



Combined Financial Statements

20 February 2023

NorthStandard Limited
Formerly The North of England Protecting
and Indemnity Association Limited

NorthStandard RE Limited
Formerly The North of England Mutual Insurance
Association (Bermuda) Limited



NorthStandard
Formerly **North**

NorthStandard Limited and NorthStandard Re Limited
Combined Financial Statements
(All amounts in US Dollar thousands unless otherwise stated)
20 February 2023

COMBINED FINANCIAL STATEMENTS

NorthStandard Limited's ("NorthStandard") consolidated financial statements for the year ended 20 February 2023 are provided in a separate document and NorthStandard Re Limited 's ("NorthStandard Re"), collectively "the Associations", non-statutory financial statements for the same period will be issued to Members on behalf of the Managers of that Company. Financial statements which combine the results and financial position of the Associations follow in this report. All Members are Members of both Associations and the combined financial statements have been prepared to allow Members to gain a picture of the overall position. The statements have been prepared for illustrative purposes only and have no legal standing. These financial statements are unaudited.

Any reference to the Club in the subsequent narrative relates to the combined position.

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Accountant's Report to the Directors of NorthStandard Limited

Reporting on agreed upon procedures in respect Northstandard Limited Combined Financial Statements

This report has been produced in accordance with the terms of our engagement letter dated 14 December 2022 ("the Engagement Letter") and in accordance with the *International Standard on Related Services 4400 applicable to agreed-upon-procedures engagements* as published by IAASB in connection with the combined financial statements of NorthStandard Limited and NorthStandard Reinsurance Limited (together "the Entities").

Scope of our work and factual findings

We have performed the following work:

- We have agreed the figures used in the combined financial statements to the signed financial statements of the Companies as at 20 February 2023 respectively; and
- We have checked that the stated accounting policies for measurement in the combined financial statements are consistent with the accounting policies for measurement adopted by the Companies, as defined in their respective financial statements.

No exceptions were found

We have not subjected the information contained in our report to checking or verification procedures except to the extent expressly stated above and this engagement does not constitute an audit or a review and, as such, no assurance is expressed. Had we performed additional procedures, an audit or a review, other matters might have come to light that would have been reported.

You were responsible for determining whether the agreed upon procedures we performed were sufficient for your purposes and we cannot, and do not, make any representations regarding the sufficiency of these procedures for your purposes.

Audit Work

Our audit work on the financial statements of NorthStandard Limited and NorthStandard Reinsurance Limited, was carried out in order to report to the Entities' Directors as a body and is subject to separate engagement letters. The audit work was undertaken to state to the Entities' Directors or Trustees respectively those matters required to be stated in an auditor's report and for no other purpose. The audits of the Entities' financial statements were not planned or conducted to address or reflect matters in which anyone other than such Directors respectively as a body may be interested. In particular, the scope of the audit work was set, and judgements made by reference to the assessment of materiality in the context of the audited financial statements taken as a whole, rather than in the context of the Report contemplated in this letter.

BDO UK LLP have not expressed an opinion or other form of assurance on individual account balances, financial amounts, financial information or the adequacy of financial, accounting or management systems. BDO UK LLP do not accept or assume responsibility to anyone other than the Entities' Directors as a body, for their audit work, for their audit report or for the opinions they have formed. To the fullest extent permitted by law, BDO UK LLP do not accept or assume responsibility or liability to anyone by virtue of this engagement or our Report in relation to our audits of the Entities' financial statements.

Use of Report

Our report is prepared solely for the confidential use of the Directors of NorthStandard Limited. Our report must not be used for any purpose other than for which it was prepared or be reproduced or referred to in any other document or made available to any third party without the written permission of BDO LLP except a copy of our report may be provided, for information purposes only, to NorthStandard Limited and NorthStandard Reinsurance Limited to whom we have no liability and owe no duty of care.

We accept no liability to any other party who is shown or gains access to this report.

Yours faithfully

BDO UK LLP
London, UK
7 July 2023
BDO LLP is a Limited Liability Partnership registered in England and Wales (with registered number OC305127)

NorthStandard Limited and NorthStandard Re Limited
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COMBINED STATEMENT OF FINANCIAL POSITION

	Note	2023	2022
Assets			
Intangible assets		9,041	19,152
Property, plant and equipment		19,507	21,434
Reinsurers' share of technical provision			
Provision for unearned premium		6,188	22,445
Claims outstanding		364,777	474,644
Financial assets			
Equity securities - at fair value through profit and loss	3	109,342	100,917
Collective investment vehicles – at fair value through profit and loss	3	804,833	841,205
Loans and receivables including insurance and reinsurance receivables		163,960	170,157
Current tax debtor		32	71
Deferred tax asset		503	372
Cash and cash equivalents	4	214,446	153,483
Total assets		1,692,629	1,803,880
Accumulated Surplus			
Income and expenditure account	14	(73,776)	(186,946)
Contingency fund	15	490,585	616,781
Revaluation reserve	14	4,053	3,801
Total accumulated surplus		420,862	433,636
Non-controlling interest		-	149
Liabilities			
Technical provision			
Provision for unearned premium		49,887	51,913
Claims outstanding		1,039,627	1,146,110
Derivative financial instruments		816	42
Reinsurance payables		15,869	36,664
Trade and other payables		156,062	118,690
Corporation tax creditor		155	467
Other taxes payable		128	559
Retirement benefit liability		9,223	15,650
Total liabilities		1,271,767	1,370,095
Total accumulated surplus and liabilities		1,692,629	1,803,880

These financial statements were approved by the Board of Directors on 25 May 2023.

