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

Directors' Report, Strategic Report and Financial Statements 2023

NorthStandard
Formerly North

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Registered in the U.K. : Limited by Guarantee

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Company Registration Number 505456

DIRECTORS

JA Tyrrell	■●	
I Procopiou	▲■	
JP Reith	■∗	
JM de Groot	■∗	Resigned 20 February 2023
JP Grose	●	Appointed 20 February 2023
N Hadjioannou	■	Appointed 20 February 2023
C d'Amico	■	Appointed 20 February 2023
RM Ross	●	Appointed 20 February 2023
P Vellis	∗	Appointed 20 February 2023
AJ Groom	▲∗●	Appointed 20 February 2023
E Johnson	▲■	Appointed 20 February 2023
NJO Fell		
PB Shirke	■●	
PA Jennings	●	
EJ Davies		Resigned 20 February 2023
PM Johnson	▲∗	Resigned 22 November 2022
NR Taylor	▲∗	
MR Thompson	▲∗	
GJM Vrancken		Resigned 20 February 2023

Member of the Group Audit Committee	▲
Member of the Group Nominations & Remuneration Committee	■
Member of the Group Risk Committee	∗
Member of the Group Investment Committee	●

COMPANY SECRETARY
CP Owen

Primary Bankers
Nordea Bank Abp, Filial i Norge
Essendropsgate 7
PO Box 1166 Sentrum
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Norway

Barclays Bank Plc
49-51 Northumberland Street
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1 Molesworth Street
Dublin 2
D02 RF29
Ireland

Auditor
BDO LLP
55 Baker Street
London
W1U 7EU

REPORT OF THE DIRECTORS

The Directors have pleasure in presenting their report together with the financial statements of the Group and Company for the year ended 20 February 2023.

For the year ended 20 February 2023 the Group comprised NorthStandard Limited ('NorthStandard' or 'the Company') and its subsidiaries, including North of England P&I Designated Activity Company ('North EU'), North Group Services Limited ('NGS'), and the segregated cell within Hydra Insurance Company Limited ('Hydra').

Immediately following the year end, the Company merged with The Standard Club Limited to form the NorthStandard Group. The merger was concluded by the Company becoming the sole member of The Standard Club Limited. The Company changed its name to NorthStandard Limited with effect from 20 February 2023.

Membership
NorthStandard is owned by its shipowner and charterer Members who are the policyholders of the Mutual cover policies.

Corporate Governance
The Directors are collectively responsible for the long-term success of the Group, setting the strategic aims and ensuring that obligations to Members and others are understood and met.

The Board of Directors are responsible for providing effective, entrepreneurial leadership of the Company within a framework of prudent and effective controls which enables risk to be assessed and managed. All Directors must act in what they consider to be the best interests of the Company and in compliance with statutory and regulatory requirements.

The Members' Board provides a forum for Members to play an enhanced role in the governance of the Group and promote a mutual ethos within the governance structure. It has and Elections Committee to consider applications to join the Members Board, and a Merger Transition Group tasked with providing Members' views and guidance on post-merger transition and integration.

The Board of Directors has established four standing committees:

Group Audit Committee

The Group Audit Committee has a minimum of three members and a standing agenda of three meetings per year. All members must be non-executive Directors and the majority of members must be independent in accordance with the FRC UK Corporate Governance Code, including the Chair. The key responsibilities of the Group Audit Committee include:

- Oversight of external auditors and their activity, including the provision of any non-audit services;
- Oversight of the internal audit function;
- Review and recommendation to the Board of this annual report and consolidated financial statements, Solvency and Financial Condition Reports, Regular Supervisory Reports and other regulatory reports and public disclosures; and
- Monitoring the effectiveness of internal controls and risk management systems regarding the financial reporting of the Group.

Group Risk Committee

The Group Risk Committee has a minimum of three members and a standing agenda of three meetings per year. All members must be non-executive Directors and the Chair must be independent in accordance with the FRC UK Corporate Governance Code. The key responsibilities of the Group Risk Committee include:

- Oversight of risk management functions, controls and framework documentation;
- Review and recommendation to the Board on risk appetite;
- Oversight and review of risk registers, risk reporting triggers and reporting exceptions; and
- Monitoring of regulatory relationships, regulatory assessments and breach reporting.

REPORT OF THE DIRECTORS (CONTINUED)

Group Nominations and Remuneration Committee

The Group Nominations and Remuneration Committee has a minimum of three members, all of whom must be non-executive Directors, and a standing agenda of four meetings per year. The key responsibilities of the Group Nominations and Remuneration Committee include:

- Oversight of the process for appointments to the Board of Directors and Board Committees, including fit and proper assessment;
- Oversight of Board training and development plans;
- Oversight of the process for senior management appointments including fit and proper assessments;
- Setting the remuneration of Directors and senior management, including oversight of executive and employee bonus schemes and pension provision for executives and staff; and
- Oversight of the annual Board performance appraisal process.

Group Investment Committee

The Group Investment Committee has a minimum of three members, the majority of whom must be non-executive Directors, including the Chair, and a standing agenda of four meetings per year. The key responsibilities of the Group Investment Committee include:

- Review investment strategy;
- Make recommendations in relation to investment risk appetite, strategic investment asset allocation and the execution of investments;
- Monitor investment risk and assess the impact of investment decisions on risk register valuations, credit ratings and regulatory capital requirements; and
- Review and monitor investment performance and the performance of investment managers and advisors.

Directors and Company Secretary
The Directors and Company Secretary of NorthStandard are shown on page 3.

NorthStandard maintains insurance policies on behalf of all the Directors against liability arising from negligence, breach of duty and breach of trust in relation to NorthStandard.

Statement of Disclosure of Information to Auditors
Each person who is a Director at the date of approval of this report confirms that:

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

REPORT OF THE DIRECTORS (CONTINUED)

Directors' Responsibilities
The Directors are responsible for preparing the Strategic Report, Directors' Report and Financial Statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group and parent company financial statements for each financial year. Under that law they have elected to prepare both the Group and parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and FRS 103 "Insurance contracts" issued by the Financial Reporting Council). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and parent company and of their profit or loss for that period. In preparing each of the Group and parent company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Group's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Going Concern
NorthStandard's business activities are set out in the Strategic Report. The financial position of NorthStandard, its cash flows, liquidity position and borrowing facilities are described in the financial statements. In addition, Note 3 to the consolidated financial statements includes NorthStandard's objectives, policies and processes for managing its capital, its financial risk management objectives, details of its financial instruments and its exposures to credit risk and liquidity risk.

NorthStandard produces a detailed Own Risk and Solvency Assessment ("ORSA") document each year in line with the Group's ORSA Policy and the requirements of the PRA for a Solvency II regulated firm. The ORSA documents the activities undertaken by the Group during the year and provides an overview of the Group's strategy, the risks faced by the Group, and an assessment of its future solvency requirements as the Group's strategy is implemented. It also records the results of stress and reverse stress testing conducted on the business plans approved by the Board, including a consideration of divergence from expected underwriting, operational and investment performance. The most recent ORSA document for the Group was considered and approved by the Board in February 2023.

NorthStandard has a total accumulated surplus as at 20 February 2023 of US$321.3 million and as such the Directors consider NorthStandard to have suitable financial resources. Furthermore, NorthStandard is a mutual organisation and has the facility to raise additional capital via additional calls from its Members for open policy years should they be required. As a consequence, the Directors believe that NorthStandard is well placed to manage its business risks successfully. After making enquiries, the Directors have formed a judgement at the time of approving the consolidated financial statements, that there is a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future (a period of at least twelve months from the date of approval of the financial statements). For this reason, the Directors continue to adopt the going concern basis in preparing the consolidated financial statements.

REPORT OF THE DIRECTORS (CONTINUED)

Disabled employees

NorthStandard gives full consideration to applications for employment from disabled persons where the candidate's particular aptitudes and abilities are consistent with adequately meeting the requirements of the job. Opportunities are available to disabled employees for training, career development and promotion. Where existing employees become disabled, it is NorthStandard's policy to provide continuing employment wherever practicable in the same or an alternative position and to provide appropriate training to achieve this aim.

Employee engagement

The Group has a number of arrangements designed to provide employees with information and to gather the views of employees so that their views can be taken into account when decisions are taken which are likely to affect their interest.

The Group has an established Staff Liaison Committee, which meets on a regular basis through the year and which provides a forum for employees across the business to be consulted by, and to raise any employee concerns with, senior management. Regular employee newsletters, a twice annual all-employee presentation, and more regular informal briefings and presentations all contribute to ensuring that the employees are aware of the financial and economic factors affecting the Group and our Members.

The involvement of employees in the performance of the business is encouraged as part of the annual bonus arrangements, overseen by the Group Nominations & Remuneration Committee, is linked to the achievement of strategic KPIs, with this link clearly communicated to employees.

Engagement with other stakeholders

The Group is a mutual organisation run on behalf of our Members. The engagement of the Group with these stakeholders is broad and frequent through the day to day activities necessary to run the business. More formally, the Members Board provides a forum through which Members can play an enhanced role in the governance of the Group and ensure that their views and needs can be taken into account in the decisions taken by the Group during the year.

Donations

NorthStandard made no political donations (2022 – NIL).

Streamlined Energy and Carbon Reporting (SECR)

Energy efficiency actions

NorthStandard is committed to 'net zero' emissions by 2030 at the latest. Net zero means reducing our carbon footprint as much as possible before offsetting the rest. We have set up a carbon reduction taskforce and steps are being taken to reduce our carbon footprint, including:

- in our Newcastle head office we are investigating a replacement LED lighting system and renewable energy supply;
- considering adding solar panels;
- company vehicles have been replaced with electric vehicles;
- recycling paper, plastic, aluminium, toners and mobile phones;
- using carbon neutral corporate stationery;
- re-using office equipment rather than buying new;
- reducing catering orders to reduce wastage at meetings;
- removing plastic bottles from meeting rooms; and
- introducing a Group Sustainable Procurement Policy to embed the consideration of environmental, social and economic impact as factors in decisions made by all staff and our partners and suppliers whilst adhering to our supplier management framework.

Methodology used in the calculation of disclosures

Emissions have been reported and recorded in accordance with the published reporting standard for Carbon Reduction Plans and the GHG Reporting Protocol corporate standard and uses the appropriate Government emission conversion factors for greenhouse gas company reporting.

Scope 1 and Scope 2 emissions have been reported in accordance with SECR requirements, and the required subset of Scope 3 emissions have been reported in accordance with the published reporting standard for Carbon Reduction Plans and the Corporate Value Chain (Scope 3) Standard.

REPORT OF THE DIRECTORS (CONTINUED)

SECR disclosures

	Year ended Feb 23	Year ended Feb 22	Unit
UK office electricity consumption	790,992	1,016,472	kWh
UK office gas consumption	42,603	56,486	kWh
Scope 1 emissions	9	12	tCO2e
Scope 2 emissions	233	299	tCO2e
Scope 3 emissions	889	1,116	tCO2e
Intensity ratio – total emissions per FTE	4	5	tCO2e/FTE

Open policy years
Additional calls can be made on any open policy year. Usually a policy year will remain open for three consecutive years after its inception although this is at the discretion of the Directors and depends on the anticipated result of the policy year in question.

The Directors agreed on 21 November 2022 that the 2019/2020 policy year should be closed and amalgamated with the previous closed years for all P&I, FD&D and War Risk classes. No additional calls are anticipated for open policy years for any class of business. It was agreed that there would be a general increase of 10% to Members' rates for the 2023/2024 mutual premium for P&I and 15% for FD&D.

Likely future developments in the business of the company and its subsidiary undertakings
Following positive votes by the Members of North and Standard Club in May 2022, North and Standard Club merged immediately following the financial year end on 20 February 2023 to form NorthStandard. NorthStandard is now one of the world's largest providers of mutual maritime cover. The merger will allow all the companies within the NorthStandard Group to provide even more benefits for our members through increased scale, enhanced financial security, and service expansion.

Work is on-going on a number of integration workstreams to deliver the benefits of the merger to our Members. This includes a review of our corporate structure which will likely result in some of the entities within the Group being deemed surplus to requirements and therefore being put into run-off or becoming dormant. At this stage, no decision as to which entities will be effected by the corporate structure review has been taken, although it is clear that NorthStandard Limited will continue as the parent organisation in the Group.

No other significant developments in North's business are expected in the medium term.

On behalf of the Board of Directors

PA Jennings
Managing Director
25 May 2023

J Grose
Managing Director
25 May 2023

STRATEGIC REPORT

The Directors present their Strategic Report for the year ended 20 February 2023. All figures are US$ millions unless otherwise stated.

Principal Activities

NorthStandard Limited ('NorthStandard') is a mutual insurance organisation. NorthStandard is a Company limited by guarantee, has no share capital and is registered in the United Kingdom (Company registration number 505456). No one Member controls NorthStandard. The address of the registered office is given on the first page.

Mutual business

NorthStandard is one of the 12 members of the International Group of P&I Clubs which, between them, provide liability insurance for over 90% of the world's deep-sea ship owners. NorthStandard's primary business is the provision on a mutual basis of third-party liability or protection and indemnity ('P&I') insurance to ship owners. 'Protection' generally means cover for people and ships whereas 'indemnity' means cover for cargo. The cover provided is as set out in the Rules of the Class.

Cover is also provided for otherwise uninsured legal costs, known as freight, demurrage and defence ('FD&D') insurance. The cover provided is as set out in the Rules of the Class and provides insurance for a Member against costs and expenses incurred by them which arise in relation to any dispute or matter arising in connection with the operation, ownership, management or chartering of an entered ship.

The FD&D Class is run on a mutual basis similar to the P&I Class, with premiums being pooled and invested to pay claims directly and to buy reinsurance.

A copy of the Rules of the Class for both P&I and FD&D are available on the company's website.

NorthStandard also operates a separate War Risks Class to provide cover for war and terrorism losses which are generally excluded from normal P&I and hull and machinery policies. The War Risks cover includes both physical loss and damage to ships as well as third party liability caused by war perils. It also includes compensation for being blocked or trapped in an area due to conflict. The War Risks Class also operates on a mutual basis.

Non-Mutual business

NorthStandard, both as a Company and through the activities of its subsidiaries, also provides fixed premium Hull, P&I, Personal Accident and Aquaculture insurance. The majority of the diversified business lines are underwritten using the SMI trading name acquired following the merger with Sunderland Marine in 2014. The objective for the fixed premium business is to deliver financial benefits for our mutual Members consistent with our diversification strategy.

STRATEGIC REPORT (CONTINUED)

Strategy

Following the completion of the merger with The Standard Club Limited immediately following the end of the financial year, the Group's strategy statements, strategic objectives and key performance indicators ('KPIs') are all subject to review by the Board of Directors. An assessment of performance in the year requires reference to the expiring strategic objectives and key performance indicators, whilst the assessment of risks moving forward requires reference to strategic objectives and key performance indicators that remain under development.

