RANDALL & QUILTER INVESTMENT HOLDINGS LTD.

ANNUAL REPORT 2021

The theme of this year's Annual Report is Evolving, Building and Growing to reflect the journey we are on to achieve the ambitions of our Five-Year Strategy, which will see us transform into a fee-based, capital lighter business. This strategy will see us deliver higher-quality and more predictable profits in both Legacy Insurance and Program Management, while also leveraging our leading underwriting and origination capabilities to pursue the exciting opportunities we have identified for both businesses – and for R&Q as a whole.

In the pages to come, you will learn about the progress we have already made and our plans for the future as we continue to take steps to become a successful and sustainable business, acting for the benefit of all our stakeholders.

Evolving Building Growing

Contents

Business highlights from 2021

2021 was a significant year of change for the business as we launched a new strategy, started the modernization of the business, continued to evolve our culture, and strengthened our processes and how we do business. Key highlights are outlined below:

Increasing fee income and launching our five-year strategy

Transitioned to a capital lighter recurring fee business:

- Raised ~USD300 million for Gibson Re, moving our Legacy Insurance business to a balance sheet lighter and recurring fee-oriented business:
  - Reducing future Group equity requirements and potential shareholder dilution
  - Reducing volatility of earnings associated with new Legacy deals
  - Reducing future economic volatility associated with older, non-core Legacy Insurance subsidiaries
- Diversified our Program Management partnerships, which now constitute 81 MGAs, allowing us to drive additional recurring fee-based revenue

Outlined our value proposition for investors:

- Refined Key Performance Indicators (KPIs) for the business to better explain our underlying earnings and earnings drivers
- Articulated a liquidity and capital framework for the business to provide transparency into how our business operates
- Rebased and redefined our dividend policy to be aligned with the growth and capital requirements of the business
- Refined our investment strategy and narrowed the asset and liability duration gap, improving returns and required capital, while reducing reinvestment risk
- Listed on OTCQX (the top-tier over-the-counter marketplace for US trading of foreign listed issuers) to improve liquidity in our shares and make access by US-based investors easier
- Changed our Articles of Association to add certain protections for shareholders

Strengthened our leadership team:

- Continued to build the management team with key new leaders such as:
  - CEO of Global Legacy
  - Chief Data & Technology Officer
  - US Head of Compliance and Regulatory Affairs

Engaging employees

Expanding our talent mix across the organization:

- Brought in new talent to our Data and Analytics team
- Added underwriters in our growing Program Management business in the US
- Boosted Claims and Operations capabilities and expertise in both Program Management and Legacy Insurance organizations
- Integrated the talent of the VIBE syndicate, gaining deep expertise in the Lloyd's legacy insurance market

Increasing our engagement with employees:

- Supported our people and managers in driving the focus areas of the Five-Year Strategy
  - Increased levels of transparency on results, performance and business objectives
  - Enhanced discipline around expense management and capital management
- Supported the evolution of our culture
  - Introduced changes to ways of working to create a more contemporary, future-focused and agile organization
  - Shifted workplaces towards hybrid and flexibility
  - Encouraged a one R&Q mindset, collaboration and empowerment at all levels
  - Created robust feedback loops via surveys and executive-led forums

Automating processes and harnessing data

- Began to focus on and implement efficiency plans for operations, allowing us to scale our businesses with enhanced operating leverage:
  - Moved from a regional approach to a global Program Management Operations Team, on a single unified platform
  - Transitioning from several local general ledgers to a single, Group-wide general ledger
  - Implemented ten automation initiatives, including robotics
  - Designed our Cloud infrastructure
  - Augmented our Risk Management Framework adding new, more granular measures
  - Developed an internal model to risk score external reinsurance partners
  - Digitized and classified over one million paper documents from old legacy insurance deals

Acting responsibly

Prioritizing our approach to ESG

- Completed an organizational assessment of ESG
- Held educational and training workshops with the Board and Leadership team
- Completed a qualitative and quantitative ESG materiality assessment with our stakeholders to understand our priorities
- Gained greater visibility of our carbon footprint
- Launching a bottom-up development of our purpose and values

Strategic report

Chairman's statement

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

William Spiegel
Executive Chairman

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

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

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

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

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

William Spiegel
Executive Group Chairman

12 June 2022

2021 in review

Our results are examined in more detail in the **Financial review** (pages 16-19) but in summary, 2021 reflected the strategic repositioning of Legacy Insurance to become a more fee-based, capital lighter business and the continuation of strong growth and profitability of our Program Management business.

William Spiegel
Executive Chairman

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

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

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

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

> Our Group result reflects a year of evolution towards our future state, and I am pleased that we have reported underlying progress in both of our businesses, Program Management and Legacy Insurance."

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

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

Program Management

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

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

Legacy Insurance

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

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

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

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

Capital and liquidity framework

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

Market and strategy

Last year we set out our ambitious Five-Year Strategy to become a simpler, fee-orientated capital lighter business.

There are five pillars of our strategy: Increasing Fee Income, Enhancing Transparency, Automating Processes, Engaging Employees and Acting Responsibly. We have already discussed the progress on increasing Fee Income with the launch of Gibson Re, and what this means for our Legacy Insurance business, as well as the excellent progress against our GWP target for Program Management. I am encouraged to report that we have already made good progress against the other pillars.

Enhancing transparency

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

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

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

Automating processes

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

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

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

These examples only represent the start of our efforts to improve processes to support the growth of the business and leverage AI to help us work smarter. Our team has identified a number of areas across our business where we can find similar opportunities to automate reporting processes and document management. As a business that has historically been run on a more traditional basis, the potential upside for R&Q is meaningful, both in the greater efficiency it will create and in the ability to free our people up to focus on more strategic thinking.

Engaging employees

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

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

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

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

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

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

Acting responsibly

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

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

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

Market outlook

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

The legacy market, and our addressable market within this, remains highly attractive as risk carriers continue to proactively manage their capital positions. The ongoing attractive rating environment for 'live' business has meant we have seen ongoing strong demand for legacy solutions and expect this to continue through 2022 and beyond.

More fundamentally, legacy has now firmly established itself as a permanent part of the capital life-cycle within non-life insurance. With the barriers to entry remaining high, R&Q is strongly positioned.

The program market is also benefiting from equally attractive market conditions as talented underwriters continue to establish their own MGAs and capital providers seek underwriting outperformance. As in the legacy market, R&Q is enviably positioned: we are a genuinely independent program manager with a highly rated balance sheet and licences across Europe and the US. We believe few can match this independence, capital strength and global scale in terms of licensed platforms.

Business model

We are moving from a complex, balance sheet intensive business to a more simplified and predictable fee-based model with the launch of Gibson Re and our Legacy Insurance Asset Management business.

Simplifying and enhancing our business model

Old complicated framework	New simplified framework
» Complex revenue model, driven by upfront Underwriting Income associated with Legacy Insurance	» **Simplified revenue model, driven by annual recurring Fee Income on Program Management Gross Written Premium and Legacy Insurance reserves**
» Episodic earnings due to unknown timing of Legacy	» **Predictable and high quality annual recurring Fee Income**
» Balance sheet intensive due to required capital for Legacy Insurance transactions and need to raise equity to fund growth	» **Balance sheet lighter, with capital required to fund growth provided by third parties**

We are a unique global speciality insurance company

Our vision is to become a more efficient, fee orientated and data-driven company focused on our core strengths of insurance origination, underwriting and claims management.

We are becoming an annual recurring fee business

By executing on our five-year strategy of increasing Fee Income.

Program Management

R&Q's Program Management business generates recurring fees by using its licensed and rated insurance companies to act as a conduit between capital providers (reinsurers), and independent insurance distributors or MGAs. We market our Program Management business under the Accredited brand, and each of our entities in the US and Europe are rated A- (Excellent) by A.M. Best for financial strength, making R&Q the only dedicated program partner to provide A- rated insurance capacity on both sides of the Atlantic. A majority of the insurance risk in the Program Management business is assumed by the reinsurer. As at year-end 2021, R&Q retained ~6% of the insurance risk on our programs and where we assume insurance risk, we generally purchase reinsurance protection.

Program Management generates a stream of stable and recurring fees by charging approximately 5% of annual gross written premium assumed by reinsurers. Given our established platform and licenses, this business is highly scalable with significant potential for operating leverage and requires less capital to grow since it bears little of the insurance risk (after taking account of the reinsurance protection from our highly rated or well collateralized reinsurance partners).

Our Program Management business is only four years old and in 2021 made its first profit. We anticipate our Program Management business will generate gross written premium of USD1.75 billion by 2022, by which time it will be at scale and we believe generating significant free cash flow. We will also continue to assess minority investments in strategic program partners, such as our investment in Tradesman, which increases our exposure to fee-related profits.

As we review on the past year, our program management in the past 12 months has made ongoing progress supporting our five-year strategy of generating fee income, notably:

- Increasing GWP in 2022 to USD1.75 billion, reaching this milestone one year earlier than anticipated
- 69 Programs as of end of August
- Gross Written Premium of USD1 billion
- Annual recurring Fee Income of USD56 million

Legacy Insurance

R&Q's Legacy Insurance business provides creative financial solutions to owners of expired insurance and reinsurance risks and has been at the heart of the R&Q Group for nearly 30 years. Legacy is now an integral part of the insurance market, providing capital management solutions for global insurance companies. R&Q is one of the most well-established and reputable players within the legacy insurance industry. In the past 12 months Legacy has made important progress fees, notably:

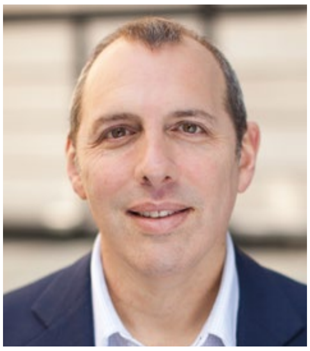
- Launched Legacy Insurance Asset Management business
- Formed Gibson Re, raising ~USD300 million of long-dated capital; supports ~USD2 billion of reserves
- Annual recurring Fee Income of 4.25% of ceded reserves for at least six years, plus potential performance fees
- Launch additional vehicles after Gibson Re capital is fully utilized

MGA investments

- 40% ownership of Tradesman Program Managers
- Tradesman Net Income of USD29 million (H1 2021 annualized)
- Contributes Fee Income of USD11 million (H1 2021 annualized) to Program Management

Financial review

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



Tom Solomon
Group Chief Financial Officer

Group

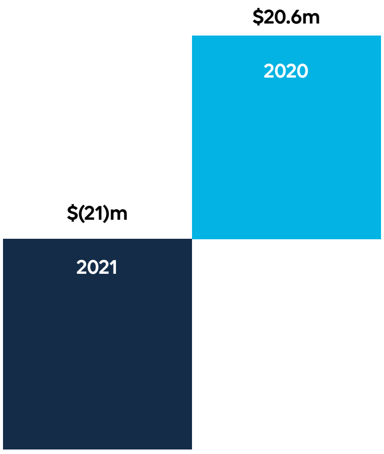
Our KPIs measure the economics of the business and adjust IFRS results to include fully written Program Fee Income and exclude non-cash intangibles created from acquisitions in Legacy Insurance, net realized and unrealized investment gains on fixed income and lease-based assets, foreign currency translation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

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

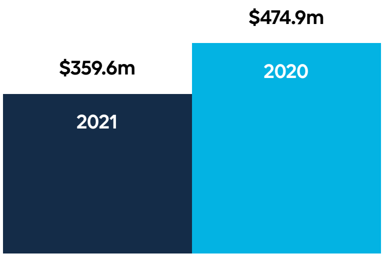
One of our objectives is to grow the relative contribution of Fee Income to total Gross Operating Income. Our Fee Income was $56.1 million, a 133% increase compared to 2020 and represented 41% of Gross Operating Income, an increase of 24 percentage points compared to 2020.

