially dilutive ordinary shares. The Group's earnings per share is diluted by the effects of outstanding share options.

Reconciliations of the earnings and weighted average number of shares used in the calculations are set out below:

	2021 $m	2020 $m
(Loss)/profit for the year attributable to ordinary shareholders	(127.4)	37.8
	No. 000's	**No. 000's**
Weighted average number of ordinary shares in issue in the year	271,611	216,026
Dilution effect of convertible shares	—	49,772
	271,611	265,798
Diluted earnings per ordinary share	(46.9)c	14.2c

c. ***Net asset value per share***

	2021 $m	2020 $m
Net assets attributable to equity shareholders as at 31 December	396.5	529.7
	No. 000's	**No. 000's**
Ordinary shares in issue as at 31 December	275,211	224,395
Less: shares held in treasury	—	(112)
	275,211	224,283
Net asset value per ordinary share	144.0c	236.2c

d. ***Diluted net asset value per share***

	2021 $m	2020 $m
Net assets attributable to equity shareholders as at 31 December	396.5	529.7
	No. 000's	**No. 000's**
Ordinary shares in issue as at 31 December	275,211	224,395
Less: shares held in treasury	—	(112)
Dilution effect of convertible shares	—	49,772
	275,211	274,055
Diluted net asset value per ordinary share	144.0c	193.3c

14. **Distributions**

The amounts recognised as distributions to equity holders in the year are:

	2021 $m	2020 $m
Dividend	8.3	—
Distribution on cancellation of AD shares	—	11.6
Total distributions to shareholders	8.3	11.6

15. Intangible assets

	US State licences & customer contracts	Arising on acquisition	Goodwill	Other	Total
	$m	$m	$m	$m	$m
Cost					
As at 1 January 2020	8.3	57.5	25.0	0.9	91.7
Exchange adjustments	—	2.3	0.1	—	2.4
Acquisition of subsidiaries	—	34.1	—	—	34.1
Disposals	(3.3)	(6.1)	—	—	(9.4)
As at 31 December 2020	5.0	87.8	25.1	0.9	118.8
Exchange adjustments	—	(1.2)	(0.2)	—	(1.4)
Acquisition of subsidiaries	—	14.6	3.4	—	18.0
Additions	—	0.4	—	—	0.4
Disposals	—	—	—	(0.7)	(0.7)
As at 31 December 2021	5.0	101.6	28.3	0.2	135.1
Amortisation/Impairment					
As at 1 January 2020	—	7.9	23.0	0.5	31.4
Exchange adjustments	—	0.3	0.1	—	0.4
Charge for the year	3.3	9.9	0.9	0.1	14.2
Disposals	(3.3)	(6.1)	—	—	(9.4)
As at 31 December 2020	—	12.0	24.0	0.6	36.6
Exchange adjustments	—	(0.5)	—	—	(0.5)
Charge for the year	—	12.7	0.5	0.1	13.3
Disposals	—	—	—	(0.5)	(0.5)
As at 31 December 2021	—	24.2	24.5	0.2	48.9
Carrying amount					
As at 31 December 2021	5.0	77.4	3.8	—	86.2
As at 31 December 2020	5.0	75.8	1.1	0.3	82.2

Goodwill acquired through business combinations has been allocated to the Legacy insurance business segment, which is also an operating and reportable segment, for impairment testing.

Intangible assets arising on acquisition are calculated by measuring the difference between the discounted and undiscounted fair value of net technical provisions acquired. These intangible assets are amortised over the estimated pattern of run-off of the net technical provisions.

The recoverable amount is determined based on a value in use calculation using cash flow projections from financial budgets approved by senior management.

Key assumptions used in value in use calculations

The calculation of value in use is most sensitive to the following assumptions:-

- Discount rates, which represent the current market assessment of the risks specific to each cash generating unit, regarding the time value of money and individual risks of the underlying assets which have not been incorporated in the cash flow estimates. The pre-tax discount rate applied to the cash flow projections is 10.0% (2020: 10.0%). The discount rate calculation is based on the specific circumstances of the Group and its operating segments and derived from its weighted average cost of capital ("WACC") with uplift for expected increases in interest rates. The WACC takes into account both debt and equity. The cost of equity is derived from the expected investment return.
- Growth rate used to extrapolate cash flows beyond the budget period is based on published industry standards. Cash flows beyond the four-year period are extrapolated using a 10% growth rate (2020: 10.0%).

The Directors believe that no reasonably foreseeable change in any of the above key assumptions would require an impairment of the carrying amount of goodwill.

16. **Property, plant and equipment**

	Computer equipment	Office equipment	Leasehold improvements	Total
	$m	$m	$m	$m
Cost				
As at 1 January 2020	1.6	1.5	1.6	4.7
Exchange adjustments	(0.1)	—	(0.1)	(0.2)
Additions	0.1	1.1	0.2	1.4
Disposals	(0.3)	(0.3)	(0.1)	(0.7)
As at 31 December 2020	1.3	2.3	1.6	5.2
Exchange adjustments	—	—	—	—
Additions	0.1	—	0.6	0.7
Disposals	(0.1)	(0.4)	—	(0.5)
As at 31 December 2021	1.3	1.9	2.2	5.4
Depreciation				
As at 1 January 2020	1.4	1.1	0.9	3.4
Exchange adjustments	(0.1)	—	(0.1)	(0.2)
Charge for the year	0.2	0.2	0.2	0.6
Disposals	(0.3)	(0.3)	(0.1)	(0.7)
As at 31 December 2020	1.2	1.0	0.9	3.1
Exchange adjustments	(0.1)	—	—	(0.1)
Charge for the year	0.2	0.3	0.2	0.7
Disposals	—	(0.4)	—	(0.4)
As at 31 December 2021	1.3	0.9	1.1	3.3
Carrying amount				
As at 31 December 2021	—	1.0	1.1	2.1
As at 31 December 2020	0.1	1.3	0.7	2.1

As at 31 December 2021, the Group had no significant capital commitments (2020: none). The depreciation charge for the year is included in operating expenses.