Performance in the year

The key strategic objectives applicable to the year ended 20 February 2023, and the associated key performance indicators, were as follows:

- Increase or mutual premium and diversified income
- Be a leader in all our key service and product areas
- Build our financial strength and standing in the International Group
- Empower our people to develop, and connect responsibly with our communities and the environment

Increase our mutual and diversified income

The KPIs for this strategic objective were set with reference to a five-year underwriting growth target to achieve a specified income by 2025, with a target percentage of that income to be derived from non-mutual business. The strategies and metrics associated with this objective are commercially sensitive and are therefore not disclosed in the financial statements.

Gross earned premium income has increased overall from US$410.0 million in 2022 to US$449.6 million in 2023.

Be a leader in all our key service and product areas

The KPIs for this strategic objective are set with reference to the triennial member and broker survey. The most recent member and broker survey was completed in 2020. The results showed an increase in overall satisfaction and confirmed an 'Excellent' Net Promoter Score, in satisfaction of the Directors' KPI for this objective.

Build our financial strength and standing in the International Group

The KPIs for this strategic goal are set with reference to the information included in the Combined Financial Statements produced annually by the Club. The Combined Financial Statements report the financial position and performance of the Club, being the NorthStandard Group combined with that of NorthStandard Re Limited (renamed from North of England Mutual Insurance Association (Bermuda) Limited following the year end), a mutual company controlled by the Members. The KPIs reviewed by the Board therefore do not correspond directly to the information provided in these financial statements. Progress towards achieving the strategic goal is therefore presented without reference to the KPIs set by the Board.

STRATEGIC REPORT (CONTINUED)

Performance in the year (continued)

Written premium increased from US$406.2 million in 2022 to US$447.7 million in 2023.

	2023 US$m	**2022 US$m**
Mutual		
P&I	334.0	278.8
FD&D	20.0	21.2
War	2.2	1.3
Total Mutual	356.2	301.3
Non-Mutual	91.5	104.9
	447.7	406.2

NorthStandard declared a general premium increase of 15% for the 2022 policy year, of which 7.5% was directly attributable to the costs of meeting the escalating value of International Group pool claims. This general increase, combined with a small increase in entered tonnage and an increase in the cost of International Group reinsurance passed onto Members, saw Mutual P&I premium increase from US$278.8 million to US$334.0 million.

Premiums for FD&D reduced by US$1.2 million, whilst an increase in additional war risk premiums charged where vessels are operating in areas of perceived enhanced risk contributed to an increase of war premium by US$0.9 million.

Non-mutual premium reduced by US$13.4 million from US$104.9 million to US$91.5 million. This reflects the combination of exchange rate movements, reducing the US Dollar value of premiums written in other currencies, with a decision to pause underwriting Aquaculture business from 1 January 2022 whilst a strategic review of the sustainability of the product was undertaken.

The cost of claims in a year tends to be driven by our experience of large claims (those over US$1 million) on the most recent policy year. At the twelve-month development stage of the 2022/23 policy year the Group has experienced fewer large claims than at the same stage of the 2021/22 policy year. In addition, an increase in the frequency and severity of Covid-19 related crew claims in the prior year has not been repeated in the current year. The prior financial year was also characterised by a very high level of activity on the International Group pool, including two pool claims from Members of the Group as at 20 February 2022 on the 2021/22 policy year. As at 20 February 2023, the pool claim activity for the 2022/23 policy year has reduced significantly in both number and value of claims compared to 2021/2022, and no pool claims have been reported by Members of the Group. This positive current policy year experience has been somewhat offset by deteriorations on prior policy years in the current financial year. Overall, gross claims incurred have reduced from US$469.6 million to US$281.8m, with net claims reducing from US$60.7 million to US$53.2 million.

Administrative expenses have increased from US$47.1 million to US$61.4 million. The increase is largely accounted for by amortisation and impairment charges of US$10.2 million against intangible assets as a result of the go-live of a software development project in the year. The Group also incurred costs of US$4.3 million on merger related activities.

The total investment return, net of expenses and charges, was a loss of US$5.3 million compared to a loss of US$9.3 million in the prior year. The Group suffered a loss on foreign exchange of US$10.8 million in the year (2022: US$0.4 million).

Overall, the Group recorded a deficit after tax of US$12.5 million compared to a surplus after tax of US$13.9 million in the prior year.

The total accumulated surplus attributable to Members reduced from US$332.2 million at 20 February 2022 to US$321.3 million at 20 February 2023. The reduction is a result of the deficit recorded above, mitigated by positive movements on the Group's defined benefit pension deficit and the revaluation of land and buildings recorded in other comprehensive income.

Empower our people to develop, and connect responsibly with our communities and the environment

The KPIs for this strategic goal have been set to measure this objective with reference to employee satisfaction, as measured through an annual people survey, employee retention and high levels of engagement in corporate social responsibility, wellbeing and environmental initiatives. The most recently completed people survey showed a net promoter score of 'excellent'.

STRATEGIC REPORT (CONTINUED)

Risks to achieving our strategic objectives

The strategic statements for the newly merged entity from February 2023 are still under development and therefore subject to change. However, it is expected that once agreed by the Board, the strategic statements will reflect an evolution of the expiring strategy rather than a significant change. Our focus will remain on our customers, our financial performance, and our people and communities.

Insurance and financial risks as set out in note 3 to the financial statements could materialise and prevent the Group from achieving its strategic objectives. Potential threats to achieving our strategic objectives from the current environment in which the Group operates have been identified in relation to the conflict in the Ukraine and climate change.

Conflict in Ukraine

There was a significant escalation of the conflict in Ukraine at the start of the Group's 2022/2023 financial year. To date, the direct financial impact on the Group has been immaterial. The Group had no exposure to Ukrainian or Russian based investments in its investment portfolios, cover for war and terrorism losses are generally excluded from P&I and Hull and Machinery policies, and the small War Risks Class is fully reinsured and has not been notified of any claims. The Group has had some losses reported to it in relation to vessels trapped due to the conflict, leading to the vessels being a constructive total loss, but the losses aren't material to the Group's result in the year. Indirectly, the conflict has exacerbated continuing investment market volatility, and has had an impact on global economic activity.

The principal impact of the conflict on the Group to date has been operationally, where our teams have been working with our Members and policyholders to help them navigate the consequences for their businesses. The longer-term financial consequences are less certain, given the indefinite timescales associated with the conflict and the potential for further escalation. A reduction in global economic activity is likely to result in reduced claims activity, which is financially favourable, but a prolonged period of recessionary economic activity could adversely affect our strategic goal to grow premium income.

Climate change

Our Sustainability Strategy recognises that climate change is one of the biggest challenges that we face. Impacts will not only be felt in claims liabilities and types but also in underwriting risks and the movement of goods more generally as we move to a carbon neutral environment and adopt new technologies.

We are working to ensure that we understand the likely effect of a changing climate on our own sustainability. To monitor and address these risks, we incorporated climate related risks within our existing risk management framework. Risk reporting continues to be undertaken on a quarterly basis and considered by our Risk Committee and Board, enabling the financial risks of climate change to be continuously monitored and associated mitigating controls to be reassessed.

STRATEGIC REPORT (CONTINUED)

Statement by the Directors in performance of their statutory duties in accordance with s172(1) Companies Act 2006

The Board of Directors of NorthStandard consider, both individually and together, that they have acted in the way they consider, in good faith, would be most likely to promote the success of the Group for the benefit of its Members in the decisions taken during the year ended 20 February 2023.

The business plan approved by the Board during the year covers a five-year period and is designed to pursue the strategic goals of the Group for the benefit of all Members. In approving the business plan the long-term consequences of decisions are explicitly considered by the Directors.

The Board, operating through the Nominations & Remuneration Committee, have pursued employee engagement having considered the linkage between making progress towards the Group's strategic goals and a proportion of the annual bonus scheme reward that all staff participate in.

The Board also require the Group to foster its business relationships with suppliers, customers and others as necessary to be a leader in all our key service and product areas, and encourage the Group's employees to participate in community and environmental initiatives. The Members Board provides a forum for Members to play an enhanced role in the governance of the Group as described in the Directors' report.

The Board, including through the Group Risk Committee, formally consider policies on whistleblowing, money laundering, bribery, modern slavery and other policies and procedures designed to ensure the Group maintains high standards of business conduct on an annual basis.

Following the completion of a competitive tender process in 2021 BDO replaced KPMG LLP as auditors of NorthStandard for the financial year ending 20 February 2023.

On behalf of the Board of Directors

PA Jennings	**J Grose**
Managing Director	Managing Director
25 May 2023	25 May 2023

Independent auditor's report to the members of NorthStandard Limited (formerly The North Of England Protecting And Indemnity Association Limited)

Opinion on the financial statements

In our opinion, the financial statements:

- give a true and fair view of the state of the Group's and of the Company's affairs as at 20 February 2023 and of the Group's deficit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of NorthStandard Limited (formerly The North Of England Protecting And Indemnity Association Limited) ("the Company") and its subsidiaries ("the Group") for the year ended 20 February 2023 which comprise the Consolidated Income Statement, the Consolidated Statement of financial position, the Consolidated Statement of Changes in Equity, the Consolidated Statement of Cash Flows, the Parent Company Statement of Financial Position, the Parent Company Statement of Changes in Equity, the Parent Company Statement of Cash Flows, and notes to the financial statements, including a summary of the significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* and Financial Reporting Standard 103 *Insurance Contracts* (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

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

Independence

Following the recommendation of the Audit Committee, we were appointed by the Board on 21 September 2022 to audit the financial statements for the year ended 20 February 2023 and subsequent periods. The period of total uninterrupted engagement including retenders and reappointments is 1 year, covering the year ended 20 February 2023.

We remain independent of the Group and Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. The non-audit services prohibited by that standard were not provided to the Group or Company.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the Directors' assessment of the Group's ability to continue to adopt the going concern basis of accounting included:

- Review and challenge of the Group's current plans and budgets, challenging growth assertions and checking that movements were in line with justifiable assumptions and were consistent with our understanding of the business. The 2023/24 budget was assessed based on audited 2023 figures and our general commercial and sector experience;

- Enquiries of the Directors and scrutiny of management information, board minutes and regulatory correspondence to ascertain the existence of undisclosed events or obligations that may cast doubt on the Group's ability to continue as a going concern;
- Consideration of the basis of solvency projections and the appropriateness of the model used and ensured the appropriate application for the next 12 months from when the financial statements are authorised for issue;
- Assessed the Group's solvency position through reference of sufficiency of assets to meet liabilities and the adequacy of regulatory capital;
- Review of the Group's assessment of the risks relating to climate change and assessment of potential impacts on the Group's financial position and forecasts; and
- Review of the latest available Own Risk and Solvency Assessment ('ORSA') return to check compliance with regulatory solvency requirements. This included checking that stress testing was performed and consideration of the results of the stress testing as documented in the ORSA return.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

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

Overview

Coverage	100% of Group Deficit Before Tax 100% of Group Gross Written Premium 100% of Group Total Assets 99% of Group Net Assets
Key audit matters	2023 Valuation and cut-off of technical provisions and reinsurer's share of technical provisions ✔ Valuation of Defined Benefit Pension Scheme ✔
Materiality	*Consolidated financial statement as a whole* $6,426,000 based on 2% of Net Assets. *Parent financial statements as a whole* $5,681,280 based on 2% of Net Assets.

An overview of the scope of our audit

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including the Group system of internal control, and assessing the risks of material misstatement in the financial statements. We also addressed the risk of management override of internal controls, including assessing whether there was evidence of bias by the Directors that may have represented a risk of material misstatement.

The Group comprises the parent and its subsidiary undertakings; NorthStandard Limited (formerly The North Of England Protecting and indemnity Association Limited), Hydra Insurance Company Limited (North Cell Only), Sunderland Marine Insurance Company Limited, North Of England Marine Consultants (Shanghai) Limited, NEPIA Trust Company Limited, North Group Services Limited, British Shipowners Association, North Law Limited, North Legal Limited, North Of England P&I Designated Activity Company, North Of England Insurance Services Inc, Sunderland Marine (Africa) Limited, Salvus Bain Management (USA) LLC, Haylock Murray Underwriting Limited, North Risk Services Limited, Aquaculture Risk (Management) Limited.

Of the above entities Northstandard Limited, Hydra Insurance Company Limited (North Cell only), North Of England P&I Designated Activity Company Limited, North Group Services Limited were all considered to be significant components, these are subject to full scope audit carried out by the Group engagement team.

All audit work was performed directly by the audit engagement team with the assistance of appointed experts.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. This matter was 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 this matter.

<table>
<tr><th colspan="2">Description of Key Audit Matter</th><th>Procedures performed to address this risk</th></tr>
<tr><td>Valuation and cut off of technical provisions and reinsurer’s share of technical provisions (note 7) the accounting policies & estimates are set out in note 1.1 and 2

Gross technical provisions at 20 February 2023 $1,039,627k (2022: $1,146,111k).