PA Jennings
 Managing Director

J Grose
 Managing Director

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COMBINED INCOME STATEMENT

	Note	2023	2022
Insurance premium revenue		447,719	406,156
Insurance premium ceded to reinsurers	6	(64,798)	(109,378)
		<u>382,921</u>	<u>296,778</u>
Change in provision for unearned premiums		1,853	3,856
Reinsurers' share of change in unearned premium		(18,960)	27,217
		<u>(17,107)</u>	<u>31,073</u>
Investment income		1,834	282
Net fair value losses at fair value through profit and loss	7	(31,211)	(19,984)
Other gains / (losses)	8	1,057	(39)
Other operating income		1,769	3,147
Net income		<u>339,263</u>	<u>311,257</u>
Insurance claims and loss adjustment expenses	9	(281,830)	(469,601)
Insurance claims and loss adjustment expenses recovered from reinsurers	10	22,714	187,591
Net insurance claims		<u>(259,116)</u>	<u>(282,010)</u>
Expenses for the acquisition of insurance and investment contracts	11	(22,430)	(25,156)
Expenses for marketing and administration	12	(57,734)	(47,478)
Expenses for asset management services rendered		(555)	(601)
Operating expenses		<u>(80,719)</u>	<u>(73,235)</u>
Reinsurance commission		2,195	4,024
Total expenses		<u>(337,640)</u>	<u>(351,221)</u>
Results of operating activities		1,623	(39,964)
Merger expense		(4,204)	-
Finance expense	13	(10,807)	(569)
Deficit before tax		<u>(13,388)</u>	<u>(40,533)</u>
Tax expense		(1,037)	(2,028)
Deficit for the year		<u>(14,425)</u>	<u>(42,561)</u>
Attributable to :			
Owners		(14,425)	(42,617)
Non-Controlling interest		0	56
		<u>(14,425)</u>	<u>(42,561)</u>
COMBINED STATEMENT OF COMPREHENSIVE INCOME			
Deficit for the year		(14,425)	(42,561)
Other comprehensive income			
<i>Other comprehensive income not to be reclassified to profit or loss in subsequent periods</i>			
Revaluation of land and buildings		252	-
Remeasurement gains on defined benefit plans		1,399	26,046
Net other comprehensive income not to be reclassified to profit or loss		<u>1,651</u>	<u>26,046</u>
Total comprehensive income for the year, net of tax		<u>(12,774)</u>	<u>(16,515)</u>
Attributable to :			
Owners		(12,774)	(16,571)
Non-Controlling interest		-	56
		<u>(12,774)</u>	<u>(16,515)</u>

NorthStandard Limited and NorthStandard Re Limited
Combined Financial Statements
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NOTES TO THE COMBINED FINANCIAL STATEMENTS

1. Accounting policies

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

1.1 Basis of presentation

These combined financial statements do not constitute NorthStandard's statutory accounts for the years ended 20 February 2023 and 20 February 2022. They are the non-statutory combined financial statements of NorthStandard and NorthStandard Re.

These combined financial statements have been prepared in accordance with the recognition, measurement and presentation (other than disclosure) principles of accounting standards in the United Kingdom ('UK GAAP') including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland* ('FRS 102') and Financial Reporting Standard 103 Insurance Contracts ('FRS 103'). However, whilst the financial information included in these combined financial statements has been computed in accordance with UK GAAP, these financial statements do not themselves contain sufficient information to comply with UK GAAP and UK company law.

UK GAAP compliant financial statements can be found in NorthStandard's Directors' Report which is available on the Club's website.

All companies within the Club prepare financial information in accordance with UK GAAP with the exception of the NorthStandard Re. NorthStandard Re prepares its non-statutory financial statements in accordance with its own accounting policies as described in those financial statements. A conversion to UK GAAP has not been performed as the figures are considered as being appropriate for inclusion in the combined financial statements.

The combined financial statements have been prepared under the historical cost convention, as modified by the revaluation of land and buildings and financial instruments.

The preparation of financial statements in conformity with UK GAAP requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Associations' accounting policies.

1.2 Combination

The combined financial statements combine the consolidated financial statements of NorthStandard and the non-statutory financial statements of NorthStandard Re made up to 20 February each year.

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

1.3 Business combinations

Business combinations are accounted for using the purchase method as at the acquisition date, which is the date on which control is transferred to the Club.

The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value plus any costs directly attributable to the business combination.

The Group initially recognises goodwill at the acquisition date measured as the difference between the cost of the acquisition and the net amount of identifiable assets and liabilities acquired. Goodwill arising on a business combination, positive or negative, is amortised over its useful economic life. After initial recognition, goodwill is measured at cost less accumulated amortisation and any accumulated impairment losses.

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

1.4 Foreign currency translation

The combined financial statements are presented in thousands of US Dollars, which is the functional currency of NorthStandard and NorthStandard Re.

A Club entity whose functional currency is not US Dollars is a foreign operation. The income and expenses of foreign operations are translated into US Dollars at the exchange rate ruling at the date of the transactions where practical, otherwise an average rate for the year is used. The assets and liabilities of foreign operations are translated into US Dollars at the rate of exchange prevailing at the reporting date and the resulting exchange differences are recognised in other comprehensive income.

Transactions in foreign currencies are initially recorded at the functional currency rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the reporting date. Foreign exchange differences arising on translation are recognised in the income statement.

Translation differences on monetary items, such as equities held at fair value through profit or loss are reported as part of the fair value gain or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in foreign currencies are translated using the foreign exchange rate ruling at the date of transaction.

1.5 Property, plant and equipment

Land and buildings comprise the offices owned by NorthStandard. Land and buildings are shown at fair value, based on periodic, but at least triennial, valuations by external independent appraisers. All other property, plant and equipment is stated at historical cost less depreciation. 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 NorthStandard and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Increases in the carrying amount arising on revaluation of land and buildings are credited to the revaluation reserve. Decreases that offset previous increases of the same asset and other decreases are charged to the revaluation reserve in the first instance.

Depreciation on property, plant and equipment is calculated to allocate their cost or revalued amounts to their residual values over their estimated useful lives, as follows:

Land	No depreciation charged
Buildings	2% per annum reducing balance method or 2% per annum straight line
Computer Equipment	20% - 33.3% per annum straight line method
Motor Vehicles	20% - 33.3% per annum reducing balance method
Office Equipment and Fittings	10% - 33.3% per annum straight line method
Leased property, plant and equipment	The shorter of the lease term or the above rate

The assets' residual values and useful lives are reviewed at each statement of financial position date and adjusted if appropriate.

An asset's carrying amount is written down immediately through the Income Statement 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 amount. These are included in the Income Statement.

1.6 Intangible assets

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. Costs in respect of major software developments are capitalised. Capitalised software costs that are not an integral part of the related hardware are included in intangible assets in the statement of financial position and amortised over the expected life of the software of up to 10 years. Amortisation is charged once the asset is available for use.

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

1.7 Investments

Financial assets at fair value through income

NorthStandard classify their investments as financial assets at fair value through profit or loss. Management determines the classification of its investments at initial recognition and re-evaluates this at every reporting date. Financial assets at fair value through profit or loss are subsequently carried at fair value. Realised and unrealised gains and losses arising from changes in the fair value of financial assets at fair value through profit or loss category are included in the income statement in the period in which they arise.

Regular purchases and sales of investments are recognised on trade date, the date on which NorthStandard commit to purchase or sell the asset. Investments are initially recognised at fair value. Investments are derecognised when the rights to receive cash flows from the investments have expired or where they have been transferred and NorthStandard have also transferred substantially all risks and rewards of ownership.