17. Right-of-use assets

	Property $m	Office equipment $m	Total $m
Position recognised at 1 January 2020	4.2	—	4.2
Depreciation charge for the year	(2.3)	(0.1)	(2.4)
Additions in the year	3.5	0.2	3.7
Exchange adjustment	0.1	—	0.1
As at 31 December 2020	5.5	0.1	5.6
Depreciation charge for the year	(2.1)	(0.1)	(2.2)
Additions in the year	2.7	—	2.7
As at 31 December 2021	**6.1**	**—**	**6.1**

The cost of leases with a rental period of less than 12 months or with a contract value of less than £4,000 was $0.1m for the year (2020: $0.1m) and is reflected within expenses in the Consolidated Income Statement.

18. Investment properties and financial assets

	2021 $m	2020 $m
a. ***Investment properties***		
As at 1 January	1.8	1.9
Decrease in fair value during the year	—	(0.1)
As at 31 December	1.8	1.8

The investment properties are measured at fair value derived from the valuation work performed at the balance sheet date by independent property appraisers.

Rental income from the investment properties for the year was $0.2m (2020: $0.2m) and is included in Other Income within the Consolidated Income Statement.

b. ***Financial instruments***

Financial investment assets at fair value through profit or loss (designated at initial recognition)

	2021 $m	2020 $m
Equities	11.9	7.5
Debt and fixed interest securities	1,386.8	1,090.0
Cash based investment funds	112.6	74.0
	1,511.3	1,171.5

Included in the above amounts are $126.6m (2020: $52.1m) pledged as part of the Funds at Lloyd's in support of the Group's underwriting activities. Lloyd's has the right to apply these monies in the event the corporate member fails to meet its obligations. These monies are not available to meet the Group's own working capital requirements and can only be released with Lloyd's permission. Also included in the above amounts are $95.6m (2020: $133.2m) of funds withheld as collateral for certain of the Group's reinsurance contracts.

c. ***Shares in subsidiary and associate undertakings***

The Company had interests in the following subsidiaries and associates at 31 December 2021:

Name of subsidiary/associate	*Country of incorporation/ registration*	*% of ordinary shares held via: The Company*	*Subsidiary and associate undertakings*	*Overall effective % of share capital held*
Distinguished Re Ltd	Barbados	-	100	*100*
Oleum Insurance Company Limited	Barbados	-	100	*100*
R&Q Bermuda services Limited	Bermuda	-	100	100
R&Q Re (Bermuda) Limited	Bermuda	-	100	100
RQLM Limited	Bermuda	100	-	100
Sandell Holdings Ltd.	Bermuda	-	100	100
Tradesman Program Managers, LLC	USA	-	40	40
R&Q Re (Cayman) Ltd.	Cayman Island	-	100	100
R&Q Capital No. 1 Limited	England and Wales	-	100	100
R&Q Capital No. 6 Limited	England and Wales	-	100	100
R&Q Capital No. 7 Limited	England and Wales	-	100	100
R&Q Capital No. 8 Limited	England and Wales	-	100	100
R&Q Central Services Limited	England and Wales	-	100	100
R&Q Delta Company Limited	England and Wales	-	100	100
R&Q Eta Company Limited	England and Wales	-	100	100
R&Q Gamma Company Limited	England and Wales	-	100	100
Inceptum Insurance Company Limited	England and Wales	-	100	100
R&Q Insurance Services Limited	England and Wales	-	100	100
R&Q MGA Limited	England and Wales	-	100	100
R&Q Munro MA Limited	England and Wales	-	100	100
R&Q Munro Services Company Limited	England and Wales	-	100	100
R&Q Oast Limited	England and Wales	-	100	100
R&Q Overseas Holdings Limited	England and Wales	-	100	100
R&Q Reinsurance Company (UK) Limited	England and Wales	-	100	100
R&Quiem Financial Services Limited	England and Wales	-	100	100

Randall & Quilter Captive Holdings Limited	England and Wales	-	100	100
Randall & Quilter II Holdings Limited	England and Wales	-	100	100
Randall & Quilter IS Holdings Limited	England and Wales	-	100	100
Randall & Quilter Underwriting Management Holdings Limited	England and Wales	-	100	100
RQIH Limited	England and Wales	100	-	100
The World Marine & General Insurance Company PLC	England and Wales	-	100	100
Vibe Services Management Limited	England and Wales	-	100	100
Vibe Syndicate Management Limited	England and Wales	-	100	100
La Licorne Compagnie de Reassurances SA	France	-	100	100
Capstan Insurance Company Limited	Guernsey	-	100	100
R&Q Ireland Claims Services Limited #	Ireland	-	100	100
R&Q Ireland Company Limited by Guarantee #	Ireland	-	100	100
R&Q Theta Designated Activity Company	Ireland	-	100	100
Hickson Insurance Limited	Isle of Man	-	100	100
Pender Mutual Insurance Company Limited	Isle of Man	-	100	100
R&Q Insurance Management (IOM) Limited	Isle of Man	-	100	100
Accredited Insurance (Europe) Limited {	Malta	-	100	100
R&Q Malta Holdings Limited	Malta	-	100	100
Accredited Bond Agencies Inc.	USA	-	100	100
Accredited America Insurance Holding Corporation	USA	-	100	100
Accredited Specialty Insurance Company	USA	-	100	100
Accredited Surety and Casualty Company, Inc.	USA	-	100	100
CMAL LLC }	USA	-	-	-
Excess and Treaty Management Corporation	USA	-	100	100
GLOBAL Reinsurance Corporation of America	USA	-	100	100
GLOBAL U.S. Holdings Incorporated	USA	-	100	100
Grafton US Holdings Inc.	USA	-	100	100
ICDC Ltd	USA	-	100	100
National Legacy Insurance Company	USA	-	100	100
R&Q Healthcare Interests LLC	USA	-	100	100
R&Q Reinsurance Company	USA	-	100	100
R&Q Services Holding Inc	USA	-	100	100
R&Q Solutions LLC	USA	-	100	100
Randall & Quilter America Holdings Inc	USA	-	100	100
Randall & Quilter Healthcare Holdings Inc.	USA	-	100	100
Randall & Quilter PS Holdings Inc	USA	-	100	100
Risk Transfer Underwriting Inc.	USA	-	100	80
Transport Insurance Company	USA	-	100	100

has a November year end due to Irish Law Society connection.
{ Has a UK and an Italian Branch