Reinsurers Share Of Technical Provisions at 20 February 2023 $959,748k (2022: $1,062,947k)</td><td>We have assessed this area as being of significant risk to the audit and a key audit matter due to the significance of these amounts in deriving the Group results and because of the degree of assumptions and estimation underpinning the determination of technical provisions, which can be highly subjective. In particular:

Case reserves are inherently uncertain and rely on:

• The expertise of the claims handlers and their experience of</td><td>We performed the following procedures:

Valuation of Case Estimates:

• Agreed all case estimates above performance materiality and a sample of non-material case estimates to supporting documentation, such as legal correspondence, to assess whether case estimates are valued appropriately;

• For pool claims that the entity has an obligation to partake in the settlement of we have agreed the amounts recognised to the live portal used by the international group to communicate incurred amounts;

• We have in conjunction with our IT specialists tested the embedded authority limits for claims estimate movements within the underwriting systems for mutual business and checked that these operate effectively throughout the period; and</td></tr>
</table>

Net technical provisions were $79,879k (2022: $83,164k).	assessing claims in different jurisdictions and of different types. • The correct and timely entry of claims information onto the claims system before the year end. Modelling of the provision for claims incurred but not reported ('IBNR') is reliant on: • Up to date, relevant, claims data being correctly entered into actuarial models. • Selection of appropriate actuarial methodologies. • The application of appropriate actuarial techniques, judgement and assumptions (including the selection of appropriate models for occupational disease exposures). The Group has a range of reinsurance placements, incorporating group quota share, pool excess of loss, non-pool cover and facultative covers. The reinsurer's share of technical provisions is dependent on the correct valuation of gross reserves and the appropriate application of the portfolio of reinsurance agreements in place.	• We have reviewed a sample of static claims review controls to check that these have operated effectively throughout the period. **Cut-off of Case Reserves:** • Agreed material claim adjustments and payments around the year end to supporting documentation and assessed whether these adjustments and payments were accounted for in the correct period. **Valuation of IBNR:** • Reconciled key actuarial inputs used in actuarial models to accounting records; • Reviewed the outturn of prior years' claims IBNR against previous estimates, to assess valuation of IBNR held against the subsequent claims' development. • With the assistance of our internal actuarial specialists, we independently projected ultimate claims using historical claims data and our own actuarial techniques for P&I business classes; • With the assistance of our internal actuarial specialists, we assessed the appropriateness of the methodology, significant judgements and assumptions applied by the Group's actuarial team in application to diversified business; and • For occupational disease claims reserves, BDO's actuarial experts assisted us to review the assumptions and methodology used by employed by the Group to determine appropriateness. **Valuation of Reinsurers' Share of Technical Provisions:** • Recomputed recoveries on the quota share reinsurance arrangements though application of the ceding percentage to the technical provisions subject to quota share based on the agreement; • Assessed the accuracy of the excess of loss reinsurance calculations through identification of claims above reinsurance retention levels, thus eligible for recovery, and recalculating the reinsurers' share in line with the excess of loss reinsurance programme terms; • For facultative reinsurance agreements we have reviewed the application of the

		programme for a sample of agreements and ensured that recoveries are appropriately presented; and • For claims with incurred positions above the pool retention limit we have checked that the appropriate recovery has been booked in the financial statements. **Key observations:** Based on our audit procedures performed we consider the judgements and assumptions made in the valuation of technical provisions and reinsurer's share of technical provisions to be appropriate.
Valuation of Defined Benefit Pension Scheme Refer to notes 2 and 12 – Retirement benefit costs, 3 – Critical accounting estimates and judgements in applying accounting policies, 12 Retirement Benefit Schemes	The financial statements contain a defined benefit pension scheme net deficit of $9,224k (2022 - $15,651k) The entity operates two defined benefit plans for members of the former and current management team. The schemes are both closed to new members and future benefit accrual effective from 2018. The calculation of the Group's pension provision requires management to make significant judgement regarding a variety of factors including discount rate, RPI inflation, CPI inflation and mortality rates. We have assessed this area as being of significant risk to the audit, and a key audit matter, due to the significance of these amounts in deriving the Group's and Company's results and because of the level of assumption	Our procedures to address the risk included the following: • With the assistance of our external actuarial expert we assessed assumptions underpinning the calculation of the defined benefit pension obligation and benchmarked against other schemes to determine an acceptable and appropriate range. We considered whether the assumptions applied to the scheme fell within those ranges and sought explanations from managements actuarial expert in the event these didn't; • We agreed a sample of movements in the underlying data by agreeing back to supporting documentation and, where relevant, the consequent amounts being paid; • We obtained third party confirmations for the assets being held within the pension scheme and obtained independent valuations of a sample of the Schemes investments; and • We obtained and reviewed control reports for the custodians of the schemes assets to understand the effectiveness of controls over rights and custody of assets, over valuation, and over information management and in order to identify any matters relevant to the audit. **Key Observations:** As a result of the procedures performed, we

	and estimation underpinning the valuation, which can be highly subjective.	consider the judgements and assumptions made in the valuation of the defined benefit scheme to be appropriate.

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements.

In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole and performance materiality as follows:

	Group financial statements	**Company financial statements**
	2023	2023
Materiality	$6,426,000	$5,681,000
Basis for determining materiality	2% of Net Assets	2% of Net Assets
Rationale for the benchmark applied	The principal determinant in this assessment was the Group’s Net Assets, which we consider to be the most relevant benchmark, as it reflects a key measure of the ability of the Group to settle its claims liabilities as they fall due.	
Performance materiality	$3,856,000	$3,409,000
Basis for determining performance materiality	60%	60%
	60% was reflective of our perceived risk of the financial statements containing misstatements, this reflects our assessment of the risk posed by first year audits.	

Reporting threshold

We agreed with the Audit Committee that we would report to them any misstatements in excess of $128k (Parent - $114k) that we identified through the course of our audit, together with any qualitative matters that warrant reporting on qualitative grounds.

Other information

The directors are responsible for the other information. The other information comprises the information included in the Directors Report, Strategic Report and Annual Financial Statements 2023, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Other Companies Act 2006 reporting

Based on the responsibilities described below and our work performed during the course of the audit, we are required by the Companies Act 2006 and ISAs (UK) to report on certain opinions and matters as described below.

Strategic report and Directors' report	In our opinion, based on the work undertaken in the course of the audit: • the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and • the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements. In the light of the knowledge and understanding of the Group and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the Directors' report.
Matters on which we are required to report by exception	We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion: • adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or • the financial statements are not in agreement with the accounting records and returns; or • certain disclosures of Directors' remuneration specified by law are not made; or • we have not received all the information and explanations we require for our audit.

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud.

We gained an understanding of the legal and regulatory framework applicable to the Group and the industry in which it operates, and considered the risk of acts by the Group which were contrary to applicable laws and regulations, including fraud. These included but were not limited to compliance with Companies Act 2006, Prudential Regulatory Authority ('PRA') regulations, Financial Conduct Authority ('FCA') rules, FRS 102 and FRS 103. We obtained our understanding through internal and external training, and the use of an appropriately qualified and experienced audit team who specialise in the insurance sector. The team was briefed on the relevant risks applicable to irregularities and fraud at the planning meeting.

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- Agreement of the financial statement disclosures to underlying supporting documentation;
- Assessed the susceptibility of the financial statements to material misstatement including fraud and identified the fraud risk areas to be the valuation of technical provisions and the defined benefit plan (refer to the key audit matters section above) and management override of controls;
- In response to the risk of management override of controls, assessed the appropriateness of journal entries which met a specific defined criteria by agreeing to supporting documentation, utilising our internal software to aid in the identification of journals meeting our criteria;
- Enquiries of management and those charged with governance to ascertain if there has been any actual or suspected fraud;
- Review of minutes of board meetings throughout the period for any evidence of non-compliance with laws and regulations;
- Obtaining an understanding of the control environment in monitoring compliance with laws and regulations;
- Review of correspondence with the PRA and FCA for any evidence of non-compliance with laws and regulations;
- Review of the Group's Own Risk and Solvency Assessment for indications of any current or future issues in relation to external capital requirements and consequential breaches of laws and regulations; and

- We also communicated relevant identified laws and regulations and identified fraud risks to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

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

Thomas Reed, Senior Statutory Auditor
For and on behalf of BDO LLP, Statutory Auditor
London, UK

01 June 2023

BDO LLP is a limited liability partnership registered in England and Wales (with the registered number OC305127)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	2023 $'000	2022 $'000 As restated (note 26)
Assets			
Intangible assets	4	9,040	19,152
Investments			
Land & Buildings	5	14,767	14,813
Financial investments	6	241,655	258,460
Total investments		**256,422**	**273,273**
Reinsurers' share of technical provisions			
Claims outstanding	7	959,748	1,062,947
Provision for unearned premiums		26,013	36,401
Reinsurers' share of technical provisions		**985,761**	**1,099,348**
Debtors			
Debtors arising out of direct insurance operations	8	54,785	53,269
Debtors arising out of reinsurance operations	8	15,912	43,258
Other debtors	8	5,195	4,605
Total debtors		**75,892**	**101,132**
Other assets			
Tangible assets	9	4,740	4,774
Cash at bank and in hand	10	197,707	139,315
Other assets		498	372
Total other assets		**202,945**	**144,461**
Prepayments and accrued income			
Deferred acquisition costs	11	8,302	6,352
Other prepayments and accrued income	11	14,785	11,746
Total prepayments and accrued income		**23,087**	**18,098**
Total assets		**1,553,147**	**1,655,464**
Capital & Reserves			
Revaluation reserve		3,889	3,637
Contingency funds		25,478	38,237
Profit and loss account		291,941	290,306
Non-controlling interest		-	149
Total capital & reserves		**321,308**	**332,329**
Liabilities			
Technical provisions			
Provision for unearned premiums		49,886	51,913
Claims outstanding	7	1,039,627	1,146,111
Total technical provisions		**1,089,513**	**1,198,024**
Retirement benefit liability	12	9,224	15,650
Creditors			
Creditors arising out of direct insurance operations	13	53,209	44,292
Creditors arising out of reinsurance operations	13	61,698	54,960
Other creditors including taxation and social security	13	7,660	4,509
Total creditors		**122,567**	**103,761**
Accruals and deferred income		10,535	5,700
Total liabilities		**1,231,839**	**1,323,135**
Total capital & reserves and liabilities		**1,553,147**	**1,655,464**

NorthStandard Limited (formerly The North of England Protecting and Indemnity Association Limited)
20 February 2023

The notes on pages 30 to 63 form part of these financial statements which were approved by the Board on 25 May 2023.

PA Jennings	**J Grose**
Managing Director	Managing Director

Company number: 505456

CONSOLIDATED INCOME STATEMENT		**2023 $'000**	**2022 $'000 As restated (note 26)**
<u>Technical account – General business</u>	**Note**		
Earned premiums, net of reinsurance			
Gross premiums written		447,720	406,156
Outward reinsurance premiums		(384,620)	(370,465)
Net written premiums		**63,100**	**35,691**
Change in the gross provision for unearned premiums		1,853	3,856
Change in the provision for unearned premiums, reinsurers' share		(9,499)	21,408
Net change in unearned premiums		**(7,646)**	**25,264**
Earned premiums, net of reinsurance		**55,454**	**60,955**
Total technical income		**55,454**	**60,955**
Claims incurred, net of reinsurance			
Gross claims paid		(382,625)	(609,258)
Reinsurer's share		329,117	556,280
Net claims paid		**(53,508)**	**(52,978)**
Change in provision for gross claims		100,795	139,657
Reinsurer's share		(100,495)	(147,381)
Net change in the provision for claims		**300**	**(7,724)**
Claims incurred, net of reinsurance		**(53,208)**	**(60,702)**
Net operating expenses			
Acquisition costs		(22,430)	(25,156)
Administrative expenses	14	(61,442)	(47,096)
Reinsurance commissions		83,444	94,624
Total operating expenses		**(428)**	**22,372**
Total technical charges		**(53,636)**	**(38,330)**
Balance on the technical account for general business		**1,818**	**22,625**
<u>Non-technical account</u>			
Balance on the technical account for general business		**1,818**	**22,625**
Investment return net of expenses and charges	15	(5,307)	(9,343)
Other income	16	2,826	3,147
Other charges	17	(10,822)	(456)
(Loss)/profit on ordinary activities before tax		**(11,485)**	**15,973**
Tax on ordinary activities	18	(1,037)	(2,028)
(Loss)/profit on ordinary activities after tax		**(12,522)**	**13,945**
<u>Other comprehensive income</u>			
(Loss)/profit for financial year		(12,522)	13,945
Actuarial gains on defined benefit pension scheme	12	1,398	26,046
Revaluation of land and building		252	-
Total comprehensive (loss)/income for the year		**(10,872)**	**39,991**
Attributable to:			
Members		(10,872)	39,935
Non-controlling interest		-	56
		(10,872)	**39,991**

The notes on pages 30 to 63 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Profit & Loss Account $'000	Contingency Funds $'000	Revaluation Reserve $'000	Total attributable to Members $'000	NCI $'000	Accumulated Surplus $'000
At 20 February 2022 As restated (note 26)	290,306	38,237	3,637	332,180	149	332,329
Loss for the year	(12,522)	-		(12,522)	-	(12,522)
Other comprehensive income	1,398	-	252	1,650	-	1,650
Total comprehensive (loss)/income for the year	**(11,124)**	**-**	**252**	**(10,872)**	**-**	**(10,872)**
Sale of non-controlling interest	-	-	-	-	(149)	(149)
Transfer from contingency funds	12,759	(12,759)	-	-	-	-
At 20 February 2023	**291,941**	**25,478**	**3,889**	**321,308**	**-**	**321,308**
At 20 February 2021 As restated (note 26)	246,818	41,790	3,637	292,245	218	292,463
Profit for the year	13,889	-	-	13,889	56	13,945
Other comprehensive income	26,046	-	-	26,046	-	26,046
Total comprehensive income for the year As restated (note 26)	**39,935**	**-**	**-**	**39,935**	**56**	**39,991**
Dividend paid to non-controlling interest	-	-	-	-	(125)	(125)
Transfer from contingency funds	3,553	(3,553)	-	-	-	-
At 20 February 2022 As restated (note 26)	**290,306**	**38,237**	**3,637**	**332,180**	**149**	**332,329**

The contingency funds provide a source of funds which can be applied for any general purposes of the Group. Further information on the operation of the Contingency Funds is described in the Rules which are available on our website.

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	2023 $'000	2022 $'000 As restated (note 26)
Operating Activities			
Cash generated from operating activities	19	66,362	14,562
Tax paid		(1,346)	(4,946)
Net cash generated from operating activities		**65,016**	**9,616**
Cash Flows used in Investing Activities			
Purchases of property, plant and equipment	9	(499)	(2,357)
Purchases of intangibles	4	(70)	(48)
Purchase of additional holding in subsidiary	22	(310)	-
Net proceeds from sale of subsidiary	22	1,034	-
Net cash generated from / (used in) investing activities		**155**	**(2,405)**
Cash Flows used in Financing Activities			
Dividends paid to non-controlling interest ("NCI")		-	(125)
Net cash used in financing activities		**-**	**(125)**
Net increase in cash and cash equivalents		**65,171**	**7,086**
Foreign exchange		(8,513)	(1,590)
Cash and cash equivalents at beginning of year		137,567	132,071
Cash and cash equivalents at end of year	10	**194,225**	**137,567**

The notes on pages 30 to 63 form part of these financial statements.