Collective investment vehicles are valued by the fund administrator in line with the agreed valuation policy. The fund administrator values the assets and liabilities for the purposes of calculating the net asset value of each fund and for each class of shares issued by each fund as of each dealing day. Within the discretionary portfolio, the fair values of quoted investments are based on current bid prices.

Derivative financial instruments

The Club holds derivative financial instruments to hedge its foreign currency exposure and to support the investment return. Derivatives are categorised as held for trading and are classified as financial assets or financial liabilities at fair value through profit or loss. Derivative financial instruments are measured at initial recognition, and subsequently, at fair value and changes in fair value are recognised in the income statement. Transaction costs incurred in buying and selling derivative financial instruments are recognised in the income statement when incurred. The fair value of a derivative financial instrument is determined by reference to published price quotations in an active market.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market other than those that the Associations intend to sell in the short term or that they have designated as at fair value through income or available-for-sale. Receivables arising from insurance contracts are also classified in this category and are reviewed for impairment as part of the impairment review of loans and receivables.

1.8 Impairment of assets

NorthStandard assesses at each reporting date whether there is any objective evidence that a financial asset or non-financial asset is impaired. An asset is deemed to be impaired, and impairment losses are incurred, only if there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the asset that can be reliably estimated.

Objective evidence that an asset or group of assets is impaired includes observable data that comes to the attention of NorthStandard about the following events:

- significant financial difficulty of the issuer or debtor;
- a breach of contract, such as a default or delinquency in payments;
- it becoming probable that the issuer or debtor will enter bankruptcy or other financial reorganisation;
- the disappearance of an active market for that asset because of financial difficulties; or
- observable data indicating that there is a measurable decrease in the estimated future cash flow or carrying amount from an asset or group of assets since the initial recognition of those assets.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as improved credit rating), the previously recognised impairment loss is reversed. The amount of the reversal is recognised in the income statement.

1.9 Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

1.10 Revenue and expense recognition

Premium income

All elements of revenue arising from insurance contracts and other related services offered by the Associations are recognised on an accruals basis in the accounting period in which the contract is related or services are rendered. NorthStandard's policy year runs from noon GMT on any 20 February to noon GMT on the following 20 February. NorthStandard's financial year is coterminous with its policy year for the mutual business, but this is not the case for some of NorthStandard's diversified business lines where adjustments are made for unearned premium.

Reinsurance premiums and recoveries

Reinsurance premiums, less returns, are charged to the Income Statement on an accrual basis, including a provision for the future expected costs of adjustments to the premium due under existing reinsurance policies. Recoveries under policies purchased by the Associations are accrued so as to match the relevant gross claims and associated provisions and reserves upon which the Associations are entitled to make recoveries.

Claims and related expenses

Claims paid are defined as those claims transactions settled up to the statement of financial position date including the internal and external claims settlement expenses allocated to those transactions.

Claims reserves are estimated on an undiscounted basis. Any changes to the amounts held are adjusted through the Income Statement. Claims reserves are made for known or anticipated liabilities under insurance contracts which have not been settled up to the statement of financial position date. Claims reserves include a provision for incurred but not reported claims and an uplift to ensure outstanding claims are at a best estimate. Included within the provision is an allowance for the future costs of handling those claims. This is estimated based on past experience and current expectations of future cost levels.

The reinsurers' share represents recoveries received from reinsurance protections in the period plus recoveries receivable now or in the future against claims paid or payable that have not been received at the statement of financial position date, net of any provision for bad debt.

Although the claims reserves are considered to be reasonable, having regard to previous claims experience (including the use of certain statistically based projections), case by case reviews of notified losses and on the basis of information available at the date of determining the provision, the ultimate liabilities will vary as a result of subsequent information and events.

Interest

Interest comprises interest on cash deposits and interest bearing securities and is recognised on an accrual basis.

Employee benefits

Salaries and other employee benefits, including holiday pay, are accounted for on an accrual basis. Payments to staff under the discretionary staff performance related bonus scheme are accounted for in the financial year in which they are earned.

Retirement benefit schemes

NorthStandard operates two pension schemes providing benefits based upon final pensionable salary, known as defined benefit schemes. The assets of the schemes are held separately from those of NorthStandard, being invested with professional managers.

The NorthStandard and SMI defined benefit schemes were closed to new members on 31 March 2006 and 1 July 2008 respectively.

Both the NorthStandard scheme and the SMI scheme were closed to future accrual on 31 January 2018.

The cost of providing benefits under the defined benefit plans is determined using the projected unit credit method with actuarial valuations being carried out at each statement of financial position date. Remeasurements including actuarial gains and losses but excluding net interest are recognised immediately in the statement of financial position with a corresponding debit or credit to retained earnings through other comprehensive income in the period in which they occur. Remeasurements are not reclassified to income in subsequent periods.

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. Net interest expense or income plus service costs are recognised in the income statement as incurred.

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

Leases

The Club assesses whether contracts entered into constitute a lease. A contract is, or contains a lease, if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of the asset; otherwise, it is classified as an operating lease.

The Club recognises its rights and obligations under finance leases as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased asset (or the present value of the minimum lease payments if lower). The asset is subsequently carried at the initial fair value less accumulated depreciation and impairment charges, with depreciation being charged over the shorter of the lease term and the asset's useful life where there is no reasonable certainty ownership will be obtained by the end of the least term. The liability is subsequently carried at amortised cost using the effective interest method.

Lease payments under operating leases are expensed on a straight-line basis over the lease term.

Taxation

Corporation Tax is provided on relevant income. Where the different treatment of certain items for taxation and accounting purposes results in an obligation to pay more or a right to pay less tax in the future deferred tax is recognised in respect of such timing differences that have originated but not reversed at the balance sheet date with certain limited exceptions. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred taxation is calculated on an undiscounted basis at the tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws enacted or substantively enacted at the statement of financial position date.

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NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

2. SEGMENTAL ANALYSIS BY CLASS

With an effective date of 30 June 2020 all of the insurance business, and the majority of the assets and liabilities, of Sunderland Marine Insurance Company Limited were transferred to the NorthStandard parent Company via a Part VII Transfer. Management therefore deem it more appropriate to present this business under the Diversified heading going forward where this was previously termed the SMI category.

