

ACCREDITED INSURANCE (EUROPE) LIMITED

Annual Report and Financial Statements
31 December 2024

ACCREDITED INSURANCE (EUROPE) LIMITED
Annual Report and Financial Statements – 31 December 2024

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Directors' Report

The Directors present their report and the audited Financial Statements of Accredited Insurance (Europe) Limited (the "Company"), for the year ended 31 December 2024.

Principal activities

The Company's principal activity is that of carrying on business of insurance and reinsurance in accordance with the Insurance Business Act, 1998 (Chapter 403, Laws of Malta).

Review of the business

The Company, through its licence to write specific non-life classes of insurance business in the United Kingdom ('UK') and in all European Union ('EU') member states, is a specialist capacity provider for European program management business. Historically, the Company also provided legacy solutions by purchasing or reinsuring portfolios/companies whose business would have been placed in run-off. On 28 June 2024, the Company, along with other Accredited entities, was sold (as detailed within this report), as part of an overall strategic initiative to separate from the R&Q Group. As part of this separation, the Company will no longer write legacy business, and any future adverse development on the existing portfolio of legacy business has been fully reinsured by an A-rated third-party reinsurer.

During 2024, significant growth was once again achieved in the program segment, where the Company concluded a number of new agreements and extended expiring agreements with Managing General Agents ('MGAs').

The year also witnessed a period of significant operational change, driven by a number of different overarching projects aimed at automating and improving the Company's core operational systems, which have achieved efficiencies within the Company's main workstreams. The Company continues to adapt to the significant reporting and operational changes that resulted from the implementation of the new accounting standard *IFRS 17 – Insurance Contracts*, that came into force on 1 January 2023 (Note 2.5).

As anticipated, costs incurred to separate the Company (and the Accredited Group) from the R&Q Group, as well as the continued investment in growing the program business, resulted in a cost base that is higher than that of the previous year. The separation from R&Q also brought with it the write-off of any outstanding amounts due to/from R&Q entities, notably the loan receivable from R&Q including unpaid accrued interest, for which full indemnification was provided via a capital contribution received by the Company in June 2024 as a pre-condition of the Accredited sale. These factors, along with other one-off events as explained on the program and legacy business updates below, resulted in a loss before tax for the year of £107.0m, despite a promising and improving program technical result on an adjusted basis (excluding one-off events) of £33.5m (2023: £27.4m).

Program business update

New and renewed MGA arrangements continued to expand the Company's program operations across a number of different product lines which include motor, surety, property, liability, professional indemnity, cyber, financial lines, title and after-the-event ('ATE') business, written in the UK and EU member states. The Company takes a prudent approach and reinsures this book of business extensively through the use of quota share, excess of loss and stop loss reinsurance, mainly with reinsurers that do not fall below the A- rating provided by A.M. Best, or equivalent ratings from other reputable credit rating agencies.

The super MGAs that the Company onboarded in previous years, defined as MGAs that are expected to generate ca. £100 million of premium income annually, contributed £538.6m (2023: £364.6m) of the total insurance revenue for the year. These operate as market leaders mainly in the motor and property classes of business and are expected to continue to drive future growth, allowing the Company to achieve a degree of focus in its operations, without jeopardizing the level of diversification of its portfolio. The Company also continued to implement its strategy of concluding multi-year arrangements with well performing MGAs, further strengthening the relationship with those MGAs and securing longer-term future income streams. In 2024, six new MGAs were onboarded and most expiring binding agreements with existing MGAs were renewed.

Directors' Report - continued

Review of the business - continued

Program business update - continued

During the year, insurance revenue on program business increased by 30% to £998.0m (2023: £766.5m). Insurance service expense, comprising mainly of claims incurred and acquisition costs, increased to £959.8m (2023: £614.4m), resulting in an insurance service result of £38.2m (2023: £152.1m). After accounting for the net expenses from reinsurance contracts, the Company registered a net underwriting loss of £4.3m (2023: net underwriting gain of £27.8m) for the year. The loss is mainly driven by:-

- A one-off 'in principle' total portfolio settlement on one of the ATE programs, which was disclosed as a contingent liability in last year's financial statements. On 31 May 2024, a lending service provider for legal costs that had funded policyholders with respect to ATE policies sold by one of the Company's MGAs in 2019 and 2020 presented the Company with a demand for payment under a deed of indemnity that had been signed between the Company and the lending provider. The Company has proposed an 'in principle' settlement subject to full reinsurance support, resulting in a net impact of ca. £8.4m on the 2024 underwriting result.
- Bad debt write offs on receivables from certain specific MGAs with respect to sliding scale commissions due, amounting to £30.0m.

As from the end of the prior year, the Company's UK Branch has been authorised as a third country branch by the PRA and the Financial Conduct Authority ('FCA') to underwrite, in the UK, specific general insurance business classes.

Due to the experienced growth in the UK business and the scale and complexity of the expected future growth, the Board had analysed the options available with respect to the manner in which the UK business is to be carried out in the future. As a result of the Board's decision, a new insurance entity in the UK has been established to underwrite retail UK risks, with existing retail UK risks in the Company expected to subside over a period of time as binders renew into the new UK insurance entity. The first of these renewals occurred in November 2024, therefore the impact of this transition has no material impact on the results presented in these financial statements. Non-retail or commercial risks will continue to be written by the Company through the UK branch.

The Company also operates an Italian Branch with the intention of expanding its program management footprint in Italy, concluding an additional program arrangement during the year.

Legacy business update

In 2023, the Company entered into a 100% quota share retrocession agreement with R&Q Re (Cayman) Ltd., with respect to an adverse development reinsurance coverage that the Company provided under a legacy deal concluded in 2022. This arrangement was commuted in 2024 as part of the Accredited sale process as detailed within this report. The underlying inwards reinsurance contract was also commuted in 2024. In addition, an excess of loss cover that the Company provided to an R&Q Group entity on a legacy portfolio was novated to a third-party reinsurer.

The conditions of the Accredited sale, as detailed within this report, provided that any future adverse development on the existing portfolio of legacy business are fully reinsured by an A-rated third-party reinsurer. On 28 June 2024, a subsidiary of Enstar Group Limited ("Enstar") agreed to provide reinsurance cover for all Accredited's net legacy reserves, with all administrative duties and claims handling also transferring to Enstar.

The net underwriting loss on legacy business amounted to £0.2m (2023: £7.1m), as the legacy business is now fully reinsured to external reinsurers and the risk premium paid for the Enstar cover was capitalised to the contractual service margin.

As a result of the above developments, insurance contract liabilities related to legacy business decreased to £93.4m (2023: £125.6m), whereas reinsurance contract assets related to legacy business increased to £140.5m (2023: £40.9m).

Directors' Report - continued

Result for the year

Legacy business has generated a negative revenue of £(16.9)m (2023: positive revenue of £4.9m). Insurance service expense amounted to an income of £6.4m (2023: expense of £36.2m). Net income from reinsurance contracts amounted to £10.3m (2023: £21.1m). Total net underwriting loss amounted to £0.2m (2023: £7.1m). The shifts resulted from the commutations of certain legacy contracts upon the decision to discontinue the legacy business.

To facilitate a more accurate comparison, the impact of the one-off events on the 2024 result, as previously described, have been excluded from the below program business results. For the purposes of the commentary below, the comparative period also excludes the impact of the settlement of a single one-off ATE policy.

Program business generated revenues of £988.0m (2023: £736.7m). Insurance service expense incurred by the program business is £880.9m (2023: £624.6m) resulting in an insurance service result of £107.1m (2023: £112.2m). The decrease resulted from recognition of loss component, experience variances as well as revised expectations of future cash outflows on specific portfolios. Reinsurance result also decreased and the net reinsurance expense for 2024 amounted to £73.5m (2023: £84.7m). In spite of the high levels of reinsurance, the movement in the reinsurance results might not align to the movement in the insurance results due to several factors, including the different boundaries of insurance contracts and the corresponding reinsurance contracts (Note 25) and movements in non-distinct investment component on reinsurance contracts.

Total finance result, comprising of changes in the carrying amounts of groups of insurance and reinsurance contracts arising from the effects of the time value of money, financial risk and changes therein, amounted to a loss of £27.1m in 2024 (2023: £1.3m). The significant finance loss in 2024 stems mainly from the program segment and results from the current yield curve movements that occurred during the year. The main reasons for the negative impact of the yield curve movements stem from the contract boundary mismatches between the inwards contracts and the outwards contracts on certain binders. The contract boundary rules under IFRS 17 give rise to potential sources of mismatches when measuring gross business and the related reinsurance contracts held. On the gross side, the Company only recognizes contracts as and when it actually writes this business and uses the quarterly locked-in rates to recognize the business as it is written. On the reinsurance contracts held however, the Company is required to recognize all the cash flows it expects within the boundary, including reinsurance cash flows related to gross business already written as well as cash flows related to future gross business that has not yet been written. These cash flows are recognized at the locked in rate prevailing at the inception of the reinsurance contracts. Due to these mismatches, discounting affects the insurance finance result and the reinsurance finance result differently, causing material shifts in the net finance result.

The Company's investment portfolio generated a net investment return for the year of £13.6m (2023: £14.6m). This result is mainly attributed to net fair value gains on debt securities and other equity investments of £4.5m (2023: £6.4m) for the year, interest and dividend income of £8.4m (2023: £6.1m) on those same securities, and interest income on group loans of £0.9m (2023: £1.7m).

Administrative expenses increased to £78.0m in 2024 from £25.1m in the previous year driven by one-off costs surrounding the Accredited sale, namely the write-off of intercompany balances, including group loans of £48.1m and write-off of receivables of £4.2m due on certain legacy portfolios novated or commuted during the year. Moreover, bad debt provisions on sliding scale and premium receivable balances were increased by £2.9m in 2024 compared to the increase in the previous year. The growth in program business, as well as increases in cost recharges from entities under common control, mainly driven by one-off separation consultancy costs, contributed to the remainder of the increase in the cost base compared to the prior year.

The Company registered a loss before tax of £107.0m (2023: £1.7m) for the year, driven mainly by the one-off events explained above. The result for the year is set out in the statement of profit or loss and other comprehensive income on page 9. The loss for the year after tax amounted to £107.0m (2023: profit after tax of £0.3m) as the Company did not recognize any additional deferred tax assets arising from the losses incurred in 2024.

Directors' Report - continued

Result for the year - continued

Total assets as at the end of the year stood at £1,188.8m (2023: £882.4m). The Company further strengthened its capital base with shareholders' contributions of \$165.1m (c. £130.6m) and £14.4m in June and December 2024 respectively (2023: £5m).

Reserves and dividends

The balance of accumulated losses at the end of the financial year amounted to £144.4m (2023: £37.4m). The Directors do not propose the payment of a final dividend.

Sale of Accredited

On 4 April 2023, R&Q announced that it was undertaking a strategic initiative to separate its legacy insurance business, R&Q Legacy, from its program management business, Accredited (which includes the Company, Accredited Specialty Insurance Company US, Accredited Surety and Casualty Company, Inc. US). On 20 October 2023, R&Q announced that it had entered into a conditional agreement with funds advised by Onex Corporation ("Onex") to sell 100 per cent of the equity interest in Randall & Quilter America Holdings Inc., the holding company of Accredited, for a purchase price of \$465 million, which represented an expected equity value of approximately \$438 million when adjusted for Accredited's existing debt commitments. Additionally, a portion of the anticipated closing purchase price was allocated to indemnify the outstanding amount of the Company's intercompany loan owed by R&Q plus any unpaid interest.

Alongside the sale process, the legal reorganisation was completed in June 2023. On completion of the legal reorganisation, AM Best recognised Accredited as having an independent rating unit with a financial strength rating of 'A-' (Excellent).

On 13 June 2024, R&Q announced that Onex provided an alternative transaction structure to that of the original Sale (the "Alternative Proposal") that could be implemented in the event that the closing conditions to the original Sale were not able to be satisfied, and on 19 June 2024, the R&Q concluded that the Alternative Proposal represented the best option to secure value and to ensure the completion of the Accredited sale.

On 21 June 2024, the ultimate parent company, R&Q Insurance Holdings Ltd, filed for provisional liquidation in Bermuda and implemented the sale of Accredited to Onex through that process. On 28 June 2024, 100% of the equity interest in Accredited, including the Company, was sold to Onex Partners, for a cash consideration of \$420 million.

Under a transition services agreement between R&Q and Accredited, each party was obliged to provide transitional services to the other party for limited periods of up to 12 months following the closing, with a commitment to provide those services generally at the same level of service with which they were provided before closing.

The €5 million floating rate subordinated notes due 5 July 2027 and €20 million floating rate subordinated notes due 5 October 2025 due by the Company remained outstanding in accordance with their terms. The funds required upon maturity are available at group level and earmarked for this purpose.

On 28 June 2024, a capital contribution of \$165.1m was made into the Company in order to strengthen its capital base after taking into account the effect of other contracts and conditions that were an integral part of the Accredited sale.

On 1 July 2024, AM Best confirmed that the financial strength rating of the Accredited companies remained unchanged at 'A-' (Excellent) following the acquisition by Onex.

Directors' Report - continued

Principal risks and uncertainty

Management carefully selects and implements underwriting strategies which are designed to ensure that risks are diversified in terms of type of risk and level of insured benefits. The future development of claims is an aggregation of a large number of contingent events, the financial impact of which cannot be determined in advance. The models that management use in its analysis, in part, rely on the assumption that claims will emerge in the future as they have emerged in the past. While management has attempted to quantify the effects of changes in future claims development from that in the past, actual development may differ from such estimates. These differences may come about for a number of reasons including changes in the social, legal, political or technological environment. Further information on the risks facing the Company can be found in Note 6 - Management of insurance and financial risk.

In this regard, the Company continues to monitor and adjust its insurance pricing levels in light of the prevailing competitive environment and continues to cede the vast majority of its exposures to high quality rated reinsurers

Other macroeconomic environment updates

The Company continues to face the possibility of unrealised losses in the Company's investment portfolio arising due to turbulent market conditions. Market conditions in 2024 remained favourable, resulting in a level of net investment income that is broadly equivalent to that generated in 2023. In this regard, the Company continues to monitor and adjust its insurance pricing levels in light of the prevailing competitive environment and continues to cede the vast majority of its exposures to high quality rated reinsurers. The Company continues to implement its high quality and short duration investments strategy.

In spite of the risk-mitigation measures in place, the Company continues to face risks as a result of the current environment, reduced economic growth slowing demand for insurance, dislocations in the capital markets, and finally from increased regulatory requirements. However, the Directors believe that the Company is well equipped to face these challenges.

Events after the reporting date

On 27 March 2025, a capital contribution of £10.3m was made into the Company in order to strengthen its capital base.

There were no material events affecting the Company which occurred after the reporting date.

Future developments

The Company is committed to continue investing in the program business segment going forward. The Directors expect that the benefits of this growth strategy will continue to be reflected in the Company's technical income, as evidenced by the fact that the Company's technical result continues to improve on a consistent basis over prior years. Whilst the growth strategy will also result in a higher cost base, the Directors believe that the rate of growth in technical income will outpace the rate of growth in costs. This development will result from a strong business strategy that continues to prove it can leverage market opportunities, as well as from the continued effective management of costs, and the Company reaping the benefits and efficiencies of the successful implementation of the recently implemented projects.

Directors' Report - continued

Future developments - continued

Within this context, the following points summarize future developments in the program business:

- The Company continues to work towards a number of strategic partnerships with key reinsurers to support its business growth. The market environment remains attractive to the Company as it continues to see a high volume of opportunities as MGAs and reinsurers seek long-term relationships in this arena.
- The combination of reduced capacity and reinsurer desire to access the direct risk market has led to a strong pipeline of opportunities that will provide a steady renewable stream of income with a risk exposure in line with the Company's risk appetite.
- The Company has been able to significantly increase its volume of program business, justifying expectations of continued strong growth prospects with the increasing number of MGA agreements entered into.
- The Directors have continued to pursue business in this niche area and have actively followed this through with a commitment to support high quality program business. During 2024, the Company continued to secure new MGA business and strengthened existing MGA relationships and expects to continue with this strategy for the foreseeable future.

In terms of legacy business, as disclosed within this report, the Company will no longer pursue any new legacy business. The remaining net reserves of the existing portfolio of legacy business have been fully reinsured by an A-rated third-party reinsurer. The Company will not be exposed to claims and reserving risk but to the low credit risk that arises from the exposure to the reinsurer.

Statement of Directors' responsibilities for the Financial Statements

The Directors are required by the Maltese Insurance Business Act, 1998 and the Maltese Companies Act (Cap. 386) to prepare Financial Statements which give a true and fair view of the state of affairs of the Company as at the end of each reporting period and of the profit or loss for that period. In addition, the Directors are required to ensure that the Company has, at all times, complied with and observed the various requirements of the Insurance Business Act (Cap. 403 of the Laws of Malta).

In preparing the Financial Statements, the Directors are responsible for:

- ensuring that the Financial Statements have been drawn up in accordance with International Financial Reporting Standards as adopted by the EU;
- selecting and applying appropriate accounting policies;
- making accounting estimates that are reasonable in the circumstances;
- ensuring that the Financial Statements are prepared on the going concern basis unless it is inappropriate to presume that the Company will continue in business as a going concern.

The Directors are also responsible for designing, implementing and maintaining internal control as the Directors determine is necessary to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error, and that comply with the Maltese Companies Act (Cap. 386). They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In addition, the Directors must ensure that the Company consistently complies with and observes the various requirements outlined in the Insurance Business Act (Cap. 403 of the Laws of Malta). Furthermore, they are required to ensure that Accredited Insurance (Europe) Limited adheres at all times to the provisions stipulated in the Insurance Distribution Act (Cap. 487 of the Laws of Malta).

The Financial Statements of Accredited Insurance (Europe) Limited for the year ended 31 December 2024 are included in the Annual Report, which is published in hard-copy printed form and may be made available on the Company's website. The Directors are responsible for the maintenance and integrity of the Annual

Directors' Report - continued

Statement of Directors' responsibilities for the Financial Statements - continued

Report on the website in view of their responsibility for the controls over, and the security of, the website. Access to information published on the Company's website is available in other countries and jurisdictions, where legislation governing the preparation and dissemination of Financial Statements may differ from requirements or practice in Malta.