PARENT COMPANY STATEMENT OF FINANCIAL POSITION	Note	**2023**	**2022**
		$'000	**$'000**
			As restated (note 26)
Assets			
Intangible assets	4	9,040	19,152
Investments			
Land & Buildings	5	14,764	14,827
Investment in group undertakings	22	104,579	114,210
Financial investments	6	63,115	71,075
Total investments		**182,458**	**200,112**
Reinsurers' share of technical provisions			
Claims outstanding	7	732,001	828,421
Provision for unearned premiums		18,266	24,681
Reinsurers' share of technical provisions		**750,267**	**853,102**
Debtors			
Debtors arising out of direct insurance operations	8	36,387	39,092
Debtors arising out of reinsurance operations	8	11,896	30,352
Other debtors	8	12,667	15,754
Total debtors		**60,950**	**85,198**
Other assets			
Tangible assets	9	4,632	4,594
Cash at bank and in hand	10	102,820	96,528
Other assets		-	10
Total other assets		**107,452**	**101,132**
Prepayments and accrued income			
Deferred acquisition costs	11	4,593	3,803
Other prepayments and accrued income	11	7,501	6,505
Total prepayments and accrued income		**12,094**	**10,308**
Total assets		**1,122,261**	**1,269,004**
Capital & Reserves			
Revaluation reserve		3,287	3,035
Contingency funds		25,478	38,237
Profit and loss account		255,299	261,628
Total capital & reserves		**284,064**	**302,900**
Liabilities			
Technical provisions			
Provision for unearned premiums		33,860	37,680
Claims outstanding	7	709,572	818,573
Total technical provisions		**743,432**	**856,253**
Retirement benefit liability	12	9,224	15,651
Creditors			
Creditors arising out of direct insurance operations	13	39,552	32,719
Creditors arising out of reinsurance operations	13	34,005	45,608
Other creditors including taxation and social security	13	7,391	11,502
Total creditors		**80,948**	**89,829**
Accruals and deferred income		4,593	4,371
Total liabilities		**838,197**	**966,104**
Total capital & reserves and liabilities		**1,122,261**	**1,269,004**

In accordance with section 408 of The Companies Act 2006, the parent Company income statement and related notes have not been presented separately.

The notes on pages 30 to 63 form part of these financial statements which were approved by the Board on 25 May 2023.

PA Jennings	**J Grose**
Managing Director	Managing Director

Company number: 505456

PARENT COMPANY STATEMENT OF CHANGES IN EQUITY

	Attributable to Members			
	Profit & Loss Account	**Contingency Funds**	**Revaluation Reserve**	**Accumulated Surplus**
	$'000	**$'000**	**$'000**	**$'000**
At 20 February 2022 As restated (note 26)	**261,628**	**38,237**	**3,035**	**302,900**
Loss for the year	(20,487)	-	-	(20,487)
Other comprehensive income for the year	1,399	-	252	1,651
Total comprehensive (loss)/income for the year	(19,088)	-	252	(18,836)
Transfer from contingency funds	12,759	(12,759)	-	-
At 20 February 2023	**255,299**	**25,478**	**3,287**	**284,064**
At 20 February 2021 As restated (note 26)	227,266	41,790	3,035	272,091
Profit for the year	4,763	-	-	4,763
Other comprehensive income for the year	26,046	-	-	26,046
Total comprehensive income for the year As restated (note 26)	**30,809**	**-**	**-**	**30,809**
Transfer from contingency funds	3,553	(3,553)	-	-
At 20 February 2022 As restated (note 26)	**261,628**	**38,237**	**3,035**	**302,900**

The contingency funds provide a source of funds which can be applied for any general purposes of the Company. Further information on the operation of the Contingency Funds is described in the Rules which are available on our website.

PARENT COMPANY STATEMENT OF CASH FLOWS

	Note	**2023 $'000**	**2022 $'000 As restated (note 26)**
Operating Activities			
Cash generated from operating activities	19	12,450	46,503
Tax paid		(1,346)	(4,480)
Net cash generated from operating activities		**11,104**	**42,023**
Cash Flows generated from / (used in) Investing Activities			
Purchases of property, plant and equipment	9	(494)	(2,354)
Purchases of intangibles	4	(70)	(48)
Purchase of additional holding in subsidiary	22	(310)	-
Capital contributed to subsidiaries	22	-	(28,309)
Proceeds from sale of subsidiary	22	2,003	-
Net cash generated from / (used in) investing activities		**1,129**	**(30,711)**
Net increase in cash and cash equivalents		**12,233**	**11,312**
Foreign exchange		(7,675)	(1,084)
Cash and cash equivalents at beginning of year		94,780	84,552
Cash and cash equivalents at end of year	10	**99,338**	**94,780**

The notes on pages 30 to 63 form part of these financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

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

1.1 Basis of preparation

These consolidated financial statements have been prepared in compliance with applicable 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'), Financial Reporting Standard 103 *Insurance Contracts* ('FRS 103'), and the Companies Act 2006 and the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations relating to insurance companies. The Group had previously prepared its consolidated financial statements in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006 ('IFRS'). The effect of the change from IFRS to UK GAAP is disclosed in note 26.

The consolidated financial statements have been prepared under the historical cost convention, except for the revaluation of land and buildings and financial instruments. The consolidated financial statements are presented in US Dollars (US$) rounded to the nearest thousand, unless otherwise stated.

In accordance with section 408 of The Companies Act 2006, the parent Company income statement and related notes have not been presented separately. The loss dealt with in the income statement of the parent Company was US$18.8 million (2022 – profit of US$30.8 million).

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 Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in note 2.

Going concern

The Group has a total accumulated surplus as at 20 February 2023 of US$321.3million (2022: US$332.2 million) and as a mutual organisation has the facility to raise additional capital via additional calls from its Members for open policy years should they be required. The Directors consider that NorthStandards's financial statements should be prepared on a going concern basis.

The Group produces a detailed Own Risk and Solvency Assessment ("ORSA") document each year in line with the Group's ORSA Policy and the requirements of the PRA for a Solvency II regulated firm. The document records the ORSA activities undertaken by the Group during the year and provides an overview of the strategy, the risks faced, and an assessment of the future solvency requirements as the strategy is implemented. It also records the results of stress and reverse stress testing conducted on the business plans approved by the Board including a consideration of divergence from expected underwriting, operational and investment performance and what the directors consider to be reasonably possible severe downside scenarios. The ORSA exercise also considered the effects of the merger on the Group's position and future performance. The most recent ORSA document for the Group was considered and approved by the Board in February 2023.

The Directors are satisfied that based on the reasonably possible downside scenarios, and after considering the level of capital resources available to the Group, it will be able to meet its obligations to Members, policyholders and others for the foreseeable future, being at least twelve months from the date of approval of these financial statements. For this reason, the Directors continue to adopt the going concern basis in preparing the consolidated financial statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

1.2 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 Group. Control is defined in note 1.3 below.

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, goodwbill is measured at cost less accumulated amortisation and any accumulated impairment losses.

1.3 Consolidation

The consolidated financial statements incorporate the assets, liabilities, results and cash flows of NorthStandard and its subsidiaries made up to 20 February each year. The results of subsidiaries acquired or sold during the period are included in the consolidated results from the date of acquisition or up to the date of disposal.

Control is achieved when the Group has the power to govern the financial and operating policies of an entity or business so as to obtain benefits from those activities.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by NorthStandard. Intra-group balances and income and expenses arising from intra-group transactions are eliminated in preparing the consolidated financial statements.

In the Company's financial statements, financial investments in Group undertakings are stated at cost and are reviewed for impairment when events or changes in circumstances indicate the carrying value may be impaired.

1.4 Foreign currency translation

NorthStandard's consolidated financial statements are presented in US Dollars which is also NorthStandard's functional currency.

A Group 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.

The principal rates of exchange relative to US Dollars used in preparing these financial statements are:

	Average to 20 February 2023	Average to 20 February 2022	At 20 February 2023	At 20 February 2022
Pound Sterling	1.2150	1.3733	1.2029	1.3589
Euro	1.0444	1.1716	1.0684	1.1323
Australian Dollar	0.6905	0.7431	0.6869	0.7178
New Zealand Dollar	0.6296	0.7001	0.6235	0.6700

Transactions in foreign currencies are initially recorded at the functional currency rate prevailing at the date of the transactions. 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 transactions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

1.5 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. Intangible assets not yet brought into use are assessed for impairment on an annual basis.

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 on 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.

1.6 Property, plant and equipment
Land and buildings comprise the offices occupied by the Group. 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 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 expenditure is charged to the income statement during the financial period in which it is incurred.

Increases in the carrying amount arising on revaluation of land and buildings are recorded in Other Comprehensive Income and credited to the revaluation reserve. Decreases are recognised in the income statement except to the extent that they offset an existing surplus on the same asset recognised in the revaluation reserve.

Depreciation on property, plant and equipment is calculated as follows:

Land	No depreciation charged.
Freehold 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.

Residual values and useful lives are reviewed at each reporting date and adjusted if appropriate.

The carrying amount of an asset is written down immediately through the income statement to its recoverable amount if the 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.

1.7 Financial instruments
The Group has opted to apply the provisions of Section 11 and Section 12 of FRS 102 in full in accounting for, and disclosing information in relation to, financial instruments.

Financial investments
Management determines the classification of its financial investments at initial recognition. NorthStandard designates its financial investments as at fair value through profit or loss because they are managed, and their performance is evaluated, on a fair value basis. Financial investments are initially recognised at their fair value and subsequently carried at fair value. Realised and unrealised gains and losses arising from changes in the fair value of financial investments at fair value through profit or loss are included in the income statement in the period in which they arise.

Purchases and sales of investments are recognised on the trade date, the date on which NorthStandard commits to purchase or sell the asset. Investments are derecognised when the rights to receive cash flows from the investments have expired or where they have been transferred and NorthStandard has also transferred substantially all risks and rewards of ownership. In the cash flow statement, purchases and sales of investments are recognised as operating cash flows.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

1.7 Financial instruments (continued)

Derivatives
The Group holds derivative financial instruments to hedge its foreign currency exposure and to support the investment return. Derivatives are designated as 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.

Debtors
Debtors are recorded at amortised cost, being non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Debtors arising from insurance contracts are also classified in this category and are reviewed for impairment as part of the impairment review of Debtors.

Determination of fair value and fair value hierarchy
The following table shows an analysis of assets and liabilities measured at fair value by level of the fair value hierarchy:

At 20 February 2023

	Level 1		Level 2		Level 3		Total Fair Value	
$'000	The Group	The Company	The Group	The Company	The Group	The Company	The Group	The Company
Equity securities	-	-	-	-	51	51	51	51
Collective Investment Vehicles	241,655	63,064	-	-	-	-	241,655	63,064
Land and buildings					14,766	14,764	14,766	14,764
Derivative liabilities	-	-	(816)	(816)	-	-	(816)	(816)
	241,655	**63,064**	**(816)**	**(816)**	**14,817**	**14,815**	**255,656**	**77,063**

The opening position is shown in the table below:

At 20 February 2022

	Level 1		Level 2		Level 3		Total Fair Value	
$'000	The Group	The Company	The Group	The Company	The Group	The Company	The Group	The Company
Equity securities	-	-	-	-	51	51	51	51
Collective Investment Vehicles	258,409	71,024	-	-	-	-	258,409	71,024
Land and buildings (Restated)	-	-	-	-	14,813	14,827	14,813	14,827
Derivative liabilities	-	-	(42)	(42)	-	-	(42)	(42)
	258,409	71,024	**(42)**	**(42)**	**14,864**	**14,878**	**273,231**	**85,860**

Level 1 consists of assets that are valued according to published quotes in an active market. An asset is regarded as quoted in an active market if quoted prices are readily available from a broker, dealer, exchange, pricing service, industry group or regulatory agency. Level 2 assets and liabilities are similar to Level 1 but the pricing of those assets and liabilities has not been determined in an active market. Level 3 assets are assets for which a value cannot be obtained from observable data.

The movement in assets measured at fair value based on level 3 relates to disposals, revaluation, and depreciation in relation to land and buildings. The Directors do not consider that changing one or more of the inputs to reasonably priced alternative assumptions would change the fair value of the land and buildings significantly. Further details are included in note 6.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

1.8 Impairment of assets

NorthStandard assesses at each reporting date whether there is any objective evidence that an asset is impaired. Intangible assets not yet available for use are assessed for impairment each year whether or not there is any objective evidence of impairment. 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 in the balance sheet includes cash in hand, deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less. For the purposes of the statement of cash flows, cash and cash equivalents also includes overdrawn bank accounts that form an integral part of the Group's cash management activities.

1.10 Provisions and contingent liabilities

A provision is recognised when the Group has a present legal or constructive obligation, as a result of a past event, which is likely to result in an outflow of resources and where a reliable estimate of the amount of the obligation can be made. Contingent liabilities are disclosed if there is a possible future obligation as a result of a past event or if there is a present obligation as a result of a past event but either a payment is not probable or the amount cannot be reliably estimated.

1.11 Revenue and expense recognition

All elements of revenue arising from insurance contracts and other related services offered by NorthStandard 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 next following 20 February. NorthStandard's financial year is coterminous with its policy year. The mutual business lines have a common renewal date at the start of each policy year, but this is not the case for all of the diversified business lines and adjustments are made for unearned premium.

Mutual Premium

The estimated total premium payable to NorthStandard in relation to an Entered Ship and in respect of any policy year is calculated in accordance with Rules 12 and 13 of the NorthStandard Rule Book and with the terms of insurance agreed from time to time with the Member. The Directors may at any time or times during or after the end of each Policy Year (but not after such Policy Year has been closed in accordance with Rule 42(5)) direct that an Additional Call shall be paid by each Member in respect of Ships entered for such Policy Year of such amount as the Directors in their sole discretion think fit. All Additional Calls so made shall be calculated pro rata to the Mutual Premium (less any returns) in the relevant Policy Year. Additional calls are accounted for, where appropriate, on an accrual basis when the Additional Call has been approved by the Directors of NorthStandard.

If the Directors at any time determine that funds are or may in future be required to pay part of an Overspill Claim (whether incurred by NorthStandard or by any other party to the International Group Pooling Agreement), and the Directors have made a declaration under Rule 42(1) or 42(3) that a Policy Year shall remain open for the purpose of levying an Overspill Call or Calls in respect of that Overspill Claim, the Directors in their discretion, at any time or times after such declaration has been made, may levy one or more Overspill Calls in respect of that Overspill Claim in accordance with Rule 13(4).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

1.11 Revenue and expense recognition (continued)

Fixed Premium
The Managers may accept the entry of a Ship on terms that the Member is liable to pay a Fixed Premium.

Charter Premium
A Member may be insured against liabilities, together with costs and expenses incidental thereto, which may be incurred by reason of their interest as charterer. Some charterer business is declared for cover on a bordereau basis. Provision is made for the estimated receivable in respect of business not declared at the statement of financial position date.

Unearned premiums
Unearned premiums are those proportions of premiums written in a year that relate to periods of risk after the reporting date. Unearned premiums are calculated on a daily pro rata basis. The proportion attributable to subsequent periods is deferred as a provision for unearned premiums.

Reinsurance premiums and recoveries and related commissions
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 NorthStandard are accrued so as to match the relevant gross claims and associated provisions and reserves upon which NorthStandard is entitled to make recoveries.

Related commissions and profit commissions are accounted for in the same accounting period as the premiums for the related direct insurance or inward reinsurance business. No claims bonuses and profit commissions are recognised when there is sufficient certainty that they will be received.