The segment financial positions for the year ended 20 February 2023 are shown below:

Statement of Financial Position 20 February 2023	Note	P&I	FD&D	War Risks	Diversified	Interclass Adjustments	Total
ASSETS							
Intangible assets		9,041	-	-	-	-	9,041
Property, plant and equipment		15,984	-	-	3,523	-	19,507
Investments in group undertakings		-	-	-	-	-	-
Reinsurers' share of technical provision							
Provision for unearned premium		-	-	-	6,188	-	6,188
Claims outstanding	5	342,959	3,019	-	18,799	-	364,777
Financial assets							
Equity securities							
- at fair value through profit and loss	3	96,526	12,816	-	-	-	109,342
Collective investment vehicles							
- at fair value through profit and loss	3	749,117	42,019	5,295	8,402	-	804,833
Loans and receivables including insurance and reinsurance receivables		41,593	24,847	2,559	94,961	-	163,960
Current tax asset		13	1	-	18	-	32
Deferred tax asset		287	-	-	216	-	503
Cash and cash equivalents	4	144,768	-	-	69,678	-	214,446
Total assets		1,400,288	82,702	7,854	201,785	-	1,692,629
Accumulated Surplus							
Income and expenditure account	14	(102,894)	(14,307)	7,483	35,942	-	(73,776)
Contingency funds	15	435,210	55,375	-	-	-	490,585
Revaluation reserve	14	2,346	-	-	1,707	-	4,053
Total accumulated surplus		334,662	41,068	7,483	37,649	-	420,862
Non-controlling interest		-	-	-	-	-	-
LIABILITIES							
Technical provision							
Provision for unearned premium		-	-	-	49,887	-	49,887
Claims outstanding	5	892,962	39,939	-	106,726	-	1,039,627
Derivative financial instruments		816	-	-	-	-	816
Reinsurance payables		9,480	200	312	5,877	-	15,869
Trade and other payables		152,990	1,495	59	1,518	-	156,062
Corporation tax creditor		155	-	-	-	-	155
Other taxes payable		-	-	-	128	-	128
Retirement benefit liability		9,223	-	-	-	-	9,223
Total liabilities		1,065,626	41,634	371	164,136	-	1,271,767
Total accumulated surplus and liabilities		1,400,288	82,702	7,854	201,785	-	1,692,629

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NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

The segment results for the year ended 20 February 2023 are shown below:

Income Statement
20 February 2023

	Not e	P&I	FD&D	War Risks	Diversified	Interclass Adjustments	Total
Insurance premium revenue		333,972	19,958	2,128	91,647	14	447,719
Insurance premium ceded to reinsurers	6	(54,893)	(68)	(361)	(9,462)	(14)	(64,798)
		279,079	19,890	1,767	82,185	-	382,921
Change in provision for unearned premium		-	-	-	1,853	-	1,853
Reinsurers' share of change in unearned premium		(13,174)	-	-	(5,786)	-	(18,960)
		(13,174)	-	-	(3,933)	-	(17,107)
Investment income		1,643	-	-	191	-	1,834
Net fair value (losses)/ gains at fair value through profit and loss	7	(29,028)	(2,255)	(176)	248	-	(31,211)
Other gains	8	51	-	-	1,006	-	1,057
Other operating income		-	-	-	1,769	-	1,769
Net income		238,571	17,635	1,591	81,466	-	339,263
Insurance claims and loss adjustment expenses	9	(200,065)	(21,295)	-	(60,470)	-	(281,830)
Insurance claims and loss adjustment expenses recovered from reinsurers	10	24,339	1,396	-	(3,021)	-	22,714
Net insurance claims		(175,726)	(19,899)	-	(63,491)	-	(259,116)
Expenses for the acquisition of insurance and investment contracts	11	(8,502)	-	-	(13,928)	-	(22,430)
Expenses for marketing and administration	12	(37,715)	(7,078)	(217)	(12,724)	-	(57,734)
Expenses for asset management services rendered		(497)	(33)	(3)	(22)	-	(555)
Operating expenses		(46,714)	(7,111)	(220)	(26,674)	-	(80,719)
Reinsurance commission		-	-	-	2,195	-	2,195
Total expenses		(222,440)	(27,010)	(220)	(87,970)	-	(337,640)
Results of operating activities		16,131	(9,375)	1,371	(6,504)	-	1,623
Merger expense		(4,204)	-	-	-	-	(4,204)
Finance (expense) / income	13	(13,047)	3,411	19	(1,190)	-	(10,807)
(Deficit) / surplus before tax		(1,120)	(5,964)	1,390	(7,694)	-	(13,388)
Tax expense		(503)	-	-	(534)	-	(1,037)
(Deficit) / surplus for the year		(1,623)	(5,964)	1,390	(8,228)	-	(14,425)
Other comprehensive income		1,399	-	-	252	-	1,651
Total movement in reserves for the year, net of tax		(224)	(5,964)	1,390	(7,976)	-	(12,774)
Attributable to							
Owners		(224)	(5,964)	1,390	(7,976)	-	(12,774)
Non-controlling interest		-	-	-	-	-	-
		(224)	(5,964)	1,390	(7,976)	-	(12,774)

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The segment financial positions for the year ended 20 February 2022 are shown below:

Statement of Financial Position 20 February 2022	Note	P&I	FD&D	War Risks	Diversified	Interclass Adjustments	Total
ASSETS							
Intangible assets		19,152	-	-	-	-	19,152
Property, plant and equipment		17,750	-	-	3,684	-	21,434
Investments in group undertakings		6,933	-	-	-	(6,933)	-
Reinsurers' share of technical provision							
Provision for unearned premium		13,174	-	-	9,271	-	22,445
Claims outstanding	5	425,332	1,623	-	47,689	-	474,644
Financial assets							
Equity securities							
- at fair value through profit and loss	3	88,342	12,575	-	-	-	100,917
Collective investment vehicles							
- at fair value through profit and loss	3	782,498	44,547	5,473	8,687	-	841,205
Loans and receivables including insurance and reinsurance receivables		42,025	22,240	1,618	111,207	(6,933)	170,157
Current tax asset		71	-	-	-	-	71
Deferred tax asset		185	-	-	187	-	372
Cash and cash equivalents	4	90,729	-	-	62,754	-	153,483
Total assets		1,486,191	80,985	7,091	243,479	(13,866)	1,803,880
Accumulated Surplus							
Income and expenditure account	14	(231,970)	(5,240)	6,092	51,105	(6,933)	(186,946)
Contingency funds	15	564,510	52,271	-	-	-	616,781
Revaluation reserve	14	2,346	-	-	1,455	-	3,801
Total accumulated surplus		334,886	47,031	6,092	52,560	(6,933)	433,636
Non-controlling interest		-	-	-	149	-	149
LIABILITIES							
Technical provision							
Provision for unearned premium		-	-	-	51,913	-	51,913
Claims outstanding	5	995,077	33,097	-	117,936	-	1,146,110
Derivative financial instruments		42	-	-	-	-	42
Reinsurance payables		17,929	241	999	17,495	-	36,664
Trade and other payables		122,607	588	-	2,428	(6,933)	118,690
Corporation tax creditor		-	-	-	467	-	467
Other taxes payable		-	28	-	531	-	559
Retirement benefit liability		15,650	-	-	-	-	15,650
Total liabilities		1,151,305	33,954	999	190,770	(6,933)	1,370,095
Total accumulated surplus and liabilities		1,486,191	80,985	7,091	243,479	(13,866)	1,803,880