Solvency II

The Solvency II regulatory requirements ascertain the level of the required regulatory capital requirement on the basis of the risks the Company is currently undertaking, in terms of the Insurance Business Act, 1998 (Chapter 403, Laws of Malta) and the applicable Insurance Rules issued under the Insurance Business Act by the MFSA. Solvency II outlines how the own funds shall be derived by converting the Statement of Financial Position from an International Financial Reporting Standards (IFRS) perspective to one where assets and liabilities are measured in line with their underlying economic value. Regular monitoring of the Solvency Capital Requirement (SCR) and Minimum Capital Requirements (MCR) is considered crucial, and a Capital Management Policy is in place to address the procedures and controls in this regard. The Company monitors its capital level on a regular basis. The Company complied with the capital requirements during the years ended 2023 and 2024. No changes were made in the Company's approach to capital management during the year ended 31 December 2024. At 31 December 2024, the Company's unaudited eligible own funds adequately covered the Solvency Capital Requirement (SCR), resulting in a ratio of eligible own funds to SCR of 126% (2023: 138%).

Actuarial Function

The Company engages the services of a Group company, Program Management Services UK Limited, as the internal actuarial function holder.

Corporate Governance

The Company continues to ensure that it complies with the requirements of the MFSA guidelines as well as those of the Accredited Group as a whole, and to exceed these where it deems necessary to ensure that high standards are met in this area.

During the year, the Company has engaged external and internal resources to implement the requirements of the Digital Operation Resilience Act (DORA), which came into force in January 2025, with the aim of strengthening the financial sector's resilience to ICT-related incidents. It requires organisations to establish robust measures and controls on systems, tools and third parties, by having the right operational continuity plans in place, while testing their effectiveness on a continuous basis. Ultimately, the Company should be able to withstand, respond and recover from the impact of ICT incidents, thereby continuing to deliver critical and important functions and minimising disruption for customers and for the financial system.

Directors

The Board meets regularly, at least on a quarterly basis, to review the performance to date and to assess the position of the Company at that time. The members are a mix of appointees of the shareholders, together with independent members who bring with them international experience in various areas of the business. During the quarterly meetings, senior officials of the Company make detailed presentations to the Board members for their evaluation and assessment of performance and progress. All members of the Board are circulated with the same level of management information including detailed quarterly financial performance reports, investments reports, actuarial reports, compliance reports as well as other key performance indicators together with the minutes of the meetings.

Directors' Report - continued

The Directors of the Company who served during the year were:

Mr. Martin Scicluna
Mr. Colin Johnson – resigned on 31 August 2024
Mr. Pierpaolo Marano
Mr. Leonard Sammut
Mr. Magnus Heimann
Mr. Franco Azzopardi
Mr. Richard James Finney – resigned on 29 May 2024
Mr. Stuart McMurdo – appointed on 27 February 2025

Company Secretary – Willis Towers Watson Services (Malta) Limited (C 47728)

In accordance with the Company's memorandum and articles of association, the Directors remain in office.

Going Concern

The Directors are satisfied, after considering the financial position of the Company as at year end, the Company's operational performance as well as future business plans, that they have reasonable expectation that the Company has adequate resources and a strong business strategy to continue its operations for the foreseeable future.

The Directors have therefore adopted this position as a basis for the preparation of these financial statements.

Auditors

PKF Assurance (Malta) Limited were appointed as the auditors of the Company on 12 November 2018 in accordance with Article 151 of the Companies Act, 1995 (Chapter 386, Laws of Malta).

These financial statements were approved for issue by the Board and signed on its behalf on 3 April 2025 by:



Magnus Heimann
Director



Leonard Sammut
Director

Registered office

3rd Floor, Development House,
St. Anne Street
Floriana FRN9010
Malta

Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December

		2024	2023
		£'000	£'000
	Notes		
Insurance revenue	8,25	981,117	771,290
Insurance service expenses	25	(953,491)	(650,399)
Net expenses from reinsurance contracts	25	(32,934)	(103,437)
Insurance service result		(5,308)	17,454
Net investment result	9	13,583	14,644
Net finance income/(expense) from insurance contracts		(37,034)	(44,316)
Net finance income/(expense) from reinsurance contracts		9,915	43,066
Net financial result	10	(27,119)	(1,250)
Administrative expenses	11	(78,018)	(25,064)
Finance costs		(2,312)	(2,251)
Foreign exchange effects		(4,653)	(3,839)
Other expenses		(3,221)	(1,387)
Loss before tax	12	(107,048)	(1,693)
Income tax credit	14	-	1,958
Profit/(loss) for the year		(107,048)	265

There were no components of other comprehensive income in the current period.

The accompanying notes are an integral part of the Financial Statements.

Statement of Financial Position
As at 31 December

		2024	2023
		£'000	£'000
	Notes		
Assets			
Intangible assets	15	1,088	1,451
Property, plant and equipment	16	5	25
Investments	17	294,766	322,644
Deferred tax assets	18	22,266	22,266
Other receivables	19	25,892	7,596
Insurance contract assets	25	3,404	2,513
Reinsurance contract assets	25	726,912	456,809
Other technical receivables	19	52,891	44,206
Cash and cash equivalents	27	61,597	24,985
Total Assets		1,188,821	882,495
Equity and Liabilities			
Capital and Reserves			
Share capital	21	42,875	42,875
Accumulated losses	22	(144,412)	(37,364)
Shareholders' contribution	23	199,607	54,631
Total Equity		98,070	60,142
Liabilities			
Subordinated debt	24	20,632	21,574
Insurance contract liabilities	25	999,150	797,055
Reinsurance contract liabilities	25	29,517	(22,911)
Other technical payables	20	25,248	18,427
Other payables	20	16,204	8,185
Income tax payable		-	23
Total Liabilities		1,090,751	822,353
Total Equity and Liabilities		1,188,821	882,495

The accompanying notes are an integral part of these Financial Statements.

The official rate of exchange between the Great British Pound and Euro issued by the European Central Bank at 31 December 2024 was 0.82918.

The Financial Statements on pages 9 to 68 were authorised for issue by the Board on 3 April 2025 and were signed on its behalf by:


Magnus Heimann
Director


Leonard Sammut
Director

Statement of Changes in Equity

	Share capital £'000	Shareholders' contribution £'000	Retained earnings £'000	Total £'000
Balance as at 1 January 2023 (as previously stated)	42,875	49,631	(37,629)	54,877
Total comprehensive expense for the year	-	-	265	265
Loss for the year	-	-	265	265
Total comprehensive expense for the year	-	-	265	265
Transactions with owners				
Contributions during the year (Note 23)	-	5,000	-	5,000
Total transactions with owners	-	5,000	-	5,000
Balance as at 31 December 2023	42,875	54,631	(37,364)	60,142
Balance as at 1 January 2024	42,875	54,631	(37,364)	60,142
Total comprehensive expense for the year	-	-	(107,048)	(107,048)
Profit for the year	-	-	(107,048)	(107,048)
Total comprehensive expense for the year	-	-	(107,048)	(107,048)
Transactions with owners				
Contributions during the year (Note 23)	-	144,976	-	144,976
Total transactions with owners	-	144,976	-	144,976
Balance as at 31 December 2024	42,875	199,607	(144,412)	98,070

There were no components of other comprehensive income in the current period.

The accompanying notes are an integral part of the Financial Statements.

Statement of Cash Flows
For the year ended 31 December

	Notes	2024 £'000	2023 £'000
Cash flows from operating activities			
Cash generated from operations	26	(108,847)	46,080
Interest received	9	9,091	7,544
Dividends received	9	219	290
Taxation paid		-	-
Cash (used in)/generated from operating activities		(99,537)	53,914
Cash flows from investing activities			
Purchase of intangible assets	15	-	(302)
Purchase of financial investments	17	(157,807)	(103,311)
Disposal of financial investments	17	148,980	31,854
Cash generated from/(used in) investing activities		(8,827)	(71,759)
Cash flows from financing activities			
Shareholders' contribution	23	144,976	5,000
Cash generated from financing activities		144,976	5,000
Net movement in cash and cash equivalents		36,612	(12,845)
Cash and cash equivalents at the beginning of the year		24,985	37,830
Cash and cash equivalents at the end of the year	27	61,597	24,985

The accompanying notes are an integral part of the Financial Statements.

Notes to the Financial Statements

1 Reporting entity

Accredited Insurance (Europe) Limited (the "Company") is a limited liability company domiciled and registered in Malta. The Company is licenced to write Class 1 to Class 18 of the Insurance Business Act (Chapter 403, Laws of Malta).

The registered office of the Company is 3rd Floor, Development House, St. Anne Street, Floriana, FRN 9010, Malta.

2 Basis of preparation

2.1 Statement of compliance

The Financial Statements have been prepared and presented in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU ("the applicable framework") as modified by Article 174 of the Maltese Companies Act (Cap. 386). All references in these Financial Statements to IAS, IFRS or SIC / IFRIC interpretations refer to those adopted by the EU. These Financial Statements have also been drawn up in accordance with the provisions of the Insurance Business Act, 1998 (Chapter 403, Laws of Malta) and the said Companies Act (Cap. 386).

The Statement of Financial Position is organised in increasing order of liquidity, with additional disclosures on the current or non-current nature of the Company statements.

This is the second set of the Company's annual financial statements in which IFRS 17 *Insurance Contracts* and IFRS 9 *Financial Instruments* have been applied. The related changes to significant accounting policies are described in Note 3.

2.2 Basis of measurement

Historical cost convention

The Financial Statements have been prepared under the historical cost convention, as modified by (i) revaluations to fair value for certain classes of assets as described in the accounting policies, namely investment property and financial instruments at 'fair value through profit or loss', and (ii) measurement of insurance and reinsurance assets and liabilities in accordance with IFRS 17.

Fair value measurement

For financial reporting purposes, 'fair value' is the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants (under current market conditions) at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. When estimating the fair value of an asset or liability, the Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. Inputs to valuation techniques used to measure fair value are categorised into three levels according to the extent to which the inputs are observable:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the asset or liability.

2 Basis of preparation - continued

2.3 Functional and presentation currency

Items included in these Financial Statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The Company's functional and presentation currency is Great British Pounds (GBP, £).

2.4 Use of estimates and judgements

The preparation of Financial Statements in conformity with IFRSs as adopted by the EU requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimates are revised and in any future periods affected, as defined further in Note 4.

2.5 Standards, interpretations and amendments to published standards

Standards, interpretations and amendments to published standards endorsed by the EU effective in the current year

In 2024, the Company has adopted new standards, amendments and interpretations to existing standards that are mandatory for accounting periods beginning on or after 1 January 2024. The adoption of these revisions to the requirements of IFRS's as adopted by the European Union did not result in substantial changes to the Company's accounting policies.

Standards, interpretations and amendments to published standards as adopted by the EU that are not yet effective

Certain new standards, amendments and interpretations to existing standards have been published by the date of authorisation for issue of these financial statements, which are mandatory for the Company's accounting periods beginning on or after 1 January 2025. The Company has not yet adopted these revisions to the requirements of IFRSs as adopted by the European Union, and the Company's directors are of the opinion that there are no requirements that will have an impact on the Company's financial statements in the period of initial application.

Standards, interpretations and amendments to published standards that are not yet endorsed by the European Union

Certain new standards, amendments and interpretations to existing standards have been published by the date of authorisation for issue of these financial statements, which have not yet been endorsed by the European Union. The Company has not yet adopted these revisions to the requirements of IFRSs as adopted by the European Union, and the Company's directors are of the opinion that there are no requirements that will have an impact on the Company's financial statements in the period of initial application.

3 Changes in significant accounting policies and comparative amounts

Apart from the initial application of IFRS 17 and IFRS 9 on 1 January 2023, the Company has consistently applied the accounting policies as set out in Note 4.

In 2024, the Company shifted to a new technical environment in the IFRS 17 software system. As a result, certain comparative amounts have been reclassified, mainly the insurance and reinsurance contract assets and liabilities. The amounts reclassified were not material.

4. Significant accounting policies

4.1 Insurance / reinsurance contracts

Contracts under which the Company accepts significant insurance risk are classified as insurance contracts. Contracts held by the Company under which it transfers significant insurance risk related to underlying insurance contracts are classified as reinsurance contracts. Insurance and reinsurance contracts also expose the Company to financial risk.

Insurance contracts may be issued and reinsurance contracts may be initiated by the Company, or they may be acquired in a business combination or in a transfer of contracts that do not form a business. All references in these accounting policies to 'insurance contracts' and 'reinsurance contracts' include contracts issued, initiated or acquired by the Company, unless otherwise stated.

The Company does not issue contracts with direct participating features. No derivatives are embedded in the contracts issued, whose economic characteristics and risks are not closely related to those of the host contract, and whose terms would not meet the definition of an insurance or reinsurance contract as a stand-alone instrument. The contracts do not contain distinct investment components: i.e. investment components that are not highly inter-related with the insurance components and for which contracts with equivalent terms are sold, or could be sold, separately in the same market or the same jurisdiction.

4.1.1 Level of Aggregation

Insurance contracts are aggregated into groups for measurement purposes. Groups of insurance contracts are determined by identifying portfolios of insurance contracts, each comprising contracts subject to similar risks and managed together.

For program business, portfolios are identified along four elements:

- Division (i.e. Company head office, UK Branch or Italy Branch)
- Predominant country of risk
- Class of Business
- Type of contract (i.e. inwards vs proportional reinsurance vs non-proportional reinsurance)

Each portfolio is divided into cohorts to align with binder periods in line with the binder agreements entered into with the MGAs. Binders lasting more than one year are divided into yearly parts. Once a binder is renewed, the new iteration is allocated to its own separate cohorts.

Reinsurance contracts fall into their own groups, and the cohort periods applied to those groups are not constrained by the cohort periods used for the underlying inwards business.

For legacy business, there is a one-to-one relationship between groups of contracts and portfolios. Groups/portfolios are made up of one or more reserving classes, with similar reserving classes being grouped together. Any outwards reinsurances on inwards reserving classes are treated as additional portfolios.

Cohorts are also classified into three groups based on the profitability of contracts:

- Any contracts that are onerous on initial recognition;
- Any contracts that, on initial recognition, have no significant possibility of becoming onerous subsequently; and
- Any remaining contracts in the cohort.

4. Significant accounting policies - continued

4.1 Insurance / reinsurance contracts - continued

4.1.2 Recognition

An insurance contract issued is recognised from the earliest of:

- the beginning of its coverage period (i.e. the period during which the service is provided in respect of any premiums within the boundary of the contract);
- when the first payment from the policyholder becomes due or, if there is no contractual due date, when it is received from the policyholder; and
- when facts and circumstances indicate that the contract is onerous.

An insurance contract acquired in a transfer of contracts or a business combination is recognised on the date of acquisition.

When the contract is recognised, it is added to an existing group of contracts or, if the contract does not qualify for inclusion in an existing group, it forms a new group to which future contracts are added. Groups of contracts are established on initial recognition and their composition is not revised once all contracts have been added to the group.

A group of reinsurance contracts is recognised on the following dates:-

- Reinsurance contracts initiated by the Company that provide proportionate coverage i.e. quota share reinsurance contracts, on the date on which any underlying insurance contract is initially recognised.
- Other reinsurance contracts initiated by the Company that provide non-proportionate coverage, at the beginning of the coverage period of the group of reinsurance contracts. However, if the Group recognises an onerous group of underlying insurance contracts on an earlier date and the related reinsurance contract was entered into before that earlier date, then the group of reinsurance contracts is recognised on that earlier date.
- Reinsurance contracts acquired, on the date of acquisition.

4.1.3 Insurance Acquisition Cash Flows

Insurance acquisition cash flows are allocated to groups of insurance contracts using a systematic and rational method and considering, in an unbiased way, all reasonable and supportable information that is available without undue cost or effort.

If insurance acquisition cash flows are directly attributable to a group of contracts (e.g. non-refundable commissions paid on issuance of a contract), then they are allocated to that group.

If insurance acquisition cash flows are directly attributable to a portfolio but not to a group of contracts, then they are allocated to groups in the portfolio using a systematic and rational method.

Insurance acquisition cash flows arising before the recognition of the related group of contracts are recognised as an asset. Insurance acquisition cash flows arise when they are paid or when a liability is required to be recognised under a standard other than IFRS 17. Such an asset is recognised for each group of contracts to which the insurance acquisition cash flows are allocated. The asset is derecognised, fully or partially, when the insurance acquisition cash flows are included in the measurement of the group of contracts.

When the Group acquires insurance contracts in a transfer of contracts or a business combination, at the date of acquisition it recognises an asset for insurance acquisition cash flows at fair value for the rights to obtain:

- renewals of contracts recognised at the date of acquisition; and
- other future contracts after the date of acquisition without paying again insurance acquisition cash flows that the acquiree has already paid.

4. Significant accounting policies - *continued*

4.1 Insurance / reinsurance contracts - continued

4.1.3 Insurance Acquisition Cash Flows - continued

At each reporting date, the Company revises the amounts allocated to groups to reflect any changes in assumptions that determine the inputs to the allocation method used.

At each reporting date, if facts and circumstances indicate that an asset for insurance acquisition cash flows may be impaired, then the Company:

- recognises an impairment loss in profit or loss so that the carrying amount of the asset does not exceed the expected net cash inflow for the related group; and
- if the asset relates to future renewals, recognises an impairment loss in profit or loss to the extent that it expects those insurance acquisition cash flows to exceed the net cash inflow for the expected renewals and this excess has not already been recognised as an impairment loss.

The Company reverses any impairment losses in profit or loss and increases the carrying amount of the asset to the extent that the impairment conditions have improved.

4.1.4 Contract Boundaries

For insurance contracts, cash flows are within the contract boundary if they arise from substantive rights and obligations that exist during the reporting period in which the Company can compel the policyholder to pay premiums or has a substantive obligation to provide services. A substantive obligation to provide services ends when:-

- the Company has the practical ability to reassess the risks of the particular policyholder and can set a price or level of benefits that fully reflects those reassessed risks; or
- the Company has the practical ability to reassess the risks of the portfolio that contains the contract and can set a price or level of benefits that fully reflects the risks of that portfolio, and the pricing of the premiums up to the reassessment date does not take into account risks that relate to periods after the reassessment date.

The reassessment of risks considers only risks transferred from policyholders to the Company, which may include both insurance and financial risks, but exclude lapse and expense risks.

For reinsurance contracts, cash flows are within the contract boundary if they arise from substantive rights and obligations that exist during the reporting period in which the Company is compelled to pay amounts to the reinsurer or has a substantive right to receive services from the reinsurer. A substantive right to receive services from the reinsurer ends when the reinsurer:-

- has the practical ability to reassess the risks transferred to it and can set a price or level of benefits that fully reflects those reassessed risks; or
- has a substantive right to terminate the coverage.