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

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

Claims reserves are estimated on an undiscounted basis. 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, including an allowance for the future costs of handling those claims. This is estimated based on past experience and current expectations of future cost levels.

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. This uncertainty is discussed further in note 2.

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 estimated and accounted for in the financial year for which they are earned.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

1.11 Revenue and expense recognition (continued)

Retirement benefit schemes
NorthStandard is the sponsoring employer for 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 defined benefit scheme was closed to new members on 31 March 2006 and closed to future accrual on 31 January 2018. The SMI defined benefit scheme was closed to new members on 1 July 2008 and 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.

Acquisition costs
Acquisition costs comprise the expenses, both direct and indirect, of acquiring insurance policies written during the financial year. Acquisition costs which relate to a subsequent financial year are deferred and charged to the accounting periods in which the related premiums are earned. Deferred acquisition costs represent the proportion of acquisition costs incurred which corresponds to the proportion of gross premiums written which are unearned at the balance sheet date.

Leases
The Group 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 Group 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
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 statement of financial position 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2. Critical Accounting Estimates and Judgements in Applying Accounting Policies

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Estimates and judgements are continually evaluated and are based on historical information and experience, actuarial analyses, financial modelling and other analytical techniques.

The key assumptions concerning the future, and other key sources of estimation uncertainty at the statement of financial position date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Claims Reserves – Members and Policyholders
The estimation of the ultimate liability arising from claims made under insurance contracts is NorthStandard's most critical accounting estimate. There are several sources of uncertainty that need to be considered in the estimate of the liability that NorthStandard will ultimately pay for such claims, such as the extent to which claims have occurred but not been reported to NorthStandard, the length of time it takes to finalise a claims award, the extent to which fees will be incurred in the management of a case and the potential outcomes that can arise from being involved in litigation. The extent to which the accumulated surplus may be sensitive to these sources of uncertainty is disclosed in note 7.

Each individual claim reserve is set at an appropriate level by an experienced claims adjuster, based upon their judgement and experience, who is responsible for the 'hands on' management of the case. The case reserves are monitored and agreed by members of the Claims department management team and Members are encouraged to scrutinise and comment upon the reserves held by NorthStandard. Internal file audits are performed on a continuous basis in order to maintain the high standards of claims management and reserving.

The ultimate cost of claims is only known at their conclusion. Provision is made for claims incurred but not reported ("IBNR") and claims incurred but not enough reported ("IBNER") based upon Management's estimate of the ultimate likely cost of claims following advice from the internal actuarial team. This includes the projection of ultimate claims liabilities using standard actuarial techniques such as chain ladder and Bornhuetter-Ferguson methods. The projection methods used are most sensitive to assumptions about the initial loss pick and the treatment of large losses, and these are determined to be the key assumptions influencing the amount recognised in the financial statements. The initial loss pick, which is selected based on historic data for the books of business underwritten, takes into account any observable trends, the volume of exposure written, and the level of maturity of the policy years. It is calculated separately for each line of business, further segregated into mutual and non-mutual categories where applicable, and for claims value bands to allow the application of the reinsurance programmes. The Group's experience shows that large losses are expected to have different development patterns to the attritional claims. To avoid a distortion of patterns used, large losses are excluded from the initial projection and then added back in at a best estimate value as determined by the claim handlers.

The booked reserves include an uplift to allow for volatility in the Group's claims experience. The uplift is calculated using a Mack method, which is a standard actuarial technique to determine reserve volatility. The key assumptions in the calculation of the uplift are the selected volatility for each class of business and policy year, and the correlation between these cohorts.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2. Critical Accounting Estimates and Judgements in Applying Accounting Policies (continued)

Claims Reserves – Pool
The reserves maintained in the books and records of NorthStandard in respect of claims arising from NorthStandard's participation in the Pooling Agreement (see note 3.1) are initially based upon NorthStandard's share of claims reserves established by the notifying Club. Based upon historical evidence and statistical analysis, NorthStandard makes additional provisions for claims incurred but not reported ("IBNR") and claims incurred but not enough reported ("IBNER"), based upon management's own assessment of the likely ultimate outcome of the Pool.

The additional provision covers the likelihood that:

- there are claims that have been incurred but have not been reported to the respective P&I Clubs and hence not notified to the Pool;
- there are claims reserved at a level which does not require notification to the Pool but subsequently that reserve is increased becoming a Pool claim; and
- there is uncertainty surrounding the Pool contribution proportion subject to the finalisation of the confirmation of contribution levels based upon tonnage, premium and record, as set out in the Pooling Agreement.

Pensions and other post-retirement benefits
NorthStandard is the sponsoring employer for two defined benefit pension schemes. The key assumptions used for the actuarial valuations are based on the Directors' best estimate of the variables that will determine the ultimate cost of providing post-employment benefits, on which further detail is provided in note 12.

3. Management of Insurance Risk and Financial Risk

3.1 Insurance risk
NorthStandard issues contracts that transfer insurance risk. The risks under any one insurance contract are the possibility that an insured event occurs and the uncertainty of the amount of the resulting claim. By the very nature of an insurance contract, this risk is highly uncertain and therefore unpredictable.

For a portfolio of insurance contracts where the theory of probability is applied to pricing and provisioning, the principal risk that NorthStandard faces under its insurance contracts is that the actual claims exceed the carrying amount of the insurance liabilities. This could occur because the frequency or severity of claims and benefits are greater than estimated. Insurance events are highly uncertain and the actual number and amount of claims will vary from year to year from the estimate established using statistical techniques.

The objective of NorthStandard's management of insurance risk is to achieve a breakeven technical result and to ensure that the carrying amounts of the insurance liabilities are not exceeded by the actual experience of claims development. NorthStandard manages insurance risk through its underwriting strategy, proactive claims handling and adequate reinsurance arrangements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

3.1 Insurance risk (continued)

The limit of cover under the P&I Class, unless specifically limited under the member's terms of entry, is the overspill limit (US$ equivalent of the Convention on Limitation of Liability for Maritime Claims (LLMC), 1976, SDR figure) in excess of the International Group excess of loss reinsurance programme, estimated to be in the order of US$7.75 billion. Oil pollution is limited to US$1 billion. FD&D cover is in theory unlimited, albeit subject to the discretion of the Directors, however, disputes arising in relation to ship building, purchase, sale, negligent repair, alteration or conversion are limited to US$250,000, unless a higher amount is otherwise agreed between Members and Managers. War risks cover is limited to the hull and machinery value of the entered ship.

The underwriting strategy is designed to ensure that the underwritten risks are of appropriate quality, correctly rated and well diversified in terms of type and amount of risk, industry and geography.

NorthStandard has a specialised claims department dealing with the mitigation of risks surrounding known claims. Claims are reviewed individually at least bi-annually and adjusted to reflect the latest information on the underlying facts, current law, jurisdiction, contractual terms and conditions, and other factors.

NorthStandard is a member of the International Group of P&I Clubs which, between them, provide liability insurance for over 90% of the world's deep-sea ship owners. All International Group Clubs operate on a mutual, not-for-profit basis with premiums being pooled and invested to pay claims directly and to buy various levels of reinsurance. For the policy year commencing 20 February 2022, NorthStandard is reinsured for P&I claims up to US$3.1 billion through a combination of the International Group of P&I Clubs' pooling and excess loss programme and NorthStandard's own retention reinsurance.

All claims up to US$100.0 million are shared by the International Group members and each Club carries a US$10.0 million retention. The International Group buys Excess Loss reinsurance cover for claims between US$100.0 million and US$3.1 billion, after which costs fall back on the pool, known as 'Overspill'.

Exposure under the Pooling Agreement for claims falling to the layer US$70.0 million in excess of US$30.0 million, as well as the first US$100.0 million of a 70% share under the first layer of the Excess Loss contract, up to US$750.0 million, is reinsured by the Hydra North Cell.

NorthStandard also has a 'quota share' reinsurance contract with NorthStandard Re, a company wholly owned by Members, which reinsures 90% of NorthStandard's retained risks.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

3.2 Financial risk
NorthStandard is exposed to financial risk through its financial assets, financial liabilities, reinsurance assets and insurance liabilities. In particular the key financial risk is that the proceeds from its financial assets are not sufficient to fund the obligations arising from its insurance contracts. NorthStandard's Group Risk Committee reports to the Board and its remit is to consider all aspects of risk which may impact on the business and ensure that appropriate controls and procedures are in place to mitigate the effect of such risk. Risk Policies have been created across a number of areas and these include Capital Management and Investment.

Capital management
NorthStandard operates a capital management plan that relates to both global operations and all branches and offices to ensure that regulatory capital minima, supervisory targets and the Group's own internal target are met at all times. Capital is monitored by management, the Board and the Group Risk Committee looking closely at actual and projected coverage across a number of jurisdictions. In the UK this includes meeting the capital requirements of the Prudential Regulation Authority (PRA). The Group's capital comprises the accumulated surplus attributable to members of US$321.3 million (2022: US$332.3 million) shown in the statement of financial position. The Group complies with the PRA capital requirements of a Minimum Capital Requirement (MCR) of US$40.6 million (2022: US$40.5 million) and Solvency Capital Requirement of US$150.8 million (2022: USS$138.6 million). In addition, the Group has approval from the PRA to recognise Ancillary Own Funds arising from the ability to make an additional call on members.

Liquidity risk
Liquidity risk is the risk that cash may not be available to pay obligations when due at a reasonable cost. Liquidity risk is managed by maintaining adequate reserves and banking facilities and ensuring that the spread of investments across short, medium and long term funds will enable any short term funding requirements to be met. The liquidity is continuously monitored by review of actual and forecast cash flows.

Investment risk
The most important components of investment risk are market risk (including interest rate risk), currency risk and credit risk.

Market risk
Market risk is the risk that as a result of market movements the Group may be exposed to fluctuations in the value of its assets, the amount of its liabilities, or the income from its assets. Sources of general market risk include movements in interest rates, equity prices, exchange rates and real estate prices. It is important to note that none of these sources of risk is independent of the others.

The Group does not have a material exposure to market equity price risk as equity investments are immaterial. The Company does have equity exposure through its investments in Group undertakings, but the valuation of these investments is not significantly influenced by equity markets. The Group and Company have limited exposure to real estate price risk. The exposure is limited to premises occupied by the Group, with more detail provided in note 5.

Interest rate risk
Interest rate risk is managed through a diversified allocation to asset classes and restricting the concentration of investment into any one asset. Interest rate risk arises predominantly in relation to the Collective Investment Vehicles, which invest in a combination of government and corporate bonds. Sensitivity to interest rate risk on the valuation of the Collective Investment Vehicles has been assessed as shown:

	2023	**2022**
Increase / decrease in relevant yield curve by 1% - change in accumulated surplus ($'000)	+/- 5,033	+/- 5,509

Currency risk
NorthStandard operates internationally and is exposed to foreign exchange risks as a result of its operations. The majority of expenses relating to premium income, including reinsurance and claims costs, will be incurred in the same currency as the premium income, which offers a natural hedge to the foreign exchange risk. The Group does not seek exposure to foreign exchange risk from its investment activities, and the asset allocation policy within the Statement of Investment Principles applied by the Group contains provisions for the matching of claims liabilities with invested assets by currency.

Exposure to foreign exchange risk arises predominantly with respect to UK Sterling, but also to the Euro and other global currencies. The main sources of foreign exchange risk are i) the income of the Group and Company is predominantly US Dollars, whereas a significant proportion of operating expenses are incurred in UK Sterling; and ii) the Group and Company maintain exposure to foreign currencies, such as Australian Dollars and New Zealand Dollars, in support of the capital requirements of its overseas branches.

The Group mitigates foreign exchange risk in relation to UK Sterling expenses by entering into forward exchange contracts, which provide certainty of the exchange rates achievable in relation to a proportion of forecast expenditure. The proportion and duration of forecast future expenditure that is covered by forward contracts will vary within parameters established and monitored by the Group Investment Committee.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

3.2 Financial risk (continued)
The Group Hedging Policy, overseen by the Group Investment Committee, allows for the use of forward exchange contracts and specified other instruments to mitigate the foreign exchange risk associated with maintaining capital in currencies other than US Dollars. As at and for the year ended 20 February 2023, no such arrangements have been placed (2022: none).

The impact on operating expenses from a 5% strengthening of UK Sterling against the US Dollar as applied to the average exchange rate in the year would be an increase of US$2.4 million (before the impact of forward contracts).

The impact on a 5% reduction in the year end Australian Dollar to US Dollar exchange rate on the total accumulated surplus attributable to Members would be a reduction of US$1.3 million; and the impact of a 5% reduction in the year end New Zealand Dollar to US Dollar exchange rate on the total accumulated surplus attributable to Members would be a reduction of US$0.8 million.

Credit risk
NorthStandard has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Investment related counterparty risk within the collective investment vehicles is managed through the investment restrictions contained within the prospectus applicable to each fund.

The following table provides information regarding the aggregate credit risk exposure, for financial assets with external credit ratings, of the Group.

At 20 February 2023

	AAA / AA	**A**	**BBB**	**Other Rated**	**Not Rated**	**Value $000s**
Collective Investment Vehicles	74.80%	11.41%	13.67%	0.12%	-	241,604
Reinsurance assets	2.09%	94.60%	3.01%	0.07%	0.23%	959,748
Debtors	5.03%	10.85%	1.74%	-	82.38%	75,892

At 20 February 2022

	AAA / AA	**A**	**BBB**	**Other Rated**	**Not Rated**	**Value $000s**
Collective Investment Vehicles	73.81%	10.70%	14.50%	0.24%	0.75%	258,409
Reinsurance assets	3.51%	92.25%	3.99%	0.25%	-	1,062,947
Debtors	1.73%	40.41%	0.13%	-	57.73%	101,132

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

3.2 Financial risk (continued)

Investment risk management
NorthStandard manages its investment funds in accordance with an investment framework set out in the Statement of Investment Principles which is approved by the Directors. The framework determines investment policy and the management of investment risk and is reviewed on a regular basis. The detailed consideration of investment strategy is the responsibility of the Group Investment Committee. Investment management is outsourced to professional investment managers.

The Board, having considered recommendations from the Group Investment Committee, selects the collective investment vehicles that the Group wishes to invest in. The investment manager of each fund is then responsible for selecting the underlying investment managers within these funds. The sub-investment managers have responsibility for investing and managing the assets of the relevant fund according to its investment objectives. The performance of each fund as a whole and each sub-investment manager against their respective benchmark is monitored on a regular basis.

The asset class allocation policy is aligned so as to match the liabilities faced by NorthStandard. The known claims liabilities facing NorthStandard are matched against fixed income assets, representing secure and highly liquid assets known to preserve capital and which, if called upon, could be realised very quickly to settle liabilities.