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The segment results for the year ended 20 February 2022 are shown below:

Income Statement 20 February 2022	Note	P&I	FD&D	War Risks	Diversified	Interclass Adjustments	Total
Insurance premium revenue		278,888	21,185	1,199	104,885	(1)	406,156
Insurance premium ceded to reinsurers	6	(66,653)	774	(1,203)	(42,297)	1	(109,378)
		212,235	21,959	(4)	62,588	-	296,778
Change in provision for unearned premium		-	-	-	3,856	-	3,856
Reinsurers' share of change in unearned premium		13,174	-	-	14,043	-	27,217
		13,174	-	-	17,899	-	31,073
Investment income		271	-	-	11	-	282
Net fair value losses at fair value through profit and loss	7	(18,572)	(892)	(144)	(376)	-	(19,984)
Other gains / (losses)	8	47	-	-	(86)	-	(39)
Other operating income		-	-	-	3,147	-	3,147
Net income		207,155	21,067	(148)	83,183	-	311,257
Insurance claims and loss adjustment expenses	9	(368,856)	(15,005)	-	(85,740)	-	(469,601)
Insurance claims and loss adjustment expenses recovered from reinsurers	10	155,585	(190)	-	32,196	-	187,591
Net insurance claims		(213,271)	(15,195)	-	(53,544)	-	(282,010)
Expenses for the acquisition of insurance and investment contracts	11	(9,890)	-	-	(15,266)	-	(25,156)
Expenses for marketing and administration	12	(27,647)	(6,398)	(140)	(13,293)	-	(47,478)
Expenses for asset management services rendered		(528)	(35)	(3)	(35)	-	(601)
Operating expenses		(38,065)	(6,433)	(143)	(28,594)	-	(73,235)
Reinsurance commission		-	-	-	4,024	-	4,024
Total expenses		(251,336)	(21,628)	(143)	(78,114)	-	(351,221)
Results of operating activities		(44,181)	(561)	(291)	5,069	-	(39,964)
Finance income/ (expense)	13	2,082	452	2	(3,105)	-	(569)
(Deficit) / surplus before tax		(42,099)	(109)	(289)	1,964	-	(40,533)
Tax income / (expense)		301	-	-	(2,329)	-	(2,028)
Deficit for the year		(41,798)	(109)	(289)	(365)	-	(42,561)
Other comprehensive income		26,046	-	-	-	-	26,046
Total movement in reserves for the year, net of tax		(15,752)	(109)	(289)	(365)	-	(16,515)
Attributable to							
Owners		(15,752)	(109)	(289)	(421)	-	(16,571)
Non-controlling interest		-	-	-	56	-	56
		(15,752)	(109)	(289)	(365)	-	(16,515)

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3. Fair value securities

	Year ended 20 February 2023				
	P&I	FD&D	War Risks	Diversified	Total
Market value					
Equity securities - at fair value through income	96,526	12,816	-	-	109,342
Collective investment vehicles - at fair value through income	749,117	42,019	5,295	8,402	804,833
	845,643	54,835	5,295	8,402	914,175
Cost					
Equity securities - at fair value through income	86,740	12,154	-	-	98,894
Collective investment vehicles - at fair value through income	763,569	42,490	5,408	8,939	820,406
	850,309	54,644	5,408	8,939	919,300

	Year ended 20 February 2022				
	P&I	FD&D	War Risks	Diversified	Total
Market value					
Equity securities - at fair value through income	88,342	12,575	-	-	100,917
Debt securities - at fair value through income	782,498	44,547	5,473	8,687	841,205
	870,840	57,122	5,473	8,687	942,122
Cost					
Equity securities - at fair value through income	71,147	10,077	-	-	81,224
Debt securities - at fair value through income	774,228	43,745	5,405	8,935	832,313
	845,375	53,822	5,405	8,935	913,537

4. Cash and cash equivalents

	Year ended 20 February 2023				
	P&I	FD&D	War Risks	Diversified	Total
Cash at bank and in hand	47,536	-	-	34,460	81,996
Short-term bank deposits	28,675	-	-	35,218	63,893
Money market funds	68,557	-	-	-	68,557
	144,768	-	-	69,678	214,446

	Year ended 20 February 2022				
	P&I	FD&D	War Risks	Diversified	Total
Cash at bank and in hand	35,924	-	-	31,692	67,616
Short-term bank deposits	29,550	-	-	31,062	60,612
Money market funds	25,255	-	-	-	25,255
	90,729	-	-	62,754	153,483

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NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

5. Insurance contracts

Policy year analysis

P&I Class	Closed years	Open policy years			Handling reserve	Total
		2020	2021	2022		
At 20 February 2023						
Gross outstanding claims						
Members	301,192	88,932	146,393	136,737	14,458	687,712
Pooling agreement	78,609	61,138	43,219	22,284	-	205,250
	379,801	150,070	189,612	159,021	14,458	892,962
Reinsurance amount						
Recoveries due under the pooling agreement	44,652	-	145	-	-	44,797
Recoveries due from the Group Excess Loss reinsurance	64,517	-	4,050	-	-	68,567
Recoveries due from reinsurers	91,483	59,728	45,115	33,269	-	229,595
	200,652	59,728	49,310	33,269	-	342,959
Net outstanding claims	179,149	90,342	140,302	125,752	14,458	550,003
At 20 February 2022						
Gross outstanding claims	539,840	163,068	277,485	-	14,684	995,077
Reinsurance amount	289,290	52,031	84,011	-	-	425,332
Net outstanding claims	250,550	111,037	193,474	-	14,684	569,745
FD&D Class						
At 20 February 2023						
Gross outstanding claims	7,551	4,599	2,090	9,415	16,284	39,939
Reinsurance amount	1,043	208	652	1,116	-	3,019
Net outstanding claims	6,508	4,391	1,438	8,299	16,284	36,920
At 20 February 2022						
Gross outstanding claims	11,843	4,425	8,841	-	7,988	33,097
Reinsurance amount	718	302	603	-	-	1,623
Net outstanding claims	11,125	4,123	8,238	-	7,988	31,474

War Risks Class

There were no outstanding claims at 20 February 2023 (20 February 2022: NIL).