The contract boundary rules under IFRS 17 give rise to potential sources of mismatches when measuring gross business and the related reinsurance contracts held. On the gross side, the Company only recognizes contracts as and when it actually writes this business. On the reinsurance contracts held however, the Company is required to recognize all the cash flows it expects within the boundary, including reinsurance cash flows related to gross business already written as well as cash flows related to future gross business that has not yet been written.

The contract boundary is reassessed at each reporting date to include the effect of changes in circumstances on the Company's substantive rights and obligations and, therefore, may change over time.

4. Significant accounting policies - continued

4.1 Insurance / reinsurance contracts - continued

4.1.5 Measurement

The Company has elected not to measure any of its contracts using the premium allocation approach, even those that would have qualified for automatic eligibility. Instead, all insurance and reinsurance contracts are measured under a single model - the general measurement model.

Due to the timing of the receipt of borderaux from MGAs and the tight regulatory deadlines within which the Company's statutory financial statements and regulatory reports are required to be submitted, program borderaux data is booked one month in arrears (early close approach), with premiums for the month of December based on the Company's own estimates rather than figures submitted by the MGAs. The estimates are based on past data, adjusted for Company expectations where applicable, after taking into account all reasonably available internal information through, for instance, discussions with account managers and executive management.

Insurance Contracts – Initial Measurement

On initial recognition, groups of insurance contracts are measured at the total of :-

- Fulfilment cash flows – comprising of estimates of future cash flows, adjusted to reflect the time value of money and the associated financial risks, and a risk adjustment for non-financial risk; and
- The contractual service margin or CSM – representing the unearned profit that is recognised as the Company provides services under those contracts.

The Company measures the time value of money using discount rates that reflect the liquidity characteristics of the insurance contracts and the characteristics of the cash flows, consistent with observable current market prices. They exclude the effect of factors that influence such observable market prices but do not affect the future cash flows of the insurance contracts (e.g. credit risk). Expected future cash flows that vary based on the returns on any financial underlying items are discounted at rates that reflect this variability.

Onerous Contracts

The risk adjustment for non-financial risk for a group of insurance contracts, determined separately from the other estimates, is the compensation required for bearing uncertainty about the amount and timing of the cash flows that arises from non-financial risk.

On initial recognition of a group of insurance contracts, if the total of (a) the fulfilment cash flows, (b) any cash flows arising at that date and (c) any amount arising from the derecognition of any assets or liabilities previously recognised for cash flows related to the group (including assets for insurance acquisition cash flows) is a net inflow, then the group is not onerous. In this case, the CSM is measured as the equal and opposite amount of the net inflow, which results in no income or expense arising on initial recognition. If the total is a net outflow, then the group is onerous. In this case, the net outflow is recognised as a loss in profit or loss, or as an adjustment to goodwill or a gain on a bargain purchase if the contracts are acquired in a business combination. A loss component is created to depict the amount of the net cash outflow, which determines the amounts that are subsequently presented in profit or loss as reversals of losses on onerous contracts and are excluded from insurance revenue.

For groups of contracts acquired in a transfer of contracts or a business combination, the consideration received for the contracts is included in the fulfilment cash flows as a proxy for the premiums received at the date of acquisition. In a business combination, the consideration received is the fair value of the contracts at that date.

4. Significant accounting policies - continued

4.1 Insurance / reinsurance contracts - continued

4.1.5 Measurement - continued

Insurance Contracts – Subsequent Measurement

The carrying amount of a group of insurance contracts at each reporting date is the sum of the liability for remaining coverage (LRC) and the liability for incurred claims (LIC).

The LRC comprises:

- The fulfilment cash flows that relate to services that will be provided under the contracts in future periods; and
- Any remaining CSM at that date.

The LIC includes the fulfilment cash flows for incurred claims and expenses that have not yet been paid, including claims that have been incurred but not reported.

The fulfilment cash flows of groups of insurance contracts are measured at the reporting date using current estimates of future cash flows, current discount rates and current estimates of the risk adjustment for non-financial risk. Changes in the fulfilment cash flows are recognized as follows:-

- Changes relating to future services are adjusted against the CSM (or recognised in the insurance service result in profit or loss if the group is onerous)
- Changes relating to current or past services are recognised in the insurance service result in profit or loss;
- Effects of the time value of money, financial risk and changes therein on estimated future cash flows are recognised as insurance finance income or expense.

Changes in fulfilment cash flows that relate to future services comprise:-

- experience adjustments arising from premiums received in the year that relate to future services and related cash flows, measured at the discount rates determined on initial recognition;
- changes in estimates of the present value of future cash flows in the liability for remaining coverage, measured at the discount rates determined on initial recognition, except for those that arise from the effects of the time value of money, financial risk and changes therein;
- differences between (a) any investment component expected to become payable in the year, determined as the payment expected at the start of the year plus any insurance finance income or expenses related to that expected payment before it becomes payable; and (b) the actual amount that becomes payable in the year; and
- changes in the risk adjustment for non-financial risk that relate to future services.

The carrying amount of the CSM at the reporting date is the carrying amount at the start of the year adjusted for:

- The CSM of new contracts added to the group in the year;
- Interest accreted on the carrying amount of the CSM during the year, measured at the discount rates on nominal cash flows determined on initial recognition;
- Changes in fulfilment cash flows that relate to future services, except to the extent that:
 - Any changes in the fulfilment cash flows exceed the carrying amount of the CSM, in which case the excess is recognised as a loss in profit and loss; or
 - Any decreases in the fulfilment cash flows are allocated to the loss component, reversing losses previously recognised in profit or loss.
- the effect of any currency exchange differences on the CSM; and
- the amount recognised as insurance revenue because of the services provided in the year.

4. Significant accounting policies - continued

4.1 Insurance / reinsurance contracts - continued

4.1.5 Measurement - continued

Reinsurance Contracts

To measure a group of reinsurance contracts, the Company applies the same accounting policies as are applied to insurance contracts, with the following modifications.

The carrying amount of a group of reinsurance contracts at each reporting date is the sum of the asset for remaining coverage and the asset for incurred claims. The asset for remaining coverage comprises (a) the fulfilment cash flows that relate to services that will be received under the contracts in future periods and (b) any remaining CSM at that date.

The Company measures the estimates of the present value of future cash flows using assumptions that are consistent with those used to measure the estimates of the present value of future cash flows for the underlying insurance contracts, with an adjustment for any risk of non-performance by the reinsurer. The effect of the non-performance risk of the reinsurer is assessed at each reporting date and the effect of changes in the non-performance risk is recognised in profit or loss.

The risk adjustment for non-financial risk is the amount of risk being transferred by the Company to the reinsurer.

On initial recognition, the CSM of a group of reinsurance contracts represents a net cost or net gain on purchasing reinsurance. It is measured as the equal and opposite amount of the total of (a) the fulfilment cash flows, (b) any amount arising from the derecognition of any assets or liabilities previously recognised for cash flows related to the group, (c) any cash flows arising at that date and (d) any income recognised in profit or loss because of onerous underlying contracts recognised at that date (explained further below). However, if any net cost on purchasing reinsurance coverage relates to insured events that occurred before the purchase of the group, then the Company recognises the cost immediately in profit or loss as an expense.

The carrying amount of the CSM at each reporting date is the carrying amount at the start of the year, adjusted for:-

- the CSM of any new contracts that are added to the group in the year;
- interest accreted on the carrying amount of the CSM during the year, measured at the discount rates on nominal cash flows determined on initial recognition;
- income recognised in profit or loss in the year on initial recognition of onerous underlying contracts (see below);
- reversals of a loss-recovery component to the extent that they are not changes in the fulfilment cash flows of the group of reinsurance contracts;
- changes in fulfilment cash flows that relate to future services, measured at the discount rates determined on initial recognition, unless they result from changes in fulfilment cash flows of onerous underlying contracts, in which case they are recognised in profit or loss and create or adjust a loss-recovery component;
- the effect of any currency exchange differences on the CSM; and
- the amount recognised in profit or loss because of the services received in the year.

4. Significant accounting policies - continued

4.1 Insurance / reinsurance contracts - continued

4.1.5 *Measurement - continued*

The Company adjusts the CSM of the group to which a reinsurance contract belongs and as a result recognises income when it recognises a loss on initial recognition of onerous underlying contracts, if the reinsurance contract is entered into before or at the same time as the onerous underlying contracts are recognised. The adjustment to the CSM is determined by multiplying: the amount of the loss that relates to the underlying contracts and the percentage of claims on the underlying contracts that the Group expects to recover from the reinsurance contracts. If the reinsurance contract covers only some of the insurance contracts included in an onerous group of contracts, then the Company uses a systematic and rational method to determine the portion of losses recognised on the onerous group of contracts that relates to underlying contracts covered by the reinsurance contract. A loss-recovery component is created or adjusted for the group of reinsurance contracts to depict the adjustment to the CSM, which determines the amounts that are subsequently presented in profit or loss as reversals of recoveries of losses from the reinsurance contracts and are excluded from the allocation of reinsurance premiums paid.

4.1.6 *Derecognition and contract modification*

The Company derecognises a contract when it is extinguished – i.e. when the specified obligations in the contract expire or are discharged or cancelled.

The Company also derecognises a contract if its terms are modified in a way that would have changed the accounting for the contract significantly had the new terms always existed, in which case a new contract based on the modified terms is recognised. If a contract modification does not result in derecognition, then the Company treats the changes in cash flows caused by the modification as changes in estimates of fulfilment cash flows.

On derecognition of a contract from within a group of contracts, the fulfilment cash flows allocated to the group are adjusted to eliminate those that relate to the rights and obligations derecognised; the CSM of the group is adjusted for the change in the fulfilment cash flows, except where such changes are allocated to a loss component; and the number of coverage units for the expected remaining services is adjusted to reflect the coverage units derecognised from the group.

If a contract is derecognised because it is transferred to a third party, then the CSM is also adjusted for the premium charged by the third party, unless the group is onerous.

If a contract is derecognised because its terms are modified, then the CSM is also adjusted for the premium that would have been charged had the Company entered into a contract with the new contract's terms at the date of modification, less any additional premium charged for the modification. The new contract recognised is measured assuming that, at the date of modification, the Company received the premium that it would have charged less any additional premium charged for the modification.

4. Significant accounting policies - continued

4.1 Insurance / reinsurance contracts - continued

4.1.7 Presentation

Portfolios of insurance contracts that are assets and those that are liabilities, and portfolios of reinsurance contracts that are assets and those that are liabilities, are presented separately in the statement of financial position.

Any assets or liabilities recognised for cash flows arising before the recognition of the related group of contracts (including any assets for insurance acquisition cash flows) are included in the carrying amount of the related portfolios of contracts.

The Company disaggregates amounts recognised in the statement of profit or loss into (a) an insurance service result, comprising insurance revenue and insurance service expenses; and (b) insurance finance income or expenses. Income and expenses from reinsurance contracts are presented separately from income and expenses from insurance contracts. Income and expenses from reinsurance contracts, other than finance income or expenses, are presented on a net basis as 'net expenses from reinsurance contracts' in the insurance service result.

Insurance revenue and insurance service expenses exclude any investment components and are recognised as follows.

Insurance Revenue

The Company recognises insurance revenue as it satisfies its performance obligations – i.e. as it provides services under groups of insurance contracts. The insurance revenue relating to services provided for each year represents the total of the changes in the liability for remaining coverage that relate to services for which the Company expects to receive consideration, and comprises the following items:-

- A release of the CSM, measured based on coverage units provided (see 'Release of the CSM' below).
- Changes in the risk adjustment for non-financial risk relating to current services;
- Claims and other insurance service expenses incurred in the year, generally measured at the amounts expected at the beginning of the year. This includes amounts arising from the derecognition of any assets for cash flows other than insurance acquisition cash flows at the date of initial recognition of a group of contracts, which are recognised as insurance revenue and insurance service expenses at that date.

In addition, the Company allocates a portion of premiums that relate to recovering insurance acquisition cash flows to each period in a systematic way based on the passage of time. The Company recognises the allocated amount, adjusted for interest accretion at the discount rates determined on initial recognition of the related group of contracts, as insurance revenue and an equal amount as insurance service expenses.

Release of the CSM

The amount of the CSM of a group of insurance contracts that is recognised as insurance revenue in each year is determined by identifying the coverage units in the group, allocating the CSM remaining at the end of the year (before any allocation) equally to each coverage unit provided in the year and expected to be provided in future years, and recognising in profit or loss the amount of the CSM allocated to coverage units provided in the year.

The number of coverage units is the quantity of services provided by the contracts in the group, determined by considering for each contract the quantity of benefits provided and its expected coverage period. The coverage units are reviewed and updated at each reporting date.

4. Significant accounting policies - continued

4.1 Insurance / reinsurance contracts - continued

4.1.7 Presentation - continued

Loss components

The Company establishes a loss component of the liability for remaining coverage for onerous groups of insurance contracts. The loss component determines the amounts of fulfilment cash flows that are subsequently presented in profit or loss as reversals of losses on onerous contracts and are excluded from insurance revenue when they occur.

When the fulfilment cash flows are incurred, they are allocated between the loss component and the liability for remaining coverage excluding the loss component on a systematic basis. The systematic basis is determined by the proportion of the loss component relative to the total estimate of the present value of the future cash outflows plus the risk adjustment for non-financial risk at the beginning of each year (or on initial recognition if a group of contracts is initially recognised in the year). Changes in fulfilment cash flows relating to future services are allocated solely to the loss component. If the loss component is reduced to zero, then any excess over the amount allocated to the loss component creates a new CSM for the group of contracts.

Insurance service expenses

Insurance service expenses arising from insurance contracts are recognised in profit or loss generally as they are incurred. They exclude repayments of investment components and comprise the following items:-

- Incurred claims and other insurance service expenses;
- Amortisation of insurance acquisition cash flows: this is equal to the amount of insurance revenue recognised in the year that relates to recovering insurance acquisition cash flow;
- Losses on onerous contracts and reversals of such losses;
- Adjustments to the liabilities for incurred claims that do not arise from the effects of the time value of money, financial risk and changes therein;
- Impairment losses on assets for insurance acquisition cash flows and reversals of such impairment losses.

Net expenses from reinsurance contracts

Net expenses from reinsurance contracts comprise an allocation of reinsurance premiums paid less amounts recovered from reinsurers.

The Company recognises an allocation of reinsurance premiums paid in profit or loss as it receives services under groups of reinsurance contracts. The allocation of reinsurance premiums paid relating to services received for each period represents the total of the changes in the asset for remaining coverage that relate to services for which the Company expects to pay consideration. For a group of reinsurance contracts covering onerous underlying contracts, the Company establishes a loss-recovery component of the asset for remaining coverage to depict the recovery of losses recognised:-

- on recognition of onerous underlying contracts, if the reinsurance contract covering those contracts is entered into before or at the same time as those contracts are recognised; and
- for changes in fulfilment cash flows of the group of reinsurance contracts relating to future services that result from changes in fulfilment cash flows of the onerous underlying contracts.

4. Significant accounting policies - continued

4.1 Insurance / reinsurance contracts - continued

4.1.7 Presentation - continued

The loss-recovery component determines the amounts that are subsequently presented in profit or loss as reversals of recoveries of losses from the reinsurance contracts and are excluded from the allocation of reinsurance premiums paid. It is adjusted to reflect changes in the loss component of the onerous group of underlying contracts, but it cannot exceed the portion of the loss component of the onerous group of underlying contracts that the Company expects to recover from the reinsurance contracts.

Insurance finance income and expenses

Insurance finance income and expenses comprise changes in the carrying amounts of groups of insurance and reinsurance contracts arising from the effects of the time value of money, financial risk and changes therein,

The Company has chosen not to disaggregate insurance finance income or expenses between profit or loss and OCI and instead recognizes finance income or expenses entirely in profit or loss.

Receivables and payables related to insurance/reinsurance contracts

Receivables and payables from insurance and reinsurance contracts are not required to be disclosed separately on the statement of financial position but are subsumed within the overall insurance and reinsurance contract balances.

IFRS 17 does not refer to impairment of insurance receivables (e.g. amounts due from policyholders or agents in respect of insurance premiums). Rights and obligations under contracts within the scope of IFRS 17 are excluded from the scope of IFRS 9. The Company gathers the objective evidence that an insurance receivable is impaired. If there is objective evidence that an insurance receivable is impaired, the Company reduces the carrying amount of the insurance receivable accordingly and recognises that impairment loss in the statement of profit or loss.

4.2 Foreign currency transactions

Transactions in foreign currencies have been converted into the functional currency at the rates of exchange ruling on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to GBP at the exchange rate at that date. Groups of insurance and reinsurance contracts that generate cash flows in a foreign currency, including the CSM, are treated as monetary items.

Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit or loss account.

4. Significant accounting policies - continued

4.3 Intangible assets

The Company's intangible assets includes computer software, which is measured at historical cost less accumulated amortisation less impairment losses. Costs that are included in the value of the intangible asset include external direct costs of materials and services incurred in developing or obtaining the software and payroll and payroll related costs for employees who are directly involved with and who devote time to developing the software, to the extent the time is spent directly on the project's development activities. External direct costs include, amongst others, fees paid to develop the software and travel expenses incurred by employees in their duties directly associated with developing the system. Amortisation of software is calculated using the straight-line method to allocate the cost of computer software over its estimated useful life of 5 years.

4.4 Combinations of entities or businesses under common control

A combination of entities or businesses under common control is a combination in which all of the combining entities or businesses are ultimately controlled by the same party or parties both before and after the business combination, and that control is not transitory. Combinations of entities or businesses under common control are not included in the scope of IFRS 3, 'Business Combinations', and, as such and in accordance with the requirements of IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', the Company has opted to use the 'carry-over' ('predecessor accounting') method to account for combinations of entities or businesses under common control.

The values that the transferee ascribes to the assets and liabilities transferred are determined based on the carrying values of those assets and liabilities in the financial statements of the transferor immediately prior to the combination, amended where applicable to comply with the transferee's accounting policies.

4.5 Investment property

Property held for long-term rental yields is classified as investment property. Freehold and leasehold properties treated as investment property principally comprise office buildings that are held for long term rental yields. Investment property is initially measured at cost and subsequently at fair value with any change therein recognised in profit and loss. Fair value is based on active market prices, adjusted, if necessary for any difference in the nature, location or condition of the specific asset. These valuations are reviewed annually by an independent valuation expert. Investment property that is being redeveloped for continuing use as investment property, or for which the market has become less active, continues to be measured at fair value. If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment, and its fair value at the date of reclassification becomes its cost for subsequent accounting purposes.