Other areas where North is exposed to credit risk are:

Reinsurer's share of insurance liabilities
Reinsurance is used to manage insurance risk as explained above. This does not, however, discharge NorthStandard's liability as primary insurer. If a reinsurer fails to pay a claim for any reason, NorthStandard remains liable for the payment to the policyholder. The creditworthiness of reinsurers is considered on an ongoing basis by reviewing their financial strength prior to finalisation of any contract. NorthStandard's policy requires that no more than 2% of reinsurance is rated lower than 'A' with S&P or equivalent at inception and, for existing reinsurance, credit ratings should be no worse than 80% A rated, 18% B rated and 2% other.

Amounts due from Members
Credit risk in relation to amounts owed by Members is mitigated because a Member shall cease to be insured by NorthStandard in respect of any and all ships entered by them or on their behalf (or in a fleet entry in which any one or all of their ships are entered) if having failed to pay when due and demanded by management any sum due from the Member to NorthStandard. If, having failed to pay any sum due to NorthStandard a Member has ceased to be insured by NorthStandard, NorthStandard is not liable for any claims under the Rules whether the incident giving rise to such claim occurred before or after the cessation of insurance.

Under the rules, NorthStandard shall be entitled to, and the Member grants, a lien on the entered ship in respect of any amount whatsoever owed by the Member to North.

Amounts due from policyholders
NorthStandard is exposed to credit risk from amounts due from Policyholders, but this is mitigated by the ability to offset claim amounts due to those Policyholders, and by the right to cancel cover in respect of continuing non-payment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

4. Intangible assets

Group and Parent Company	**Computer software $'000**
Cost	
At beginning of the year	19,517
Additions	70
Impairment	(3,705)
At end of the year	**15,882**
Accumulated amortisation	
At beginning of the year	365
Amortisation charge	6,477
At end of the year	**6,842**
Opening net book value	**19,152**
Closing net book value	**9,040**

Intangible assets for the Group and Company include capitalised software costs relating to new commercial software which became available for use in the year, with a net book value of US$8.7 million (2022 – US$18.6 million).

The expected completion of the merger with the Standard Club immediately after the year end leads to an uncertainty as to how the asset will be used in the future and triggered an impairment test for the asset as at 20 February 2023. The impairment test involves comparing the carrying amount of the asset with its recoverable amount, which is the higher of its value in use and fair value less costs to sell. Given the limited information available to support a valuation on a fair value less costs to sell basis for an internally generated software asset with bespoke features, the directors have adopted a value in use approach to determine the recoverable amount.

Value in use has been determined using anticipated future cash flows from the business lines and business activities supported by the asset in question and for the expected useful economic life of the asset, based on business plans approved by the Board of Directors. These future cash flows have then been discounted to present value at a discount rate of 20%, which incorporates a risk-free rate for the time value of money together with a premium for the uncertainty inherent in the cash flows to be generated from the asset. The value in use has been calculated as US$8.7 million, which was below the carrying amount of the asset at the year end (US$12.4 million), resulting in an impairment charge of US$3.7 million.

The key assumption in the calculation is the level of premium incorporated in the discount rate used to calculate the present value of uncertain future cash flows related to the asset. Any change in the discount rate used would result in a different impairment charge, although the outcomes from the use of reasonably possible alternative discount rates are not materially different from the impairment charge recognised.

Amortisation expense of US$6.5 million (2022 – US$0.1 million) has been charged in expenses for marketing and administration.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5. Land & Buildings

	Group $'000	Parent $'000
Cost		
At beginning of the year (As restated - note 26)	15,240	15,193
Revaluation	140	140
Other adjustments (note 26)	16	(1)
At end of the year	**15,396**	**15,332**
Accumulated Depreciation		
At beginning of the year (As restated – note 26)	427	366
Depreciation charge	314	314
Reversal of depreciation charge on revaluation	(112)	(112)
At end of the year	**629**	**568**
Opening Net Book Value (As restated – note 26)	**14,813**	**14,827**
Closing Net Book Value	**14,767**	**14,764**

The fair value of the head office building occupied by NorthStandard has been assessed by the Directors, taking into account a valuation undertaken by Naylors Gavin Black, an independent Chartered Surveyor on 12 November 2020. This Valuation Report was carried out in accordance with the Royal Institution of Chartered Surveyors (RICS) Valuation – Global Standards (Issued November 2019, effective from 31st January 2020 ('the Red Book')) which incorporate the IVSC International Valuation Standards (IVS). The Directors do not consider that there have been any material changes to the market since the date of the valuation such that this valuation remains appropriate at 20 February 2023

Sensitivity analysis applied to the valuation of the UK head office based in Newcastle upon Tyne of US$11.9 million gives the variations detailed below. The difference between the valuation of US$11.9 million and the carrying value of the property at year end relates to overseas properties which are not considered to be material for sensitivity analysis.

Valuation basis	**Used in valuation**	**Variation %**	**Impact on valuation** US$000
Price per square foot	£25	5% increase / decrease	+580 / -580
Price per car parking space	£1,302	5% increase / decrease	+12 / -12
Investment yield rate	6.5%	0.5% increase / decrease	-1,023 / +887
Rent free period	1 year	Increase by 6 months	-490

Inputs for the valuation model are not based on observable market data and are therefore classified as level 3 in the fair value hierarchy.

The fair value of overseas freehold property has been assessed by the Directors, taking into account valuations by Sutherland Farrelly, Australia in November 2022.

If land and buildings were stated on a historical cost basis the amounts would be as follows:

At 20 February	**2023 $'000**	**2022 $'000**
Cost	18,286	18,286
Accumulated depreciation	(5,481)	(5,203)
Net book amount	**12,805**	**13,083**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

6. Other financial investments and liabilities

Other financial investments and liabilities are designated at fair value through profit and loss ("FVTPL") because they are managed on a fair value basis.

	Group 2023 $'000	Company 2023 $'000	Group 2022 $'000	Company 2022 $'000
Financial assets at fair value through profit or loss				
Equity securities - unlisted	51	51	51	51
Collective Investment Vehicles	241,604	63,064	258,409	71,024
Total	**241,655**	**63,115**	**258,460**	**71,075**
Maturity dates of the fixed interest collective investment vehicles are as follows:				
In up to two years	180,716	25,716	122,371	21,245
In more than two years but not more than three years	27,583	16,919	90,521	22,035
In more than three years but not more than four years	33,023	20,256	24,879	15,173
In more than four years but not more than five years	282	173	15,425	9,403
In more than five years	-	-	5,213	3,168
Total	**241,604**	**63,064**	**258,409**	**71,024**

	Group 2023 $'000	Company 2023 $'000	Group 2022 $'000	Company 2022 $'000
Opening balance at 20 February	258,409	71,024	298,123	123,908
Additions	25,245	25,029	35,578	5,912
Disposals (sale and redemptions)	(32,409)	(28,409)	(67,850)	(55,351)
Fair value net (losses) / gains	(7,106)	(2,045)	(6,326)	(2,329)
Net exchange differences	(2,535)	(2,535)	(1,116)	(1,116)
Closing balance at 20 February	**241,604**	**63,064**	**258,409**	**71,024**

Financial liabilities are summarised by measurement category in the table below.

Financial liabilities at fair value through profit or loss	Group 2023 $'000	Company 2023 $'000	Group 2022 $'000	Company 2022 $'000
Derivatives	816	816	42	42
Total	**816**	**816**	**42**	**42**

As at 20 February 2023, cash and cash equivalents of US$1.3 million (2022: US$0.3 million) had been pledged as collateral for the derivatives.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

7. Technical provisions – claims outstanding

Reconciliation of opening and closing provisions for claims

	2023		2022	
	Gross	Reinsurance	Gross	Reinsurance
The Group	**$'000**	**$'000**	**$'000**	**$'000**
Outstanding claims at the beginning of the year	1,146,111	(1,062,947)	1,288,182	(1,210,916)
Claims incurred in the current policy year	271,799	(244,040)	510,807	(468,048)
Adjustments to prior year gross liabilities/reinsurance assets	10,031	15,418	(41,206)	59,149
Claims paid in the year	(382,625)	329,117	(609,258)	556,280
Foreign exchange	(5,689)	2,704	(2,414)	588
Outstanding claims at end of year	**1,039,627**	**(959,748)**	**1,146,111**	**(1,062,947)**

	2023		2022	
	Gross	Reinsurance	Gross	Reinsurance
The Company	**$'000**	**$'000**	**$'000**	**$'000**
Outstanding claims at the beginning of the year	818,573	(828,421)	1,018,445	(1,033,053)
Claims incurred in the current policy year	159,330	(150,225)	221,999	(225,516)
Adjustments to prior year gross liabilities/reinsurance assets	(19,581)	21,719	4,883	22,563
Claims paid in the year	(243,964)	222,551	(425,239)	407,486
Foreign exchange	(4,786)	2,375	(1,515)	99
Outstanding claims at end of year	**709,572**	**(732,001)**	**818,573**	**828,421**

In the period for which we are reporting, the Directors have re-evaluated the claims reserves in respect of prior policy year claims. The total outstanding claims includes provision for IBNR claims which is set by reference to standard actuarial techniques and projections as described further in note 2. Also included is an estimate for the internal and external costs of handling the outstanding claims.

Expected timing of cash flows relating to net insurance claims

	2023		2022	
	Group	Company	Group	Company
Date of undiscounted cash flow	**$'000**	**$'000**	**$'000**	**$'000**
In up to one years	30,336	(8,518)	31,584	(3,740)
In more than one years but not more than two years	15,858	(4,453)	16,510	(1,955)
In more than two years but not more than three years	9,969	(2,799)	10,379	(1,229)
In more than three years but not more than four years	7,082	(1,989)	7,373	(873)
In more than four years	16,635	(4,671)	17,319	(2,051)
Total	**79,879**	**(22,429)**	**83,164**	**(9,848)**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Sensitivity analysis

The uncertainty surrounding the valuation, timing and cash flows of claims liabilities, the process of claims reserve estimation and the process and assumptions regarding the determination of other claims liability based reserves are set out in note 2.

There are a significant number of variables which lead to the uncertainty surrounding the valuation, timing and cash flows of claims liabilities although management are of the opinion that the accumulated surplus is not materially sensitive to any one variable. The extent to which the accumulated surplus may be sensitive to any individual variable or any groups of variables is best demonstrated by the development of claims liabilities. The development of claims liabilities by policy year is as follows

Insurance claims development – Gross (US$M)

Policy year	**2022**	**2021**	**2020**	**2019**	**2018**	**2017**	**2016**	**2015**	**2014**	**2013**
Estimate of ultimate claims cost										
At end of policy year	249.9	492.4	390.2	803.5	369.7	298.4	291.8	273.8	372.0	378.5
One year later		503.6	349.3	1,198.4	364.2	281.0	258.2	293.9	409.8	500.2
Two years later			361.0	1,275.8	346.6	299.7	236.7	286.4	417.6	463.6
Three years later				1,266.7	337.7	276.9	243.1	253.1	411.7	461.8
Four years later					304.5	235.9	232.7	241.7	343.7	437.7
Five years later						274.0	222.3	243.0	373.4	456.4
Six years later							218.7	239.1	360.9	451.9
Seven years later								241.7	354.1	408.3
Eight years later									350.8	400.3
Nine years later										398.7
Current estimate of cumulative claims	249.9	503.6	361.0	1,266.7	304.5	274.0	218.7	241.7	350.8	398.7
Cumulative payments to date	39.5	287.5	186.4	1,048.5	245.6	225.8	193.3	215.5	331.9	442.5
Liability recognised in statement of financial position	210.4	216.1	174.6	218.2	58.9	48.2	25.4	26.2	18.9	(43.8)
Total of ten years										953.1
Liability in respect of prior policy years										63.5
Claims handling reserve										23.0
Total liability included in statement of financial position										**1,039.6**

Insurance claims development – Net (US$M)

Policy year	**2022**	**2021**	**2020**	**2019**	**2018**	**2017**	**2016**	**2015**	**2014**	**2013**
Estimate of ultimate claims cost										
At end of policy year	24.4	36.1	33.7	36.5	31.1	36.7	33.5	40.0	58.5	23.5
One year later		36.9	33.0	35.6	34.4	37.7	38.8	53.6	62.6	60.5
Two years later			33.5	34.7	32.7	39.6	37.7	52.1	63.5	59.6
Three years later				35.3	32.1	37.2	40.8	48.1	62.7	60.6
Four years later					29.2	34.4	37.1	48.7	53.7	55.8
Five years later						37.4	38.3	50.3	62.8	57.0
Six years later							39.4	49.6	62.2	59.4
Seven years later								50.0	61.5	58.4
Eight years later									61.1	57.8
Nine years later										57.7
Current estimate of cumulative claims	24.4	36.9	33.5	35.3	29.2	37.4	39.4	50.0	61.1	57.7
Cumulative payments to date	3.6	19.3	19.7	31.5	26.4	32.9	36.1	47.4	59.4	57.5
Liability recognised in statement of financial position	20.8	17.6	13.8	3.8	2.8	4.5	3.3	2.6	1.7	0.2
Total of ten years										71.1
Liability in respect of prior policy years										5.3
Claims handling reserve										3.5
Total liability included in statement of financial position										**79.9**

8. Debtors

	Group 2023 $'000	Company 2023 $'000	Group 2022 $'000	Company 2022 $'000
Debtors arising out of direct insurance operations	54,785	36,387	53,269	39,092
Debtors arising out of reinsurance operations	15,912	11,896	43,258	30,352
Amounts owed by Group undertakings	-	7,547	-	11,250
Other debtors	5,195	5,120	4,605	4,504
	75,892	**60,950**	**101,132**	**85,198**

Included in other debtors in both the Group and the Company are no amounts that are due more than twelve months after the reporting date.