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

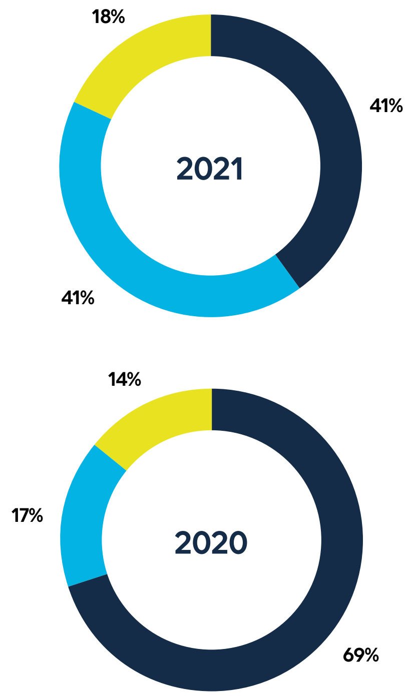
Group results



Pre-Tax Operating Profit (Loss)



Tangible Net Asset Value



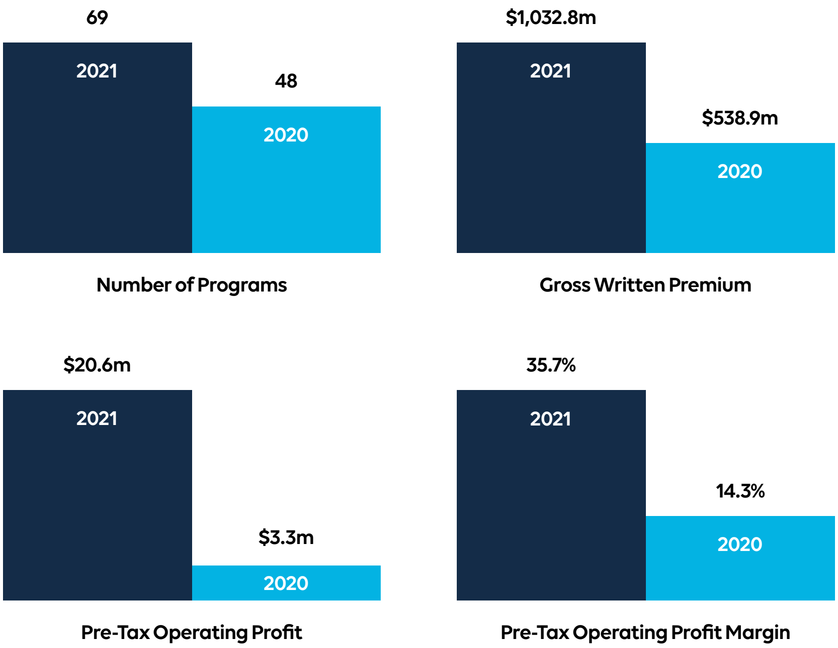
> One of our objectives is to grow the relative contribution of Fee Income to total Gross Operating Income."

Program Management

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

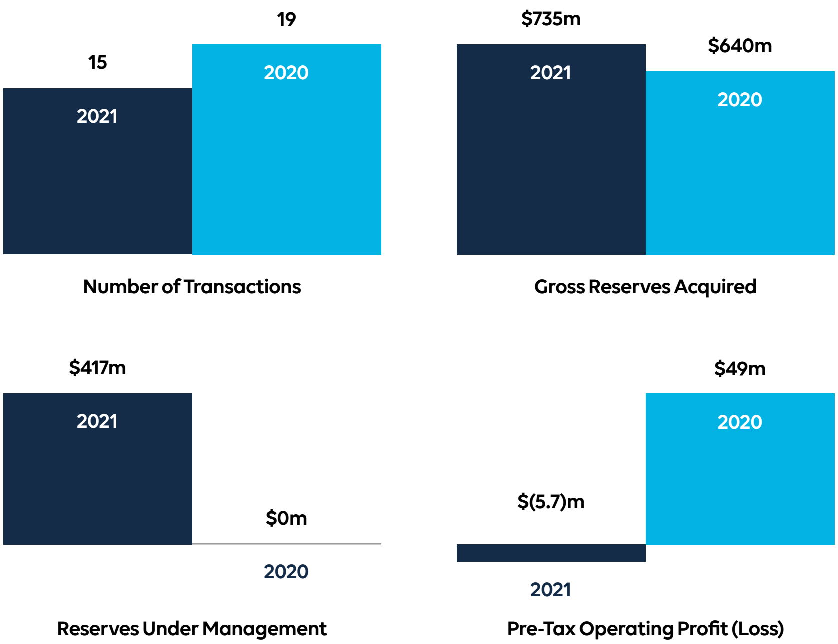
The primary driver of Pre-Tax Operating Profit is our Fee Income, which represents Program Fee Income from written premium ceded to reinsurers and our 40% minority stake in Tradesman Program Managers, which increased from 35% in Q2 2021. Fee Income was $56.1 million, a 133% increase compared to 2020,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

Program Management results

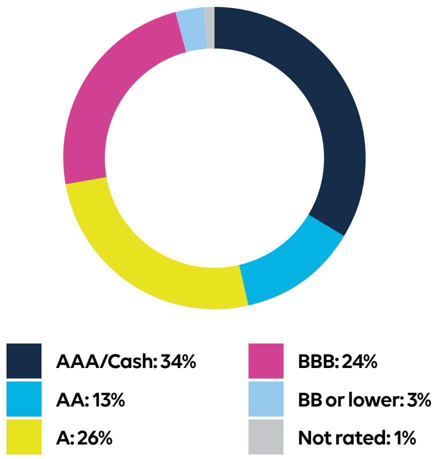


Financial review
continued

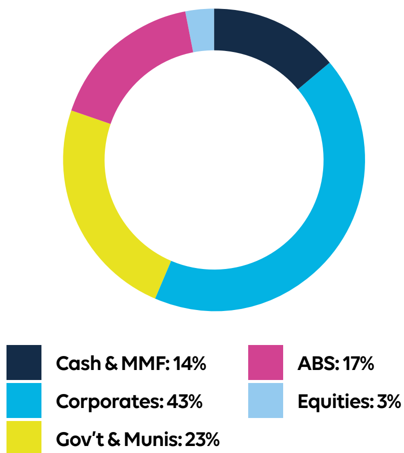
Legacy Insurance results



Investment portfolio by credit rating



Investment portfolio by asset class



Legacy Insurance

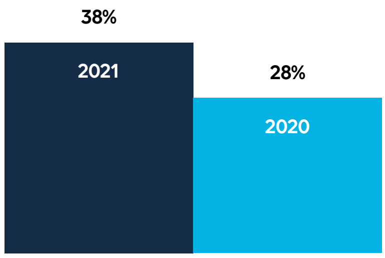
Our Legacy Insurance business continued to grow, concluding 15 transactions with Gross Reserves Acquired of $735 million, an increase of 15% compared to 2020. 2021 was the first year of utilizing our Gibson Re sidecar, where we reinsured 80% of the reserves from four transactions. At year-end 2021, we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

Currently, the primary driver of our Pre-Tax Operating Result is our Underwriting Income, which represents tangible day one gains on retained transactions originated during the year as well as claims management of retained transactions closed in prior years. Underwriting Income was $58.5 million, a 44% decrease compared to 2020 due to ceding Underwriting Income to Gibson Re and $29 million of adverse reserve development, primarily in our Lloyd's business. In the future, we expect Fee Income to be the primary driver of Pre-Tax Operating Profit as we grow our Reserves Under Management. Our Investment Income was $19.3m, a 15% increase compared to 2020 driven by acquired assets on transactions. Finally, our Fixed Operating Expenses grew 17% compared to 2020 primarily due to higher corporate allocations.

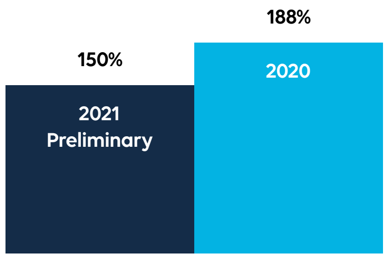
> We maintain a conservative, liquid investment portfolio so that we can produce consistent cash flows to meet our liability obligations, while also earning a reasonable risk-adjusted return."

Corporate and other

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



Adjusted Debt to Capital Ratio



Group Solvency Ratio

Cash and investments

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

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

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

Capital and liquidity

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

Risk management

The Board and senior management continue to appreciate that the Group's ongoing success depends on its collective understanding and management of known risks and exposures.

Overall responsibility for risk management

The Board has responsibility for ensuring that the Group has an appropriate and proportional approach to risk management across the Group, and that this approach is both generic to the Group's activities and aligned with the overall corporate strategy. The risks facing the Group continue to evolve and increase or decrease in potential impact and probability of crystallisation over time. The Group continues to be entrepreneurial and innovative in spite of, and in many respects because of, the challenges of the past two years. The pandemic has tested the rigor of the Group's risk management framework and control environment, and both have continued to respond well.

Risk management framework and risk management function

The Group has a mature risk management framework and risk function headed by the Chief Risk Officer. The Group Risk Function is responsible for designing, overseeing, implementing, and improving the risk management framework. It works closely with the Board and senior management, meeting regularly with them to monitor existing identified risks and uncertainties, to identify new and emerging risks and to ensure that there are appropriate processes and procedures in place to monitor these risks. It is also responsible for monitoring that the business meets regulatory expectations around enterprise risk management and reporting on risk to the Board and the Group Risk and Compliance Committee.

Group risk committee

The Group Risk and Compliance Committee (formerly Group Risk Committee) is a formally-constituted Committee of the Board. A report from the Group Risk and Compliance Committee Chair on its changing roles and responsibilities, operation, areas of focus during 2021, discharging of responsibilities, self-evaluation and plans for 2022 appears on pages 45 to 47 of the 2021 Annual Report.

Risk appetite

The risk appetite framework sets the boundaries within which risk-taking should remain in order to meet the expectations of the capital providers and other stakeholders. For the Group, it is articulated via a series of quantitative and qualitative statements covering all defined categories of risk.

Risk appetite reflects the amount of risk taking which is acceptable to the Group. Accordingly, risk appetite refers to the Group's attitude to risk taking and whether it is willing or able to tolerate a high or low level of exposure to specific risks or risk categories.

Risk tolerance represents the Group's ability and willingness to bear risk. When considering this, factors such as the availability of capital, ability to raise capital, strength of underlying operational processes and procedures and strength of the organization's culture are all relevant.

The risk appetite framework, which is set at both the Group level and for each of the key business units, is reviewed annually and/or when there are material changes to the overall risk profile of the Group and/ or its business units.

Principal risks and uncertainties

The principal risks and uncertainties can be found within the Strategic Report on pages 22 to 24 of the 2021 Annual Report. For each principal risk, the title and a brief description of the risks and key mitigating actions are described.

This section also includes an overview of how the management and oversight of the principal risks and uncertainties continued in 2021 through the lens of the pandemic.

Internal control system

The Group's internal control system comprises the following key elements:

- Documented governance arrangements which continue to evolve along with the overall business strategy
- Strategic planning process setting priorities for the forthcoming planning horizon, reviewed by the Board periodically to ensure the Group is focusing on its core strengths
- Detailed planning/budgeting process subject to detailed and ongoing oversight and scrutiny delivering forecasts/targets for Board review and approval
- Management information systems, including corporate reporting on financial/operating performance
- A defined risk appetite framework governing management, control and oversight of key risks and issues
- Overall Group capital adequacy planning conducted biannually
- Compliance arrangements throughout the Group
- Internal audit function providing third line assurance to the Board via the Audit Committee following a risk-based, approved annual Audit Plan, on the effectiveness of the Group's internal controls in respect of key risks identified
- Risk management function as described above.

The Board considers that the controls in place during 2021 were and continue to be relevant, proportional, and appropriate for the needs of the Group, and in addition are sufficiently flexible to evolve with the changing needs of the business.

A number of the Group's subsidiaries are regulated and accordingly are subject to local regulatory oversight. Members of the Board and senior management regularly meet with the Group's various regulatory supervisors, conducting the relationship in an open and constructive manner.

The scope of the Group Risk Committee in late 2021, to encompass compliance, has recognized heightened regulatory scrutiny and the requirement for the appropriate level of governance and oversight in this regard.

The management of risk and uncertainty is ongoing and iterative, and the following overarching process is adopted.

The Group's risk management framework and reporting mechanisms have adapted and will continue to adapt to address the Group's evolving strategic objectives. This is described in more detail in the Strategic Report.

Risk governance

Risk governance within the Group continues to adopt a three lines of defence model at both Group and business unit/entity level.