4.6 Property, plant and equipment

Property, plant and equipment is stated at historical cost less accumulated depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged to the profit and loss account during the financial period in which they are incurred.

Depreciation is calculated, with effect from the year following purchase, using the straight-line method to allocate their cost to their residual values over their estimated useful lives as follows:

Computer equipment	4 years
Office furniture	5 years

4. Significant accounting policies - continued

4.6 Property, plant and equipment - continued

The assets' residual values and useful lives are reviewed at each financial year-end and adjusted if appropriate. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amounts and are included in the statement of comprehensive income.

4.7 Financial assets

4.7.1 Classification

On initial recognition, under IFRS 9, a financial asset is classified as measured at amortised cost, FVOCI (fair value through OCI) or FVTPL (fair value through profit or loss). Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:-

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI).

For the purposes of the SPPI assessment, principal is defined as the fair value of the financial asset on initial recognition. However, the principal may change over time – e.g. if there are repayments of principal. Interest is defined as consideration for the time value of money, for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

The Company's loans and other receivables (comprising mainly of loans to group companies) and cash and cash equivalents (comprising mainly of deposits with credit institutions) are measured at amortized cost as they meet both of the above criteria.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL.

In addition, on initial recognition the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL, if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise. The Company's investments in debt instruments, equity instruments and collective investment schemes are designated as measured at FVTPL to match the effects of insurance technical and finance movements which are recorded in the profit or loss account. These investments are managed on a fair value basis and held to back insurance liabilities measured under IFRS 17. Therefore, their designation as FVTPL ensures that changes in the value of assets as a result of changes in interest rates are offset against the resulting changes in the value of insurance liabilities as recorded under insurance finance income or expense in the profit or loss account.

4. Significant accounting policies - continued

4.7 Financial assets - continued

4.7.2 Recognition and measurement

The Company recognizes deposits with financial institutions and loans and borrowings on the date on which they are originated. All purchases and sales of investments are recognised on the trade date, which is the date that the Company commits to purchase or sell the assets.

Financial assets are de-recognised when the rights to receive cash flows from them have expired or where they have been transferred and the Company has also transferred substantially all risks and rewards of ownership. On derecognition of a financial asset, the difference between the carrying amount at the date of derecognition and the consideration received (including any new asset obtained less any new liability assumed) is recognised in profit or loss. In transactions in which the Company neither retains nor transfers substantially all of the risks and rewards of ownership of a financial asset and it retains control over the asset, the Company continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

Financial assets at fair value through profit or loss are subsequently re-measured at fair value. Net gains and losses, including any interest or dividend income and foreign exchange gains and losses, are recognised in profit or loss.

Financial assets are carried at amortised cost using the effective interest method, less any provision for impairment. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Company has access to at that date. For financial instruments traded in active markets, the determination of fair values of financial assets and financial liabilities is based on quoted market prices or dealer price quotations. This includes listed equity securities and quoted debt instruments on major exchanges and broker quotes. An active market is a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing on information on an ongoing basis. If the market for a financial asset is not active, the Company establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same and discounted cash flow analysis.

4.8 Impairment of financial assets and non-financial assets

4.8.1 Impairment of financial assets at amortised cost

The Company recognises loss allowances for ECL (expected credit losses) on financial assets measured at amortised cost. Loss allowances are measured at an amount equal to lifetime ECL, unless the credit risk has not increased significantly since initial recognition, in which case the amount recognised is 12-month ECL.

Financial instruments for which 12-month ECL are recognised are referred to as 'Stage 1 financial instruments'. 12-month ECL are the portion of ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Financial instruments for which lifetime ECL are recognised because of a significant increase in credit risk since initial recognition but that are not credit-impaired are referred to as 'Stage 2 financial instruments'. Lifetime ECL are the ECL that result from all possible default events over the expected life of the financial instrument. Financial instruments for which lifetime ECL are recognised and that are credit-impaired are referred to as 'Stage 3 financial instruments'. In all cases, the maximum period considered when estimating ECL is the maximum contractual period over which the Company is exposed to credit risk.

4. Significant accounting policies - continued

4.8 Impairment of financial assets and non-financial assets - continued

4.8.1 *Impairment of financial assets at amortised cost - continued*

ECL are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Company in accordance with the contract and the cash flows that the Company expects to receive).

At each reporting date, the Company assesses whether financial assets measured at amortised cost are credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes the following observable data:-

- significant financial difficulty of the debtor;
- a breach of contract such as a default or past-due event;
- the restructuring of an amount due to the Company on terms that the Company would not otherwise consider;
- the debtor entering bankruptcy or other financial reorganisation becoming probable; or
- the disappearance of an active market for a security because of financial difficulties.

A financial asset that has been renegotiated due to a deterioration in the borrower's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment.

Loss allowances for ECL on financial assets measured at amortised cost are deducted from the gross carrying amount of the assets. The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof.

4.8.2 *Impairment of non-financial assets*

Assets that have an indefinite useful life and are not subject to amortisation and/or assets not yet available for use are tested annually for impairment. Assets that are subject to amortisation or depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable and independent cash flows (cash-generating units).

4.9 Financial liabilities

The Company's financial liabilities comprise subordinated debt and other payables.

The Company initially recognises its financial liabilities on the date that they are originated. The Company generally derecognises a financial liability when its contractual obligations expire or are discharged or cancelled. The Company also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value. If a financial liability measured at amortised cost is modified but not substantially, then it is not derecognised. On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

4. Significant accounting policies - continued

4.9 Financial liabilities - continued

All financial liabilities are measured at amortised cost using effective interest method. The amortised cost of a financial liability is the amount at which the financial liability is measured on initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount. The calculation of the effective interest rate includes transaction costs and fees and points paid that are an integral part of the effective interest rate. Transaction costs are incremental costs that are directly attributable to the issue of a financial liability.

Interest expense, calculated by applying the effective interest rate to the amortised cost of the liability, and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

4.10 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the Statement of Financial Position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

4.11 Cash and cash equivalents

Cash and cash equivalents comprise deposits held at call with banks or financial institutions.

4.12 Share capital

4.12.1 Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares are shown in equity as a deduction, net of tax, from the proceeds.

4.12.2 Dividend distribution

Dividends on ordinary shares are recognised as a liability in the period in which they are declared by the directors or approved by the shareholders.

4.12.3 Shareholders' contribution

Contributions made by the Company's shareholders for which settlement is neither planned nor likely to occur in the foreseeable future, for which no interest is levied by the shareholders and that are not subject to any restrictions or the fulfilment of any conditions or requirements on the part of the Company are treated as equity rather than liabilities.

4.13 Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired from suppliers in the ordinary course of business. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business, if longer). If not, they are presented as non-current liabilities. Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

4 Significant accounting policies – continued

4.14 Current and deferred tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the statement of profit or loss and other comprehensive income, except to the extent that it relates to items recognised in other comprehensive income or directly in other comprehensive income. The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date in the country where the Company generates taxable income.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provision where appropriate.

Deferred tax is recognised using the liability method for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. However, if the deferred income tax arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for. Deferred tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the reporting period and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised for deductible temporary differences, unused tax losses and unused tax credits only to the extent that future taxable profit will be available such that realisation of the related tax benefit is probable. Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities.

The transition to IFRS 17 in 2022 resulted in an increase of £6.4m in the deferred tax assets relating to the carry-forward of unused tax losses. The deferred tax asset subsequently increased to £22.3m at 31 December 2023. No additional deferred tax assets were recognised in 2024 with respect to losses incurred in 2024. The Company believes, on the basis of its most recent projections, that future taxable profits will be available against which the unused tax losses can be utilized, taking into account of the fact that the unused tax losses result from identifiable causes which will not recur and that there are no time limits on the extent to which the Company can carry-forward unused tax losses in the relevant jurisdictions.

4.15 Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made.

4.16 Leases

Under *IFRS 16 – Leases*, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. At the commencement date of virtually all lease contracts, IFRS 16 requires lessees to recognise a lease liability reflecting future lease payments and a 'right-of-use' asset; an optional exemption is available for certain short-term leases and leases of low-value assets. Right-of-use assets are initially measured at cost, which in many cases will equal the amount recognised as a lease liability. However, adjustments are required for any lease payments made at or before the commencement date of the lease and any initial direct costs incurred. Subsequent to initial recognition, a right-of-use asset is measured at cost less accumulated depreciation and impairment losses. A right-of-use asset is subsequently also adjusted for certain remeasurements of the related lease liability.

Right-of-use assets are depreciated on a straight-line basis from the commencement date of the lease over the shorter of the lease term and their useful lives, unless it is reasonably certain that the Company will obtain ownership by the end of the lease term. Right-of-use assets are reviewed regularly and at least annually to identify whether there is an indication of impairment. If an impairment indicator exists, the asset's recoverable amount is estimated. See Note 4.8.2 for further details about impairment testing of non-financial assets.

4 Significant accounting policies - continued

4.17 Revenue recognition

Revenue comprises the fair value for services and is recognised as follows:

(a) *Rendering of services*

Insurance revenue is described in Note 4.1 dealing with insurance contracts.

(b) *Interest income*

Interest income from financial assets is recognised on a time-apportioned basis using the effective interest method. When a receivable is impaired, the Company reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument and continues unwinding the discount as interest income.

(c) *Dividend Income*

Dividend income is recognised in the statement of profit or loss and other comprehensive income as part of investment income when the right to receive payment is established.

(d) *Other net fair value gains/(losses) from financial assets at fair value through profit or loss*

Other gains or losses arising from changes in the fair value of the 'Financial assets at fair value through profit or loss' category are presented in the statement of profit or loss and other comprehensive income in the period in which they arise.

4.18 Investment return

Investment return includes dividend income, interest income from financial assets, net fair value movements on financial assets at fair value through profit or loss and rental income. It is presented net of investment expenses and charges.

4.19 Operating segments

An operating segment is a component of an entity (a) that engages in business activities from which it may earn revenues and incur expenses, (b) whose operating results are regularly reviewed by the management to make decisions about resources to be allocated to the segment and assess its performance, and (c) for which discrete financial information is available. In identifying these operating segments, management divides the separable operations carried out by the Malta Head Office, the UK Branch and the Italian Branch (see Note 7 – Segmental information). Unallocated items comprise mainly head office expenses and tax assets and liabilities. All inter-segment transfers are carried out on an arm's length basis.

5 Significant accounting estimates and judgements in applying accounting policies

The Company makes estimates and assumptions concerning the future. Estimates and judgments 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. In the opinion of the Directors, the accounting estimates and judgements made in the course of preparing these Financial Statements which are difficult, subjective or complex to a degree that would warrant their description as critical in terms of IAS 1 *Presentation of Financial Statements* are defined below.

Contract Boundaries

The assessment of the contract boundary, which defines which future cash flows are included in the measurement of a contract, requires judgement and consideration of the Company's substantive rights and obligations under the contract.

For insurance contracts, the contract boundary would typically be the date of expiry of the policies, which means that insurance contract assets/liabilities include all cashflows that are expected to arise from policies that have incepted by the reporting date.

For reinsurance contracts held, the boundary is dictated by the expiration date of the reinsurance contract itself. In many cases, the Company may have the unilateral right to terminate the contract with a certain notice period and this may constitute an earlier contract boundary. Moreover, a termination clause on an inwards binder with the MGA may form the basis of an inferred contract boundary on the corresponding quota share contract. Nevertheless, there are instances where the Company is required to estimate cash flows arising from future business i.e. to estimate reinsurance cash flows arising from inwards business that has not yet been written.

The Company bases its premium assumptions for future business on management's most recent forecasts. These premium assumptions are translated into future cash flows by making use of reasonable actuarial assumptions, taking full account of the provisions of the contract, in particular in relation to the volume and timing of commission receipts and/or payments.

Fulfilment Cash Flows

Fulfilment cash flows comprise:

- estimates of future cash flows, including premiums, claims, commissions and other acquisition and claims handling costs, transaction-based taxes and levies and an allocation of overheads;
- an adjustment to reflect the time value of money and the financial risks related to future cash flows, to the extent that the financial risks are not included in the estimates of future cash flows; and
- a risk adjustment for non-financial risk.

In estimating future cash flows, the Company incorporates, in an unbiased way, all reasonable and supportable information that is available without undue cost or effort at the reporting date. This information includes both internal and external historical data about claims and other experience, updated to reflect current expectations of future events.

The estimates of future cash flows 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 the Company's insurance and reinsurance assets and liabilities. There are many assumptions and estimation techniques that may be applied in assessing the amount of technical provisions, which individually could have a material impact on the amounts of liabilities, related reinsurance assets and reported shareholders' equity funds disclosed in the Financial Statements. 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, exceed the amount of shareholders' funds. The Company contracts with independent external actuaries to provide a range of acceptable estimates for the reserves of the Company and the Company sets its reserves to lie within this acceptable range.

5 Significant accounting estimates and judgements in applying accounting policies - continued

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

Furthermore, a portion of the legacy business was written by the Company on a re-insurance or retrocession basis, 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 Statement of Financial Position date.

The liability for incurred claims includes significant amounts in respect of notified and potential IBNR and IBNER 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. A number of the 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 Company as to the expected outcomes of such disputes. If the outcome differs substantially from expectation there could be a material impact on the Company's liabilities. 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 environment, which may increase or decrease the cost, frequency or reporting of claims, and because of the potential for new sources or types of claims to emerge.

The Company is exposed to disputes on contracts with its reinsurers and the possibility of default by reinsurers. In establishing the provision for non-recovery of reinsurance balances, the Company considers the financial strength of each reinsurer, its ability to settle liabilities as they fall due, the history of past settlements with the reinsurer, and the Company's own reserving standards and having regard to legal advice regarding the merits of any dispute.

Discount Rates

All cash flows are discounted using risk-free yield curves adjusted to reflect the characteristics of the cash flows and the liquidity of the insurance contracts. The Company determines the risk-free rates using the rates published by EIOPA (European Insurance and Occupational Pensions Authority), as these are provided timely and cover all the relevant currencies and maturity periods.

To reflect the liquidity characteristics of the insurance contracts, the risk-free yield curves are adjusted by an illiquidity premium. Illiquidity premiums are generally determined by comparing the corporate spot rates and the risk-free spot rates as published by the Bermuda Monetary Authority (the Group supervisor) and taking an adequate percentage of the difference between the two yield curves.

The tables below set out the yield curves used to discount the cash flows of insurance and reinsurance contracts for major currencies.

5 Significant accounting estimates and judgements in applying accounting policies - continued

Discount Rates

	2024				
	1 year	5 years	10 years	15 years	20 years
EUR	2.41%	2.31%	2.43%	2.51%	2.43%
USD	4.56%	4.79%	4.93%	4.88%	4.70%
GBP	5.15%	4.93%	5.05%	5.08%	5.03%

	2023				
	1 year	5 years	10 years	15 years	20 years
EUR	3.64%	2.54%	2.49%	2.47%	2.41%
USD	5.71%	4.41%	4.27%	4.19%	4.03%
GBP	5.32%	4.10%	4.02%	3.90%	3.68%

Risk adjustments for non-financial risk

Risk adjustments for non-financial risk are determined to reflect the compensation that the individual issuing entity would require for bearing the uncertainty about the amounting and timing of cash flows that arise from non-financial risk. Risk adjustments for non-financial risk also reflect the degree of diversification benefit the entity includes when determining the compensation it requires for bearing that risk and should consider both favourable and unfavourable outcomes, in a way that reflects the Company's degree of risk aversion.

The risk adjustments for non-financial risk are determined by the Company using a confidence level technique. To determine the risk adjustments for non-financial risk for reinsurance contracts, the Company applies these techniques both gross and net of reinsurance and derives the amount of risk being transferred to the reinsurer as the difference between the two results.

Applying a confidence level technique, the Group estimates the probability distribution of the expected present value of the future cash flows from insurance contracts at each reporting date and calculates the risk adjustment for non-financial risk as the excess of the value at risk at the 80th percentile (the target confidence level) over the expected present value of the future cash flows.

Contractual service margin

The CSM of a group of contracts is recognised in profit or loss to reflect services provided in each year based on the number of coverage units provided in the year, which is determined by considering for each contract the quantity of the benefits provided and its expected coverage period. The coverage units are reviewed and updated at each reporting date. The Company determines the quantity of the benefits provided under each contract as follows.

With respect to groups of contracts relating to program business:-

- where the level of benefits does not change over a policy's coverage period, the coverage units are calculated as the sum of premiums allocated in a straight line over the coverage period;
- where the level of benefits changes over the coverage period, the premium is allocated in proportion to the change in the level of benefits;
- where the coverage period is indeterminate or not defined, such as in the case of after the event and title insurance, coverage units are determined on the basis of the expected pattern of claims payout.

5 Significant accounting estimates and judgements in applying accounting policies - continued

The coverage units for reinsurance contracts held on program business are allocated in proportion to the underwriting inwards coverage units being protected by the reinsurance contract.

With respect to legacy business, the coverage units for both insurance contracts and reinsurance contracts held are based on the expected pattern of claims payout.

Investment Components

Sliding scale commissions and other variable commissions under reinsurance contracts may give rise to a minimum total recovery (of claims plus commissions), that is receivable from the reinsurer regardless of whether an insured event occurs and hence a non-distinct investment component under IFRS 17. Investment components that are not distinct from the reinsurance contract are not separated from the reinsurance contract but are accounted for together with the reinsurance component and disclosed separately in the list of components making up the reinsurance result.

The investment and insurance components of the mentioned reinsurance contracts are deemed 'highly inter-related' and thus not distinct because the Company cannot measure one component without considering the other. In other words, the investment component is a function of the claims experience and/or the profitability of the entire contract.

6 Management of insurance and financial risk

The Company is a party to contracts that transfer insurance and/or financial risks. This section summarises these risks and the way that the Company manages them.

6.1 Insurance risk

The very nature of insurance business is that insurers are exposed to the possibility that claims will arise on business written. The risk attaching to insurance contracts is based on the fortuity that events will occur which will lead to a claim under the contract. The main insurance risks which affect the Company are:

- Underwriting risk – on the program side, the risk that there is inappropriate or substandard underwriting activity.
- Pricing risk – the risk that the risk premium charged by the Company is inadequately priced, resulting in underwriting losses which in turn could lead to capital impairment.
- Claims risk – a series of claims in respect of a latent liability that the insurance industry is not currently aware of.
- Reinsurance risk – the risk that the reinsurers will dispute the coverage of losses and/or inadequate or inappropriate reinsurance cover.
- Legal risk – changes in statute or legal precedent.
- Reserving risk – the risk that the liability for remaining coverage and liability for incurred claims established by the Company prove to be inadequate.