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NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

6. Insurance premium ceded to reinsurers

	Year ended 20 February 2023					Total
	P&I	FD&D	War Risks	Diversified	Interclass	
Market	9,768	68	301	9,462	14	19,613
International Group	45,125	-	-	-	-	45,125
War Risks Group	-	-	60	-	-	60
	54,893	68	361	9,462	14	64,798

	Year ended 20 February 2022					Total
	P&I	FD&D	War Risks	Diversified	Interclass	
Market	33,078	(774)	1,157	42,297	(1)	75,757
International Group	33,575	-	-	-	-	33,575
War Risks Group	-	-	46	-	-	46
	66,653	(774)	1,203	42,297	(1)	109,378

7. Net fair value (losses) / gains at fair value through income

	Year ended 20 February 2023				
	P&I	FD&D	War Risks	Diversified	Total
Collective Investment Vehicles					
Net realised gains / (losses)	40	(54)	6	311	303
Net movement on unrealised losses	(22,761)	(1,274)	(182)	(63)	(24,280)
	(22,721)	(1,328)	(176)	248	(23,977)
Equity securities					
Net realised gains	1,875	909	-	-	2,784
Net movement on unrealised losses	(7,408)	(1,836)	-	-	(9,244)
	(5,533)	(927)	-	-	(6,460)
Derivative hedging	(774)	-	-	-	(774)
	(29,028)	(2,255)	(176)	248	(31,211)

	Year ended 20 February 2022				
	P&I	FD&D	War Risks	Diversified	Total
Collective Investment Vehicles					
Net realised gains / (losses)	2,334	68	6	(128)	2,280
Net movement on unrealised losses	(16,648)	(774)	(150)	(248)	(17,820)
	(14,314)	(706)	(144)	(376)	(15,540)
Equity securities					
Net realised gains	8,869	430	-	-	9,299
Net movement on unrealised losses	(9,866)	(616)	-	-	(10,482)
	(997)	(186)	-	-	(1,183)
Derivative hedging	(3,261)	-	-	-	(3,261)
	(18,572)	(892)	(144)	(376)	(19,984)

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NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

8. Other gains / (losses)

	Year ended 20 February 2023					
	P&I	FD&D	War Risks	Diversified	Interclass	Total
Other income	51	-	-	1,006	-	1,057

	Year ended 20 February 2022					
	P&I	FD&D	War Risks	Diversified	Interclass	Total
Other income / (expense)	47	-	-	(86)	-	(39)

9. Insurance Claims and Loss Adjustment Expenses

	Year ended 20 February 2023					
	P&I	FD&D	War Risks	Diversified	Interclass	Total
Gross claims paid						
Members' claims	250,031	8,276	-	64,988	-	323,295
Pooling agreement	35,359	-	-	0	-	35,359
Claims handling costs	16,789	6,177	-	1,005	-	23,971
	302,179	14,453	-	65,993	-	382,625
Movements in gross outstanding claims						
Members' claims	(117,850)	6,842	-	(5,523)	-	(116,531)
Pooling agreement	15,736	-	-	-	-	15,736
	(102,114)	6,842	-	(5,523)	-	(100,795)
Total gross claims	200,065	21,295	-	60,470	-	281,830

	Year ended 20 February 2022					
	P&I	FD&D	War Risks	Diversified	Interclass	Total
Gross claims paid						
Members' claims	492,294	6,645	-	47,582	-	546,521
Pooling agreement	36,924	-	-	-	-	36,924
Claims handling costs	17,040	6,611	-	854	-	24,505
	546,258	13,256	-	48,436	-	607,950
Movements in gross outstanding claims						
Members' claims	(176,552)	1,749	-	37,304	-	(137,499)
Pooling agreement	(850)	-	-	-	-	(850)
	(177,402)	1,749	-	37,304	-	(138,349)
Total gross claims	368,856	15,005	-	85,740	-	469,601

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NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

10. Insurance Claims and Loss Adjustment Expenses Recovered from Reinsurers

	Year ended 20 February 2023					
	P&I	FD&D	War Risks	Diversified	Interclass	Total
Reinsurance recoverable on claims paid						
Claims recoverable from reinsurers	1,983	-	-	23,075	-	25,058
Claims recoverable under the pooling agreement	41,946	-	-	-	-	41,946
Claims recoverable from the Group Excess Loss reinsurance	62,781	-	-	-	-	62,781
	106,710	-	-	23,075	-	129,785
Movements in reinsurance recoverable on outstanding claims						
Recoveries due from reinsurers	1,275	1,396	-	(26,096)	-	(23,425)
Recoveries due under the pooling agreement	(31,487)	-	-	-	-	(31,487)
Recoveries due from the Group Excess Loss reinsurance	(52,159)	-	-	-	-	(52,159)
	(82,371)	1,396	-	(26,096)	-	(107,071)
	24,339	1,396	-	(3,021)	-	22,714

	Year ended 20 February 2022					
	P&I	FD&D	War Risks	Diversified	Interclass	Total
Reinsurance recoverable on claims paid						
Claims recoverable from reinsurers	499	-	-	8,601	-	9,100
Claims recoverable under the pooling agreement	63,287	-	-	-	-	63,287
Claims recoverable from the Group Excess Loss reinsurance	259,558	-	-	-	-	259,558
	323,344	-	-	8,601	-	331,945
Movements in reinsurance recoverable on outstanding claims						
Recoveries due from reinsurers	27,185	(190)	-	23,595	-	50,590
Recoveries due under the pooling agreement	11,105	-	-	-	-	11,105
Recoveries due from the Group Excess Loss reinsurance	(206,049)	-	-	-	-	(206,049)
	(167,759)	(190)	-	23,595	-	(144,354)
	155,585	(190)	-	32,196	-	187,591

11. Expenses for the Acquisition of Insurance and Investment Contracts

	Year ended 20 February 2023				
	P&I	FD&D	War Risks	Diversified	Total
Brokerage	(76)	-	-	13,928	13,852
Acquisition costs	8,578	-	-	-	8,578
	8,502	-	-	13,928	22,430
	Year ended 20 February 2022				
	P&I	Total	War Risks	Diversified	Total
Brokerage	888	-	-	15,266	16,154
Acquisition costs	9,002	-	-	-	9,002
	9,890	-	-	15,266	25,156

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11. Expenses for the Acquisition of Insurance and Investment Contracts (continued)

In accordance with Schedule 3 of the International Group Agreement 1999 NorthStandard is required to disclose its Average Expense Ratio for P&I business for the five years ended 20 February 2023. The Ratio of 16.5% (2022: 15.2%) has been calculated in accordance with the Schedule and the guidelines issued by the International Group and is consistent with the relevant financial statements of NorthStandard and NorthStandard Re.