Own Risk and Solvency Assessments (ORSA) and equivalents

The ORSA or equivalent is defined as 'The entirety of the processes and procedures employed to identify, assess, monitor, manage, and report the short and long-term risks a firm faces or may face and to determine the own funds necessary to ensure that overall solvency needs are met at all times.' The report produced as part of this process can be described as the 'shop window' of the business planning, capital setting and risk assessment process.

Principal risks and uncertainties

The principal risk and uncertainties facing the Group follow below. The list comprises a brief description of those risks and uncertainties, along with a high-level statement of appetite for taking that risk and the ongoing mitigating action.

Management of strategic change/ business development and growth

The Group fails to manage both the focus on its core competencies and simultaneous initiative as it develops and grows.

The Group fails to progress its pipeline of legacy and program deals to the closure and onboarding stage due to slowdown of these processes, as well as the risk that the Group fails to identify new business opportunities from the inability to travel and meet new potential counterparties.

Risk category: Strategic

Mitigating actions

- Management of relationships with external stakeholders involving the Board and senior management team
- Board review of budgets, and current strategic priorities to ensure that the Group continues to focus on core strengths
- Management of cash flow
- Review of each new initiative/proposed investment in accordance with its own individual merits and commensurate with overall risk or return objectives, due diligence criteria, strategic objectives, and available sources of capital
- Local risk appetites and tolerances aligned with the Group's overall risk appetite
- Regular oversight and review of program and legacy pipeline including initial screening processes and relevant Committee and/or Board approval

Change in focus: No change

Reputation and stakeholder management

Events within the Group may have an adverse impact (notably, but not restricted to, reputational) on the organization.

The Group fails to control and monitor internal and external communication to its key stakeholders or one of its business units is associated with, for example, ongoing lawsuits.

Risk category: Strategic/Operational

Mitigating actions

- Established process for monitoring and managing external communications, including disclosure committee for announcements to the London Stock Exchange (LSE)
- Regular liaison with the rating agencies
- Regular communication with regulators
- Regular communication with employees including townhall meetings etc.

Change in focus: No change

Exposure management – reserving

The Group adopts a methodology that produces incorrect reserving.

Risk category: Insurance

Mitigating actions

- Appropriate reserving approach to existing live and run-off portfolios and extensive due diligence on new legacy portfolios prior to acceptance
- Scheduled and ad hoc reviews and benchmarking provided by external actuarial consultancies
- Internal use of best estimate for setting reserves, considering internal and external advice, and up-to-date information on actual or anticipated developments

Change in focus: Increase

Exposure management – reinsurance counterparty and catastrophe risk

The Group fails to assess the quality of its program reinsurers prior to onboarding, or the reinsurance arrangements fail to 'follow the fortunes' of the underlying direct insurance contracts.

The Group fails to monitor its growing gross underwriting exposures, reserves and aggregate exposures to reinsurers following the planned onboarding of new business.

Risk category: Credit/Insurance

Mitigating actions

- Integrated framework to assess potential exposure (gross and net) from new opportunities prior to onboarding
- Assessment of exposures and concentrations on inuring treaties during due diligence
- Active commutation strategy or retroactive reinsurance on legacy portfolios
- Monitoring of credit ratings, concentration, and collateral on live underwriting reinsurance
- Identification of potentially significant concentrations of individual counterparties
- Monitoring of gross underwriting exposure of onboarded programs utilizing catastrophe modelling capability

Change in focus: Increase

Exposure management – intermediary counterparty

The Group fails to monitor, assess, and control its exposure to intermediary counterparty default in respect of its live program underwriting activities.

Risk category: Credit

Mitigating actions

- Operating entities engaged in live underwriting are expected to develop appropriate and proportionate processes in order to limit and monitor concentrations to individual intermediary counterparties to within acceptable levels.

Change in focus: No change

Capital and solvency management

The Group and its relevant subsidiary companies are not Solvency II (or equivalent/other) compliant in accordance with local regulatory requirements and expectations.

Risk category: Strategic
Regulatory and Legal
Group

Mitigating actions

- Management of relationships with all regulators within whose jurisdictions the Group and its subsidiaries operate
- Active and ongoing involvement of all relevant control functions
- Deployment of appropriate sources of capital to underpin strategic objectives, commensurate with capacity to take risk and having regard to prevailing regulatory stipulations in force
- Maintenance of capital providing an adequate margin over the Group Solvency Capital Requirement while maintaining local capital which meets or exceeds the relevant local minima.

Change in focus: Increase

Regulatory Risk – Legislative, economic, and regulatory change (including Tax Risk)

The Group fails to implement or adapt to emerging new regulatory or political or legislative changes, and/or

The Group fails to identify its tax exposures arising from emerging UK and overseas legislation and fails to implement appropriate controls and processes to ensure compliance with all relevant laws.

The Group is subject to litigation, mediation and arbitration, and regulatory, governmental and other sectorial inquiries in the normal course of its business, although this is not currently believed to have a material impact on the Group's financial position.

There is, however, an inherent risk that if the outcome of any individual dispute differs substantially from expectation, there could be a material impact on the Group's profit or loss, financial position or cash flows in the year in which that impact is recognized.

Risk category: Regulatory and legal
operational

Mitigating actions

- Oversight by the Group Head of Governance
- Deployment of local expertise where needed
- Management of relationships with all local regulators
- Internal working and steering groups to analyze, interpret and oversee the implementation of all emerging regulatory changes including monitoring changes to the legal landscape
- Maintenance and operation of an effective governance framework leveraging the expertise of the Group and individual entity boards and management
- Leverage of specific additional local regulatory and legal expertise where appropriate
- Quarterly review with Head of Group Tax of the Group's current tax position and potential future implications of current and emerging legislation and developments
- Growth and conduct of the business having regard to the tax implications of doing so
- Optimisation of the Group's cross-jurisdictional tax position
- Tax operating guidelines and monitoring thereto

Change in focus: Increase

Operational risk (including cyber risk)

The Group is reliant upon the knowledge and expertise of its key Directors and staff and fails to adequately plan for succession.

The Group suffers a major business discontinuity event.

The Group fails to properly protect its IT systems and infrastructure and its proprietary information compromising the confidentiality, availability, or integrity of its data, or to keep abreast of increasing regulatory scrutiny in this area.

The Group fails to adequately control its third-party service providers.

The Group fails to manage its expense base and/or the Group fails to deploy appropriate financial and management reporting mechanisms to inform key business decisions.

Risk category: Operational

Mitigating actions

- Development of succession plans and management training across the Group
- Performance management process for all staff
- Robust, regularly tested business continuity and disaster recovery plans
- Development of security technologies and processes by deploying new tools or techniques keeping pace with the increasing threat from cybercrime

Principal risks and uncertainties continued

- Dedicated Chief Information Security function
- Fit for purpose information security governance structure and compliance, where practical, with relevant International Organization for Standardization or International Electrotechnical Commission 27000 series of standards
- Cyber liability insurance
- Outsourcing agreements with all material outsourcers (internal and external)
- Outsourcing Policy
- Ongoing strategic expense and cost allocation review
- Robust and reliable financial and management reporting and forecasting framework, with appropriate controls around data, outputs and review and oversight
- Appropriately skilled and trained staff
- Fit for purpose reporting mechanisms

Change in focus: Increase

Liquidity risk

The Group fails to implement adequate control over cash flow and liquidity leading to financial shortfalls.

Risk category: Liquidity

Mitigating actions

- Dedicated Group cash flow, treasury management and invested assets capability, providing focused effort and a tight control regime
- Assessment and setting of Group and entity liquidity margins at least annually, based on projected payment patterns, reassessed upon the occurrence of a significant event
- Funding of new deals and transactions having regard to available sources of funding and collateral requirements
- Detailed cash flow reporting and monitoring of adherence to banking covenants
- Review of banking covenants for ongoing applicability
- Monitoring of the Group's cash flow projecting the likely liquidity position over a twelve-month planning horizon, embedded into the cash flow monitoring mechanism
- Active and ongoing seeking of alternative financing options for deal funding
- Ongoing and proactive liaison with the Group's bankers

Change in focus: Increase

Market and investment risk

The Group fails to realise an adequate or optimal return on the investment float under its control or experiences a default on investments held.

Risk category: Market

Mitigating actions

- Group Investment Committee and subsidiary level Investment guidelines and oversight by the relevant entity Board
- Utilization of intra-group loans between entities as part of the investment strategy subject to appropriate controls
- Holding of surplus funds in sterling except for US entities where surplus funds are held in US Dollars
- Dedicated Group cash flow, treasury management and invested assets function to monitor investment concentration and returns
- Investments are primarily made in marketable, and investment grade-rated, securities
- Asset, liability, and duration matching

Change in focus: Increase

Working responsibly

2021 has been a pivotal year for us in how we work with each other and how we work with others. Our theme of 'Evolving, Building and Growing' describes the journey we are on as we transform our business, and our theme also reflects our efforts to foster a more ESG-driven mindset and culture.

We've made significant strides across different aspects of the business – all of which are centred around working and growing responsibly in every market we serve.

Our ESG approach

At R&Q, we understand that everything we do has an impact on people and the environment and so it is important to us that we operate in an ethically, socially and environmentally responsible way. In recognition of this, we engaged a specialist independent consultancy last year to work with us to accelerate our progress on environmental, social and governance (ESG) aspects. In order to understand our existing position, a comprehensive review was undertaken which examined our strengths and weaknesses and provided the Board and management team with a holistic understanding of our ESG positioning, identifying potential areas for action required in order to build the foundations for a coherent ESG strategy for R&Q.

Below we describe some of the initial steps we have taken as we embark on our ESG journey.

Our governance of ESG

The Board and management team recognize the importance of ESG to the success of our business; it is a core driver within our business strategy. Recognizing its importance, the Board retains ultimate responsibility for the Group's ESG strategy, and the Executive Chairman is directly accountable to the Board for ESG and reports on progress in implementing the strategy at each quarterly Board meeting. The principal Committees of the Board, namely the Audit Committee, the Investment Committee, the Group Risk and Compliance Committee and the Remuneration and Nominations Committee, are each responsible for incorporating ESG into their work. Details of how they have done this is outlined in the Chair's Report for each Committee on pages 32 to 49. The CEO is supported by the Group Leadership Team. R&Q is currently developing its guiding principles and policies to support its approach to ESG, and this will be a focus for the Board and its Committees in the coming year.

Prioritizing what is important to us

The material focus areas of the Group's ESG strategy were determined through a consultation with a wide group of our stakeholders. The materiality assessment, using the Sustainability Accounting Standards Board's (SASB) materiality mapping as a reference point, involved qualitative and quantitative engagement with the Board, the Group Leadership Team, colleagues, asset managers, banks and shareholders. The Group's approach was also benchmarked in a peer review of ESG leaders in our industry.

The findings of the materiality assessment were shared and discussed with our colleagues across the Group and of the issues that were identified, we have prioritized ten material issues which are set out below, all of which will be addressed by the Group over time. We will regularly re-evaluate the material issues to ensure that they reflect the areas of highest priority to our stakeholders and that they are aligned with the Principles of Sustainable Insurance.

Embedding ESG

Although the direct environmental impacts of our business may not be considered significant, we will be looking to improve our performance across all areas. We will also be taking steps to ensure that environmental considerations are taken into account in terms of the products and services we offer. As a business which is focused around the assessment of risk, it will also be important that we gain greater insight into the associated risks and opportunities of climate change on our business.

As we look to embed ESG across our business, it is our intention to ensure that the Group's Purpose, Values and Culture support both our business strategy and the ESG priorities we have identified. During 2022, we will engage and listen to our people throughout the organization to make sure that there is a sense of ownership and accountability as regards the Purpose and Values we develop together for the business.

	Environmental	Social	Governance
Tier 1	» Greenhouse Gas (GHG) emissions reduction » Net-zero strategy implications	» Employee engagement » Purpose & Culture » Employee wellbeing	» Business ethics & Governance » Transparency & Stakeholder engagement
Tier 2	» Physical Impacts of climate change	» Diversity & Inclusion	» Systemic risk management

Working responsibly
continued

Engaging our people

In considering our ESG objectives, ensuring we provide a vibrant, collaborative, collegiate environment where our people can thrive and develop is critical. Employee engagement, integrity and transparency are key ESG topics for us and one of the five pillars of our Five-Year Strategy is to engage employees by fostering a spirit of entrepreneurialism and accountability while also increasing transparency.