9. Tangible assets

The Group

	Computer Equipment $'000	Motor Vehicles $'000	Office Equipment and Fittings $'000	Total $'000
Cost				
At beginning of the year (As restated – note 26)	11,989	356	6,798	19,143
Additions	258	-	241	499
Disposals	(22)	(140)	(22)	(184)
At end of the year	**12,225**	**216**	**7,017**	**19,458**
Accumulated Depreciation				
At beginning of the year (As restated – note 26)	9,417	220	4,732	14,369
Depreciation charge	109	39	305	453
Disposals	(21)	(119)	(19)	(159)
Other adjustments (note 26)	55	4	(4)	55
At end of the year	**9,560**	**144**	**5,014**	**14,718**
Opening Net Book Value (As restated – note 26)	**2,572**	**136**	**2,066**	**4,774**
Closing Net Book Value	**2,665**	**72**	**2,003**	**4,740**

Depreciation expense of US$0.5 million (2022 – US$1.0 million) has been charged in expenses for marketing and administration.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

9. Tangible assets (continued)

The Parent

	Computer Equipment $'000	Motor Vehicles $'000	Office Equipment and Fittings $'000	Total $'000
Cost				
At beginning of the year	11,820	161	6,628	18,609
Additions	254	-	241	495
Disposals	-	(37)	-	(37)
At end of the year	**12,074**	**124**	**6,869**	**19,067**
Accumulated Depreciation				
At beginning of the year	9,307	119	4,589	14,015
Depreciation charge	91	17	290	398
Disposals	-	(37)	-	(37)
Other adjustments (note 26)	59	-	-	59
At end of the year	**9,457**	**99**	**4,879**	**14,435**
Opening Net Book Value	**2,513**	**42**	**2,039**	**4,594**
Closing Net Book Value	**2,617**	**25**	**1,990**	**4,632**

10. Cash at bank and in hand

	Group 2023 $'000	Company 2023 $'000	Group 2022 $'000	Company 2022 $'000
Cash at bank and in hand	140,001	50,182	79,960	43,438
Short-term bank deposits	29,116	29,116	29,889	29,889
Restricted cash	28,590	23,522	29,466	23,201
	197,707	**102,820**	**139,315**	**96,528**

The Group and Company have no overdraft facility (2022- US$ NIL). The Group and Company have a money market facility, the total facility is US$20.0 million (2022 – US$20.0 million) of which US$ NIL was drawn at 20 February 2023 (2022 – US$ NIL). The restricted cash balances relate to cash held on deposit on behalf of Members. Cash and cash equivalents for the purpose of the Statement of Cash Flows include overdrawn bank accounts under the Group's cash pooling agreement (see note 14).

	Group 2023 $'000	Company 2023 $'000	Group 2022 $'000	Company 2022 $'000
Cash and cash equivalents per the Statement of Financial Position	197,707	102,820	139,315	96,528
Overdrawn amounts included in creditors (note 14)	(3,482)	(3,482)	(1,748)	(1,748)
Cash and cash equivalents per Statement of Cash Flows	**194,225**	**99,338**	**137,567**	**94,780**

As of 20 February 2023, US$5.1 million (2022 – US$3.4 million) of the cash reported in the Group and Company are designated for the regulatory requirements of the NorthStandard Japan Branch.

11. Prepayments and accrued income

	Group 2023 $'000	Company 2023 $'000	Group 2022 $'000	Company 2022 $'000
Deferred acquisition costs	8,302	4,593	6,352	3,803
Accrued income	11,667	4,943	8,840	3,987
Prepayments and accrued interest	3,118	2,558	2,906	2,518
	23,087	**12,094**	**18,098**	**10,308**

12. Retirement Benefit Schemes

The Group & Company operates two defined benefit schemes in the United Kingdom which are operated under the Pensions Acts 1995 and 2004. The most recent triennial actuarial valuation for the North Scheme was carried out as at 31 August 2019 and for the SMI Scheme as at 31 December 2020 by a qualified independent actuary.

The schemes are governed by Trust Deeds and Rules and are managed by Trustees. The Principal Employer has the power, by deed, to appoint and remove Trustees. There have been no changes to the Trustees of either scheme during the period. Align Pensions Limited is a professional corporate trustee appointed as Trustee of the North Scheme. The Trustee Board of the SMI Scheme comprises both Company nominated and member nominated Directors.

The employer is ultimately responsible for the funding of the schemes. As a result, the operation of the schemes exposes the group to the risk that the assets held by the schemes are insufficient to meet the schemes' obligations as they fall due for payment.

Both schemes were previously closed to new members and on 31 January 2018 both schemes were closed to the future accrual of benefits. On 2 February 2018 NorthStandard assumed control of the SMI pension scheme via a Flexible Apportionment Arrangement. SMI is therefore discharged from all its obligations to and under the pension scheme and from its liabilities in relation to the scheme as of this date with NorthStandard assuming charge of these obligations and liabilities.

On 20 November 2020, the High Court handed down a further judgment on the Guaranteed Minimum Pension (GMP) equalisation case in relation to the Lloyds banking group pension schemes. This follows from the original judgment in October 2018 which confirmed that schemes need to equalise pensions for the effect of unequal GMPs between males and females. That judgment confirms that Defined Benefit (DB) schemes which provide GMPs need to revisit and where necessary top up historic Cash Equivalent Transfer Values that were calculated based on unequalised benefits. The issues determined by the judgment arise in relation to many other defined benefit pension schemes. The schemes have experienced historical transfers out which will be subject to adjustment as a result of this second ruling. Management have obtained an estimate of the top up transfer values which relate to equalisation of scheme benefits for the period prior to 31 December 2018 and together with their actuary have deemed this immaterial, with no requirement to recognise an adjustment as a past service cost within the financial statements for the year ended 20 February 2022 or 20 February 2023.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

12. Retirement Benefit Schemes (continued)

Actuarial assumptions for valuing the Scheme liabilities
A key assumption is the discount rate which is used to determine the value of pension liabilities at the statement of financial position date. The selection of the inflation assumption is also critical as this is relevant for the salary and the pre-retirement revaluation assumptions. These assumptions are based on market yields at the statement of financial position date, and may not be borne out in practice due to the long-term expected duration of the Scheme. Within the prescribed conditions however assumptions must be mutually compatible and lead to the best estimate of the future cash flows in respect of pension liabilities. A summary of relevant considerations is set out below.

Assumption for valuing pension liabilities	Comments on prescribed conditions
Discount rate (pre and post retirement)	Based on yields on AA corporate bonds of appropriate duration and currency, or a suitable proxy.
Price inflation	Based on the yield differential between index-linked corporate bonds and fixed-interest corporate bonds of similar credit standing (for example, using appropriate UK Government conventional and index-linked stocks).
Pension increases	Compatible with the rate of price inflation above taking into account the effects of scheme rules and valid expectations of discretionary increases based on past practice.
Demographic assumptions (for example, rates of mortality and early retirement)	Compatible assumptions that lead to a best estimate of future cash flows.
Administration expenses	As advised by the Company based on realistic forecasts.

The key rates assumed are:

	North 2023	SMI 2023	North 2022	SMI 2022
Discount rate	4.6%	4.6%	2.4%	2.4%
Inflation rate	2.8%	2.8%	3.2%	3.2%

Mortality
For the purposes of both the 2023 and 2022 calculations the base mortality rates have been taken from the S3PA Light tables published by the Actuarial Profession’s Continuous Mortality Investigation (CMI). An allowance for future improvements in longevity was included in the 2022 calculations in accordance with the CMI 2020 projections with a long-term rate of improvements of 1% per annum. For the purposes of the 2023 calculations the allowance for future improvements in longevity has been updated to the CMI 2021 projections again with long-term rate of improvements of 1% per annum.

12. Retirement Benefit Schemes (continued)

The pension schemes, their assets and liabilities, assumptions and projections are based in sterling. The assets and liabilities of the schemes are converted into US Dollars, NorthStandard's functional and presentational currency as described in note 1.4.

The fair value of plan assets are as follows:

	North 2023 $'000	SMI 2023 $'000	North 2022 $'000	SMI 2022 $'000
Equities	21,596	7,682	34,475	12,827
Other	4,690	1,587	7,678	2,843
Credit/ Debt funds	15,750	5,408	34,265	13,914
Liability driven investments	29,277	11,872	48,516	18,404
Cash	2,373	727	1,686	529
	73,686	27,276	126,620	48,517

The actual return on plan assets for 2023 amounted to a loss of US$38.4 million (2022: US$5.1 million gain) for NorthStandard and a loss of US$14.1 million (2022: US$2.0 million gain) for SMI.

Defined benefit plans

Changes in the defined benefit obligation and fair value of plan assets

	Defined benefit obligation $'000	Fair value of plan assets $'000	Benefit liability $'000
20 February 2022	**190,786**	**175,136**	**15,650**
Net interest	3,979	3,690	289
Sub-total included in income	**3,979**	**3,690**	**289**
Benefits paid	(5,000)	(5,000)	-
Return on plan assets			
- excluding amounts included in net interest expense	-	(56,277)	56,277
Actuarial changes			
- arising from changes in demographic assumptions	(18)	-	(18)
- arising from changes in financial assumptions	(58,663)	-	(58,663)
Experience adjustments	1,006	-	1,006
Sub-total included in OCI	**(57,675)**	**(56,277)**	**(1,398)**
Contributions by employer	-	3,573	(3,573)
Exchange rate movements	(21,907)	(20,161)	(1,746)
20 February 2023	**110,183**	**100,961**	**9,224**

12. Retirement Benefit Schemes (continued)

Sensitivity of key assumption

A quantitative sensitivity analysis for significant assumptions as at 20 February 2023 is shown below.

	Impact on retirement benefit liability
North Scheme	**US$000**
(Increase) / reduce discount rate by 0.5%	(5,431) / 6,166
Increase / (reduce) inflation assumption by 0.5% (assumed affects deferred and pensioner increases and not salary increases)	2,127 / (1,426)
Increase life expectancy by one year	2,130
SMI Scheme	
(Increase) / reduce discount rate by 0.5%	(1,764) / 1,994
Increase / (reduce) inflation assumption by 0.5% (assumed affects deferred and pensioner increases and not salary increases)	769 / (732)
Increase life expectancy by one year	683

The sensitivities above have been determined based on a method that extrapolates the impact on net defined benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting period.

The amount expected to be contributed into the plans by the Group in 2023/24 is US$3.6 million for the North scheme and US$ NIL for SMI.

The average duration of the defined benefit plan obligation at the end of the reporting period is 18 years (2022: 23 years) for North scheme and 17 years (2022: 20 years) for SMI scheme.

Defined Contribution plans

The Group also operates a number of defined contribution pension schemes. The total pension cost charge for the year represents contributions payable to the schemes and amounted to US$5.0 million (2022: US$5.4 million). There were no outstanding or prepaid contributions at the beginning or end of the financial year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

13. Creditors

	Group 2023 $'000	Company 2023 $'000	Group 2022 $'000	Company 2022 $'000
Creditors arising out of direct insurance operations	53,209	39,552	44,292	32,719
Creditors arising out of reinsurance	61,698	34,005	54,960	45,608
Cash pooling liabilities	3,482	3,482	1,748	1,748
Derivatives	816	816	42	42
Other creditors	3,362	3,093	2,719	9,712
	122,567	**80,948**	**103,761**	**89,829**

The Company and Group is entered into a cash pooling agreement with Nordea Bank Abp. This facility allows accounts included in the agreement to be overdrawn, provided that the aggregate balance across all accounts in the pooling agreement is not an overdrawn position. Overdrawn accounts are shown separately in the financial statements, but do not attract interest charges or have a fixed repayment date. All the above amounts were due within twelve months of the reporting date.

14. Operating Expenses by Nature

The Group

	Note	2023 $'000	2022 $'000
Depreciation and amortisation charges		7,140	1,378
Impairment charge		3,705	-
Gain on disposal of fixed assets		(34)	-
Staff costs	16	53,389	52,371
Allocation of staff costs to claims handling expenses		(23,708)	(24,284)
Purchase of goods and services		20,950	17,631
Total operating expenses		**61,442**	**47,096**

Auditor's remuneration	2023 $'000	2022 $'000
Amounts payable to BDO LLP (2022: KPMG LLP):		
Audit of these financial statements	320	425
Amounts receivable by the company's auditor and its associates in respect of:		
Audit of financial statements of subsidiaries of the company	274	341
Audit related assurance services	89	110
Other assurance services	113	260
	796	**1,136**

Amounts receivable by the company's auditor and its associates in respect of the audit of financial statements of associated pension schemes is US$ NIL (2022: US$38,043). Other assurance services are for the audit of the Group's Solvency II returns.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

15. Investment return net of expenses and charges

The Group	2023	2022
Investment income	**$'000**	**$'000**
Interest income/(expense) on financial assets not at fair value through profit and loss	1,817	(12)
Realised (losses)/gains on financial investments at fair value through profit and loss	(434)	1,135
Derivative hedging	(774)	(3,261)
	609	**(2,138)**
Investment expenses and charges		
Other investment management expenses	(161)	(186)
	(161)	**(186)**
Net unrealised losses on financial investments at fair value through profit and loss	(5,755)	(7,019)
Total investment return	**(5,307)**	**(9,343)**

16. Other income

	2023	2022
	$'000	**$'000**
Brokerage income	1,769	3,147
Other miscellaneous income	1,057	-
Other income	**2,826**	**3,147**

17. Other charges

	2023	2022
	$'000	**$'000**
Exchange losses	10,822	417
Other miscellaneous charges	-	39
Other charges	**10,822**	**456**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

18. Tax Expense

The Group	2023 $'000	2022 $'000
Current tax	1,048	2,286
Deferred tax	(11)	(258)
	1,037	**2,028**

The difference between the total tax charge shown above and the amount calculated by applying the standard rate of UK corporation tax to the result for the year is as follows:

	2023 $'000	2022 $'000 As restated (note 26)
(Loss)/profit before tax	(11,485)	15,973
Tax on the above at standard UK corporation tax rate of 19.0%	(1,816)	3,035
Effect of different rates of tax	535	368
Effects of non-taxable income and non-deductible expenses	2,479	(3,505)
Deferred tax losses not recognised	-	1,286
Tax losses utilised	(779)	-
Tax on loss not recognised	471	-
Effects of foreign exchange	249	-
Adjustment in respect of previous years	(102)	844
Total tax expense	**1,037**	**2,028**

The provision for deferred tax assets has been made at the rate of tax relevant in each overseas jurisdiction as follows:

The Group	2023 $'000	2022 $'000
At beginning of year	372	124
Exchange rate adjustments	3	(10)
Movement in the year	118	258
At end of year	493	372
Deferred tax at the year-end relates to:		
- other timing differences	493	372
	493	372

No deferred tax on accumulated tax losses has been recognised within NorthStandard UK.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

19. Cash generated from operating activities

	Group 2023 $'000	Company 2023 $'000	Group 2022 $'000 As restated	Company 2022 $'000 As restated
(Loss)/profit for the year	(12,522)	(20,487)	13,945	4,763
Adjustments for:				
Depreciation and amortisation	7,140	7,085	1,378	1,355
Impairment of intangibles	3,705	3,705	-	-
Impairment of investments in subsidiaries	-	-	-	1,777
Investment loss	7,105	2,045	6,326	2,329
Tax expense	1,037	1,143	2,028	2,114
Profit on sale of tangible assets	(34)	-	-	-
Profit on disposal of subsidiary	(1,070)	(157)	-	-
(Decrease) / increase in insurance contracts net of reinsurance recoverable	(566)	(10,431)	7,766	6,215
Increase / (decrease) in unearned premium reserve net of reinsurers' share	8,523	2,642	(4,472)	(19)
Decrease / (increase) in total debtors and total prepayments and accrued income	15,897	19,226	(18,936)	1,446
Increase / (decrease) in total creditors and accruals and deferred income	24,461	(2,214)	(16,996)	(13,845)
Defined benefit contributions in excess of the charge for the year	(4,001)	(4,001)	(3,584)	(3,584)
Purchase of bonds at fair value through profit or loss	(25,245)	(25,029)	(35,578)	(5,912)
Sale of bonds at fair value through profit or loss	32,409	28,409	67,850	55,351
Foreign exchange loss / (gain)	9,523	10,514	(5,233)	(5,474)
FRS 102 conversion adjustments (note 26)	-	-	68	(13)
Cash generated from operating activities	**66,362**	**12,450**	**14,562**	**46,503**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

20. Staff Costs

The Group

The average monthly number of employees (including executive Directors) was:

	2023 Number	**2022 Number**
Claims	95	92
Underwriting	62	60
FD&D	43	45
Loss prevention	13	14
Brokerages	16	20
Other	144	150
	373	**381**

Their aggregate remuneration comprised:	**2023 $'000**	**2022 $'000**
Wages and salaries	43,567	41,811
Social security costs	3,575	3,620
Other post-employment benefits	6,247	6,940
	53,389	**52,371**

Directors' Remuneration

The Group

The remuneration of the Directors was as follows:

	2023 $'000	**2022 $'000**
Short-term employee benefits	2,439	2,687

Highest paid director

The above amounts for remuneration include the following in respect of the highest paid director:

	2023 $'000	**2022 $'000**
Short-term employee benefits	1,212	1,227

No Directors were members of the Company's defined benefit pension schemes during the year or in the prior year. The accrued pension entitlement under the Company's defined benefit scheme of the highest paid director at 20 February 2023 was US$ NIL (2022 - US$ NIL).