} Membership interest held by R&Q Capital No.1 Limited

19. Insurance and other receivables

	2021 $m	2020 $m
Receivables arising from direct insurance operations	302.6	189.5
Receivables arising from reinsurance operations	476.5	264.8
Insurance receivables	779.1	454.3
Trade receivables/ Receivables arising from contracts with customers	3.2	3.1
Other receivables	134.3	131.1
Purchased reinsurance receivables	6.6	6.4
Prepayments and accrued income	173.1	94.7
	317.2	235.3
Total	**1,096.3**	**689.6**

Of the purchased reinsurance receivables balance $6.6m is expected to be received after 12 months (2020: After 12 months $6.3m).

Included in receivables arising from contracts with customers are amounts due from customers in relation to the supply of management services which are now unconditionally due. There are no amounts due from contracts with customers which are subject to further performance or conditions before settlement.

The Group has retroactive reinsurance policies within R&Q Reinsurance Company, which have an experience account that provides R&Q Reinsurance Company with any excess assets that remain with the reinsurer after paying all claims. The Group recognises the experience account as a structured reinsurance receivable at the undiscounted best estimate value of excess investment assets above that needed to pay claims. During 2021, management determined that it was in the best interest of shareholders to commute one of the retroactive reinsurance policies within R&Q Reinsurance Company in order to provide liquidity to pay claims. The commutation of the policy significantly earlier than had been anticipated has resulted in a full impairment of the structured reinsurance asset from the 2020 value of $86.8m.

Prepayments and accrued income includes gross deferred acquisition costs which have increased in accordance with the growth of Program Management.

20. Cash and cash equivalents

	2021 $m	2020 $m
Cash at bank and in hand	266.3	363.5

Included in cash and cash equivalents is $0.8m (2020: $0.8m) being funds held in escrow accounts in respect of guarantees provided to the Institute of London Underwriters. The decrease is due to exchange movements.

In the normal course of business, insurance company subsidiaries will have deposited funds in respect of certain contracts which can only be released with the approval of the appropriate regulatory authority.

The carrying amounts disclosed above reasonably approximate their fair values at the period end date.

21. Insurance and other payables

	2021 $m	2020 $m
Structured liabilities	506.2	516.4
Structured settlements	(506.2)	(516.4)
	—	—
Payables arising from reinsurance operations	751.3	222.0
Payables arising from direct insurance operations	109.7	44.6
Insurance payables	861.0	266.6
Trade payables	4.9	1.9
Other taxation and social security	23.4	14.5
Other payables	135.4	81.1
Accruals and deferred income	115.4	61.9
	279.1	159.4
Total	**1,140.1**	**426.0**

The carrying amounts disclosed above reasonably approximate their fair values at the period end date.

Structured Settlements

No new structured settlement arrangements have been entered into during the year. Some group subsidiaries have paid for annuities from third party life insurance companies for the benefit of certain claimants. The subsidiary company retains the credit risk in the unlikely event that the life insurance company defaults on its obligations to pay the annuity amounts. In the event that any of these life insurance companies were unable to meet their obligations to these annuitants, any remaining liability may fall upon the respective insurance company subsidiaries. The Directors believe that, having regard to the quality of the security of the life insurance companies together with the reinsurance available to the relevant Group insurance companies, the possibility of a material liability arising in this way is very unlikely. The life companies will settle the liability directly with the claimants and no cash will flow through the Group. These annuities have been shown as reducing the insurance companies' liabilities to reflect the substance of the transactions and to ensure that the disclosure of the balances does not detract from the users' ability to understand the Group's future cash flows.

22. Financial liabilities

	2021 $m	2020 $m
Amounts owed to credit institutions	395.9	330.2
Lease liabilities	7.6	6.8
Deposits received from reinsurers	3.0	2.9
	406.5	339.9

Amounts due to credit institutions are payable as follows:

	2021 $m	2020 $m
Less than one year	8.0	69.2
Between one and five years	188.1	42.1
Over five years	199.8	218.9
	395.9	330.2

As outlined in Note 31, $153.6m (2020: $85.5m) owed to credit institutions is secured by debentures over the assets of the Company and several of its subsidiaries.

The Group has issued the following debt:

Issuer	Principal	Rate	Maturity
Randall & Quilter Investment Holdings Ltd.	$70,000k	6.35% above USD LIBOR	2028
Randall & Quilter Investment Holdings Ltd.	$125,000k	6.75% above USD LIBOR	2033
Accredited Insurance (Europe) Limited	€20,000k	6.7% above EURIBOR	2025
Accredited Insurance (Europe) Limited	€5,000k	6.7% above EURIBOR	2027
R&Q Re (Bermuda) Limited	$20,000k	7.75% above USD LIBOR	2023

The Group's subsidiary, Accredited Holding Corporation provides a full and unconditional guarantee for the payment of principal, interest and any other amounts due in respect of the $70.0m Notes issued by Randall & Quilter Investment Holdings Ltd.

Lease liabilities maturity analysis – contractual undiscounted cash flows

	2021 $m	2020 $m
Less than one year	2.2	1.9
Between one and five years	5.5	5.2
Over five years	0.2	0.2
Total undiscounted lease liabilities at 31 December	7.9	7.3

Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from the financing activities are those for which cash flows were, or future cash flows will be, classified in the Group Consolidated Cash Flow Statement as cash flows from financing activities.