The Company manages these risks in the following manner.

The Company's program strategy is to underwrite live business, on a fronting basis, with selective exposure to underwriting risk. This is achieved through the purchase of significant quota share insurance on a back-to-back basis from reinsurers who mostly have at least an A- credit rating.

If an insurer does not have this rating level or suffers a downgrade, it will be required to provide the Company with collateral that is at least equivalent to the projected level of technical provisions. The arrangement will only proceed if the Company has sufficient capacity to underwrite the business and the business being underwritten meets strict underwriting guidelines in line with the Company being ultimately on risk. The Company's exposure is further mitigated by the purchase of additional reinsurance including stop loss or Adverse Development Cover ('ADC') contracts.

6 Management of insurance and financial risk - continued

6.1 Insurance risk - continued

The Company derives 89% (2023: 84%) of its insurance revenue on the program business from risks written in the UK, with another 5% (2023: 5%) written in Ireland and the remainder in other EU countries. 43% (2023: 42%) of the insurance revenue on program business is derived from motor business. When including legacy business, the Company assesses geographical concentration risk on the basis of technical provisions. As at 31 December 2024, 83% (2023: 77%) of net insurance contract liabilities related to risks in the UK and 18% (2023: 21%) to risks in the EU with the remainder in other countries across the globe.

The motor class of business accounted for 47% (2023: 52%) of net insurance contract liabilities, with property risk exposures of 19% (2023: 16%) and general liability exposures of 20% (2023: 18%) being the other more material classes of business.

In the Company's portfolio there is no undue concentration of risk or of policy holders or business sectors, with any exposures further mitigated via the Company's substantial reinsurance strategy.

Pricing risk

For program business, a detailed due diligence is performed by experienced in house due diligence team for each MGA under consideration. The due diligence includes an assessment of the MGA's underwriting approach, rating structure and supporting back-office systems. The Program Management team includes experienced underwriters across a range of classes of business who participate in the due diligence process ahead of on boarding a new MGA, as well as participating in the auditing and on-going reviews of live programs, utilising their expertise in the assessment of product and pricing suitability. An actuarial evaluation is conducted during due diligence, assessing the business plan's projections and forecasts, which also includes testing the adequacy of projected technical provisions.

Claims risk

For legacy business, the Company has outsourced the claims handling to Enstar which is contracted to investigate and adjust all claims. Claims are reviewed individually on a regular basis. On the program side, claims are managed by the MGA through a claims handling agreement in most cases. In addition, the Company provides claims oversight through claims audits and regular claims meetings with the MGAs. Large losses and referral trigger points (such as conflict of interest or reputational threats) are referred to the Company for approval; attritional losses and claims payments are monitored through the submitted monthly claims bordereaux. Regular spot checks are also carried out to ascertain accuracy of data and adequacy of reserves. In addition, the Company continues to diversify further its business both in terms of additional portfolios taken over and in terms of the different classes of business entered into.

Reinsurance risk

For legacy business, the Company had inherited reinsurance protection in place for certain portfolios of business. These contracts now inure to the benefit of the reinsurance arrangement entered into with Enstar.

On the program side, the Company requires at the very least a quota share arrangement that complies with the risk appetite of the Company. Additionally, it seeks downgrade termination provisions and protections against MGA errors and omissions. Moreover, on liability exposures offering high limits, such as under the motor class of business or risks with high accumulations such as those under the property class of business, excess of loss cover is purchased to protect the Company's retained risk (if any) and the quota share reinsurer's portfolio.

6 Management of insurance and financial risk - continued

6.1 Insurance risk - continued

Reserving risk

In addition to the reserving methodology in place at the Company, the Company uses the services of internal and external professional actuaries to assist in the determination of the reserves that the Company holds.

6.2 Financial risk

The Company is exposed to financial risk through its financial assets, financial liabilities and insurance assets and liabilities. The key financial risk is that the proceeds from its financial assets are not sufficient to fund the obligations arising from its insurance risk. The most important components of this financial risk are market risk (including interest rate risk and equity risk), currency risk, credit risk and liquidity risk. The risk management policies employed by the Company to manage these risks are discussed below.

6.2.1 Interest rate risk

In general, the Company is exposed to risk associated with the effects of fluctuations in the prevailing levels of market interest rates. Assets carrying variable rates expose the Company to cash flow interest rate risk. Assets carrying fixed rates expose the Company to fair value interest rate risk. The Company manages this risk through the Board, and by implementing detailed investment guidelines. Investment performance is regularly monitored against market-based benchmarks. Assets and liabilities exposed to interest rate risk and their maturities are analysed below:

	2024				
	Less than 1 year £'000	1 - 2 years £'000	2 - 5 years £'000	Over 5 years £'000	Total £'000
	<hr/>				
Variable Interest Rates					
Loans to group companies	-	-	-	-	-
Cash and cash equivalents	61,597	-	-	-	61,597
Deposits with credit institutions	-	-	-	3,552	3,552
Debt securities	66,696	38,400	32,493	131	137,720
Subordinated debt	(16,521)	-	(4,111)	-	(20,632)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	111,772	38,400	28,382	3,683	182,237
	<hr/>				

6 Management of insurance and financial risk – continued

6.2 Financial risk - continued

6.2.1 Interest rate risk - continued

	2023				Total £'000
	Less than 1 year £'000	1 - 2 years £'000	2 - 5 years £'000	Over 5 years £'000	
	Variable Interest Rates				
Loans to group companies	38,033	-	-	-	38,033
Cash and cash equivalents	24,985	-	-	-	24,985
Deposits with credit institutions	-	-	-	3,529	3,529
Debt securities	58,153	23,897	29,645	30,415	142,110
Subordinated debt	-	(17,277)	(4,297)	-	(21,574)
	121,171	6,620	25,348	33,944	187,083

Liabilities, except for the subordinated debt, are not directly sensitive to the level of market interest rates, as they are not discounted and are contractually non-interest bearing.

Sensitivity analysis - interest rate risk

The sensitivity analysis for interest rate risk illustrates how changes in the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates at the reporting date. As at 31 December 2024, given the prevailing market conditions and the investments held by the Company at the end of the year, an increase or decrease of 25 basis points in interest rates would have a positive/negative impact of £0.4m (2023: £1.1m) on the results of the Company for the year.

6.2.2 Equity price risk

The Company's financial assets are susceptible to the risk of decreases in value due to changes in the prices of equities because of equity investments held and classified on the Statement of Financial Position as fair value through profit or loss. The Directors manage this risk of price volatility by entering into a diverse range of investments including equities and collective investment schemes. In addition, the Company's investments are spread geographically in a diverse number of different "Zone A and EEA countries". The Board has approved a set of investment guidelines, which provide parameters for investment management, including contracts with external portfolio managers. They include, inter alia, reference to an optimal spread of the investment portfolio and setting of maximum exposures to any one issuer and its connected parties. These parameters also consider solvency restrictions imposed by the regulator.

Management structures are in place to monitor all the Company's overall market positions on a frequent basis. Reports are prepared at portfolio level as well as asset and liability class level and are regularly circulated to the Company's relevant key management personnel. These are also reviewed on a quarterly basis by the Board.

6 Management of insurance and financial risk - continued

6.2 Financial risk - continued

6.2.2 Equity price risk - continued

The total assets subject to equity price risk are the following:

	2024 £'000	2023 £'000
Equities	-	9,923
Collective Investment Schemes	147,826	123,399
	147,826	133,322

Sensitivity analysis – equity price risk

The sensitivity for equity price risk illustrates how changes in the fair value of equity securities will fluctuate because of changes in market prices, whether those changes are caused by factors specific to the individual equity issuer, or factors affecting all similar equity traded in the market.

Given the investment strategy of the Company, a 10% positive or negative movement in equity prices is considered to be an appropriate benchmark for sensitivity purposes. An increase/ decrease of 10% in equity prices, with all other variables held constant, would result in a positive/negative impact of £9.6m (2023: £8.7m) on the Company's post-tax results and on equity.

6.2.3 Currency risk

The Company has assets and liabilities denominated in major international currencies other than GBP. The Company is therefore exposed to currency risk, as the value of assets and liabilities denominated in other currencies will fluctuate due to changes in exchange rates. In line with its guidelines for investing in foreign currency, the Company tries to match its currency exposure on the assets and liabilities in order to minimise the exposure as far as possible.

In doing so, the Company also takes into consideration currency exposure on a Solvency II Balance Sheet basis. The Company is willing to tolerate an additional level of currency risk on an IFRS basis if it results in increased capital efficiency.

The table below summarises the Company's exposure to foreign currencies other than GBP.

	Assets in foreign currency		£'000 Liabilities in foreign currency		Net Exposure	
	2024	2023	2024	2023	2024	2023
	£'000	£'000	£'000	£'000	£'000	£'000
Currency of exposure:						
USD	70,553	77,691	(83,896)	(60,945)	(13,343)	16,746
EUR	236,316	233,035	(233,393)	(215,109)	2,923	17,926
AUD	7,569	54,357	(7,274)	(70,827)	296	(16,470)
CAD	544	148	(578)	(307)	(35)	(159)
DKK	208	43	951	1,078	1,159	1,121
NOK	997	644	(421)	(497)	576	147

6 Management of insurance and financial risk - continued

6.2 Financial risk - continued

6.2.3 Currency risk - continued

Sensitivity Analysis – currency risk

The sensitivity for currency risk illustrates how the assets and liabilities will fluctuate because of changes in exchange rates.

A 10% positive or negative movement in currencies is considered to be an appropriate benchmark for sensitivity purposes. An increase/ decrease of 10% in exchange rates, with all other variables held constant, would result in a positive/negative impact of £0.7m (2023: £0.7m) on the Company's post-tax results and on equity.

6.2.4 Credit risk

Credit risk is the risk of decreases in value when counterparties are not capable of fulfilling their obligations or when a change in their credit status takes place. Key areas where the Company is exposed to credit risk are:

- Investments, including debt securities
- Cash and cash equivalents
- Reinsurance contract assets
- Amounts due from MGAs, intermediaries and other insurers in respect of cash flows arising from insurance contracts, representing premiums and commissions receivable for services already provided, net of claims due as well as sliding scale commissions receivable;
- Other technical assets, mainly representing claims float provided to MGAs as well as any cash calls that have not yet been offset against claims due in the claims bordereaux.
- Loans to group companies.

The Company places limits on the level of credit risk undertaken from the main categories of financial instruments. These limits also take due consideration of the solvency restrictions imposed by the relevant Regulations. The investment strategy of the Company considers the credit standing of the counterparty and control structures are in place to assess and monitor these risk thresholds.

The Company structures the levels of credit risk it accepts by limiting as far as possible its exposure to a single counterparty or groups of counterparties, except for exposures with related group companies. The Company has in place internal control structures to assess and monitor credit exposures and risk thresholds.

The Company's cash is placed with quality financial institutions, thereby reducing the concentration of counterparty credit risk to an acceptable level.

Reinsurance/retrocessional transfer is used to manage insurance risk. This does not, however, discharge the Company's liability as primary insurer/reinsurer. If a reinsurer fails to pay a claim for any reason, the Company remains liable for the payment to the policyholder/reinsured. The creditworthiness of reinsurers is monitored annually by reviewing credit grades provided by rating agencies and other publicly available financial information, thereby ensuring the continuous financial strength of the reinsurer. In respect of the reinsurers of the live program business, the Company monitors the reinsurers' credit ratings and that the level of any collateral remains sufficient to cover the projected size of the technical provisions.

The exposure to individual counterparties is also managed by other controls, such as the right to offset where counterparties are both debtors and creditors of the Company. Management information reported to the Company includes details of provisions for impairment on loans and receivables and on reinsurers' share of technical provisions and subsequent write-offs.

6 Management of insurance and financial risk - continued

6.2 Financial risk - continued

6.2.3 Credit risk - continued

The total assets bearing credit risk are the following:

	2024	2023
	£'000	£'000
Amounts due from group companies, including accrued interest	4,967	46,992
Other financial assets (including deposits with banks and credit institutions)	7,559	7,524
Debt securities	137,720	142,110
Reinsurance contract assets/liabilities	697,395	479,631
Amounts due on insurance contracts issued	184,660	166,631
Other technical assets/liabilities	50,839	44,206
Cash and cash equivalents	61,597	24,985
	1,144,737	912,079

The carrying amounts disclosed above represent the maximum exposure to credit risk. These assets are analysed in the table below (expressed in millions) which includes the A.M. Best Credit Rating composite rating (or equivalent), when available. Unrated financial assets principally comprise insurance and reinsurance receivables for which no recognised rating is available.

	2024							
	AAA	AA	A	BBB	BB	B	NR	
	£m	£m	£m	£m	£m	£m	£m	£m
Amounts due from group companies	-	-	4.97	-	-	-	-	4.97
Debt securities	6.56	7.47	98.06	25.47	0.16	-	-	137.72
Other financial assets	-	-	3.68	3.03	-	-	0.84	7.56
Reinsurance contract assets/liabilities	62.15	408.30	197.82	0.04	-	-	27.96	697.39
Amounts due on insurance contracts issued	-	-	-	-	-	-	184.66	184.66
Other technical receivables	-	-	-	-	-	-	52.89	52.89
Cash and cash equivalents	-	0.45	61.06	0.08	-	-	-	61.60
	2023							
	AAA	AA	A	BBB	BB	B	NR	Total
	£m	£m	£m	£m	£m	£m	£m	£m
Amounts due from group companies	-	-	-	-	-	-	46.99	46.99
Debt securities	9.12	34.92	53.41	41.03	3.20	0.44	-	142.11
Other financial assets	-	-	5.03	1.66	-	-	0.83	7.52
Reinsurance contract assets/liabilities	49.05	139.27	246.66	5.00	-	11.39	28.26	479.63
Amounts due on insurance contracts issued	-	-	-	-	-	-	166.63	166.63
Other technical assets	-	-	-	-	-	-	44.21	44.21
Cash and cash equivalents	-	0.59	24.31	0.09	-	-	-	24.99

6 Management of insurance and financial risk - continued

6.2 Financial risk - continued

6.2.4 *Credit risk - continued*

The Company holds £173.4m (2023: £103.3m) of collateral as security to its credit risk on certain balances due from reinsurers.

Financial assets that are impaired

Within 'other technical liabilities' are amounts of £11.6m (2023: £8.6m) relating to provisions and impairments on amounts due from MGAs, which are shown under insurance contract assets and insurance contract liabilities. These amounts are classified as impaired as these have been overdue from MGAs for more than 12 months or relate to provisions on sliding scale commission receivable balances which may not be fully recoverable. Provisions have increased compared to prior year due to the significant growth in program business.

With respect to reinsurance contract assets, a decision to impair an asset is based on the following information that comes to the attention of the Company:

- Significant financial difficulty of the reinsurer, including a long-term downgrade of the reinsurer;
- It becoming probable that the reinsurer will enter bankruptcy or other financial reorganisation; or
- The amount being requested of the reinsurer is being contested and a provision for impairment is taken until such time as the dispute is resolved.

6.2.5 *Liquidity Risk*

The Company is exposed to daily calls on its available cash resources mainly from claims arising from insurance contracts. Liquidity risk is the risk that cash may not be available to pay obligations when due at a reasonable cost. The Company manages its funds in such a manner as to ensure an adequate portion of available funds to meet such calls.

The expected timing of cash flows arising from the Company's technical provisions are disclosed in Note 25. Timing of cash flows expect on the subordinated debt is disclosed in Note 24. Other receivables and other payables are expected to be received or paid within one year.

7 Segmental information

The Company's reportable segments relate to the separable operations carried out by the Malta Head Office, the UK Branch and the Italian Branch. Program business is the main revenue generating activity for the Branches, whilst the Malta Head Office operations include both program and legacy business, with the latter now fully reinsured.

This segment information covers the twelve-month period from 1 January 2024 to 31 December 2024.

7 Segmental information - continued

	2024			
	Malta Head Office	UK Branch	Italian Branch	Total Company
	£'000	£'000	£'000	£'000
<i>Key financial results for the year</i>				
Insurance service result	(34,664)	60,588	1,702	27,626
Net expense from reinsurance contracts	25,073	(57,108)	(899)	(32,934)
Net financial result	(6,853)	(20,279)	13	(27,119)
Net investment result	5,653	7,930	-	13,583
Other income/expense	(45,974)	(41,567)	(663)	(88,204)
Profit/(loss) before tax	(56,765)	(50,436)	153	(107,048)
<i>Statement of financial position extract</i>				
Total assets	381,018	804,896	2,907	1,188,821
Total liabilities	(407,448)	(680,070)	(3,233)	(1,090,751)
Total equity	26,430	(124,826)	326	(98,070)
	2023			
	Malta Head Office	UK Branch	Italian Branch	Total Company
	£'000	£'000	£'000	£'000
<i>Key financial results for the year</i>				
Insurance service result	43,107	77,154	630	120,891
Net expense from reinsurance contracts	(51,120)	(51,819)	(498)	(103,437)
Net financial result	2,124	(3,366)	(8)	(1,250)
Net investment result	7,308	7,336	-	14,644
Other income/expense	(16,757)	(15,491)	(293)	(32,541)
Profit/(loss) before tax	(15,338)	13,814	(169)	(1,693)
<i>Statement of financial position extract</i>				
Total assets	278,753	602,400	1,112	882,265
Total liabilities	(297,874)	(522,669)	(1,580)	(822,123)
Total equity	19,121	(79,732)	469	(60,142)

The accounting policies of the reportable segments are the same as the Company's accounting policies described in Note 4.