21. Guarantees

In the normal course of business, the Group has provided security / arranged for security to be provided on behalf of its Members. At 20 February 2023, the Group had a bank guarantee facility with Nordea Bank Abp of up to US$44.7 million, of which US$15.3 million was utilised.

The provision of security in relation to claims covered under the terms of insurance of the Members does not alter the expected cost to the Group of those claims, which is included in the technical provision for claims outstanding. Provision of security in relation to non-covered matters must be counter-secured prior to issue, and is not expected to result in any net cash out-flow for the Group as a result.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

22. Investments in Group undertakings – Company

Details of subsidiary undertakings are as follows:

Company Name	Nature of business	Incorporated	Holding % at 20 Feb 2023	2022
Hydra Insurance Company Limited (North Cell only)	Reinsurance captive	Bermuda	100	100
Registered address: Victoria Hall, Victoria Street, P.O. Box HM 1826, Hamilton HMHX, Bermuda.				
Sunderland Marine Insurance Company Limited	Dormant	U.K.	100	100
Registered address: 100 The Quayside, Newcastle upon Tyne, NE1 3DU				
North of England Marine Consultants (Shanghai)	Claims consultancy	China	100	100
Registered address: Room 11D, Phase B, Shinmei Union Building, 506 Shangcheng Road, Pudong, 200120, Shanghai				
NEPIA Trust Company Limited	Corporate trustee	U.K.	100	100
Registered address: 100 The Quayside, Newcastle upon Tyne, NE1 3DU				
North Group Services Limited	Employee holding company	U.K.	100	100
Registered address: 100 The Quayside, Newcastle upon Tyne, NE1 3DU				
North of England P&I Designated Activity Company	Marine insurance	Ireland	100	100
Registered address: Block 4, Harcourt Centre, Harcourt Road, Dublin 2, D02HW77				
North of England Insurance Services Inc.	Marketing	USA	100	100
Registered address: 140 Broadway, 46th Floor, New York, NY 10005, USA				
Sunderland Marine (Africa) Limited	Dormant	South Africa	-	100
Registered address: Suite 6, Steenberg House, Silverwood Close, Tokai, Cape Town 7945, South Africa				
Salvus Bain Management (USA) LLC	Dormant	USA	-	100
Registered address: 2284 West Commodore Way, Suite 200, Seattle, WA 98199				
Harlock Murray Underwriting Limited	Brokerage	Canada	100	100
Registered address: 701-890 West Pender Street, Vancouver, BC V6C 1J9				
Van Olst de Graff & Co BV	Brokerage	Netherlands	-	91
Registered address: Dirk van der Kooijweg 54, Rotterdam				
North Risk Services Limited	Dormant	U.K.	100	100
Registered address: 100 The Quayside, Newcastle upon Tyne, NE1 3DU				

The value of the subsidiary undertakings is as follows:

The Company	2023 $'000	2022 $'000
Balance brought forward	114,210	87,678
Impairment of investments during the year	-	(1,777)
Capital repatriated during the year	(7,831)	(1,160)
Capital contributed to Hydra during the year	-	29,469
Sale of Van Olst de Graff & Co BV	(1,800)	-
Balance carried forward	**104,579**	**114,210**

The segregated cell within Hydra Insurance Company Limited, which reinsures the parent company and North of England P&I DAC for their liabilities under the upper layer of the pool and its share of the first layer of the International Group excess loss reinsurance contract, has been consolidated. It is possible that in certain circumstances preferred shareholders, including the parent company, can be required to provide further funding to their segregated cell in order to maintain its capital and solvency requirements in Bermuda. The parent company has agreed, with shareholders of other segregate cells in Hydra Insurance Company Limited, to maintain a certain level of capital within each segregated cell.

During the year, the Company repatriated capital from Salvus Bain Management (USA) LLC on the dissolution of that dormant subsidiary, and from Sunderland Marine Insurance Company Limited in advance of an application for that dormant subsidiary to be dissolved. Sunderland Marine (Africa) Limited was also dissolved during the year.

The Company acquired the non-controlling interest in Van Olst de Graff & Co BV during the year, and subsequently sold the entire shareholding.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

23. Related Party Transactions

Key management compensation

The remuneration of the Directors was as follows:	2023 $'000	2022 $'000
Short term employee benefits	2,439	2,687

Short term employee benefits include salaries, cash allowances and benefits in kind such as amounts in respect of company cars and medical insurance.

Certain Directors are representatives or agents of member companies. Other than the insurance and membership interests those Directors have no financial interests in the Company.

Other related parties

Hydra, the International Group's Bermuda based captive, is a segregated accounts company and North is an Account Owner. Exposure under the International Group Pooling Agreement for claims falling to the layer US$70.0 million in excess of US$30.0 million as well as the first US$100.0 million of a 70% share under the first layer of the Excess Loss contract, up to US$750.0 million, is reinsured by Hydra North Cell.

The Group operates two defined benefit schemes and further information can be found in note 12 of these Financial Statements.

Transactions with related parties have been entered into as follows:

The Company	**2023 $'000 SMI**	**2023 $'000 Shanghai**	**2023 $'000 Hydra**	**2023 $'000 NGS**	**2023 $'000 North EU**	**2022 $'000 SMI**	**2022 $'000 Shanghai**	**2022 $'000 Hydra**	**2022 $'000 NGS**	**2022 $'000 North EU**
Income statement										
Insurance premium	-	-	(26,314)	-	-	-	-	(18,200)	-	-
Insurance claims and loss adjustment expenses	-	-	-	-	-	-	-	-	-	-
Unearned premium	-	-	-	-	-	-	-	-	-	-
Insurance claims and loss adjustment expenses recovered	-	-	19,230	-	-	-	-	10,877	-	-
Management fee recovered	-	(1,074)	-	-	-	-	(1,605)	-	-	-
Expenses Recharged	-	-	-	(29,438)	5,943	-	-	-	(28,423)	5,187
Statement of financial position										
Reinsurers' share of technical provisions	-	-	76,159	-	-	-	-	70,338	-	-
Other debtors/(creditors)	-	210	-	48	9,756	(6,933)	205	-	8,441	2,603

In addition to the above, in the year ended February 2023, the parent company repatriated capital of US$898,000 from Salvus Bain Management (USA) LLC and of US$6,933,000 from Sunderland Marine Insurance Company Limited. In the year ended February 2022, the parent company introduced capital of US$29,469,000 to Hydra, and received a distribution from Sunderland Marine (Africa) Limited of US$1,160,000.

24. Operating lease commitments

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

	2023 $'000	2022 $'000
Not later than 1 year	924	908
Later than 1 year and not later than 5 years	625	1,147
	1,549	**2,055**

25. Events subsequent to the statement of financial position date

Immediately following the year end, the Company merged with The Standard Club Limited to form the NorthStandard Group. The merger was concluded by the Company becoming the sole member of The Standard Club Limited, and the former members of The Standard Club Limited becoming members of the Company. The Company changed its name to NorthStandard Limited with effect from 20 February 2023.

Accounting for the merger, including the fair value of assets and liabilities assumed and consequential negative goodwill, will be reported in the financial statements for the year ending 20 February 2024 and has not been finalised at the date of issue of these financial statements. The impact on the financial position and future performance of the Group as a result of the merger is expected to be significant, with a significant increase in the Group's capital and reserves and gross written premiums with effect from 20 February 2023.

The conclusion of the merger does not result in the adjustment to any amounts recognised in the financial statements subsequent to the balance sheet date. The potential impact of the merger on the utilisation of the Group's intangible assets is disclosed in note 4.

26. Transition to UK GAAP

The Group has prepared its financial statements in accordance with UK GAAP for the first time, having previously applied International Financial Reporting Standards ('IFRS') in their preparation. Section 35 of FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* provides that accounting policies applied in the opening statement of financial position under UK GAAP may differ from those used under previous financial reporting framework. The Group, in transitioning to UK GAAP, has reviewed each accounting policy and financial statement disclosure to ensure that they are compliant with the requirements of UK GAAP, but also to determine whether they remain appropriate for the Group.

Changes necessitated by differences between IFRS and UK GAAP

Section 20 of FRS 102 *Leases* differs from the requirements set out in IFRS 16 *Leases.*

In accordance with IFRS 16, the Group recognised a right-of-use asset and a lease liability at the commencement of the lease. The right-of-use asset was initially measured at cost and subsequently depreciated using the straight-line method from the commencement date to the end of the lease term. The lease liability was initially measured at the present value of the lease payments that were not paid at the commencement date, and subsequently at amortised cost using the effective interest method. The Group had elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and leases which had a lease term of less than 12 months. Payments associated with such leases were recognised as an expense on a straight-line basis over the lease term.

In accordance with FRS 102, leases must be categorised as either operating leases or finance leases. The accounting treatment for finance leases is not dissimilar as between IFRS 16 and FRS 102, however, the agreements entered into by the Group all constitute operating leases for the purposes of FRS 102. Operating lease treatment in FRS 102 is akin to the treatment of low-value and short-term leases under IFRS 16 – there is no asset or liability recognised in the statement of financial position, and lease payments are expensed on a straight-line basis over the term of the lease.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

26. Transition to UK GAAP (continued)

The impact on the statement of financial position at 20 February 2021 and 20 February 2022 is as follows:

	Group 2022 $'000	Company 2022 $'000	Group 2021 $'000	Company 2021 $'000
Land and Buildings				
Net Book Value as previously stated	16,659	16,011	16,868	15,970
Derecognition of IFRS 16 assets	(1,840)	(1,184)	(1,816)	(888)
Net Book Value as restated	**14,819**	**14,827**	**15,052**	**15,082**
Computer Equipment				
Net Book Value as previously stated	2,572	2,511	2,744	2,653
Derecognition of IFRS 16 assets	(6)	-	(10)	-
Net Book Value as restated	**2,566**	**2,511**	**2,734**	**2,653**
Lease Liability (included in Other creditors including taxation and social security)				
As previously stated	1,945	1,262	1,962	981
Derecognition of IFRS 16 liabilities	(1,945)	(1,262)	(1,962)	(981)
As restated	-	-	-	-

In the 2022 restated Statement of Cash Flows, the reversal of IFRS 16 has impacted deprecation by US$0.7 million (The Group) and US$0.4 million (The Company) and lease payments by US$0.7 million (The Group) and US$0.4 million (The Company). There is no net impact on the change in cash and cash equivalents reported in previous years.

Reconciliation of profit and loss

The Group

	20 February 2022 $'000	20 February 2021 $'000
Total comprehensive income (as previously stated)	40,028	43,156
Reversal of IFRS 16 depreciation	668	598
Reversal of IFRS 16 interest expenses	48	44
Lease payments	(685)	(704)
Other IFRS 16 adjustments	(68)	198
Restated total comprehensive income reported under FRS 102	**39,991**	**43,292**

The Company

	20 February 2022 $'000	20 February 2021 $'000
Total comprehensive income (as previously stated)	30,824	58,619
Reversal of ROU depreciation	386	423
Reversal of ROU interest expenses	30	26
Lease payments	(444)	(452)
Other IFRS 16 adjustments	13	97
Restated loss before taxation reported under FRS 102	**30,809**	**58,712**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

26. Transition to UK GAAP (continued)

Reconciliation of equity

The Group

	20 February 2022 $'000	20 February 2021 $'000
Income & Expense Account (as previously stated)	290,207	246,682
Derecognition of IFRS 16 (cumulative)	99	136
Income & Expense Account under FRS 102	**290,306**	**246,818**

The Company

	20 February 2022 $'000	20 February 2021 $'000
Income & Expense Account (as previously stated)	261,550	227,173
Derecognition of IFRS 16 (cumulative)	78	93
Income & Expense Account under FRS 102	**261,628**	**227,266**

Change to accounting policy for brokerage on mutual business

Previously, the Group has presented brokerage in relation to mutual insurance policies as an acquisition cost in the income statement, recognising the amount of premium plus brokerage as premium income. Brokers engage with members to place insurance on their behalf, and the Group has identified that certain other members of the International Group present this cost / liability of the members netted against premium income. The Group has determined therefore that it would be more appropriate for brokerage on mutual premium to be presented within premium income rather than as a separate expense, and has restated the 20 February 2022 comparatives accordingly.

This change has no effect on the profit and loss or of the equity reported by the Group or the Company, with the reduction in premium income being offset by a reduction in acquisition cost. The reduction in premium income and acquisition costs in the year ended 20 February 2022 was US$19.0 million.

Change to presentation of the reconciliation of Land and buildings, and Tangible assets

The Group has adopted a new presentation for the reconciliation of opening and closing land and buildings and tangible assets in the current year. In applying the new presentation, some historic differences in the offsetting of the cost and accumulated depreciation of fully depreciated assets were identified. These differences are not material to the financial statements and have been written off as 'other adjustments' in notes 5 and 9.

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