	2021 $m	2020 $m
Balance at 1 January	330.2	191.9
Financing cash flows (1)	70.5	138.7
Non-cash exchange adjustment	(4.8)	(0.4)
Balance at 31 December	395.9	330.2

1) Represents the net cash flows from the repayment of borrowings and the proceeds from new borrowing arrangements.

23. Insurance contract provisions and reinsurance balances

	2021			2020		
	Program Management $m	Legacy Insurance $m	Total $m	Program Management $m	Legacy Insurance $m	Total $m
Gross						

Insurance contract provisions at 1 January	682.6	1,720.2	2,402.8	390.9	1,009.5	1,400.4
Claims paid	(197.1)	(288.8)	(485.9)	(131.9)	(138.7)	(270.6)
Increases/(Decreases) in provisions arising from the (disposal)/acquisition of subsidiary undertakings and Syndicate	—	91.1	91.1	—	426.1	426.1
Increases in provisions arising from acquisition of reinsurance portfolios	—	430.4	430.4	—	368.2	368.2
Increase in claims provisions	459.3	64.7	524.0	307.0	42.1	349.1
Increase/(decrease) in unearned premium reserve	287.9	(8.6)	279.3	100.1	(3.1)	97.0
Net exchange differences	(22.3)	(11.9)	(34.2)	16.5	16.1	32.6
As at 31 December	**1,210.4**	**1,997.1**	**3,207.5**	**682.6**	**1,720.2**	**2,402.8**
Reinsurance						
Reinsurers' share of insurance contract provisions at 1 January	653.7	526.9	1,180.6	377.3	238.4	615.7
Proceeds from commutations and reinsurers' share of gross claims paid	(182.9)	28.7	(154.2)	(122.5)	(45.4)	(167.9)
Increases/(Decreases) in provisions arising from the (disposal)/acquisition of subsidiary undertakings and Syndicate	—	164.2	164.2	—	283.1	283.1
Increases in provisions arising from acquisition of reinsurance portfolios	—	247.5	247.5	—	1.4	1.4
Increase in claims provisions	430.5	(13.6)	416.9	290.7	27.4	318.1
Increase/(decrease) in unearned premium reserve	270.7	(3.7)	267.0	92.2	—	92.2
Net exchange differences	(20.6)	4.2	(16.4)	16.0	22.0	38.0
As at 31 December	**1,151.4**	**954.2**	**2,105.6**	**653.7**	**526.9**	**1,180.6**
Net						
Net insurance contract provisions at 1 January	28.9	1,193.3	1,222.2	13.6	771.1	784.7
Net claims paid	(14.2)	(317.5)	(331.7)	(9.4)	(93.3)	(102.7)
Increases/(Decreases) in provisions arising from the (disposal)/acquisition of subsidiary undertakings and Syndicate	—	(73.1)	(73.1)	—	143.0	143.0
Increases in provisions arising from acquisition of reinsurance portfolios	—	182.9	182.9	—	366.8	366.8
Increase/(decrease) in claims provisions	28.8	78.3	107.1	16.3	14.7	31.0
Increase/(decrease) in unearned premium reserve	17.2	(4.9)	12.3	7.9	(3.1)	4.8
Net exchange differences	(1.7)	(16.1)	(17.8)	0.5	(5.9)	(5.4)
As at 31 December	**59.0**	**1,042.9**	**1,101.9**	**28.9**	**1,193.3**	**1,222.2**

	2021			2020		
	Program Management $m	Legacy Insurance $m	Total $m	Program Management $m	Legacy Insurance $m	Total $m
Gross						
Claims reserves	600.0	1,996.5	2,596.5	349.9	1,719.7	2,069.6
Unearned premium reserves	610.4	0.6	611.0	332.7	0.5	333.2
As at 31 December	**1,210.4**	**1,997.1**	**3,207.5**	**682.6**	**1,720.2**	**2,402.8**
Reinsurance						
Claims reserves	572.4	954.1	1,526.5	336.4	526.9	863.3
Unearned premium reserves	579.0	0.1	579.1	317.3	—	317.3
As at 31 December	**1,151.4**	**954.2**	**2,105.6**	**653.7**	**526.9**	**1,180.6**
Net						
Claims reserves	27.6	1,042.4	1,070.0	13.5	1,192.8	1,206.3
Unearned premium reserves	31.4	0.5	31.9	15.4	0.5	15.9
As at 31 December	**59.0**	**1,042.9**	**1,101.9**	**28.9**	**1,193.3**	**1,222.2**

The carrying amounts disclosed above reasonably approximate their fair values at the period end date.

Assumptions, changes in assumptions and sensitivity

The assumptions used in the estimation of provisions relating to insurance contracts are intended to result in provisions which are sufficient to settle the net liabilities from insurance contracts. The amounts presented above include estimates of future reinsurance recoveries expected to arise on the settlement of the gross insurance liabilities.

Provision is made at the period end date for the estimated ultimate cost of settling all claims incurred in respect of events and developments up to that date, whether reported or not.

As detailed in Note 3, significant uncertainty exists as to the likely outcome of any individual claim and the ultimate costs of completing the run-off of the Group's insurance operations.

The provisions carried by the Group for its insurance liabilities are calculated using a variety of actuarial techniques. The provisions are calculated and reviewed by the Group's internal actuarial team; in addition the Group periodically commissions independent reviews by external actuaries. The use of external actuaries provides management with additional comfort that the Group's internally produced statistics and trends are consistent with observable market information and other published data. Provisions for outstanding claims and IBNR are initially estimated at a gross level and a separate calculation is carried out to estimate the size of reinsurance recoveries. Insurance companies and Syndicates within the Group are covered by a variety of treaty, excess of loss and stop loss reinsurance programs.