We are committed to engaging our people in such a way to build a culture that is strong and diverse. We take care to be in line with the guidelines prescribed by the Lloyd's Culture Dashboard which was launched to help firms in the Lloyd's market define and chart progress against recommended targets around inclusivity and other signifiers of positive corporate culture.

Supporting our people through COVID-19

As in 2020, we continued to help our people manage through COVID-19, providing support for employees working from home with IT and infrastructure assistance, while also continuing to ascertain the needs of our people managing home-front challenges and seeking to maintain their overall well-being. We also ensured that we followed national guidelines in each of our markets around vaccination, social distancing and testing protocols. As a part of our efforts to engage our people during COVID-19, we've conducted two surveys asking for employee preferences around 'The Future of Work.' We've introduced working approaches in our different geographies that are focussed on providing a more flexible work environment, while ensuring we remain attuned to the commercial practices in the respective financial communities where we operate.

Driving One R&Q

We encouraged a 'One R&Q Mindset', via regular engagement with our people around financial performance; aligning our extended leadership around the development of our Purpose and Values; and in seeking feedback from our people about cultural endeavors we are initiating across the organization in 2022 and beyond.

We increased our transparency around business performance with the advent of quarterly financial townhalls led by our Senior Executive Team who provided operational updates, progress against our Five-Year Strategy and a view towards our efforts to manage cash and expenses.

We empowered our next level of leadership by fostering in them a more commercial focus and reinforcing their role in driving compliance and regulatory priorities. We also initiated the development of our Purpose and Values in 2021 by engaging this population in helping define our value proposition for stakeholders. Considering the needs of our stakeholders is a critical first step for us in defining our Purpose and Values and this leadership group is one whose views and perspectives we value.

Last year we also conducted an audit of our staff to gauge their communications preferences. Findings from this survey confirmed that employee understanding of strategy has increased steadily in the past year and the current Executive Chairman's communications are well received. Based on the feedback gathered through this activity, in the coming year we are planning to increase the communications and engagement skills of our manager population as well as providing more ongoing updates around the progress of the transformation that is underway to improve the effectiveness and efficiency of our financial processes.

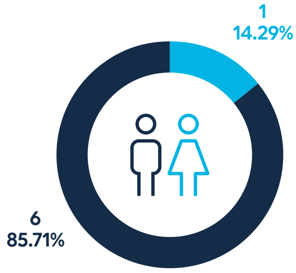
Building community partnerships

And finally, we have been pleased in the past year to continue to build important ties to the communities where we operate via our charitable giving initiatives. In 2021, our employees contributed funds to support a food bank in Philadelphia and our colleagues in the UK participated in a 5km run to raise money for veterans during the month of November to coincide with UK Remembrance Day activities.

We have also entered into a partnership with the Bermuda Institute of Ocean Studies (BIOS) to support them as they tackle important local and international environmental issues. As the organization

Bermuda Institute of Ocean Studies (BIOS)

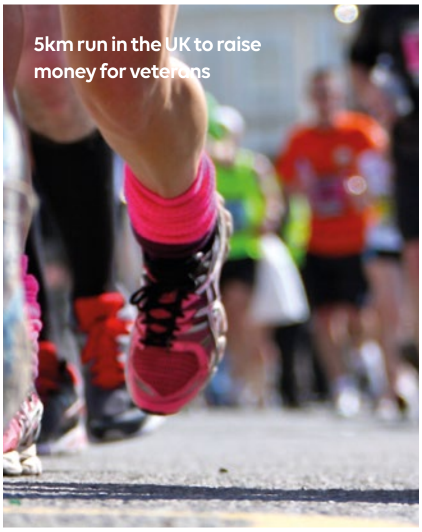
2021 gender statistics



Board Composition

Senior Management (excluding Executive Board Directors)

Global workforce



is registered in Bermuda, we wanted to initially direct our efforts at supporting a country which is at the forefront of experiencing and combatting the effects of global climate change. As part of our partnership with BIOS, we are co-funding an education programme which is focused on protecting Bermuda's coastline and seabed.

Developing our purpose and values

In the coming year, we have several initiatives planned to continue to support employee engagement and our other ESG objectives. In H1, we will be embarking on an organization-wide effort to define our Purpose and Values. This effort kicked off in 2021 via activities with our leadership team to canvas their views on the traits that best define our value proposition to all stakeholders as well as via the feedback we received from leadership as part of the materiality assessment conducted last year.

We will next be convening employee workshops across all of our sites in H2 2022 to gather their views on the Purpose and Values that should define how we make decisions and how we serve our stakeholders. From there we will then validate the Values suggested by employees with our Senior Leadership Team before rolling these out across R&Q. As a part of this effort, we also look forward to developing the corresponding Behaviors that are needed to embed these Values and help bring them to life within the business to ensure the ongoing evolution of our culture in a positive, credible way.

Environment

For the first time, we have collected data and reported on some aspects of our environmental emissions. As we continue to get better visibility of our carbon footprint, we will be in a better position to make improvements to our reporting and to set targets.

We have held an initial workshop to discuss the methodology and recommendations of the Taskforce for Climate-related Financial Disclosures (TCFD). During 2022, we will start to gain a better understanding of the possible risks and opportunities of climate change on our business and, where appropriate, take the necessary steps to refine our business model and integrate potential risks into our risk management process.

GHG Emissions

During 2021, R&Q operated out of managed offices in Philadelphia, Atlanta, Orlando, Bermuda, London, Norwich and Malta. The New York office was re-opened in early 2022.

While we are sometimes limited in what we can do to manage our office emissions, we are taking steps to encourage responsible behaviors and minimise our environmental impacts, where possible.

R&Q emits only indirect GHG emissions, from the generation of imported electricity by the organization. These are Scope 2. Looking ahead we will aim to include the appropriate Scope 3 emissions.

This GHG evaluation aligns with the WRI GHG protocol 2004-2021. The inventory was defined using ISO14064-1 Greenhouse gases International Standard (part 1).

Stakeholder engagement

During 2021, R&Q engaged regularly with a broad range of stakeholders at different levels throughout the organisation around key milestones and on a more ad hoc basis. It is our intention to adopt a more structured approach to identifying and managing our stakeholder relationships. This will be a critical step in ensuring that stakeholder interests are considered and embedded within our decision-making.

In terms of our shareholders, we communicated through a combination of press announcements, investor roadshows and analyst briefings. Employee engagement continues on an ongoing basis but also involved interactive sessions through town hall meetings and other initiatives such as employee coffee talks with the Chairman. We submitted regular and ad hoc reports to our 17 regulators, as well as meeting them either individually or through the Supervisory College, led by the Bermuda Monetary Authority. We regularly communicate with our insurance partners, both informally and through more formal events such as larger scale symposiums.

Scope	Activity type	CO2e (tonnes)
Scope 2	Purchased electricity – location based	219.26
	Purchased heat and steam	0.00
	Scope 2 – location based + heat and steam	219.26

Corporate governance

Board of Directors

William Spiegel (59)
Executive Chairman
D IC Rx

Date appointed to Board

Executive Chairman from April 2021

Deputy Executive Chairman from January 2020 to March 2021

Skills and experience:

- 30 years' financial services experience, principally insurance and insurance services
- Growing small to medium-sized insurance companies in the US, UK, and Bermuda
- Extensive public and private company Board experience

William Spiegel joined R&Q from the US private equity group, Pine Brook Partners, which he co-founded in 2006 and where he was managing partner. Prior to this William was with the Cypress Group from its inception, managing its financial services and healthcare investing activities. Before joining the Cypress Group, William worked in the Merchant Banking Group at Lehman Brothers.

William has been successful in building and growing a wide portfolio of insurance companies including Caitlin Group, Clear Blue Insurance Group, Essent Group, Fidelis Insurance, Global Atlantic Financial Group, Lancashire Group, Montpelier Re, Narraganset Bay Insurance and Third Point Reinsurance.

Key external appointments:

Non-Executive Director of the Bermuda companies Essent Group, Fidelis Insurance Holdings Ltd, Ivy Co-Invest Vehicle LLC and Roosevelt Road Re, Ltd. He is also a Non-Executive Director of Tradesman Program Managers, LLC in the US.

Alan Quilter (71)
Chief Executive Officer
D Ri

Date appointed to Board

Chief Executive Officer from January 2020

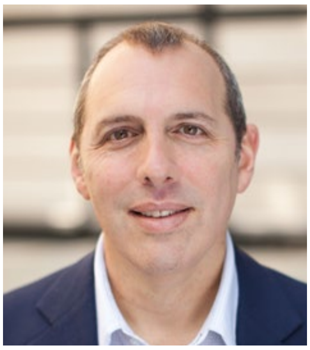
Joint Chief Executive Officer from June 2007 to January 2020

R&Q Group Director since 1992

Skills and experience:

- Chartered Accountant
- Member of the Chartered Insurance Institute (CII) and The Association of Corporate Treasurers
- Co-founder of the Randall & Quilter Group
- 50 years' experience in the London insurance market

Alan has been a driving force in the development of R&Q, including its admission to AIM in 2007. Alan has worked in the London insurance market since 1969. Between 1980 and 1987, he headed the Market Financial Services Group at Lloyd's before becoming Managing Director of a specialist investment management company focused on investment markets in the UK. Alan joined Ken Randall as Chief Financial Officer of the Eastgate Group, the predecessor company to the Randall & Quilter Group in 1992.



Tom Solomon (52)
Chief Financial Officer
Rx

Date appointed to Board

Chief Financial Officer from 2020

Skills and experience:

- A qualified actuary with an MBA from Columbia University
- Extensive actuarial, investment banking and insurance experience

Tom joined R&Q from Bank of America, where he was Managing Director, Head of Americas insurance investment banking. Prior to this, Tom spent 13 years in the investment banking division and financial institutions group at Citigroup, where he rose to become Managing Director. Tom started his career in 1992 as a Consultant Actuary with PricewaterhouseCoopers.

A Audit Committee
D Group Disclosure Committee
IC Investment Committee
R Remuneration & Nominations Committee
Ri Group Risk and Compliance Committee
Rx Regulatory Committee

Jo Fox (58)

Non-Executive Director

Audit Committee Chair

A R Ri

Date appointed to Board

Non-Executive Director from 2019

Skills and experience:

- Chartered Accountant
- Extensive Board level experience with regulated insurance businesses
- Corporate Governance, General Insurance and Solvency II

Jo is a seasoned Non-Executive Director within the insurance sector and has sat on the boards of several global risk carriers and intermediaries operating within Lloyd's and the London market. Jo was Chair and Non-Executive Director of R&Q Managing Agency Limited until it was acquired by Coverys in 2017. Prior to this, Jo held senior finance positions with RoyScot Trust, Liberty Risk Services and International Insurance Company of Hannover. She chaired the International Underwriting Association's Solvency Working Group from 2014 to 2016.

Key external appointments:

Non-Executive Director of AmTrust Europe Limited and Non-Executive Director of Argo Managing Agency Limited.

Philip Barnes (61)

Non-Executive Director

Group Risk and Compliance Committee Chair

Ri A IC R

Date appointed to Board

Non-Executive Director from 2013

Skills and experience:

- Chartered Accountant
- Board level experience with several Bermuda insurance and reinsurance companies
- Extensive finance and insurance experience

Philip has served on the Board of R&Q since 2013 and will be retiring at the 2023 AGM. Philip is currently President of the representative office of the Jardine Matheson Group of Companies in Bermuda and was previously a Non-Executive Director of Hiscox Insurance Company (Bermuda) Ltd. During his 25-year career with Aon, Philip rose to become Managing Director. He oversaw the growth and development of Aon's Bermuda office into the leading manager of captives and reinsurance companies on the island. Philip's training is in finance, and he has served on various industry and Government advisory committees over the years during his 36-year career.

Key external appointments:

President of Jardine Matheson International Services Limited.