12. Expenses for Marketing and Administration

	Year ended 20 February 2023				
	P&I	FD&D	War Risks	Diversified	Total
Gross marketing and administration expenses	63,082	13,255	217	13,729	90,283
Acquisition costs	(8,578)	-	-	-	(8,578)
Claims handling costs	(16,789)	(6,177)	-	(1,005)	(23,971)
	37,715	7,078	217	12,724	57,734

	Year ended 20 February 2022				
	P&I	FD&D	War Risks	Diversified	Total
Gross marketing and administration expenses	53,689	13,009	140	14,147	80,985
Acquisition costs	(9,002)	-	-	-	(9,002)
Claims handling costs	(17,040)	(6,611)	-	(854)	(24,505)
	27,647	6,398	140	13,293	47,478

13. Finance Income and Expenditure

	Year ended 20 February 2023					
	P&I	FD&D	War Risks	Diversified	Interclass	Total
Other (expense) / income	(13,047)	3,411	19	(1,190)	-	(10,807)

	Year ended 20 February 2022					
	P&I	FD&D	War Risks	Diversified	Interclass	Total
Other income / (expense)	2,082	452	2	(3,105)	-	(569)

14. Reserves

All Classes	I&E Account	Contingency Fund	Revaluation Reserve	Accumulated surplus	Non-	Total Equity
				attributable to members	controlling interest	
At 20 February 2022	(186,946)	616,781	3,801	433,636	149	433,785
Total comprehensive income for the year	(14,425)	1,399	252	(12,774)	-	(12,774)
Sale of non-controlling interest	-	-	-	-	(149)	(149)
Transfer to contingency fund	127,595	(127,595)	-	-	-	-
At 20 February 2023	(73,776)	490,585	4,053	420,862	-	420,862

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15. Contingency Fund

All Classes	2023	2023	2022	2022
Opening balance		616,781		626,260
The transfer from the Income and Expenditure account				
Allocation of investment income for the year	(61,014)		(33,831)	
Deficit transferred from closed policy years	<u>(66,581)</u>		<u>(1,694)</u>	
		(127,595)		(35,525)
Remeasurement gains on defined benefit plans		1,399		26,046
Closing balance		<u>490,585</u>		<u>616,781</u>

Protecting and Indemnity Class

	2023	2023	2022	2022
Opening balance		564,510		575,060
The transfer from the Income and Expenditure account				
Allocation of investment income	(61,999)		(33,296)	
Deficit surplus transferred from closed policy years	<u>(68,700)</u>		<u>(3,300)</u>	
		(130,699)		(36,596)
Remeasurement gains on defined benefit plans		1,399		26,046
Closing balance		<u>435,210</u>		<u>564,510</u>

The P&I Contingency Fund was established by the Directors on 12 October 1983 in order to maintain premium stability. The operation of the Contingency Fund is described in the P&I Class rules which are available on the Club's website.

Freight, Demurrage & Defence Class	2023	2023	2022	2022
Opening balance		52,271		51,200
The transfer to the Income and Expenditure account comprises:				
Allocation of investment income	985		(535)	
Surplus transferred from closed policy years	<u>2,119</u>		<u>1,606</u>	
		3,104		1,071
Closing balance		<u>55,375</u>		<u>52,271</u>

The FD&D Contingency Fund was established by the Directors on 23 September 1994 in order to maintain premium stability. The operation of the Contingency Fund is described in the FD&D Class rules which are available on the Club's website.

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NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

16. International Group disclosure

Disclosure for the International Group accounting requirements in respect of outstanding reinsurance recoveries on paid claims in the P&I Class is as follows:

	<u>2023</u>	<u>2022</u>
Recoveries due under the pooling agreement	2,913	517
Recoveries due from the Group Excess Loss reinsurance	1,352	280
Recoveries due from other reinsurers	<u>1,188</u>	<u>916</u>
	<u>5,453</u>	<u>1,713</u>

Disclosure for the International Group accounting requirements in respect of the change in provision in respect of claims outstanding in the P&I Class is as follows:

	<u>2023</u>	<u>2022</u>
Gross outstanding claims		
Members	(101,661)	(193,017)
Pooling agreement	<u>(454)</u>	<u>15,616</u>
	<u>(102,115)</u>	<u>(177,401)</u>
Reinsurers' share		
Recoveries due from reinsurers	1,301	27,158
Recoveries due under the pooling agreement	(31,514)	11,131
Recoveries due from the Group Excess Loss reinsurance	<u>(52,160)</u>	<u>(206,048)</u>
	<u>(82,373)</u>	<u>(167,759)</u>
Movement in net outstanding claims	<u>(19,742)</u>	<u>(9,642)</u>

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NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

COMBINED P&I CLASS POLICY YEAR STATEMENT

	Closed Years	2020/ 2021	2021/ 2022	2022/ 2023	Claims Handling Reserve	Contingency Fund	Revaluation reserve	Total
Mutual & fixed premium								
Invoiced in prior years		275,942	277,133	-	-	-	-	553,075
Invoiced in current year		454	(886)	333,564	-	-	-	333,132
		276,396	276,247	333,564	-	-	-	886,207
Release premium		289	311	51	-	-	-	651
		276,685	276,558	333,615	-	-	-	886,858
Reinsurance premium		(55,904)	(55,502)	(70,574)	-	-	-	(181,980)
		220,781	221,056	263,041	-	-	-	704,878
Investment income, gains on sale of investments and exchange movements		16,418	16,850	20,364	-	96,886	-	150,518
Other income		12,508	67	31	-	-	-	12,606
Transfers		-	-	-	-	341,405	-	341,405
		249,707	237,973	283,436	-	438,291	-	1,209,407
Members' & pool claims		(120,323)	(131,733)	(24,156)	-	-	-	(276,212)
Expenses & tax		(48,184)	(53,795)	(67,035)	-	(3,081)	-	(172,095)
Surplus available on closed years	164,392	-	-	-	-	-	-	164,392
Balances available for outstanding claims	164,392	81,200	52,445	192,245	-	435,210	-	925,492
Outstanding claims	(379,801)	(150,070)	(189,612)	(159,021)	(14,458)	-	-	(892,962)
Reinsurance recoveries	200,652	59,728	49,310	33,269	-	-	-	342,959
RITC on acquisition	14,757	-	-	-	-	-	-	14,757
	(164,392)	(90,342)	(140,302)	(125,752)	(14,458)	-	-	(535,246)
Revaluation reserve	-	-	-	-	-	-	2,346	2,346
Other regulatory reserves	-	(53,734)	(4,196)	-	-	-	-	(57,930)
(Deficit) / surplus at 20 February 2023	-	(62,876)	(92,053)	66,493	(14,458)	435,210	2,346	334,662
(Deficit) / surplus at 20 February 2022	(69,060)	(60,541)	(87,685)	-	(14,684)	564,510	2,346	334,886