As detailed in Note 2 (h), when preparing these Consolidated Financial Statements, provision is made for all costs of running off the business of the insurance company subsidiaries to the extent that these costs exceed the estimated future investment return expected to be earned by those subsidiaries. Provision is also made for all costs of running off the underwriting years for those Syndicates treated as being in run-off on which the Group

participates. The quantum of the costs of running off the business and the future investment income has been determined through the preparation of cash flow forecasts over the anticipated period of the run-off, using internally prepared budgets and forecasts of expenditure, investment income and actuarially assessed settlement patterns for the gross provisions. The gross costs of running off the business are estimated to be fully covered by the estimated future investment income.

Other than as described above, insurance liabilities are not discounted.

The provisions disclosed in the Consolidated Financial Statements are sensitive to a variety of factors including:

- Settlement and commutation activity of third-party lead reinsurers
- Development in the status of settlement and commutation negotiations being entered into by the Group
- The financial strength of the Group's reinsurers and the risk that these entities could, in time, become insolvent or could otherwise default on payments
- Future cost inflation of legal and other advisors who assist the Group with the settlement of claims
- Changes in statute and legal precedent which could particularly impact provisions for asbestos, pollution and other latent exposures
- Arbitration awards and other legal precedents which could particularly impact upon the presentation of both inwards and outwards claims on the Group's exposure to major catastrophe losses

A 1 percent reduction in the net technical provisions would increase net assets by $11.8m (2020: $12.2m).

24. Current and deferred tax

Current tax

	2021 $m	2020 $m
Current tax assets	3.6	—
Current tax liabilities	(2.4)	(2.6)
Net current tax assets/(liabilities)	1.2	(2.6)

Deferred tax

Deferred tax is calculated in full on temporary differences under the liability method using tax rates of 25% for the UK (2020: 19%) and 21% for the US (2020: 21%).

Deferred tax assets have been recognised in respect of all tax losses and other temporary differences giving rise to deferred tax assets where it is probable that these assets will be recovered.

The movements in deferred tax assets and liabilities during the year are shown below. The movement in deferred tax is recorded in the income tax charge in the Consolidated Income Statement.

Deferred tax assets and liabilities are only offset where there is a legally enforceable right of offset and there is an intention to settle the balances on a net basis.

	Deferred tax assets	Deferred tax liabilities	Total
	$m	$m	$m
As at 1 January 2020	5.4	(12.8)	(7.4)
Movement in year	0.3	(5.2)	(4.9)
As at 31 December 2020	5.7	(18.0)	(12.3)
Movement in year	14.7	9.0	23.7
As at 31 December 2021	20.4	(9.0)	11.4

The movement on the deferred tax account is shown below:

	Accelerated capital allowances	Trading losses	Pension scheme deficit	Other temporary differences	Total
	$m	$m	$m	$m	$m
As at 1 January 2020	(0.1)	20.6	1.7	(29.6)	(7.4)
Movement in year	—	(2.4)	0.2	(2.7)	(4.9)
As at 31 December 2020	**(0.1)**	**18.2**	**1.9**	**(32.3)**	**(12.3)**
Movement in year	—	4.4	(0.5)	19.8	23.7
As at 31 December 2021	**(0.1)**	**22.6**	**1.4**	**(12.5)**	**11.4**

Movements in the provisions for deferred taxation are disclosed in the Consolidated Financial Statements as follows:

	Exchange Adjustment	Deferred tax in Consolidated Income Statement	Deferred Tax in Consolidated Statement of Comprehensive Income	Total
	$m	$m	$m	$m
Movement in 2020	(8.3)	3.1	0.3	(4.9)
Movement in 2021	1.3	22.6	(0.2)	23.7

The analysis of the deferred tax assets relating to tax losses is as follows:

	2021	2022
	$m	$m
Deferred tax assets – relating to trading losses		
Deferred tax assets to be recovered after more than 12 months	5.6	7.8
Deferred tax assets to be recovered within 12 months	17.0	10.4
Deferred tax assets	22.6	18.2

Deferred tax assets are recognised for tax losses carried forward to the extent that the realisation of the related tax benefit through future taxable profits is probable.

The Directors have prepared forecasts which indicate that, excluding the deferred tax asset on the pension scheme deficit, the deferred tax assets will substantially reverse over the next six years.

The above deferred tax assets arise mainly from temporary differences and losses arising on the Group's US insurance companies. Under local tax regulations these losses and other temporary differences are available

to offset against the US subsidiaries' future taxable profits in the Group's US Insurance Services Division as well as any future taxable results that may arise in the US insurance companies.

The Group's total deferred tax asset includes $22.6m (2020: $18.2m) in respect of trading losses carried forward. The tax losses have arisen in individual legal entities and will be used as future taxable profits arise in those legal entities. Substantially all of the unused tax losses for which a deferred tax asset has been recognised arises in the US subgroup.

25. Share capital

	Number of shares	Ordinary shares	Share premium	Treasury share reserve	Total
		$m	$m	$m	$m
At 1 January 2020	**195,917,568**	**5.4**	**176.7**	**—**	**182.1**
Issue of ordinary shares	21,578,813	0.8	20.6	—	21.4
Share based payments	6,898,903	—	14.8	—	14.8
Treasury	(111,525)	—	—	(0.2)	(0.2)
Issue of AD shares	222,563,380	11.6	(11.2)	—	0.4
Redemption/Cancellation of AD shares	(222,563,380)	(11.6)	—	—	(11.6)
At 31 December 2020	**224,283,759**	**6.2**	**200.9**	**(0.2)**	**206.9**
Functional currency revaluation	—	(0.2)	7.2	—	7.0
Issue of ordinary shares	49,772,168	1.4	85.9	—	87.3
Share based payments	1,043,816	0.1	2.6	—	2.7
Treasury	111,525			0.2	0.2
Distribution	—	—	(8.3)	—	(8.3)
At 31 December 2021	**275,211,268**	**7.5**	**288.3**	**—**	**295.8**

In 2020, a Group subsidiary issued 47,609,270 USD0.01 convertible preference shares for cash consideration. These preference shares converted into ordinary share capital of the Company upon certain regulatory conditions being met on 21 January 2021, whereby, the Group issued 49,772,168 ordinary shares for settlement of the convertible preference shares.