Alastair Campbell (77)

Non-Executive Director

Remuneration & Nominations Committee Chair

R A

Date appointed to Board

Non-Executive Director from 2014

Senior Independent Director from 2019

Skills and experience:

- 50 years' experience in the insurance industry
- Chartered Accountant
- Wide-ranging Board advisory experience, investigation work and acquisitions and disposals

Alastair Campbell qualified as a Chartered Accountant in 1968 then worked with PKF Littlejohn LLP, becoming a Partner in 1970. Between 1984 and 1998 he acted as Senior Partner and Chairman of the firm. During his 40 years as a Partner, he acted for a wide range of commercial entities, mainly in the service sector. Throughout his career he has been involved in the London Insurance Market. Following his retirement from the firm in 2010, he has worked as an Independent Consultant and expert witness on accounting projects.

Eamonn Flanagan (58)

Non-Executive Director

Investment Committee Chair

IC A R

Date appointed to Board

Non-Executive Director from 2020

Skills and experience:

- Qualified actuary
- FTSE Board experience
- Analysing the business and financial models of insurance companies

Eamonn is Non-Executive Director of a number of listed financial services companies. He co-founded Shore Capital Markets in 2003, an independent securities business, where he was a Director and top-rated Analyst, receiving a number of awards in the London insurance market and from the fund management industry. Prior to this, Eamonn was a Director and then Head of European Insurance at a leading investment bank. He is a Fellow of the Institute of Actuaries and the Institute of Directors.

Key external appointments:

Non-Executive Director of AJ Bell PLC and Non-Executive Director of Chesnara PLC.

Corporate governance statement

I am pleased to present, on behalf of the Board, our corporate governance statement for 2021.

Chairman's introduction

Dear Shareholder

I am pleased to introduce our Corporate Governance Statement for 2021 and proud to be leading a Board that is committed to satisfying the high standards of governance expected by our stakeholders and that befits our AIM listed status.

Board and executive leadership

On my appointment as Chair on 1 April 2021, I took steps to refresh the workings of our Board and our approach to corporate governance to ensure that they supported our strategic focus on transforming the business. As well as strengthening the Executive Leadership Team, one of my key priorities has been to find successors to two of our long-standing Directors who are coming to the end of their tenure. Their appointments were put on hold during merger talks and will be revisited as part of our Board succession planning this year.

The biographies of our current Board of Directors appear on pages 30 and 31 of this Report, as well as on our website: www.rqih.com. You can also find the biographies of our Executive Leadership and Senior Management Teams on our website.

Workings of the Board

The Board relies on the work of our principal Board Committees to support its decision-making. During the year, we enhanced the focus and accountability of these Board Committees by refreshing their terms of reference and re-allocating the work of the Group Capital and Investment Committee and the Reinsurance Asset Committee. The Board agenda was adjusted to have greater focus on strategy and be more forward looking, and attendance at Board meetings was streamlined. I am pleased to report that we now have a high-level corporate governance framework that better supports the debate, challenge and decision-making of the Board.

Compliance with the QCA Code

The Board continues to adhere to the Corporate Governance Code for Small and Mid-Size Quoted Companies (QCA Code), as published by the Quoted Companies Alliance (QCA). The Board believes that the QCA Code provides the Company with a practical and rigorous corporate governance framework to support the business and its success in the long term. This Statement sets out our approach to corporate governance and explains how the Board and its Committees operate.

External Board evaluation

As a newly appointed Chair, I commissioned an independent external evaluation of the Board's effectiveness and governance believing that a fresh perspective would help identify areas for improvement. The findings reinforced significant improvements to our Board dynamics and processes. Those recommendations which have been actioned are outlined in this Annual Report and we plan to implement the others throughout the coming year.

Our culture

This year we started work on defining a clear and succinct purpose for the business which will be the focus of everything we do and a core set of values to guide the way we behave. Together, these will be the foundations of our desired culture and represent our current and future aspirations for the business. You can read more about this and our work on stakeholder engagement and ESG in the Working Responsibly section on pages 25 to 27.

2022 Annual general meeting

We look forward to welcoming you to our Annual General Meeting on 14 July 2022.

William Spiegel
Executive Group Chairman

12 June 2022

How we deliver growth

1. Strategy and business model

The Group is a leading non-life global specialty insurance company focusing on the Program Management and Legacy Insurance businesses. We are leaders in our target markets, both of which are experiencing strong secular growth. Our businesses have become key components of the global insurance market and have high barriers to entry which protects our competitive position.

Our Program Management business is a balance sheet light recurring revenue business that charges annual fees for allowing insurance distribution to access its licences to connect with global reinsurers. The Program Management business plays an important role supporting the growth of independent insurance distribution.

The Legacy Insurance business is a balance sheet business that earns high returns on capital deployed by acquiring or reinsuring already expired insurance risk, and managing off the exposure. The Legacy Insurance business provides an important form of capital management for existing insurance carriers. The Group leverages its core strengths in origination, underwriting and claims management to compete in the marketplace.

The Group's strategy is to deliver long-term value for our shareholders by transitioning from a capital-based business model to a fee-based one and its key pillars are Increasing Fee Income, Automating Processes, Harnessing Data, Engaging Employees and Acting Responsibly. Details of how we propose to deliver upon our strategy, the key challenges we face in its execution and our new business model can be found in our Strategic Report.

2. Understanding and meeting shareholder expectations

The Board recognizes its responsibility to deliver long-term value to shareholders through the execution of the Company's strategy and is accountable to shareholders for the Company's performance over the long-term. Our strategic performance is measured by our Key Performance Indicators, which are detailed on page 12 of this Report.

The Board is committed to providing shareholders with clear and transparent information on the Group's strategy and financial performance. Any published announcements, financial reports and key documents are publicly available and are regularly updated on the Group's website. Our Directors meet with selected key shareholders and research analysts following the announcement of results and obtain appropriate feedback.

The Executive Chairman, the Chief Executive Officer and the Chief Financial Officer have a regular dialogue with the Company's joint brokers, Barclays and Numis Securities, also the Group's NOMAD, on the Group's activities, strategies and performance. Other actions to engage with shareholders during the year include investor roadshows and virtual meetings on financial social media networks. These meetings and discussions give the Board an opportunity to gauge shareholder feedback and expectations.

Enquiries from individual shareholders are welcomed. The Board makes itself available to all shareholders at the Company's Annual General Meeting each year. The results of the Meeting are published via a regulatory news service and on the Company's website.

3. Our wider stakeholder responsibilities

R&Q recognizes that delivering long-term value to its shareholders relies on maintaining good relations with its wider stakeholders, both internal and external. Each Board decision has a different impact and relevance to each key stakeholder of the business, so having a good understanding of their priorities is important. We do this by building trust and long-term relations with our employees, debt investors, bankers, regulators and insurance partners.

The Board engages directly with some stakeholders, principally our shareholders and employees. Engagement with stakeholders also takes place at different levels within the business and material issues are reported back to the Board or Board Committees, either informally by executive management or by regular written reports. The Board currently receives regular stakeholder reports on investor relations from the Chair, our People Strategy from the Chief Human Resources Officer and the Group's regulatory supervision from the Group Head of Governance.

Certain decisions require the Board to balance the different and sometimes competing interest of its key stakeholders in order to promote the long-term success of the Company. Examples include adopting a new Group Remuneration Policy, our efficiency and transformation programme Project Gateway and our Dividend Policy.

R&Q is committed to operating responsibly and our stakeholders have told us that they expect this of us. Having listened, the Board adopted Acting Responsibly as one of the Company's strategic pillars and has initiated a new Group-wide ESG strategy which seeks to integrate ESG into everything we do. Our ESG journey is described in the Working responsibly section on pages 25 to 27.

4. Our approach to effective risk management

The Board is responsible for determining the nature and extent of both the upside and downside risks that it is willing to take within the Group's defined risk appetite in order to deliver the Group's strategy. The Group's core risk objectives seek to:

- protect the Group's capital base by supporting the implementation of a Solvency II (or equivalent) compliant framework where appropriate
- enhance value creation
- support decision making and improve and maintain transparency and accountability for risk throughout the Group by way of comprehensive risk reporting and control
- protect R&Q's reputation and brand

The Board, assisted by the Group Risk and Compliance Committee, monitors and reviews the Group's risk management and internal controls framework. It is further assisted by the Audit Committee which reviews the Group's systems of internal financial controls on an annual basis. The Risk Management section on page 20 of this Annual Report, together with the Group Risk and Compliance Committee Report on pages 45 to 47 outline the Board's approach to identifying and assessing risks and embedding risk management across the Group.

The principal risks and uncertainties affecting the Group and mitigating actions are set out on pages 22 to 24. These and other risk related matters are continually monitored by the Group's risk function which reports regularly to the Board via the Group Risk and Compliance Committee.

How we maintain a dynamic management framework

5. Maintaining a well-functioning balanced Board team led by the Executive Group Chair

Our Board of Directors

On 1 April 2021, William Spiegel, our Deputy Executive Chair, succeeded Ken Randall as Executive Chair of the Company. The Board appreciates the contribution that Ken Randall made to the stewardship of R&Q, as director and co-founder, during his time with the Company. With the appointment of a new Executive Chair, our Board is now ready to lead R&Q through the next phase of its growth.

The Board's intention is to appoint two new Independent Non-Executive Directors to succeed Philip Barnes and Alastair Campbell who approach the ninth anniversary of their appointments in 2022 and 2023 respectively. Board succession planning was put on hold during merger talks and will be revisited in good order, as appropriate. The Board has expressed a desire to retain Philip Barnes' experience of the Group and he has agreed to remain involved with the Group following his retirement.

Composition of the Board

The Board is led by William Spiegel, the Executive Chair, whose role is to ensure that the Board is effective in its task of setting and implementing the Group's direction and strategy. He promotes a culture of openness and debate facilitating constructive Board relations and the effective contribution of all Directors. As a full-time Executive Director, he is not considered to be independent.

The Non-Executive Directors comprise Alastair Campbell, Philip Barnes, Eamonn Flanagan and Jo Fox, who are all judged to be fully independent. They provide an external perspective, independent oversight and constructive challenge to the Executive Directors and leadership by using their broad range of experience and expertise. All the Non-Executive Directors are able to commit the time necessary to fulfil their respective roles, including making themselves available at short notice when required.

Corporate governance statement continued

Alastair Campbell is the Senior Independent Director. His role is to provide a sounding board for the Chairman, to act as an intermediary for other Directors where necessary and to provide an additional channel for shareholder communication.

The Executive Directors on the Board are Alan Quilter, Chief Executive Officer and Tom Solomon, Chief Financial Officer. They work full-time for the Company and are responsible for the day-to-day running of the Group's businesses and the development and implementation of strategy and decisions made by the Board, and operational management of the Group.

Board balance and independence

The Board considers that the current balance of Executive and Non-Executive Directors is appropriate and predominantly independent, ensuring that no one individual or group of individuals dominate the Board's decision-making, and have the right mix of skills and experience to ensure effective decision-making.

To further safeguard its independent judgement and to prevent the undue influence of third parties on the Board's decision making, the Board operates a conflicts of interests policy, which restricts a Director from voting on any matter in which they might have a personal interest unless the Board decides otherwise in accordance with its bye-laws.

6. Board skills and experience

Directors who have been appointed to the Board have been chosen because of the skills and experience they offer. The current Directors bring a broad range of commercial and professional capabilities to the Board including financial, insurance, actuarial and governance skills. Their biographies are detailed on pages 30 and 31.

The Board considers its composition regularly as part of the succession planning process and in response to the changing needs of the Group's business. In 2021, the Board conducted an externally facilitated skills and experience assessment as part of its recruitment process for new Non-Executive Directors. The Board concluded that while it had the right mix of skills and experience to deliver the Group's strategic ambitions, it could benefit from greater international experience. This was factored into the appointment process, which considered a wide diverse candidate pool in line with the Board's Diversity Policy.

To maintain their skills and knowledge, the Board is updated on legal, regulatory and governance issues by the Company Secretary, internal and external lawyers, the Company's NOMAD and the Group's external auditors, and receives independent advice from other external professionals as required. In addition, there are regular deep dives from across the business at Board and Committee level to ensure the Directors' understanding of the Group's business remains current.

7. Board evaluation and effectiveness

The Board engaged BP&E Global Ltd to undertake an external Board Effectiveness Review of Randall & Quilter Investment Holdings Ltd (RQIH), the ultimate holding company of the Group. This included a review of Board and Committee papers, individual questionnaires, interviews and observing a Board meeting. The draft findings were discussed with Eamonn Flanagan, as sponsor, and then presented to the Board in November 2021.