8 Insurance revenue	Year ended 31 December 2024 £'000	Year ended 31 December 2023 £'000
Contracts not measured under the PAA		
<i>Amounts relating to changes in liabilities for remaining coverage</i>		
CSM recognised for services provided	207,852	127,889
Change in risk adjustment for non-financial risk for risk expired	43,653	34,847
Expected incurred claims and other insurance service expenses	569,715	384,299
Other (experience adjustments for premium receipts)	(172,742)	(34)
<i>Recovery of insurance acquisition cash flows</i>	332,639	224,289
Total insurance revenue	981,117	771,290
9 Investment result	Year ended 31 December 2024 £'000	Year ended 31 December 2023 £'000
Investment income		
Interest received from loans and receivables		
- Loans to group companies	915	1,705
- Other receivables	496	495
Income from financial assets at FVTPL		
- Dividend income	219	290
- Interest received	8,176	5,840
- Other fair value gains	8,275	7,220
Investment expense		
Fair value losses on investments at FVTPL	(3,774)	(801)
Other investment expenses	(724)	(105)
Net investment result	13,583	14,644

10 Net financial result

	Year ended 31 December 2024 £ '000	Year ended 31 December 2023 £ '000
Interest accreted	(40,056)	(26,327)
Effect of changes in interest rates and other financial assumptions	4,727	(16,025)
Effect of measuring changes in estimates at current rates and adjusting the CSM at rates on initial	(1,705)	(1,964)
Total net finance expenses from insurance contracts	(37,034)	(44,316)
Interest accreted	27,109	15,831
Effect of changes in interest rates and other financial assumptions	(6,135)	19,937
Effect of measuring changes in estimates at current rates and adjusting the CSM at rates on initial	(11,059)	7,298
Total net finance income from reinsurance contracts	9,915	43,066

11 Administrative expenses

Administrative and expenses in the profit or loss account represent administrative and other operating expenses after appropriate apportionments are made to the technical result. The apportionment amounted to in £14.95m (2023: £8.3m). Administrative expenses mainly comprise recharges from entities under common control (Note 30), legal and professional fees, management fees, salaries, auditors' remuneration and other general office expenditure. Further detail relating to administrative expenses is included in Note 12.

12 Loss before taxation

The loss before tax is stated after charging:

	Year ended 31 December 2024 £'000	Year ended 31 December 2023 £'000
Amortisation of subordinated debt (Note 24)	77	75
Employee benefits (Note 13)	638	4,747
Directors' emoluments	-	894
Lease liability costs	-	3
Insurance cover purchased for Directors and Officers	5	5
Write-off of intercompany loan	47,172	-
Auditor's remuneration, exclusive of VAT	191	269
Movement in provision on program bad debts	2,744	2,422

Auditor's remuneration is in relation to the statutory and Solvency and Financial Condition Report ('SFCR') audits for the Company, as well as a one-time fee incurred in 2023 for the audit of the restated 2022 figures under IFRS 17. The auditor has not provided any other assurance or tax advisory services during the year.

Directors' emoluments include bonuses payable in line with contractual obligations by the Company. The Company was exposed to one low value lease contract as a lessee up to June 2024. This contract was not renewed on the same basis and therefore no longer meets the criteria of a lease under *IFRS 16 - Leases*. The amounts recognised in the statement of financial position and in the profit or loss account relating to this lease are insignificant.

13 Employee benefits

	Year ended 31 December 2024 £'000	Year ended 31 December 2023 £'000
Salaries	592	4,293
Social security costs	46	454
	638	4,747
<i>Employee benefit costs are allocated as follows:</i>		
Key management personnel	-	593
Administrative staff	638	4,154
	638	4,747
<i>Average number of employees (annualised)</i>		
Malta Head Office	-	12
UK Branch	-	36
Italy Branch	2	2
	2	50

During the last quarter of 2023, the employment contracts of the Malta head office and of the UK Branch staff members were transferred to Program Management Services Europe Limited and Program Management Services UK Limited, respectively (Note 30). Salary costs in 2024 therefore relate to Italy Branch employees, but also include a portion of payroll costs relating to Malta head office and UK Branch staff members.

14 Income taxation

	Year ended 31 December 2024 £'000	Year ended 31 December 2023 £'000
Current tax charge	-	(3)
Deferred tax credit (Note 18)	-	(1,955)
Tax credit for the year	-	(1,958)

The Company's tax charge differs from its theoretical tax charge compiled at a rate of 35% as follows:

	Year ended 31 December 2024 £'000	Year ended 31 December 2023 £'000
Loss before taxation	(107,048)	(1,693)
Tax credit at 35%	(37,467)	(593)
<i>Adjusted for tax effect of:</i>		
Net exempt income and disallowed expenses	15,897	57
Tax rate differences applied on Branches	5,298	(1,419)
Unabsorbed trading losses carried forward	16,272	-
Adjustment for over provision of prior year tax	-	(3)
Tax credit for the year	-	(1,958)

15 Intangible assets

	Computer software	Total
	£'000	£'000
At 1 January 2023		
Cost	1,511	1,511
Accumulated amortisation	-	-
Net book amount	-	-
Year ended 31 December 2023		
Opening net book amount	1,511	1,511
Additions	303	303
Amortisation charge	(363)	(363)
Closing net book amount	1,451	1,451
At 31 December 2023		
Cost	1,814	1,814
Accumulated amortisation	(363)	(363)
Net book amount	1,451	1,451
Year ended 31 December 2024		
Opening net book amount	1,451	1,451
Additions	-	-
Amortisation charge	(363)	(363)
Closing net book amount	1,088	1,088
At 31 December 2024		
Cost	1,814	1,814
Accumulated amortisation	(726)	(726)
Net book amount	1,088	1,088

The intangible asset relates to the capitalisation of allowable costs in relation to the development of the Company's new IFRS 17 accounting software package, as determined by IAS 38 – Intangible Assets for such arrangements. Amortisation of software is calculated using the straight-line method to allocate the cost of computer software over its estimated useful life of 5 years. No amortisation was calculated in the year of capitalisation.

16 Property, plant and equipment

	Right of use assets £'000	Office furniture and equipment £'000	Total £'000
Year ended 31 December 2023			
Opening net book amount	49	18	67
Depreciation	(34)	(8)	(42)
Closing net book amount	15	10	25
At 31 December 2023			
Cost	181	64	245
Accumulated depreciation	(166)	(54)	(220)
Net book amount	15	10	25
Year ended 31 December 2024			
Opening net book amount	15	10	25
Depreciation	(15)	(5)	(20)
Closing net book amount	-	5	5
At 31 December 2024			
Cost	181	64	245
Accumulated depreciation	(181)	(59)	(240)
Net book amount	-	5	5

17 Investments

The investments are summarised by measurement category in the table below.

	2024 £'000	2023 £'000
Fair value through profit or loss	287,207	277,087
Loans and receivables at amortised cost	7,559	45,557
	294,766	322,644

(a) Investments at fair value through profit or loss

Analysed by type of investment as follows:

	2024 £'000	2023 £'000
Equity securities and units in unit trusts	147,826	127,517
Debt Securities	137,720	147,909
Other investments	1,661	1,661
	287,207	277,087

At 31 December 2024, the Company had no financial commitments in respect to uncalled capital.

Equity securities and units in unit trusts are substantially non-current assets in nature. Corporate bonds held as collateral against various guarantees were divested during the year (2023: £1.60m).

Other investments relate to an unsecured convertible loan note issued by one of the Company's MGAs, attracting a coupon rate of 6% p.a., for a principal amount of £1.66m.

The movements for the year are summarised as follows:

	2024 £'000	2023 £'000
Opening net book amount	277,087	202,118
Additions	157,806	103,311
Disposals	(148,980)	(31,854)
Net fair value gains	4,501	6,419
Foreign exchange losses	(3,207)	(2,907)
	287,207	277,087

(b) Loans and receivables

Analysed by type of investment as follows:

	2024 £'000	2023 £'000
Deposits with banks or credit institutions	7,559	7,524
Loans to group companies	-	38,033
	7,559	45,557

17 Investments - continued

The deposits with banks or credit institutions are held as collateral for various guarantees and letters of credit issued by the Company.

The interest rates and maturities are disclosed in Note 5. The loans to group companies were unsecured and repayable within one year and attracted a fixed interest rate of 4.875% (2023: 4.875%). The loans to R&Q group companies were written off on 28 June 2024.

The movements for the year are summarised as follows:

	2024 £'000	2023 £'000
Opening net book amount	45,557	45,833
Additions	11	-
Disposals	(37,800)	-
Revaluation on exchange	(209)	(276)
Closing net book amount	7,559	45,557

18 Deferred tax assets

	2024 £'000	2023 £'000
Opening net book amount	22,266	20,311
<i>Movements during the year</i>		
Recognised in statement of profit or loss (Note 14)	-	1,955
Closing net book amount	22,266	22,266

The majority of the deferred tax asset, amounting to £17.38m (2023: £17.38m) relates to the Malta Head Office, with the rest of the deferred tax asset, amounting to £4.89m (2023: £4.89m), relating to unutilised tax losses from the Company's Branches, of which £4.66m (2023: £4.66m) relates to the UK Branch and £0.23m (2023: £0.23m) to the Italian Branch, derived mainly from unutilised tax losses arising from the transition impact of the first-time adoption of IFRS 17.

Deferred income taxes are calculated on all temporary differences under the liability method using a principal tax rate of 35% (2023: 35%) for Malta taxes and 25% (2023: 25%) for UK taxes. In the case of the Branches, the absorption of deferred tax assets recognised by the Branches will be made solely against the future taxable profits of the Branches, in line with the corporate tax regulations of the Branches' tax jurisdictions.

The Company believes, on the basis of its most recent projections, that future taxable profits will be available against which the unused tax losses can be utilized, taking into account of the fact that the unused tax losses result from identifiable causes which will not recur or are unlikely to recur and that there are no time limits on the extent to which the Company can carry-forward unused tax losses in the relevant jurisdictions.

This balance is substantially non-current in nature.

19 Other receivables

'Other technical receivables' comprise mainly of claim floats provided by the Company to the MGA's, by virtue of the binding agreements in place with the MGAs. These cash flows are not deemed to be cash flows arising out of the respective insurance contracts and hence fall outside the scope of IFRS 17. The components of the line 'other receivables' are shown below'.

19 Other receivables - continued

Within 'other technical receivables' are amounts of £11.6m (2023: £8.6m) relating to provisions and impairments on amounts due from MGAs, which are shown under insurance contract assets and insurance contract liabilities. These amounts are classified as impaired as these have been overdue from MGAs for more than 12 months or relate to provisions on sliding scale commission receivable balances which may not be fully recoverable. Provisions have increased compared to prior year due to the significant growth in program business.

	2024 £'000	2023 £'000
<i>Other receivables</i>		
Prepayments and other accrued interest	12,115	1,990
Amounts due from ultimate parent company (Note 30)	-	3,985
Amounts due from entities under common control (Note 30)	13,777	1,621
	25,892	7,596

Amounts due from group companies are unsecured, interest free and repayable on demand.

20 Other payables

'Other technical payables' comprise mainly of claim floats provided by quota share reinsurers, mirroring the claims float provided by the Company to the MGA's that are shown under 'Other technical assets'. These cash flows are not deemed to be cash flows arising out of the respective reinsurance contracts and hence fall outside the scope of IFRS 17. The components of the line item 'other payables' are shown below.

	2024 £'000	2023 £'000
<i>Other payables</i>		
Accruals	3,937	6,080
Amounts due to entities under common control (Note 30)	9,301	1,293
Amounts due to ultimate parent company (Note 30)	-	1
Trade and other payables	2,965	811
	16,204	8,185

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

21 Share capital

	2024 £	2023 £
Authorised share capital		
49,999,997 Ordinary 'A' shares of £1 each	49,999,997	49,999,997
3 Ordinary 'B' shares of £1 each	3	3
	50,000,000	50,000,000
Issued fully paid up		
42,875,247 Ordinary 'A' shares of £1 each	42,875,247	42,875,247
3 Ordinary 'B' shares of £1 each	3	3
	42,875,250	42,875,250

21 Share capital - continued

The Ordinary 'A' Shareholders had pledged their shares (42,875,247 shares of £1 each) in favour of the ultimate shareholders' banker. In view of the Accredited sale, these pledges have been released, with effect from 30 August 2023.

Save as per the provisions below, the different classes of shares shall rank *pari passu* for all intents and purposes of law.

The holders of Ordinary 'A' shares in the Company shall have a right to one vote per share. The holders of the Ordinary 'B' shares shall not have a right to vote at any meetings of the members of the Company.

The holders of Ordinary 'A' shares shall have the right to receive dividends and to participate in the profits of the Company. The holder of the Ordinary 'B' share shall not have the right to receive any dividend or to participate in any other manner in the profits of the Company.

If in a winding up, the assets available for distribution among the Shareholders shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the holder of the Ordinary 'B' share shall nevertheless be entitled to receive no more than the amount which at the commencement of the winding up has been paid up on the Ordinary 'B' share held in the Company.

Capital management objectives

The Company's objectives when managing capital are to:

- Comply with the insurance capital requirements to hold Eligible Own Funds to cover the Solvency Capital Requirement and Minimum Capital Requirement in terms of the Insurance Business Act, 1998, (Chapter 403, Laws of Malta) and the applicable Insurance Rules issued under the Insurance Business Act ('Insurance Rules') by the MFSA;
- Safeguard the Company's ability to continue as a going concern and provide returns for Shareholders and benefits for other stakeholders;
- Maintain financial strength to support new business growth and to provide for the capital requirements of the Company; and
- Provide an adequate return to Shareholders by pricing insurance contracts commensurately with the level of risk.

In order to maintain or adjust the capital structure, the Company may issue new shares or capitalise contributions received from its Shareholders.

The Solvency II Directive (2009/138/EC) utilises a risk-based approach that ascertains the level of the required regulatory capital to be held on the basis of the risks that the Company is or can be exposed to. Solvency II also sets out the approach to be undertaken in order to establish the amount of Solvency II own funds, namely by converting the Statement of Financial Position from an IFRS perspective to one where assets and liabilities are measured in line with their underlying economic value.

The Solvency II regulations are highly embedded in the Company's operations and regular monitoring of the Solvency Capital Requirement ('SCR') and the Minimum Capital Requirement ('MCR') is considered crucial. To this effect, a Capital Management Policy, outlining the main drivers of the SCR, was put in place to address the procedures and controls in this regard. In the case of any identified breaches with the SCR and MCR, the Directors have put in place a capital plan aimed at ensuring that the Company will restore its level of own funds to one which covers both the SCR and MCR.

Under Solvency II, the Company is required to hold regulatory capital for its general business in compliance with the Insurance Rules issued by the MFSA. The Company's Minimum Capital Requirement Absolute Floor stands at €4,000,000 as per paragraph 5.6.4 of Chapter 5 ('Valuation of assets and liabilities, technical provisions, own funds, SCR, MCR and investment rules') of Part B of the Insurance Rules.

21 Share capital - continued

The Company is sufficiently capitalised and was fully compliant with the regulatory capital requirements throughout the financial year under review. These regulatory capital requirements are as stipulated by the MFSA and are in line with the Solvency II requirements.

At 31 December 2024, the Company's audited eligible own funds adequately covered the required SCR, resulting in a ratio of eligible own funds to SCR of 126% (2023: 138%).

The Company monitors its capital level on a regular basis. Any transactions that may potentially affect the Company's solvency position under Solvency II are immediately reported to the Directors and Shareholders for resolution prior to notifying the MFSA. No changes were made to the Company's approach to capital management during the year ended 31 December 2024.

22 Accumulated losses / Retained earnings

The retained earnings balance represents the amount available for dividend distribution to the ordinary shareholders except for any amount that is not distributable in terms of the solvency capital requirements which the Company is required to adhere to in terms of the Insurance Business Act (Cap. 403) and any amount that is not distributable under the Maltese Companies Act (Cap. 386), to the extent that it represents unrealised profits.

23 Shareholders' contribution

	2024 £'000	2023 £'000
Opening net book amount	54,631	49,631
Contributions during the year	144,976	5,000
Closing net book amount	199,607	54,631

The Shareholders' contribution may only be distributed upon approval from the Malta Financial Services Authority, should such distribution not negatively impinge on the solvency requirements of the Company.

24 Subordinated debt

	2024 £'000	2023 £'000
Opening net book amount	21,574	21,903
Amortisation	77	75
Revaluation on exchange	(1,019)	(404)
Closing net book amount	20,632	21,574

The subordinated debt was subscribed to in two tranches. The €20.0m subscribed to in 2015 is due on 5 October 2025, whilst the €5.0m subscribed to in 2017 is due on 5 July 2027. Both tranches are considered to be Tier II Capital.

25 Insurance and reinsurance contracts

25.1 Maturity analysis

The following table sets out the expected payment pattern of the carrying amounts of insurance and reinsurance contracts expected to be (recovered) settled after the reporting date.

	2024						
	£ ' 000	£ ' 000	£ ' 000	£ ' 000	£ ' 000	£ ' 000	£ ' 000
	1 year or less	1-2 years	2-3 years	3-4 years	4-5 years	5-6 years	More than 6 years
General Insurance							
Insurance contract liabilities net	-	(432,006)	(259,166)	(131,926)	(94,196)	(46,108)	(43,809)
Insurance contract assets net	-	-	-	-	-	-	-
Reinsurance contract liabilities net	57,873	172,263	113,446	81,489	69,097	29,798	77,862
Reinsurance contract assets net	-	(432,006)	(259,166)	(131,926)	(94,196)	(46,108)	(43,809)
Total General Insurance	57,873	(259,743)	(145,720)	(50,436)	(25,098)	(16,310)	34,052
	2023						
	£ ' 000	£ ' 000	£ ' 000	£ ' 000	£ ' 000	£ ' 000	£ ' 000
	1 year or less	1-2 years	2-3 years	3-4 years	4-5 years	5-6 years	More than 6 years
General Insurance							
Insurance contract liabilities net	3	(401,250)	(183,298)	(69,080)	(38,482)	(25,205)	(25,866)
Insurance contract assets net	-	(1,037)	(1,170)	(743)	(299)	(113)	(52)
Reinsurance contract liabilities net	-	(7,390)	20,075	19,357	9,917	4,337	3,056
Reinsurance contract assets net	(7)	64,457	160,672	99,889	74,322	67,441	164,466
Total General Insurance	(4)	(345,220)	(3,721)	49,423	45,458	46,460	141,604

25.2 Movements in Insurance and Reinsurance Contract Balances

25.2.1 Analysis by Remaining Coverage and Incurred Claims

The following reconciliation shows how the net carrying amounts of insurance and reinsurance contracts changed during the year as a result of cash flows and amounts recognised in the statement of profit or loss. The table separately analyses movements in the liabilities for remaining coverage and movements in the liabilities for incurred claims and reconciles these movements to the line items in the statement of profit or loss. In addition to the balances shown in the above table, the statement of financial position includes taxes added to insurance contracts and recognised with the LRC, amounting to £11.5m (2023: £6.5m).