	2021	2020
	$m	$m
Allotted, called up and fully paid		
275,211,268 ordinary shares of 2p each (2020: 224,283,759 ordinary shares of 2p each)	7.4	6.2
1 Preference A Share of £1	—	—
1 Preference B Share of £1	—	—
	7.4	6.2

Included in Equity	2021	2020
	$m	$m
275,211,268 ordinary shares of 2p each (2020: 224,283,759 ordinary shares of 2p each)	7.4	6.2
1 Preference A Share of £1	—	—
1 Preference B Share of £1	—	—
	7.4	6.2

Cumulative Redeemable Preference Shares

Preference A and B Shares have rights, inter alia, to receive distributions in priority to ordinary shares of distributable profits of the Company derived from certain subsidiaries:

- Preference A Share: one half of all distributions arising from the Company’s investment in R&Q Reinsurance Company up to a maximum of $5.0m.
- Preference B Share: one half of all distributions arising from the Company’s investment in R&Q Reinsurance Company (UK) Limited up to a maximum of $10.0m.

The Preference A and Preference B Shares have been classified as equity on the basis that redemption dates are not prescribed in the Memorandum and Articles of Association and as such there is no contractual obligation to deliver cash. No distributions have been made since acquisition by either R&Q Reinsurance Company or R&Q Reinsurance Company (UK) Limited.

Shares issued

During the year the Group did not issue any distribution shares (2020: AD shares with an aggregate value of $11.6m, which were all cancelled).

26. Employees and Directors

Employee benefit expense for the Group during the year

	2021	2020
	$m	$m
Wages and salaries	46.8	49.2
Social security costs	5.4	4.7
Pension costs	1.8	1.7
Share based payment charge	5.3	4.1
	59.3	59.7

Pension costs are recognised in operating expenses in the Consolidated Income Statement and include $1.8m (2020: $1.7m) in respect of payments to defined contribution schemes.

Average number of employees	**2021 Number**	**2020 Number**
Program Management	125	71
Legacy Insurance	154	169
Other	16	40
	295	280

Remuneration of the Directors and key management

	2021 $m	**2020 $m**
Aggregate Director emoluments	11.1	12.3
Aggregate key management emoluments	3.5	4.3
Share based payments – Directors	4.8	3.9
Share based payments – Key management	0.5	0.1
	19.9	20.6
Highest paid Director		
Aggregate emoluments	6.9	6.7

Key management refers to employees who are Directors of subsidiaries within the Group but not members of the Group's Board of Directors.

Directors' emoluments

Name	**Salary**	**Directors' Fees**	**Bonus paid**	**Movement in bonus accrued**	**Share award cost**	**Total**
	$m	**$m**	**$m**	**$m**	**$m**	**$m**
K E Randall (resigned 31 March 2021)	0.3	—	3.7	—	—	4.0
A K Quilter	0.7	—	1.1	0.2	—	2.0
W L Spiegel	1.5	—	1.5	—	3.9	6.9
T S Solomon	0.5	—	1.0	—	0.8	2.3
A H F Campbell	—	0.1	—	—	—	0.1
P A Barnes	—	0.1	—	—	—	0.1
J P Fox	—	0.1	—	—	—	0.1
E M Flanagan	—	0.1	—	—	—	0.1

Bonus payments relating to the reporting year are paid in the following 3 years being 50%, 25% and 25% annually, and reflect the performance of the Group and the individuals. The costs in the 2021 financial year represent the

amounts paid in 2021 and provision for costs relating to the 2019, 2020 and 2021 reporting years' performance, which will be paid in 2021, 2022 and 2023. The provisions are established on the likelihood of the performance and service period criteria being met. Where contractual arrangements supersede the above policy, the contractual arrangements are included.

27. Pension scheme obligations

The Group operates one defined benefit scheme in the UK. The defined benefit scheme's assets are held in separate trustee administered funds. The pension cost was assessed by an independent qualified actuary. In the valuation, the actuary used the projected unit method as the scheme is closed to new employees. A full actuarial valuation of the scheme is carried out every three years, with the last valuation completed as at 1 January 2021.

On 2 December 2003, the scheme was closed to future accrual although the scheme continues to remain in full force and effect for members at that date.

The position and assumptions under IAS 19 as at 31 December 2021 are as follows.

a. *Employee benefit obligations – amount disclosed in the Consolidated Statement of Financial Position*

	2021 **$m**	**2020** **$m**
Fair value of plan assets	36.6	37.7
Present value of funded obligations	(42.3)	(47.7)
Net defined benefit liability	(5.7)	(10.0)
Related deferred tax asset	1.4	1.9
Net position in the Consolidated Statement of Financial Position	(4.3)	(8.1)

All actuarial losses are recognised in full in the Consolidated Statement of Comprehensive Income in the period in which they occur.

b. *Movement in the net defined benefit obligation and fair value of plan assets over the year*

	Present value of obligation	Fair value of plan assets	Deficit of funded plan
	$m	$m	$m
As at 31 December 2020	(47.6)	37.7	(9.9)
Interest (expense)/income	(0.6)	0.5	(0.1)
	(48.2)	38.2	(10.0)
Remeasurements:-			
Loss from changes in financial assumptions	2.7	—	2.7
Loss from changes in demographic assumptions	(0.1)	—	(0.1)
Experience gain	0.5	—	0.5
	(45.1)	38.2	(6.9)
Employer's contributions	—	1.1	1.1
Benefit payments from the plan	2.0	(2.0)	—
Currency revaluation	0.8	(0.7)	0.1
As at 31 December 2021	**(42.3)**	**36.6**	**(5.7)**