While nothing critical was identified, helpful points for further improvement were recommended. These included focusing on Board succession plans, reviewing the structure of Board Committees, improving Board oversight and delegation to management and developing R&Q's purpose, values and mission. The recommendations that the Board has to-date acted upon are described throughout this Annual Report.

The Board evaluation findings reinforced the sense of substantial change and improvement of the Board's effectiveness and governance of R&Q under the leadership of our new Executive Chair.

8. Our purpose, values and culture

As the business is growing and the Group is becoming a larger organization, the Board believes that it is time to assure the long-term success of R&Q by refreshing its purpose and values, while retaining the positive entrepreneurial spirit of its early years.

During the year, work began on clarifying R&Q's purpose and values, which we describe on page 27, and we expect to do more over the coming year. The Board believes that R&Q needs a clear purpose that sets out its contribution to society and aligns with the Group's strategy. Further development of our corporate culture across the Group and a clear definition of our core values is essential and will be supported by our new People Strategy. A key role of the Board will be to ensure that the Group's purpose, values, culture and strategy are coherent.

Fitness, propriety and entrepreneurialism are key aspects of our prevailing corporate culture and are incorporated into our Group-wide policies including dignity at work, health and well-being, whistleblowing and anti-bribery and corruption. The Board monitors corporate culture through its day-to-day interactions with employees, stakeholder feedback, internal audit reports and notifications of breaches to Group policies.

9. The workings of our Board

Our Governance Framework

The Board has a clear corporate governance framework, the structure of which is described opposite.

The Board

The Board is primarily responsible for setting the Group's strategy for delivering long-term value to our shareholders and other stakeholders, providing effective challenge to management concerning the execution of the strategy and ensuring the Group maintains an effective risk management and internal control system.

Our strategy

» **Report** Page 12

Our approach to risk management and key risks

» **Report** Page 20

Working responsibly

» **Report** Page 25

Key activities of the Board

» **Report** Page 37

The Schedule of Matters Reserved for the Board is available on the Group's website: www.rqih.com, together with the biographies of our Directors, which also appear on page 30 and 31 of this Report.

The Board delegates certain matters to its four principal Committees

Audit Committee

Oversees the Group's financial reporting, maintains an appropriate relationship with the external Auditor and monitors internal controls.

» **Report** Page 38

Remuneration and Nominations Committee

Establishes R&Q's Remuneration Policy and undertakes succession planning for the Board and senior executives.

» **Report** Page 42

Group Risk and Compliance Committee

Oversees risk management, internal controls and regulatory compliance across the Group.

» **Report** Page 45

Investment Committee

Oversees the investment strategy, management and performance of the Group's investment assets.

» **Report** Page 48

Other supporting Committees include the Disclosure Committee and the Regulatory Committee. Their terms of reference are available on the Group's website: www.rqih.com

Executive Chairman

Executive Leadership and Senior Management Teams

The Executive Leadership and Senior Management Teams meet on a monthly basis and are responsible for the day-to-day running of the business. Their biographies are available on the Group's website: www.rqih.com

Shareholders and Stakeholders

Corporate governance statement continued

Responsibilities of the Board

The Board maintains a formal schedule of matters which are reserved solely for its approval and is permitted under its bye-laws to delegate other responsibilities as appropriate to its Board Committees and executive management. Matters Reserved for the Board include decisions relating to:

- Group strategy
- Capital structure
- Financial reporting and controls
- Significant contracts
- External and internal communications
- Board and executive leadership and succession planning
- Group corporate governance, policies and procedures
- Risk management and systems of internal controls across the Group.

The complete Schedule of Matters Reserved for the Board is available on the Group's website: www.rqih.com

Board Committees

The Board is supported by the work of its four principal committees, namely the Audit Committee, the Remuneration & Nominations Committee, the Group Risk and Compliance Committee, and the Investment Committee. Reports from the Chairs of these Committees outlining their respective roles and work can be found on pages 38 to 49. Other supporting Committees include the Disclosure Committee and the Regulatory Committee.

The Disclosure Committee comprises the Executive Chairman, the Chief Executive Officer and the Group General Counsel. It meets annually to review the operation, adequacy and effectiveness of the Group's disclosure procedures and as necessary for the purpose of assisting the Board in fulfilling its responsibilities under the Market Abuse Regulation, AIM Rules and the Disclosure and Transparency Rules.

The Regulatory Committee is a standing committee comprising the Executive Directors of the Company and the Group Head of Governance. The Committee considers and approves matters relating to the submission of regulatory and statutory returns made in the name of Company or the R&Q Group as a whole. The Committee meets as required during the year.

Our Changing Governance Framework

During 2021, the Board refreshed its governance framework by restructuring two of its Committees to make the framework more flexible and efficient in meeting the Group's business needs and delivering its strategic ambitions.

Firstly, the Group Capital and Investment Committee was succeeded by a dedicated Investment Committee on 1 May 2021 with specific responsibility for delivering the Group's investment strategy. Its other responsibilities were assumed by the Board. A non-decision making Transaction Advisory Group was formed at the same time to provide advice across Group functions on program management and legacy transactions.

Secondly, the Group's Reinsurance Asset Committee was disbanded in December 2021 and its responsibilities were assumed by the Group Risk & Compliance Committee and Group Audit Committee as appropriate.

How the Board operates

The Board comprises the Executive Chair, two Executive Directors and four Independent Non-Executive Directors. The Board met at five scheduled meetings to consider its main business and on 15 further occasions to consider other specific matters.

The Board has a yearly forward planner of meeting dates and agendas, which allow sufficient time for both routine and non-routine matters to be considered throughout the year. The Chair of the Board sets the agendas for upcoming meetings with the Company Secretary. Board and Committee papers and reports are required to be clear and concise, with any feedback on their content provided to authors by the Company Secretary. They are circulated via a secure Board portal, sufficiently in advance of meetings to ensure that Directors have sufficient time to review them. The authors of Board papers and reports are sometimes invited to join Board discussions, to enable Directors to gain a deeper understanding of the information provided and to hear from those directly responsible. Minutes and matters arising from meetings are produced by the Company Secretary after the meetings.

Membership and meetings attendance

Chair

William Spiegel	20/20

Board members

Philip Barnes	20/20
Alastair Campbell	20/20
Jo Fox	19/20
Eamonn Flanagan	20/20
Alan Quilter	19/20
Ken Randall*	4/4
Tom Solomon	19/20

Attending by invitation

Paper authors and presenters as necessary

*Ken Randall stepped down from the Board on 31 March 2021

Main activities during 2021

- Review of Group's strategic projects
- Re-structuring of Board Committees
- Developing the Group's ESG initiative
- Reviewing the Quarterly Budget Reforecasts
- Approval of 2020 financial results, 2021 interim financial results and dividend payments
- Reviewing the Group Solvency Report
- Reviewing the Group's BMA Supervisory College Response
- Approving a listing on OTCQX in the USA
- Approving the launch of Gibson Re
- Initiating an external Board evaluation and effectiveness review
- Amendment of the Company's Bye-laws
- Approval of Group Tax Strategy and Tax Operational Guidelines.

Areas of focus for 2022

- Further implementation of Project Gateway, the Group's transformation and efficiency programme
- Embedding ESG across the Group and business
- Rolling out the Group People Strategy
- Renewing the Company's purpose, values and culture
- Approval of 2021 financial results, 202 interim financial results and any dividend payments
- Implementation of an appropriate accounting framework
- Succession planning and remuneration
- Monitoring climate and cyber risk on the business.

10. Communicating with our shareholders and stakeholders

The Board is committed to maintaining effective communication and having constructive dialogue with all its stakeholders.

The Board's direct engagement with the Company's stakeholders is principally with its shareholders and employees. Where Directors do not have direct contact with stakeholders, they rely on the executive leadership team and dedicated functions such as compliance and procurement to engage with stakeholders on behalf of the Company and this can take place at both a Group and operational level. Each stakeholder group has a tailored engagement approach and this can range from informal telephone calls, email correspondence, regular meetings, reports and surveys. The aim of all our stakeholder engagement is to build trust and to understand the views, interests and priorities of all stakeholders, which in turn allows us to take stakeholders' interests into account in key decisions.

Further details of how the Company engages with its key stakeholders can be found on pages 25 and 27. Details of how the Board understands and meets the needs of its shareholders are outlined in Paragraph two of this Statement.

Audit Committee report

Jo Fox
Audit Committee Chair

Role and responsibilities

The role of the Audit Committee is to assist the Board in its oversight responsibilities by reviewing and monitoring:

- the integrity of the Group's published Financial Statements
- the performance of the external auditors and recommending their appointment to the Board
- the work of the Internal Audit function
- the Group's systems of internal financial controls
- the Group's approach to whistleblowing, fraud prevention and anti-bribery and corruption.

Full terms of reference are available on the Group's website: www.rqih.com

Dear Shareholder

I am pleased to present my first Report as Chair of the Audit Committee for 2021 which describes our activities and areas of focus during the year.

Throughout the year, the Audit Committee continued to support the Board in its oversight of the Group's financial reporting, audits, systems of internal financial controls and related activities.

How we operate

The Audit Committee comprises four independent Non-Executive Directors, three of whom are qualified Chartered Accountants and one of whom is a qualified actuary. All Committee members have relevant financial expertise and extensive insurance sector experience.

The Committee met at six scheduled meetings during 2021. The Group's Chief Risk Officer, Head of Governance, Head of Internal Audit, Chief Actuary and Head of Tax attend from time to time to present their respective reports. Finally, our external Auditors, PKF Littlejohn LLP (PKF) also attended relevant meetings during the year.

The Committee had a number of standing agenda items it considered at each meeting, including quarterly reviews and updates on Accounting, Tax, Actuarial, Subsidiary Audit Committee business, Errors and Omissions Insurance and Internal Audit. We also reviewed both the Annual and Interim Financial Statements during the financial year.

Areas of focus in 2021

Financial reporting

One of the Committee's principal responsibilities is to review and report to the Board on the integrity of the Group's financial reporting. During the year, we reviewed:

- the 2021 interim and 2020 annual Financial Statements and determined that they presented a true and fair view of the Group's financial position
- the appropriateness of accounting policies and practices
- all material financial judgements and estimates made by management
- the Group's going concern basis of reporting.

Membership and meetings attendance

Chair

Jo Fox	6/6

Committee members

Philip Barnes	6/6
Alastair Campbell	6/6
Eamonn Flanagan	6/6

Attending by invitation

Other members of the Board
Head of Group Finance
Chief Risk Officer
Group Head of Governance
Group Head of Internal Audit
Group Head of Tax
Group Chief Actuary

Significant accounting judgements

During 2021, the Audit Committee reviewed the following key areas of judgement and estimates applied by management in preparing the Group's Financial Statements:

- Impairments of goodwill and intangibles
- Carrying values of reinsurance recoveries, including structured reinsurance contracts
- Carrying values of claim liabilities, including Group entities carrying significant reserves
- Fair values of assets and liabilities acquired through reinsurance or acquisitions and any negative goodwill arising
- Fair values arising from legacy insurance contracts
- Provisioning and additional disclosures in respect of legal and contractual exposures to warranties, indemnities and guarantees
- Other judgement areas including the amount of deferred tax asset and the adequacy of anticipated future investment income to offset future run off costs.

Following discussions with our external auditor, PKF Littlejohn (PKF), we were pleased to advise the Board that the above judgements and estimates made by management in relation to the 2020 Annual Report and Financial Statements were appropriate.

Accounting frameworks

The Audit Committee monitored management's assessment of the impact of adopting International Financial Reporting Standard 17 (IFRS 17) in financial year 2023 and alternatively under U.S. Generally Accepted Accounting Principles (US GAAP). While having no effect on the fundamental economics of the Group's insurance contracts, both IFRS 17 and US GAAP would result in major changes to accounting for insurance transactions and the Group's annual reported results. It is anticipated that the decision on which accounting standard to adopt in financial year 2023 will be made commensurate with the release of the 2022 interim Financial Statements.