NorthStandard Limited and NorthStandard Re Limited
Combined Financial Statements
 (All amounts in US Dollar thousands unless otherwise stated)
20 February 2023

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

NOTES TO THE COMBINED P&I CLASS POLICY YEAR STATEMENT

- i. The Combined P&I Class Policy Year Statement (“the Statement”) is based on the combined policy year results of NorthStandard and NorthStandard Re (“the Associations”). The Statement aggregates the policy year statements of the Associations and eliminates the effect of the reinsurance transaction by which NorthStandard reinsures 90% of its P&I risks and accumulated outstanding claims with NorthStandard Re. The Associations have accounted for the reinsurance transaction in their respective accounts for the year ended 20 February 2023
- ii. Investment income, gains and losses on sales of investments and exchange movements are allocated to open policy years on the basis of a seven year projection using the annualised return of the previous seven years, and the remainder is allocated to the contingency fund.
- iii. Premium is net of brokerage.
- iv. Expenses and tax charged to open policy years are as follows:

	<u>2020/2021</u>	<u>2021/2022</u>	<u>2022/2023</u>
General and administrative expenses	48,184	53,795	67,035

From 2014/15, investment expenses and investment related taxation are charged to the contingency fund.

- v. Estimated outstanding claims include appropriate amounts in each policy year for incurred but not reported (IBNR) claims.
- vi. A deficit on any open policy year will be funded by, if necessary, a transfer from the contingency fund or by making an additional call.
- vii. Future investment income has not been included in the statement and claims have not been discounted.
- viii. Transfers are made from the contingency fund to meet exceptional items and to maintain call stability.
- ix. The approximate yield of a 10% additional call on the open policy years would be:

2020/21	US\$ 23.3 million
2021/22	US\$ 23.8 million
2022/23	US\$ 28.8 million

NorthStandard Limited and NorthStandard Re Limited
Combined Financial Statements
(All amounts in US Dollar thousands unless otherwise stated)
20 February 2023

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

COMBINED FD&D CLASS POLICY YEAR STATEMENT

	Closed Years	2020/ 2021	2021/ 2022	2022/ 2023	Claims Handling Reserve	Contingency Fund	Total
Mutual & fixed premium							
Invoiced in prior years		21,686	20,938	-	-	-	42,624
Invoiced in current year		-	4	19,933	-	-	19,937
		<u>21,686</u>	<u>20,942</u>	<u>19,933</u>	-	-	<u>62,561</u>
Release premium		24	18	7	-	-	49
		<u>21,710</u>	<u>20,960</u>	<u>19,940</u>	-	-	<u>62,610</u>
Reinsurance premium		(810)	(71)	(67)	-	-	(948)
		<u>20,900</u>	<u>20,889</u>	<u>19,873</u>	-	-	<u>61,662</u>
Investment income, gains on sale of investments and exchange movements		90	59	140	-	6,747	7,036
Other income		-	-	-	-	-	-
Transfers		-	-	-	-	48,628	48,628
		<u>20,990</u>	<u>20,948</u>	<u>20,013</u>	-	<u>55,375</u>	<u>117,326</u>
Members' & pool claims Expenses & tax		(4,828)	(3,145)	(1,517)	-	-	(9,490)
		<u>(10,092)</u>	<u>(13,009)</u>	<u>(13,255)</u>	-	-	<u>(36,356)</u>
Surplus available on closed years	6,508	-	-	-	-	-	6,508
Balances available for outstanding claims	6,508	6,070	4,794	5,241	-	55,375	77,988
Outstanding claims	(7,551)	(4,599)	(2,090)	(9,415)	(16,284)	-	(39,939)
Reinsurance recoveries	1,043	208	652	1,116	-	-	3,019
	<u>(6,508)</u>	<u>(4,391)</u>	<u>(1,438)</u>	<u>(8,299)</u>	<u>(16,284)</u>	-	<u>(36,920)</u>
Surplus / (deficit) at 20 February 2023	-	1,679	3,356	(3,058)	(16,284)	55,375	41,068
Surplus / (deficit) at 20 February 2022	394	3,430	(1,076)	-	(7,988)	52,272	47,032

NorthStandard Limited and NorthStandard Re Limited
Combined Financial Statements
 (All amounts in US Dollar thousands unless otherwise stated)
20 February 2023

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

NOTES TO THE COMBINED FD&D CLASS POLICY YEAR STATEMENT

i. The Combined FD&D Class Policy Year Statement (“the Statement”) is based on the combined policy year results of NorthStandard and NorthStandard Re (“the Associations”). The Statement aggregates the policy year statements of the Associations and eliminates the effect of the reinsurance transaction by which NorthStandard reinsures 90% of its FD&D risks and accumulated outstanding claims with NorthStandard Re. The Associations have accounted for the reinsurance transaction in their respective accounts for the period ended 20 February 2023.

ii. Investment income, gains and losses on sales of investments and exchange movements are allocated to open policy years on the basis of a seven year projection using the annualised return of the previous seven years, and the remainder is allocated to the contingency fund.

iii. Premium is net of brokerage.

iv. Expenses and tax charged to open policy years are as follows:

	<u>2020/2021</u>	<u>2021/2022</u>	<u>2022/2023</u>
General and administrative expenses	10,092	13,009	13,255

v. Estimated outstanding claims include appropriate amounts in each policy year for incurred but not reported (IBNR) claims.

vi. A deficit on any open policy year will be funded by, if necessary, a transfer from the contingency fund or by making an additional call.

vii. Future investment income has not been included in the statement and claims have not been discounted.

viii. Transfers are made from the Contingency Fund to meet exceptional items and to maintain call stability. The surplus on closed years has been transferred to the contingency fund.

ix. The approximate yield of a 10% additional call on the open policy years would be:

2020/21 US\$ 1.3 million
 2021/22 US\$ 1.2 million
 2022/23 US\$ 1.2 million



NorthStandard

Formerly **North**

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