	Present value of obligation	Fair value of plan assets	Deficit of funded plan
	$m	$m	$m
As at 31 December 2019	(43.5)	34.0	(9.5)
Interest (expense)/income	(0.8)	0.7	(0.1)
	(44.3)	34.7	(9.6)
Remeasurements:-			
Return on plan assets, excluding amounts included in interest expense	—	3.3	3.3
Loss from changes in financial assumptions	(4.0)	—	(4.0)
Loss from changes in demographic assumptions	(0.2)	—	(0.2)
Experience gain	0.1	—	0.1
Past service cost	—	—	—
	(48.4)	38.0	(10.4)
Employer’s contributions	—	1.0	1.0
Benefit payments from the plan	2.7	(2.7)	—
Currency revaluation	(1.9)	1.4	(0.5)
As at 31 December 2020	**(47.6)**	**37.7**	**(9.9)**

c. ***Significant actuarial assumptions***

i) Financial assumptions

	2021	2020
Discount rate	1.90%	1.35%
RPI inflation assumption	3.50%	3.00%
CPI inflation assumption	3.20%	2.70%
Pension revaluation in deferment: - CPI, maximum 5%	2.70%	2.70%
Pension increases in payment: - RPI, maximum 5%	3.50%	3.00%

ii) Demographic assumptions

Assumed life expectancy in years, on retirement at 60

	2021	2020
Retiring today		
- Males	26.3	26.2
- Females	29.0	28.7
Retiring in 20 years		
- Males	27.8	27.4
- Females	30.5	30.0

d. ***Sensitivity to assumptions***

The results of the IAS 19 valuation at 31 December 2021 are sensitive to the assumptions adopted.

The sensitivities regarding the principal assumptions used to measure the Scheme liabilities are set out below:

Assumption	**Change in assumption**	**Change in liabilities**
Discount rate	Decrease by 0.5%	Increase by 7.4%
Rate of inflation	Increase by 0.5%	Increase by 1.4%
Life expectancy	Increase by 1 year	Increase by 3.9%

The above sensitivity analyses are based on a change in assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. The sensitivity of the defined benefit obligation to significant actuarial assumptions has been estimated, based on the average age and the normal retirement age of members and the duration of the Scheme.

e. ***The major categories of plan assets are as follows***

			As at 2021			**As at 2020**
			$m			**$m**
	Level 1	**Level 2**	**Total**	**Level 1**	**Level 2**	**Total**
Cash and cash equivalents	—	1.6	1.6	—	0.5	0.5
Investment funds:						
– equities	—	22.7	22.7	—	23.7	23.7
– bonds	—	4.0	4.0	—	3.8	3.8
– property	—	—	—	—	—	—
– liability driven	—	8.3	8.3	—	9.7	9.7
	—	**36.6**	**36.6**	**—**	**37.7**	**37.7**

Definitions of Level 1 and Level 2 investments can be found in note 4(a)(i).

f. **Contributions and present value of defined benefit obligation**

Funding levels are monitored on an annual basis. $1.1m of contributions have been made directly into the scheme during 2021 (2020: $1.1m). In March 2022, a recovery plan has been renegotiated and agreed with the Trustees to eliminate the plan deficit by 31 December 2025. Starting from July 2022, monthly payments will increase to provide annualised payments of $1.9m, and further single annual payments of $0.8m will be made, finalising in December 2025.

28. Related party transactions

Transactions with subsidiaries

Transactions between the Group's wholly owned subsidiary undertakings, which are related parties, have been eliminated on consolidation and accordingly not disclosed.

Transactions with Directors

The following Directors and connected parties were entitled to the following distributions during the year:-

	2021	2020
	$m	$m
K E Randall and family	—	0.7
A K Quilter and family	0.1	0.2
W L Spiegel	0.2	0.1
T S Solomon	—	0.1

Transactions with associate

On 10 September 2020 the Group invested in Tradesman Program Managers, LLC which is treated as an investment in associate. The Group receives income through its Program operations as detailed below.

	2021	2020
	$m	$m
Written premium	245.2	133.1
Written commissions	12.2	6.7
Funds due at year end	5.4	0.7

The summarised financial information of the amounts presented in the financial statements of the associate for the full year of the associate is as follows:

	2021 $m	2020 $m
Assets	29.0	19.6
Liabilities	(33.2)	(19.0)
Net assets/(liabilities)	(4.2)	0.6
Income for the year	63.5	19.6
Profit for the year	29.4	13.7

29. Business combinations

Business combinations

During the year, the Group made five business combinations of run-off portfolios and acquired two non-insurance legacy businesses (which were acquired as part of a single transaction). All of the Group's business combinations involved Legacy Insurance transactions and have been accounted for using the acquisition method of accounting.

Legacy entities and businesses

The following table shows the fair value of assets and liabilities (and consideration where paid) included in the Consolidated Financial Statements at the date of acquisition of the legacy businesses:

	Intangible assets	Other receivables	Cash & Investments	Other payables	Technical provisions	Tax & deferred tax	Net assets acquired	Consideration	Goodwill on bargain purchase
	$m	$m	$m	$m	$m	$m	$m	$m	$m
EIIDAC	3.1	0.5	64.1	(0.3)	(36.2)	(0.4)	30.8	9.1	21.6
NYSHPWCT	0.3	—	2.8	—	(2.0)	—	1.1	—	1.1
Vibe	2.8	2.7	1.6	(0.9)	—	—	6.3	6.3	—
Oleum	—	—	1.2	—	—	—	1.2	0.9	0.4
Saurea	0.4	—	4.1	—	(3.5)	(0.1)	1.0	—	1.0
UK P&I	11.3	—	66.7	—	(49.6)	(2.8)	25.6	—	25.6
	17.9	**3.2**	**140.5**	**(1.2)**	**(91.3)**	**(3.3)**	**66.0**	**16.3**	**49.7**

Gross deal contribution represents the net asset value acquired in excess of any consideration paid, gross of any transaction expenses or commissions.