Insurance Contracts

2024	LRC (Excl. Loss Component) £'000	LRC Loss Component £'000	LIC £'000	Total £'000
Opening assets	(811)	-	3,324	2,513
Opening liabilities	(253,278)	(61,361)	(475,922)	(790,561)
Net opening balance	(254,089)	(61,361)	(472,598)	(788,048)
Changes in the profit and loss				
Insurance Service Result				
<i>Insurance revenue</i>				
Contracts under modified retrospective approach	-	-	-	-
Contracts under fair value approach	22,757	-	-	22,757
Other contracts	958,360	-	-	958,360
<i>Total Insurance Revenue</i>	<i>981,117</i>	<i>-</i>	<i>-</i>	<i>981,117</i>
<i>Insurance service expenses</i>				
Incurred claims and other insurance service expenses	-	46,811	(659,540)	(612,729)
Amortisation of insurance acquisition cash flows	(332,639)	-	-	(332,639)
Changes that relate to future service	-	(61,184)	-	(61,184)
Changes that relate to past service	-	-	53,061	53,061
<i>Total Insurance service expenses</i>	<i>(332,639)</i>	<i>(14,373)</i>	<i>(606,479)</i>	<i>(953,491)</i>
Insurance Service Result	648,478	(14,373)	(606,479)	27,626
Net finance expenses from insurance contracts	(19,479)	(1,074)	(16,482)	(37,035)
Effect of movements in exchange rates	2,111	797	3,209	6,117
Total changes in profit and loss	(17,368)	(277)	(13,273)	(30,918)
Cash flows				
Premiums received	(945,539)	-	-	(945,539)
Claims and other insurance service expenses paid	-	-	394,093	394,093
Insurance acquisition cash flows	358,564	-	-	358,564
Considerations related to contracts transferred	-	-	-	-
Total Cash Flows	(586,975)	-	394,093	(192,882)
Closing assets	(432)	-	3,836	3,404
Closing liabilities	(209,522)	(76,011)	(702,093)	(987,626)
Net closing balance	(209,954)	(76,011)	(698,257)	(984,222)

25.2 Movements in Insurance and Reinsurance Contract Balances - continued

25.2.1 Analysis by Remaining Coverage and Incurred Claims - continued

Insurance Contracts - continued

2023	LRC (Excl. Loss Component)	LRC Loss Component	LIC	Total
	£'000	£'000	£'000	£'000
Opening assets	24,433	(5,543)	(7,137)	11,753
Opening liabilities	(201,488)	(9,444)	(340,061)	(550,993)
Net opening balance	(177,055)	(14,987)	(347,198)	(539,240)
Changes in the profit and loss				
Insurance Service Result				
<i>Insurance revenue</i>				
Contracts under modified retrospective approach	-	-	-	-
Contracts under fair value approach	88,216	-	-	88,216
Other contracts	683,074	-	-	683,074
<i>Total Insurance Revenue</i>	<i>771,290</i>	<i>-</i>	<i>-</i>	<i>771,290</i>
<i>Insurance service expenses</i>				
Incurred claims and other insurance service expenses	-	36,405	(520,558)	(484,153)
Amortisation of insurance acquisition cash flows	(224,289)	-	-	(224,289)
Changes that relate to future service	-	(81,168)	-	(81,168)
Changes that relate to past service	-	-	139,211	139,211
<i>Total Insurance service expenses</i>	<i>(224,289)</i>	<i>(44,763)</i>	<i>(381,347)</i>	<i>(650,399)</i>
Insurance Service Result	547,001	(44,763)	(381,347)	120,891
Net finance expenses from insurance contracts	(18,544)	(1,122)	(24,651)	(44,317)
Effect of movements in exchange rates	2,469	(489)	1,831	3,811
Total changes in profit and loss	(16,075)	(1,611)	(22,820)	(40,506)
Cash flows				
Premiums received	(860,608)	-	-	(860,608)
Claims and other insurance service expenses paid	-	-	278,767	278,767
Insurance acquisition cash flows	252,648	-	-	252,648
Considerations related to contracts transferred	-	-	-	-
Total Cash Flows	(607,960)	-	278,767	(329,193)
Closing assets	(811)	-	3,324	2,513
Closing liabilities	(253,278)	(61,361)	(475,922)	(790,561)
Net closing balance	(254,089)	(61,361)	(472,598)	(788,048)

25.2 Movements in Insurance and Reinsurance Contract Balances - continued

25.2.1 Analysis by Remaining Coverage and Incurred Claims – continued

Reinsurance Contracts

2024	ARC (Excl. Loss Recovery Component) £'000	ARC Loss Recovery Component £'000	AIC £'000	Total £'000
Opening assets	(140,266)	49,871	547,204	456,809
Opening liabilities	(19,183)	218	41,876	22,911
Net opening balance	(159,449)	50,089	589,080	479,720
Changes in the profit and loss				
Reinsurance Service Result				
<i>Reinsurance service income</i>				
Recoveries of incurred claims and other insurance service expenses	-	-	518,717	518,717
Recoveries and reversals of recoveries of losses on onerous underlying contracts	-	15,703	-	15,703
Adjustments to assets for incurred claims	-	-	(83,390)	(83,390)
<i>Total Reinsurance Service Income</i>	-	15,703	435,327	451,030
Reinsurance service expense	(480,862)	(2,370)	-	(483,232)
Changes in the risk of non performance by the reinsurer	990	(849)	(872)	(731)
Investment components	(147,737)	-	147,737	-
Reinsurance Service Result	(627,609)	12,484	582,192	(32,933)
Net finance expenses from reinsurance contracts	(2,008)	827	11,094	9,913
Effect of movements in exchange rates	2,481	(586)	(3,135)	(1,240)
Total changes in profit and loss	(627,136)	12,725	590,151	(24,260)
Cash flows				
Premiums ceded (incl. net ceding commissions)	396,345	-	-	396,345
Claims and other reinsurance service expenses received	-	-	(154,410)	(154,410)
Total Cash Flows	396,345	-	(154,410)	241,935
Closing assets	(177,117)	63,230	840,799	726,912
Closing liabilities	(213,123)	(416)	184,022	(29,517)
Net closing balance	(390,240)	62,814	1,024,821	697,395

25.2 Movements in Insurance and Reinsurance Contract Balances - continued

25.2.1 Analysis by Remaining Coverage and Incurred Claims – continued

Reinsurance Contracts - continued

2023	ARC (Excl. Loss Recovery Component) £'000	ARC Loss Recovery Component £'000	AIC £'000	Total £'000
Opening assets	(5,027)	6,969	314,804	316,746
Opening liabilities	(25,528)	5,008	12,881	(7,639)
Net opening balance	(30,555)	11,977	327,685	309,107
Changes in the profit and loss				
Reinsurance Service Result				
<i>Reinsurance service income</i>				
Recoveries of incurred claims and other insurance service expenses	-	-	406,152	406,152
Recoveries and reversals of recoveries of losses on onerous underlying contracts	-	36,507	-	36,507
Adjustments to assets for incurred claims	-	-	(102,561)	(102,561)
<i>Total Reinsurance Service Income</i>	<i>-</i>	<i>36,507</i>	<i>303,591</i>	<i>340,098</i>
Reinsurance service expense	(443,648)	-	-	(443,648)
Changes in the risk of non performance by the reinsurer	514	(17)	(383)	114
Investment components	(69,583)	-	69,583	-
Reinsurance Service Result	(512,717)	36,490	372,791	(103,436)
Net finance expenses from reinsurance contracts	25,212	911	16,943	43,066
Effect of movements in exchange rates	354	711	(1,740)	(675)
Total changes in profit and loss	(487,151)	38,112	387,994	(61,045)
Cash flows				
Premiums ceded (incl. net ceding commissions)	358,257	-	-	358,257
Claims and other reinsurance service expenses received	-	-	(126,599)	(126,599)
Total Cash Flows	358,257	-	(126,599)	231,658
Closing assets	(140,266)	49,871	547,204	456,809
Closing liabilities	(19,183)	218	41,876	22,911
Net closing balance	(159,449)	50,089	589,080	479,720

25.2 Movements in Insurance and Reinsurance Contract Balances - *continued*

25.2.2 Analysis by Measurement Component

A second reconciliation is presented below, which separately analyses changes in the estimates of the present value of future cash flows, the risk adjustment for non-financial risk and the CSM.

Insurance Contracts	Discounted future cash flows £'000	Risk Adjustment £'000	2024 CSM Fair Value Approac h £'000	CSM Other Contract s £'000	Total £'000
Opening assets	4,190	(85)	(812)	(781)	2,513
Opening liabilities	(631,706)	(63,358)	(12,102)	(83,393)	(790,561)
Net opening balance	(627,516)	(63,443)	(12,914)	(84,174)	(788,047)
Changes in the profit and loss					
<i>Insurance Service Result</i>					
Changes that relate to current services					
CSM recognised for services provided	-	-	11,477	196,375	207,852
Expected release of risk adjustment	-	31,009	-	-	31,009
Experience adjustments	(188,959)	-	-	-	(188,959)
<i>Total changes relating to current services</i>	<i>(188,959)</i>	<i>31,009</i>	<i>11,477</i>	<i>196,375</i>	<i>49,902</i>
<i>Changes that relate to future services</i>					
<i>Contracts initially recognised in the period</i>					
	208,074	(44,571)	-	(165,337)	(1,834)
<i>Changes in estimates that do not adjust the CSM</i>					
	(62,149)	2,338	-	-	(59,811)
<i>Changes in estimates that adjust the CSM</i>					
	15,620	4,734	(9,045)	(25,001)	(13,692)
<i>Total Changes relating to future services</i>	<i>161,545</i>	<i>(37,499)</i>	<i>(9,045)</i>	<i>(190,338)</i>	<i>(75,337)</i>
<i>Changes that relate to past services</i>	<i>48,064</i>	<i>4,997</i>	<i>-</i>	<i>-</i>	<i>53,061</i>
Total Insurance Service Result	20,650	(1,493)	2,432	6,037	27,626
Net finance expenses from reinsurance contracts					
	(26,378)	(3,416)	(164)	(7,076)	(37,034)
Effect of movements in exchange rates	4,377	596	228	915	6,116
Total changes in the profit or loss	(1,351)	(4,313)	2,496	(124)	(3,292)
Cash Flows					
Premiums received	(945,539)	-	-	-	(945,539)
Claims and other insurance service expenses paid	394,093	-	-	-	394,093
Insurance acquisition cash flows	358,564	-	-	-	358,564
Considerations related to contracts transferred	-	-	-	-	-
Total cash flows	(192,882)	-	-	-	(192,882)
Closing assets	4,224	(111)	(709)	-	3,404
Closing liabilities	(825,973)	(67,645)	(9,710)	(84,298)	(987,626)
Net closing balance	(821,749)	(67,756)	(10,419)	(84,298)	(984,222)

25.2 Movements in Insurance and Reinsurance Contract Balances - continued

25.2.2 Analysis by Measurement Component – continued

Insurance Contracts	Discounted future cash flows £'000	Risk Adjustment £'000	2023 CSM Fair Value Approach £'000	CSM Other Contracts £'000	Total £'000
Opening assets	15,971	(2,368)	(1,850)	-	11,753
Opening liabilities	(412,180)	(69,550)	(18,088)	(51,176)	(550,994)
Net opening balance	(396,209)	(71,918)	(19,938)	(51,176)	(539,241)
Changes in the profit and loss					
<i>Insurance Service Result</i>					
<i>Changes that relate to current services</i>					
CSM recognised for services provided	-	-	24,789	103,099	127,888
Expected release of risk adjustment	-	23,241	-	-	23,241
Experience adjustments	(86,005)	-	-	-	(86,005)
<i>Total changes relating to current services</i>	<i>(86,005)</i>	<i>23,241</i>	<i>24,789</i>	<i>103,099</i>	<i>65,124</i>
<i>Changes that relate to future services</i>					
<i>Contracts initially recognised in the period</i>					
Changes in estimates that do not adjust the CSM	108,061	31,133	-	-	139,194
Changes in estimates that adjust the CSM	-	-	-	-	-
<i>Total Changes relating to future services</i>	<i>108,061</i>	<i>31,133</i>	<i>-</i>	<i>-</i>	<i>139,194</i>
<i>Changes that relate to past services</i>	<i>108,061</i>	<i>31,133</i>	<i>-</i>	<i>-</i>	<i>139,194</i>
Total Insurance Service Result	128,766	14,231	7,063	(29,169)	120,891
Net finance expenses from reinsurance contracts	(32,725)	(6,363)	(205)	(5,024)	(44,317)
Effect of movements in exchange rates	1,843	607	165	1,195	3,810
Total changes in the profit or loss	97,884	8,475	7,023	(32,998)	80,384
Cash Flows					
Premiums received	(860,608)	-	-	-	(860,608)
Claims and other insurance service expenses paid	278,768	-	-	-	278,768
Insurance acquisition cash flows	252,649	-	-	-	252,649
Considerations related to contracts transferred	-	-	-	-	-
Total cash flows	(329,191)	-	-	-	(329,191)
Closing assets	4,190	(85)	(811)	(781)	2,513
Closing liabilities	(631,706)	(63,358)	(12,104)	(83,393)	(790,561)
Net closing balance	(627,516)	(63,443)	(12,915)	(84,174)	(788,048)

25.2 Movements in Insurance and Reinsurance Contract Balances - continued

25.2.2 Analysis by Measurement Component - continued

Reinsurance Contracts	2024				
	Discounted future cash flows	Risk Adjustment	CSM Fair Value Approach	CSM Other Contracts	Total
	£ '000	£ '000	£ '000	£ '000	£ '000
Opening assets	239,630	76,341	4,511	136,327	456,809
Opening liabilities	5,062	6,127	(407)	12,129	22,911
Net opening balance	244,692	82,468	4,104	148,456	479,720
Changes in the profit and loss					
Reinsurance service result					
<i>Changes that relate to current services</i>					
CSM recognised for services provided	-	-	(3,948)	(127,823)	(131,771)
Changes in risk adjustment	-	(24,901)	-	-	(24,901)
Experience adjustments	125,729	-	-	-	125,729
<i>Total changes relating to current services</i>	<i>125,729</i>	<i>(24,901)</i>	<i>(3,948)</i>	<i>(127,823)</i>	<i>(30,943)</i>
<i>Changes that relate to future services</i>					
Contracts initially recognised in the period	(61,939)	28,075	-	44,662	10,798
Changes in estimates that do not adjust the CSM	-	-	-	-	-
Changes in estimates that adjust the CSM	(10,929)	25,997	4,929	51,387	71,384
<i>Total changes relating to future services</i>	<i>(72,868)</i>	<i>54,072</i>	<i>4,929</i>	<i>96,049</i>	<i>82,182</i>
<i>Changes that relate to past services</i>	<i>(60,563)</i>	<i>(22,879)</i>	<i>-</i>	<i>-</i>	<i>(83,442)</i>
<i>Changes in the risk of non-performance by reinsurer</i>	<i>(731)</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>(731)</i>
Total Reinsurance Service Result	(8,433)	6,292	981	(31,774)	(32,934)
Net finance expenses from reinsurance contracts	(1,324)	2,243	(89)	9,085	9,915
Effect of movements in exchange rates	2,519	(1,002)	(14)	(3,470)	(1,967)
Total Changes in the profit and loss	(7,238)	7,533	878	(26,159)	(24,986)
Cash flows					
Premiums ceded (incl. net ceding commissions)	397,036	-	-	-	397,036
Claims and other reinsurance service expenses received	(154,375)	-	-	-	(154,375)
Total cash flows	242,661	-	-	-	242,661
Closing assets	532,976	76,518	4,931	112,487	726,912
Closing liabilities	(52,861)	13,483	51	9,810	(29,517)
Net closing balance	480,115	90,001	4,982	122,297	697,395

25.2 Movements in Insurance and Reinsurance Contract Balances - *continued*

25.2.2 Analysis by Measurement Component - *continued*

Reinsurance Contracts	2023				
	Discounted future cash flows	Risk Adjustment	CSM Fair Value Approach	CSM Other Contracts	Total
	£ '000	£ '000	£ '000	£ '000	£ '000
Opening assets	139,892	84,334	13,844	78,675	316,745
Opening liabilities	(30,220)	10,048	3,022	9,511	(7,639)
Net opening balance	109,672	94,382	16,866	88,186	309,106
Changes in the profit and loss					
Reinsurance service result					
<i>Changes that relate to current services</i>					
CSM recognised for services provided	-	-	(22,577)	(63,069)	(85,646)
Changes in risk adjustment	-	(19,213)	-	-	(19,213)
Experience adjustments	34,696	-	-	-	34,696
<i>Total changes relating to current services</i>	34,696	(19,213)	(22,577)	(63,069)	(70,163)
<i>Changes that relate to future services</i>					
Contracts initially recognised in the period	(67,991)	14,313	-	54,026	348
Changes in estimates that do not adjust the CSM	-	-	-	-	-
Changes in estimates that adjust the CSM	(15,640)	9,857	9,605	66,273	70,095
<i>Total changes relating to future services</i>	(83,631)	24,170	9,605	120,299	70,443
<i>Changes that relate to past services</i>	(78,459)	(25,369)	-	-	(103,828)
<i>Changes in the risk of non-performance by reinsurer</i>	113	-	-	-	113
Total Reinsurance Service Result	(127,281)	(20,412)	(12,972)	57,230	(103,435)
Net finance expenses from reinsurance contracts	32,899	8,498	210	3,040	44,647
Effect of movements in exchange rates	(2,344)	-	-	-	(2,344)
Total Changes in the profit and loss	(96,726)	(11,914)	(12,762)	60,270	(61,132)
Cash flows					
Premiums ceded (incl. net ceding commissions)	358,303	-	-	-	358,303
Claims and other reinsurance service expenses received	(126,557)	-	-	-	(126,557)
Total cash flows	231,746	-	-	-	231,746
Closing assets	239,630	76,341	4,511	136,327	456,809
Closing liabilities	5,062	6,127	(407)	12,129	22,911
Net closing balance	244,692	82,468	4,104	148,456	479,720

25.2 Movements in Insurance and Reinsurance Contract Balances - continued

25.2.3 Effect of contracts initially recognized in the year

The following tables summarise the effect on the measurement components arising from the initial recognition of insurance and reinsurance contracts