Internal controls

While internal controls are reviewed by the Group's Risk and Compliance Committee, the Audit Committee has a key role in the oversight of the Group's systems of internal financial controls. In 2021, we received a report from the Chief Risk Officer in relation to internal financial controls, which confirmed that there were no issues or areas with significant shortcomings which would impact the Financial Statements.

During the year, the Board began a Group-wide efficiency transformation programme across its business operations and Finance functions. The Audit Committee considered the efficiency programme's impact on the Group's internal financial controls and processes and will continue to review and monitor its implementation.

Climate related disclosures

Our Board is committed to understanding the climate-related risks associated with our business. In support of this, the Audit Committee considered the Taskforce on Climate-related Financial Disclosures Framework (TCFD) during 2021. We reviewed the TCFD recommendations for disclosures on climate risk in annual reports and agreed to monitor the evolving regulatory guidance and industry best practices on TCFD disclosures as well as other climate and sustainability disclosure requirements with a view to enhancing our level of ESG reporting.

Group tax strategy

The Audit Committee has an oversight role in relation to tax matters across the Group. During the year, we received regular reports from the Head of Group Tax on developments in tax law and practice across the Group. The Committee paid particular attention to the reporting arrangements in place across the different tax jurisdictions in which the Group operates and concluded that there were proper arrangements in place to ensure that its tax obligations were met.

Whistleblowing, fraud prevention, anti-bribery and corruption policies

The Committee has oversight responsibilities for the Group's non-financial controls relating to whistleblowing, fraud prevention and anti-bribery and corruption. During the year, no incidents were reported to the Committee, which concluded that the Group's policies, procedures and controls in this regard were adequate.

Audit Committee report
continued

External auditor tenure

PKF Littlejohn has audited the Group for over 20 years and the lead audit partner, Carmine Papa, has been in post as the Group's lead partner since 2020. The Audit Committee expected to put the external audit contract out to tender in 2020, however, this was postponed because of difficulties presented by COVID-19. The Committee believes that carrying out the tender process at the same time as implementing the efficiency programme would not be practical and expects to tender the external audit during 2023 for the 2024 financial year.

Our Group has several overseas subsidiary companies which are not audited by PKF. The Committee reviewed the appointments of these auditors during the year and concluded that they should continue in their local audit capacity.

Oversight of the external audit

An important part of the Committee's work is to review and monitor the effectiveness of the external audit process. On completion of the 2020 audit, Committee members and key members of the management team completed a feedback questionnaire seeking their views on PKF's performance. PKF also provided the Committee with assurance on the operation of their own audit quality process. After considering all aspects of the audit quality review process, the Committee concluded that it was satisfied that the external audit process carried out by PKF had been delivered effectively. Minor actions were agreed to improve the audit process for the 2021 financial year reporting.

Following this evaluation, the Audit Committee recommended to the Board a proposal for the reappointment of PKF as external auditor at the next Annual General Meeting.

Non-audit service fees

The Group has guidelines for the provision of non-audit services by our external auditor, which are overseen by the Committee. All non-audit services provided by the external auditor are confined to assurance work and require pre-approval by the Committee, subject to the fee for any single engagement being deemed by the Committee to be small relative to the overall audit fees. This approach allowed the Group to benefit from the cumulative knowledge and experience of its auditor while ensuring that the external auditor maintains the same degree of objectivity and independence. Non-audit services fees for 2021 amounted to $24k and related to the review of the Employers' Liability Register for certain of the Group's insurance company subsidiaries and the provision of information on certain historic insurance balances under dispute. This compared to total audit and audit-related assurance services fees of $941k for 2021, details of which appear in note 9 to the Financial Statements.

Internal audit

The Company's internal audit work is undertaken by an in-house team led by the Head of Internal Audit and supported by co-source arrangements where specialist skills and experience are required. The Head of Internal Audit reports to, and regularly meets with, the Chair of the Audit Committee.

The internal audit function is a key element of the Group's corporate governance framework and operates in accordance with a formal, written Charter. It provides independent and objective assurance, advice and insight on governance, risk management and internal controls across the Group. At each quarterly meeting in 2021, Internal Audit provided an overview of the work it had undertaken, actions arising from audits conducted, the tracking of remedial actions and progress against the annual Internal Audit plan.

During the year, the Committee approved the Internal Audit three-year rolling plan for 2022-2024 together with the 2022 budget for the function. The Head of Internal Audit liaised with senior management, the subsidiary Audit Committee Chairs, and the external auditors to assess the key risk areas of the business and to determine prioritization of the three-year plan.

In January 2021, the Audit Committee commissioned an external review of the Internal Audit Function by BP&E Global. The assessment included a review of the Internal Audit function and its documentation, as well as a survey of its stakeholders across the Group. The review concluded that the Internal Audit function complied with regulatory requirements and was viewed as effective across the Group. A number of enhancements to better align Internal Audit with the strategic and operational risks of the business going forward were adopted and their implementation was monitored by the Committee throughout the year.

Committee effectiveness review

During 2021, the Audit Committee benefited from BP&E Global's independent, external evaluation of the Board and its Committees, which concluded that the Audit Committee was operating effectively. The Committee will conduct its own effectiveness review in 2022.

Jo Fox
Chair of the Audit Committee

12 June 2022

Main activities during 2021

- Reviewed and approved the 2020 Annual Report and Accounts
- Reviewed and approved the 2021 Interim Financial Statements
- Reviewed the appropriateness of significant accounting judgements made by management
- Monitored implementation of IFRS17 and reviewed alternative accounting frameworks
- Reviewed TCFD climate risk disclosure requirements for annual reports
- Oversaw the Group's internal financial controls and Internal Audit work
- Oversaw the Group's whistleblowing, fraud prevention, anti-bribery and corruption policies
- Maintained an appropriate relationship with the Company's external auditor.

2022 focus areas

- Monitoring the integrity of the Group's published Financial Statements, the financial reporting systems and internal financial controls
- Monitoring implementation of the financial reporting and internal financial controls transformation projects, ensuring appropriate engagement of the external and internal auditors
- Monitoring implementation of an appropriate accounting framework
- Monitoring emerging climate related disclosure requirements
- Reviewing the tenure and the timing of the rotation of the external auditor
- Committee Effectiveness Review.

Remuneration and Nominations Committee report

Alastair Campbell
Remuneration and Nominations Committee Chair

Role and responsibilities

The role of the Committee is to assist the Board in its oversight responsibilities by:

- reviewing and monitoring the structure, size and composition of the Board and its committees
- undertaking succession planning for the Board and senior executives
- setting the remuneration policy for Executive Directors and senior executives
- approving the reward outcomes for individual executive directors and senior executives.

Full terms of reference are available on the Group's website: www.rqih.com.

Dear Shareholder,

As Chair of the Remuneration and Nominations Committee, I am pleased to present its report for the year ended 31 December 2021.

Throughout the year, the Committee continued to support the Board in ensuring that R&Q's leadership was suitably qualified, experienced, and incentivized to deliver against its strategy, now and in the future.

How we operate

The Committee is comprised solely of independent Non-Executive Directors and is supported by the Chief Human Resources Officer. In addition, William Spiegel, the Executive Chairman, and Alan Quilter, the Group Chief Executive Officer, attended most meetings by invitation, as did Ken Randall, the former Executive Chairman, before his retirement on 31 March 2021.

The Committee met at five scheduled meetings during 2021 to consider the main business outlined in its terms of reference, and on two further occasions to consider specific additional matters. It reviews the composition of the Board and its Committees each year and monitors succession planning at both Board and senior management level. The Committee also approves the salaries and bonuses of Directors and senior management annually and sets the remuneration framework for the year to come.

Areas of focus in 2021

Board composition

At the start of the year, the Committee conducted an in-depth review of the size, structure, and composition of the Board. It concluded that a Board comprising of at least an equal ratio of Independent Non-Executive Directors to Executive Directors and a maximum nine-year tenure for Non-Executive Directors was preferable. While the Committee did not identify any material skills gaps on the Board, it recognized the need for diversity in the appointment process of new Board members. An overview of the Board's skills, experience and knowledge is shown in the biographies on pages 30 to 31. The Committee later recommended to the Board that all Directors of the Company be re-appointed at the 2021 Annual General Meeting of the Company.

Executive Chairman

Ken Randall, our longstanding Executive Chairman stepped down from the Committee in March of last year. William Spiegel succeeded Ken Randall as Executive Chairman on 1 April 2021 and the Committee ensured a smooth handover of responsibility.

Membership and meetings attendance

Chair	
Alastair Campbell	7/7
Committee members	
Philip Barnes	7/7
Jo Fox	7/7
Eamonn Flanagan	7/7

Attending by invitation
Executive Chairman
Chief Executive Officer
Chief Human Resources Officer

Non-Executive Director appointments

A key focus area for the Committee in 2021 was Non-Executive Director recruitment, as both Philip Barnes and I approach the ninth anniversary of our appointments in 2022 and 2023 respectively. The Committee led the selection and appointment process for our successors, with the support of an external global search agency, Russell Reynolds.

Following a skills and experience assessment of the Board, it was determined that a key component of our specification would be that new Independent Non-Executive Directors have an understanding of non-life insurance, UK and US business experience, and of their legal and regulatory frameworks. A diverse longlist of potential candidates was considered by the Committee and a shortlist of two candidates was selected for final stage interviews with each member of the Board and the Chief Human Resources Officer.

While both candidates satisfactorily completed a thorough due diligence and referencing process, their appointments were put on hold by the Committee during merger discussions. Board succession planning will be revisited in good order, as appropriate.

Executive succession planning

As the Group began its strategic transformation under the new leadership of William Spiegel, the need to strengthen the Group's executive and senior management talent pool was identified. The Committee received updates on the Group's succession plans below Board level, which identified potential leaders, current and future skills gaps and risks to the business including upcoming retirements. The Committee oversaw a number of internal promotions, as well as the recruitment and appointment of new senior executives in the US and UK and approved their respective remuneration packages.

Remuneration policy

During the year, the Committee began a major exercise to reshape and enhance the overall compensation philosophy of the business and appointed Korn Ferry to advise on developing a more structured Remuneration Policy that would reward Executive Directors and senior management in a manner that ensures that they are properly incentivized and motivated to perform in the best interests of the Company, its shareholders, and wider stakeholders. The Committee determined that the objectives of the new Policy would be to:

- attract, retain and motivate executive management of the quality and experience required to run the Company successfully
- have regard to the international nature of the business and to local practices and conditions
- maintain gender parity in pay and to target any gender pay gaps with the aim of improving the recruitment and progression of women in our workforce
- have regard to the views of shareholders and other stakeholders
- be aligned to the risk appetite of the Company and its long-term strategic goals
- structure remuneration such that a significant proportion should be linked to corporate and individual performance, both financial and non-financial, with stretch targets for individuals
- promote the long-term success of the Company
- be clear, simple, proportionate, and aligned to the Company's culture
- be in line with legal and regulatory guidelines and requirements and the QCA Code.

A key focus of the Committee this year is to agree the full details of the new Remuneration Policy, including share-based incentives, and other specific plans for its operation.

As part of the review of its remuneration policy framework, the Committee also reviewed executive pension payments, life cover arrangements and termination payments and determined that there were no specific matters for detailed consideration by the Committee.

Executive remuneration in 2021

The Committee approved the 2021 remuneration arrangements for the Executive Directors and senior management on the recommendation of the Executive Chairman or the Chief Executive Officer as appropriate. No individual was involved in any decisions as to their own remuneration.

The Committee resolved that executive remuneration arrangements for 2021 would be in line with the broad approach taken in previous years, with a discretionary bonus scheme based on the achievement of profitability targets and agreed personal performance targets. Bonus payments under the scheme were capped, with payment phased over a three-year period and were subject to clawback arrangements.

Non-Executive Directors fees

I and the other Non-Executive Directors each receive a fee for our services as Directors, which is approved by the Board, mindful of the time commitment and responsibilities of our roles and of current market rates for comparable organizations and appointments. With this in mind and against the backdrop of the COVID-19 pandemic, it was agreed by the Board as a whole that there would be no change to Non-Executive Directors' fees in 2021.

Remuneration and Nominations Committee report continued

Committee effectiveness review

During 2021, we implemented the outcome of our own Committee Effectiveness Review carried out in 2020 and had regard to recommendations from the external Board evaluation conducted in 2021 to the extent that it was applicable to the work of the Committee; in the circumstances I believe the Committee is operating effectively.