Goodwill on bargain purchase arises when the consideration is less than the fair value of the net assets acquired. It is calculated after the alignment of accounting policies and other adjustments to the valuation of assets and liabilities to reflect their fair value at acquisition. The long-tail nature of the liabilities causes significant problems for former owners such as tying up capital and a lack of specialist staff. As a specialist service provider and manager, the Group is more efficient at managing such entities and former owners are prepared to sell at a discount on the fair value of the net assets.

In order to disclose the impact on the Group as though the legacy entities had been owned the whole year, assumptions would have to be made about the Group's ability to manage efficiently the run-off of the legacy

liabilities prior to the acquisition. As a result, and in accordance with IAS 8, the Directors believe it is not practicable to disclose revenue and profit before tax as if the entities had been owned for the whole year.

Where significant uncertainties arise in the quantification of the liabilities, the Directors have estimated the fair value based on the currently available information and on assumptions which they believe to be reasonable.

The Group completed the following business combinations during 2021:

EIIDAC

On 19 May 2021, the Group announced it had completed the acquisition of the entire issued share capital of Electric Insurance Ireland DAC ("EIIDAC"), an Irish domiciled captive insurance company of the General Electric Group. EIIDAC was incorporated in 2005 and wrote Employer's Liability and General Liability business between 2007 and 2020. External costs incurred total $124k.

NYSHPWCT

On 13 July 2021, but effective 1 August 2020, Accredited Surety & Casualty received regulatory approval to assume (novate) the Workers' Compensation Liability policies of New York State Health Providers Workers Compensation Trust ("NYSHPWCT"). The policies assumed covered the period from April 1992 to January 2011.

Vibe

On 21 May 2021, following regulatory approval, the Group completed the acquisitions of Vibe Syndicate Management Limited ("VSML") and Vibe Services Management Limited ("Vibe Services"), together "Vibe", thus finalising the second completion of its purchase of the Vibe Group following the acquisition of Vibe Corporate Member Limited in December 2020. VSML is regulated as a Lloyd's Managing Agency for Syndicate 5678. External costs incurred were $49k.

Oleum

On 28 September 2021, following regulatory approval, the Group completed the acquisition of Oleum Insurance Company Limited ("Oleum"), a Barbados domiciled captive insurance company of Repsol. Oleum wrote policies covering property, construction and general liability risks from 1995 to 2015 when it was placed in run-off. External costs incurred were $62k.

Saurea

On 17 November 2021, Accredited Insurance (Europe) completed the novation of General Liability and Professional Indemnity policies of Saurea S.A., a Luxembourg based captive of Saur Group. The policies covered risks underwritten from 2006 to 2019. External costs incurred were $122k.

UK P&I Club

Effective 7 December 2021, the Group completed the Part VII transfer of the non-EEA industrial disease liabilities of the United Kingdom Mutual Ship Assurance Association Limited ("UK P&I Club") to R&Q Gamma Company Limited. External costs incurred were $110k.

30. Non-controlling interests

The following table shows the Group's non-controlling interests and movements in the year:-

	2021 $m	2020 $m
Non-controlling interests		
Equity shares in subsidiaries	—	—
Share of retained earnings	—	(0.5)
	—	(0.5)
Movements in the year		
Balance at 1 January	(0.5)	0.6
Profit for the year attributable to non-controlling interests	—	(0.1)
Comprehensive profit attributable to non-controlling interests	—	(0.1)
Changes in non-controlling interest in subsidiaries	0.5	(1.0)
Balance at 31 December	—	(0.5)

31. Guarantees and indemnities in ordinary course of business

The Group has entered into a guarantee agreement and a debenture arrangement with its bankers, along with several of its subsidiaries, in respect of the Group term loan facilities. The total liability to the bank at 31 December 2021 was $153.6m (2020: $85.5m).

The Group also gives various other guarantees in the ordinary course of business.

32. Foreign exchange rates

The Group used the following exchange rates to translate foreign currency assets, liabilities, income and expenses into US dollars sterling, being the Group's presentational currency:-

	2021		2020	
	Average	**Year end**	**Average**	**Year end**
UK Sterling	0.73	0.75	0.78	0.74
Euro	0.84	0.88	0.88	0.82

33. Events after the reporting date

On 1 April 2022, the Group announced that terms had been agreed to recommend the cash acquisition of the Group as well as $100m of new equity funding by Brickell PC Insurance Holdings ("Brickell").

On 25 May 2022, the Special General Meeting vote failed to approve the transaction with Brickell; consequently the Company announced it would embark on an equity fundraise of $100m via a placing and up to $8m via an open offer, the fundraise is subject to shareholders' approval and is expected to complete in mid-July.

34. Contingent liability

Attention is drawn to Notes 2h, 3 and 23 which set out the uncertainties inherent in assessing outstanding claims reserves in the ordinary course. The Group's insurance contract provisions include a provision for costs only in respect of a potential accumulation of claims from a single policyholder in the Group's Legacy business. The claims are still at an early stage and involve multiple uncertainties including questions relating to liability, coverage, incidence, quantum and other legal and technical issues. Management has concluded that it is not possible to measure the appropriate reserve for these claims with sufficient reliability. Based on the documentation made available to date, and expert opinion and legal advice, management believes that it is not probable that any significant amount, other than costs, will be payable to settle the claim; however, the ultimate cost of the claims could be materially higher In the circumstances, and in accordance with IAS 37, management has concluded that it is not currently appropriate to recognise any estimate of the possible outcome but to disclose the position as a contingent liability.

35. Ultimate controlling party

The Directors consider that the Group has no ultimate controlling party.