Insurance Contracts

	Of which contracts acquired from transfers £' 000	Of which onerous contracts £' 000	Total insurance contracts £' 000
2024			
Insurance acquisition cash flows	-	-	(345,573)
Claims and other insurance service expenses payable	(850)	-	(544,961)
Estimates of present value of cash outflows	(850)	-	(890,534)
Estimates of present value of cash inflows	-	-	1,098,609
Risk adjustment for non-financial risk	(67)	-	(44,571)
CSM	917	-	(165,337)
Losses recognised on initial recognition	-	1,833	1,833
2023			
Insurance acquisition cash flows	-	-	(285,133)
Claims and other insurance service expenses payable	-	-	(406,095)
Estimates of present value of cash outflows	-	-	(691,228)
Estimates of present value of cash inflows	-	-	875,228
Risk adjustment for non-financial risk	-	-	(40,321)
CSM	-	-	143,697
Losses recognised on initial recognition	-	-	409

Reinsurance Contracts

	Of which contracts acquired from transfers £' 000	Total reinsurance contracts £' 000
2024		
Claims and other reinsurance service expenses payable	93,055	420,926
Estimates of present value of cash inflows	93,055	420,926
Estimates of present value of cash outflows	(102,659)	(489,574)
Risk adjustment for non-financial risk	7,151	25,539
CSM exc. Loss Recovery Component	2,453	43,109
Loss recovery component of CSM	-	1,553
Total CSM	2,453	44,662

25.2 Movements in Insurance and Reinsurance Contract Balances - *continued*

25.2.3 Effect of contracts initially recognized in the year

Reinsurance Contracts – *continued*

	Of which contracts acquired from transfers £' 000	Total reinsurance contracts £' 000
2023		
Claims and other reinsurance service expenses payable	-	234,293
Estimates of present value of cash inflows	-	234,293
Estimates of present value of cash outflows	-	(302,485)
Risk adjustment for non-financial risk	-	14,329
CSM exc. Loss Recovery Component	-	(53,863)
Loss recovery component of CSM	-	(348)
Total CSM	-	(54,211)

Contractual Service Margin

The following tables sets out when the Company expects to recognise the remaining CSM in profit or loss after the reporting date

Insurance Contracts

	2024 £ '000	2023 £ '000
Year 1	73,173	73,271
Year 2	5,483	7,057
Year 3	2,899	4,135
Year 4	1,905	2,187
Years 5 - 10	4,003	3,815
After year 10	4,577	4,390
	92,040	94,855

Reinsurance Contracts

	2024 £ '000	2023 £ '000
Year 1	(51,142)	(74,764)
Year 2	(29,007)	(35,643)
Year 3	(12,891)	(27,799)
Year 4	(7,953)	(9,028)
Years 5 - 10	(14,340)	(1,032)
After year 10	(9,214)	(110)
	(124,547)	(148,375)

25.2 Movements in Insurance and Reinsurance Contract Balances - *continued*

25.2.3 Effect of contracts initially recognized in the year - *continued*

The development of insurance liabilities provides a measure of the Company's ability to estimate the ultimate value of claims. Table 1 below illustrates how the Company's estimate of total claims incurred for its 'legacy' business, for each underwriting year has changed at successive year-ends on a gross basis. The underwriting-year basis is considered to be the most appropriate for the business written by the Company.

Table 1

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Estimate of the ultimate claim costs:												
- at end of u/w year	-	-	-	-	-	-	-	-	(143,300)	(240,576)	(276,296)	(660,173)
- one year later	-	-	-	-	-	-	-	(94,207)	(331,969)	(475,807)	-	(901,983)
- two years later	-	-	-	-	-	-	(2,275)	(89,243)	(371,628)	-	-	(463,146)
- three years later	-	-	-	-	-	(15,471)	1,816	(118,570)	-	-	-	(132,225)
- four years later	-	-	-	-	(4,252)	(19,802)	(34,060)	-	-	-	-	(58,114)
- five years later	-	-	-	(116)	(5,057)	(39,566)	-	-	-	-	-	(44,738)
- six years later	-	-	(606)	(17)	(8,085)	-	-	-	-	-	-	(8,707)
- seven years later	-	13	(1,336)	4	-	-	-	-	-	-	-	(1,320)
- eight years later	(608)	232	(1,896)	-	-	-	-	-	-	-	-	(2,272)
- nine years later	(561)	(462)	-	-	-	-	-	-	-	-	-	(1,023)
- ten years later	(507)	-	-	-	-	-	-	-	-	-	-	(507)
Cumulative gross claims paid	(1,676)	(217)	(3,839)	(128)	(17,393)	(74,839)	(34,519)	(302,020)	(846,897)	(716,383)	(276,296)	(2,274,208)

Table 2 below illustrates how the Company's estimate of total claims incurred for its 'program' business, for each underwriting year has changed at successive year-ends on a net basis. The policy underwriting-year basis is considered to be the most appropriate for the business written by the Company. A net basis for 'program' business is considered to be the most appropriate due to the extensive reinsurance arrangements.

Table 2

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Estimate of the ultimate claims costs:												
- at end of u/w year	-	-	-	-	-	-	-	-	67,555	59,274	106,956	233,785
- one year later	-	-	-	-	-	-	-	93,349	323,662	186,292	-	603,303
- two years later	-	-	-	-	-	-	(1,612)	102,846	485,482	-	-	586,715
- three years later	-	-	-	-	-	(7,921)	(8,419)	132,495	-	-	-	116,155
- four years later	-	-	-	-	22,967	(8,044)	16,310	-	-	-	-	31,233
- five years later	-	-	-	15,028	24,832	16,699	-	-	-	-	-	56,560
- six years later	-	-	-	14,454	19,952	-	-	-	-	-	-	34,406
- seven years later	-	111	-	16,807	-	-	-	-	-	-	-	16,919
- eight years later	-	21	-	-	-	-	-	-	-	-	-	21
- nine years later	-	(52)	-	-	-	-	-	-	-	-	-	(52)
- ten years later	-	-	-	-	-	-	-	-	-	-	-	-
Cumulative net claims paid	-	81	-	46,289	67,751	734	6,279	328,691	876,698	245,565	106,956	1,679,045

26 Cash generated from operations

	Year ended 31 December 2024 £'000	Year ended 31 December 2023 £'000
Loss before tax	(107,048)	(1,693)
Adjusted for:	-	
Investment return	27,394	(11,068)
Release in provision for impairment	-	-
Amortisation of intangible assets	363	363
Amortisation of subordinated debt	75	74
Depreciation of fixed assets	20	42
Profit on disposal of investment property	-	-
Right of use assets recognised	-	-
Movements in:		
Insurance contract assets	(10,593)	1,014
Other Receivables	(18,296)	(953)
Insurance contract liabilities	208,917	229,387
Reinsurance contract assets	(217,675)	(170,463)
Insurance and other payables	7,996	(623)
Cash generated from operations	(108,847)	46,080

27 Cash and cash equivalents

Cash and cash equivalents included in the Statement of Cash Flows comprise the following amounts in the Statement of Financial Position:

	2024 £'000	2023 £'000
Cash at bank or other financial institutions	61,597	24,985
At floating rates	61,597	24,985

The Company earns interest at regular market rates. Cash held by financial institutions on behalf of the Company's investment managers amounted to £0.45m (2023: £0.61m).

28 Fair values

Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation technique as follows:

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

28 Fair values - continued

The following table presents the assets measured in the Statement of Financial Position at fair value by level at 31 December:

	Level 1 2024 £'000	Level 1 2023 £'000
<i>Investments at fair value through profit or loss</i>		
Equity securities and units in unit trusts	147,826	127,517
Debt securities	47,071	50,286
	Level 2 2024 £'000	Level 2 2023 £'000
<i>Investments at fair value through profit or loss</i>		
Debt securities	90,649	97,630
	Level 3 2024 £'000	Level 3 2023 £'000
Other investments	1,661	1,661

At 31 December 2024 and 31 December 2023, the carrying amount of the Company's other financial assets and liabilities not measured at fair value approximated their fair values.

Fair value measurements classified as Level 1 include government debt securities, units in unit trusts and collective investments schemes and foreign listed equities. Corporate debt securities as well as asset backed securities are classified as Level 2 in view of their trading characteristics.

Level 3 investments relate to the subscription of an unsecured convertible loan note issued by one of the Company's MGAs, attracting a coupon rate of 6% p.a., for a principal amount of £1.66m.

29 Statutory information

Accredited Insurance (Europe) Limited is a limited liability company and is incorporated in Malta. The parent company of Accredited Insurance (Europe) Limited is Program Management Services Europe Limited, a company registered in Malta with its registered address at 3rd Floor, Development House, St. Anne Street, Floriana, FRN 9010. The intermediate parent undertaking, Accredited International Insurance Group Inc (Delaware), is the company in which the results and financial position of the Company are consolidated. Up until 28 June 2024, the ultimate parent company of Accredited Insurance (Europe) Limited was R&Q Insurance Holdings Ltd (formerly known as Randall & Quilter Investment Holdings Ltd.), a company registered in Bermuda with its registered address at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda. From 28 June 2024, the ultimate parent company of Accredited Insurance (Europe) Limited is Onex Raven Holdings Inc, a company registered in Delaware.

Group Financial Statements can be obtained from 71 Fenchurch Street, London, EC3M 4BS. These financial statements will be made available on the Company's website.

30 Related party activities

Amounts due to and from related parties are disclosed in Notes 9, 19 and 20.

In addition, the following technical results and positions relate to entities under common control:

	2024 £'000	2023 £'000
<i>R&Q Re (Cayman) Ltd</i>		
Net income/(expenses) from reinsurance contracts	7,856	(22,951)
Net reinsurance contract assets	-	25,919
<i>Inceptum Insurance Co. Ltd</i>		
Insurance service result	(4,500)	(4,631)
Net insurance contract liabilities	-	6,108
<i>R&Q Re (Bermuda) Ltd</i>		
Net expenses from reinsurance contracts	3,688	2,753
Net reinsurance contract assets	1,286	2,015

In addition, the following transactions were effected during the year:

	2024 £'000	2023 £'000
<i>Income</i>		
Interest received on loan to entities under common control	915	1,705
Cost allocations recovered from entities under common control	11,877	1,794
<i>Expenses</i>		
Cost allocations recharged from entities under common control	27,526	17,506
Interest paid on loan from entities under common control	-	61
Salary recharges from entities under common control (Note 13)	-	999

All related party transactions are made on an arm's length basis. Cost allocation recharges include Directors' emoluments and bonuses (disclosed in Note 12 as direct costs in 2023) as well as key management personnel salaries and other benefits (disclosed in Note 13 as direct costs in 2023). Directors' emoluments included in cost allocations recharged from Program Management Services Europe Limited and Program Management Services UK Limited amounted to £1.94m, whilst key management personnel cost recharges from the same service companies amounted to £0.99m.

Costs incurred from entities under common control in relation to claims handling and other related functions increased in line with the growth in premium volume on the 'program' side, the continued investment in growing this business stream, other process and systems improvements projects, as well as one-off costs around the Accredited sale process.

31 Subsequent events

On 27 March 2025, a capital contribution of £10.3m was made into the Company in order to strengthen its capital base.

There were no other material events affecting the Company which occurred after the reporting date.

INDEPENDENT AUDITOR'S REPORTTo the Shareholders of Accredited Insurance (Europe) Limited

Report on the Audit of the Financial Statements**Opinion**

We have audited the financial statements of Accredited Insurance (Europe) Limited (the "Company"), set out on pages 9 to 68, which comprise the statement of financial position as at 31 December 2024, and the statement of profit and loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2024, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU ("IFRS") and have been prepared in accordance with the requirements of the Companies Act, 1995 (Cap. 386, Laws of Malta) (the "Act") and the Insurance Business Act, 1998 (Cap. 403, Laws of Malta) (the "Insurance Business Act").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (the "IESBA Code") together with the ethical requirements that are relevant to our audit of the financial statements in accordance with the Accountancy Profession (Code of Ethics for Warrant Holders) Directive issued in terms of the Accountancy Profession Act (Cap. 281) in Malta, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have fulfilled the responsibilities described in the Auditor's Responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to report to our assessment of the risk of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Accredited Insurance (Europe) Limited

Area	Reason	Audit Response
<p>Valuation of Insurance Contracts Liabilities and Reinsurance Contracts Assets</p> <p><i>Refer to notes 4.1 and 25 to the financial statements</i></p>	<p>The Company's net insurance contracts liabilities and net reinsurance contracts assets as at 31 December 2024 amounted to £984.2m (2023: £788.0m) and £697.4m (2023: £479.7m), respectively. The insurance contracts issued consists of two components, being (i) the liability for remaining coverage (LRC) and (ii) liability for incurred claims (LIC).</p> <p>Under the general measurement model (GMM), the LRC comprises of the fulfilment cash flows that relate to services that will be provided under the contracts in future periods, and any remaining contractual service margin (CSM) at that date inclusive of a risk adjustment and discounting. Measurement of the LIC comprises fulfilment cash flows related to past services provided under groups of insurance contracts which have not yet been paid, including claims that have been incurred but not yet reported (IBNR). This balance is also inclusive of a risk adjustment and discounting.</p> <p>We considered the valuation of insurance contract liabilities to be a key audit matter due to the significant judgement required by the Company in estimating future cash flows, in particular IBNR and CSM. These estimates are inherently uncertain and may be impacted by various factors, such as profile of risks insured, reporting and payment patterns especially for the legacy business, lapse and expense assumptions, availability of the Company's and industry data, as well as modelled future decisions of management and policyholders, all of which result in a greater reliance on expert judgement.</p> <p>The risk adjustment and discounting are also key areas of judgement, as the risk adjustment reflects the compensation an entity requires for bearing the uncertainty surrounding the amount and timing of cash flows associated with insurance contracts arising from non-financial risks, while discounting accounts for the time value of money and the financial risks related to those cash flows.</p> <p>In addition, we considered the valuation of reinsurance contract assets to be a key audit matter due to (i) the significant judgement applied by the Company in valuing the associated insurance contract liabilities that have been reinsured; (ii) the complexity of the application, including the appropriateness of methodologies and assumptions adopted to value reinsurance assets associated with stop loss or Adverse Development Covers ("ADC"), and (iii) the coverage of reinsurance agreements across multiple inwards contracts.</p>	<p>We have involved our internal actuarial specialists, and together we have:</p> <ul style="list-style-type: none"> ▪ Evaluated the governance around the Company's overall measurement of the insurance contracts liabilities and reinsurance contracts assets process, including the scrutiny applied by the board of directors, committees as well as actuarial reviews; ▪ Applied our industry knowledge and experience in understanding and evaluating the insurance contracts liabilities and reinsurance contracts assets; ▪ Tested the discount rate used in the model by reviewing yield curves, claims payment patterns and the adopted illiquidity premium; ▪ Evaluated and challenged the relevant underlying calculations and significant assumptions used to derive the risk adjustment; ▪ Reviewed the CSM amortisation process and calculations; ▪ Observed the reasonableness of reserving methodologies and assumptions adopted by the Company in setting the reserves. In addition to, carrying out an independent reserve reprojection for the material classes of business and determined if the gross reserves fall within a reasonable range. ▪ Tested on a sample basis, the build-up of the insurance contracts liabilities and reinsurance contracts assets to support the sources of profit/loss and traced the movements in the assets/liabilities to relevant underlying supporting documentation, from both internal and external sources; ▪ Carried out tests of detail to assess the completeness and integrity of the data used for the purpose of determining the future insurance liabilities; ▪ Assessed the competence, capabilities, and objectivity of the actuaries appointed by the Company who performed an independent reprojection of the reserves. We have critically evaluated and reviewed their results; ▪ Tested the valuation of reinsurance contracts assets, by taken a similar audit approach for the direct business with a greater focus on larger and complex re-insurance lines; ▪ Reviewed a sample of reinsurance recoveries held by the Company against underlying contracts to assess the existence of cover and appropriateness of their recognition; and ▪ Assessed the reasonableness of the related disclosures in the financial statements against the requirements of IFRS 17. <p>Based on the procedures we performed, we observed that the valuation of the insurance contracts liabilities and reinsurance contracts assets is reasonable and appropriate.</p>

INDEPENDENT AUDITOR'S REPORTTo the Shareholders of Accredited Insurance (Europe) Limited

Other Information

The directors are responsible for the other information. The other information comprises the Directors' Report. Our opinion on the financial statements does not cover this information, including the Directors' Report.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

With respect to the Directors' Report, we also considered whether the Directors' Report includes the disclosures required by Article 177 of the Maltese Companies Act (Cap. 386).

Based on the work we have performed, in our opinion:

- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Directors' Report has been prepared in accordance with the Maltese Companies Act (Cap.386).

In addition, in light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we are required to report if we have identified material misstatements in the Directors' Report. We have nothing to report in this regard.

Responsibilities of the Directors and Those Charged with Governance

The directors are responsible for the preparation of the financial statements that (i) give a true and fair view in accordance with IFRS as adopted by the EU, (ii) are properly prepared in accordance with the provisions of the Act and the Insurance Business Act, and (iii) for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or has no realistic alternative but to do so. Those charged with governance are responsible for overseeing the Company's financial reporting process.

INDEPENDENT AUDITOR'S REPORTTo the Shareholders of Accredited Insurance (Europe) Limited

Auditor's Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

INDEPENDENT AUDITOR'S REPORTTo the Shareholders of Accredited Insurance (Europe) Limited

Report on Other Legal and Regulatory Requirements*Matters on which we are required to report by the Act, specific to public interest entities*

Pursuant to article 179B(1) of the Act, we report under matters not already reported upon in our 'Report on the Audit of the Financial Statements':

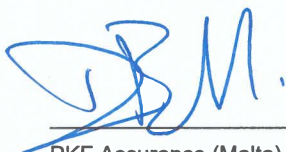
- we were first appointed to act as statutory auditor by the board of directors on 12 November 2018 for the financial year ended 31 December 2018. Our appointment has been renewed annually by shareholder resolution representing a total uninterrupted engagement of 7 years. The Company became licensed as an insurance undertaking in terms of the Malta Insurance Business Act (Cap. 403) on 12th June 2013.
- our audit opinion on the financial statements expressed herein is consistent with the additional report to those charged with governance; and
- we have not provided any of the prohibited services as set out in the Accountancy Profession Act (Cap. 281).

Matters on which we are required to report by exception under the Companies Act

Pursuant to articles 179(10) and 179(11) of the Maltese Companies Act (Cap. 386) Act, we have nothing to report to you with respect to the following matters:

- proper accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records; or
- we have not obtained all the information and explanations which, to the best of our knowledge and belief, we require for the purpose of our audit.

The principal in charge of the audit resulting in this independent auditor's report is Ms. Donna Greaves for and on behalf of

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PKF Assurance (Malta) Limited

Registered Auditors

15, Level 3, Mannarino Road, Birkirkara BKR 9080, Malta

3rd April 2025