We agreed to hold effectiveness reviews of the Committee every three years.

Alastair Campbell
Chair of the Remuneration and Nominations Committee

12 June 2022

Main activities during 2021

- Conducted an in-depth review of the Board's composition
- Oversaw the change of Executive Chairman
- Undertook a search for new Non-Executive Directors
- Oversaw the Group's executive succession plans and the appointment of external key hires
- Approved the 2020 bonus payments of Executive Directors and senior management
- Approved the 2021 executive remuneration framework
- Commenced a review of the Group's Executive Remuneration policy
- Reviewed Non-Executive Directors' fees
- Reviewed the Committee's Terms of Reference.

Focus areas for 2022

- Revisit the Board's succession plans in light of upcoming retirements
- Continue to monitor the executive succession plans
- Agree and implement the Group's new Executive Remuneration Policy, including a share-based Long-Term Incentive Plan
- Embed ESG in the Group's recruitment and remuneration practices
- Define and implement the scope of the Committee's responsibilities for Governance.

Risk & Compliance Committee report

Philip Barnes
Group Risk and Compliance Committee Chair

Role and responsibilities

The role of the Committee is to assist the Board in fulling its oversight responsibilities by reviewing and monitoring:

- the Group's risk management and internal control framework
- the Group's risk appetite and alignment with its risk strategy
- the principal and emerging risks inherent within the business
- regulatory compliance by the Group.

Full terms of reference are available on the Group's website: www.rqih.com.

Dear Shareholder,

As Chair of the Group Risk and Compliance Committee, I am pleased to present our Committee Report for 2021 which describes our activities and areas of focus during the year.

During the year, the Committee continued to support the Board in its oversight responsibilities for risk management, internal controls, and regulatory compliance across the Group. Our key role is to ensure that risks to our business which impact the delivery of our strategy are identified, understood, and effectively managed within our risk appetite, and that appropriate internal controls are in place.

Our changing role

Our Group now comprises 65 companies established world-wide, of which 28 are regulated, each subject to their own statutory and compliance requirements. To ensure that the Group and its subsidiaries are better placed to meet their complex and ever-evolving regulatory obligations, the Board widened the remit of the Committee in December 2021 to formally include oversight of regulatory compliance matters across the Group.

How we operate

The Committee comprises two Independent Non-Executive Directors and the Chief Executive Officer. Collectively, our skills and experience cover the full range of business, finance, risk, audit, and governance expertise required to run a specialty insurance company with an international presence. The Committee met at scheduled quarterly meetings during 2021. As Committee Chair, I liaised closely with the Chair of the Audit Committee to ensure a clear allocation of responsibilities between the Committees and complete governance across the Group's risk landscape.

The Committee meetings were attended by the Chief Risk Officer, the Group Head of Governance, the Group Head of Internal Audit, and the Group Chief Actuary. Members of the Group Executive and Senior Management Teams were invited to attend as appropriate.

The Committee had a number of standing agenda items including the report of the Chief Risk Officer, the Group Supervision and Regulatory Update from the Group Head of Governance, and the Strategic Priorities Update from the Chief Executive Officer.

Risk & Compliance Committee report continued

Membership and meetings attendance

Chair

Philip Barnes	4/ 4

Committee members

Jo Fox	4/ 4
Alan Quilter	3/ 4

Attending by invitation

Chief Risk Officer
Group Head of Governance
Group Head of Internal Audit
Group Chief Actuary
Other members of the Group Executive and Senior Management Teams as appropriate

Areas of focus in 2021

Risk appetite framework

The Committee reviewed and overhauled the risk appetite framework during 2021 to ensure its continued alignment with the Group's strategic goals and business needs. The Committee ensured that the Group's risk appetite framework operated effectively in embedding risk management throughout the business. It identified and addressed the principal risks to the delivery of the Group's strategy and monitored their continued appropriateness.

The Group's principal risks and uncertainties appear on pages 23 and 24.

Risk reporting

Effective reporting was fundamental to the Committee's management and oversight of key risks during 2021. The Chief Risk Officer provided a risk heat map at each meeting, which remained largely unchanged throughout 2021 and confirmed that the Group remained relatively unimpacted by circumstances arising out of the COVID-19 pandemic during the year. The Committee also considered a risk dashboard at each meeting, which demonstrated the Group's adherence to its predetermined risk appetite.

Emerging risks

The Group's risk function operates an Emerging Risks Focus Group which identifies developing risks that cannot yet be fully assessed but which could, in the future, impact our ability to deliver on our long-term business strategy. The Focus Group reported twice to the Committee during 2021 and considered emerging risks such as climate change, changing workforce expectations, emerging cyber risk, new and emerging technology risk such as cloud concentration and artificial intelligence, political uncertainty, and civil instability.

Operational resilience

Operational resilience continued to be an area of focus throughout the year. At each meeting, we reviewed the operational risks arising out of the COVID-19 pandemic to our business, including the increased risk of cyber and financial crime, staff well-being, market-wide/ systemic issues and business development. While business execution saw some deceleration in the early stages of the pandemic, we found that it did not have a significant negative impact on our business.

Deep dives

The Committee carried out several in-depth reviews of key risks to the business in order to gain a fuller understanding of various risks in different parts of the Group and challenge management approaches to mitigating those risks. Such reviews included people risk, supply chain risk and investment/market risk.

Regulatory and compliance risk

The nature of our business means that regulatory and compliance risk is always on the radar. At each meeting in 2021, the Committee received a report on the Group's supervision and related regulatory matters from the Group Head of Governance. These reports outlined the Group's ongoing engagement with its main regulators during 2021. The Committee also reviewed the 'Dear CEO' letters from the Financial Conduct Authority (FCA) and the Prudential Regulation Authority (PRA), and reviewed the risk management disclosures in the 2020 Annual Report.

Subsidiary risks

As part of the oversight responsibilities for risk management, internal control and regulatory compliance across the Group, the Committee routinely reviews the minutes of the Risk and Compliance Committees of the Group's regulated subsidiaries. In November 2021, we held our second annual meeting of Subsidiary Risk Committee Chairs. This served as an opportunity for all attendees to share subsidiary level risk and regulatory compliance concerns and to understand the Group approach to monitoring and managing these, thereby ensuring a consistent approach to risk management and governance across the business.

Committee effectiveness Review

The Committee routinely benchmarks its effectiveness against emerging best practice. We do this by comparing our composition, structure, and operation, along with that of the Group's risk management function, against the risk coalition principles-based guidance and other corporate governance standards and guidelines, including the QCA Governance Code. The Committee will conduct its own annual effectiveness review in 2022.

Philip Barnes
Chair of the Risk and Compliance Committee

12 June 2022

Main activities during 2021

- Reviewed the Group's risk management framework to ensure alignment with Group strategy
- Monitored our principal risks against their respective tolerance levels
- Reviewed its emerging risks landscape
- Conducted deep dives into people, supply chain and investment/ market risk
- Monitored the Group's interface with its main regulators
- Met with Subsidiary Risk and Compliance Committee Chairs to better understand subsidiary level risk and to ensure consistency of approach to risk management across the Group.

Focus areas for 2022

- Annual review of the Group's risk appetite framework and internal controls
- Ongoing monitoring of the Group's principal and emerging risks
- Incorporating statistical and stochastic analysis in the Group's risk appetite framework as appropriate
- Regulatory compliance including monitoring the Group's interface with its regulators and rolling out a Group Compliance Charter
- Management workshop and in-depth review of emerging cyber risks
- Deep dives into our new fee-based model, operational resilience, credit risk and underwriting retention
- Committee effectiveness review.

Investment Committee report

Eamonn Flanagan
Investment Committee Chair

Role and responsibilities

The role of the Committee is to assist the Board in its oversight of the investment assets of the Group by:

- agreeing and implementing an investment strategy to deliver the Group's investment objectives
- monitoring investment performance
- recommending the appointment of suitably qualified external investment managers to manage the Group's investments and overseeing their performance
- aligning the Group and its subsidiary companies on investment matters
- reviewing investment exposures.

Dear Shareholder,

As Chair of the Investment Committee, I am pleased to present our report for 2021 which describes our activities and areas of focus during the year.

The Committee

As reported in the 2020 Annual Report, a dedicated Investment Committee was established in May 2021, reflecting the increased importance of our investment strategy and results to the business model. The importance of investment earnings to our overall results is clearly demonstrated in the Group Chief Financial Officer's report on pages 16 to 19. In addition, as we set out on pages 22 to 24, one of our Principal Risks is 'Market and Investment Risk'. Our role is to provide mitigation to this risk through the establishment of investment risk appetite principles and related key risk indicators, and consistent monitoring and reviewing of the Group's investment strategy, its execution, and performance.

How we operate

The Committee comprises two Independent Non-Executive Directors and the Executive Chairman. Between us, we have extensive financial experience, knowledge of capital markets and an understanding of market, investment, and insurance risk management. The balance of skills between Committee members makes us well qualified to address the full scope of its responsibilities.

The Committee met four times during the year. Both the Head of Corporate Development and the Chief Risk Officer were invited to attend the meetings at which they provided informed support to the Committee's discussions. The main business of each meeting was to oversee the Group's investment strategy and investment performance, and a summary was presented to the Board on a regular basis.

Areas of focus in 2021

Investment updates

The Committee received regular reports from its investment managers on the performance of the Group's investment portfolio allowing it to monitor execution of the Group's investment strategy. It reviewed investment performance against agreed benchmarks and relative to the market, asset allocation, and compliance with agreed mandates. The Committee also considered the views of its investment managers on market risk and recommendations for the future positioning of the invested assets.

Membership and meetings attendance

Chair

Eamonn Flanagan	4/4

Committee members

Philip Barnes	4/4
William Spiegel	4/4

Attending by invitation

Other members of the Board
Chief Risk Officer
Head of Corporate Development

Investment presentations and reports by our investment managers were standardized to focus on key issues relevant to our investment mandates. The resulting consistency of reporting allowed the Committee to better monitor investment performance across managers.

Change of investment manager

The Group employs a multi-asset investment strategy focused on fixed income investments, utilizing external investment managers. During the year, the Committee approved consolidating the management of its assets with fewer investment managers to streamline the investment management process and reduce the Group's total investment management fees. The Committee recommended the same to relevant subsidiary company boards, subject to approval by their respective regulators. Accordingly, the number of investment managers responsible for managing the Group's investments was reduced from four to three.

Management of cash balances

The Committee focused on improving cash management across the Group in accordance with its liquidity requirements and regulatory obligations. Available cash was invested to improve returns and the amount of cash in the Group portfolio was reduced by almost 50% year-on-year.

Investment risk appetite

During the year, the Committee monitored the performance of the Group's investment strategy within its established risk framework. The Committee also worked with the Group Risk Management function to update its key risk indicators for investment performance and to develop risk appetite statements and key risk indicators for investment.

Environmental, social and governance

The Group's ESG strategy continued to evolve in 2021 and as part of this, the Committee started to evaluate responsible investment and climate change matters. The Committee began work with its investment managers to determine current best practices and will focus on incorporating these into the Group's investment strategy as appropriate in the coming year.

Eamonn Flanagan
Chair of the Investment Committee

12 June 2022

Main activities during 2021

- Received regular presentations from the investment managers
- Approved a change of investment manager
- Approved investment recommendations proposed by the Group's investment managers
- Considered ways to standardize investment manager presentations and opportunities to reduce costs
- Focused on the management of cash balances across the Group
- Considered the work and approach being undertaken by the Group Risk Management Function in relation to investment risk
- Considered the ability of our investment managers to deliver data pertaining to ESG issues.

Focus areas for 2022

- Review of the investment strategy and guidelines to ensure they remain appropriate and applicable to the requirements of our policyholders, meet our regulatory obligations, and optimise returns for our investors
- Continue to enhance asset liability management within the various mandates. This will focus on optimising the matching of assets and liability cashflows, within the context of regulatory constraints, and thus enhancing risk-adjusted returns on the portfolios and reducing reinvestment risk
- Apply the Group's ESG priorities across the Group's investment portfolios as appropriate
- Undertake an internal review of the performance of the Committee and report on its conclusions.

Statement of Directors' responsibilities

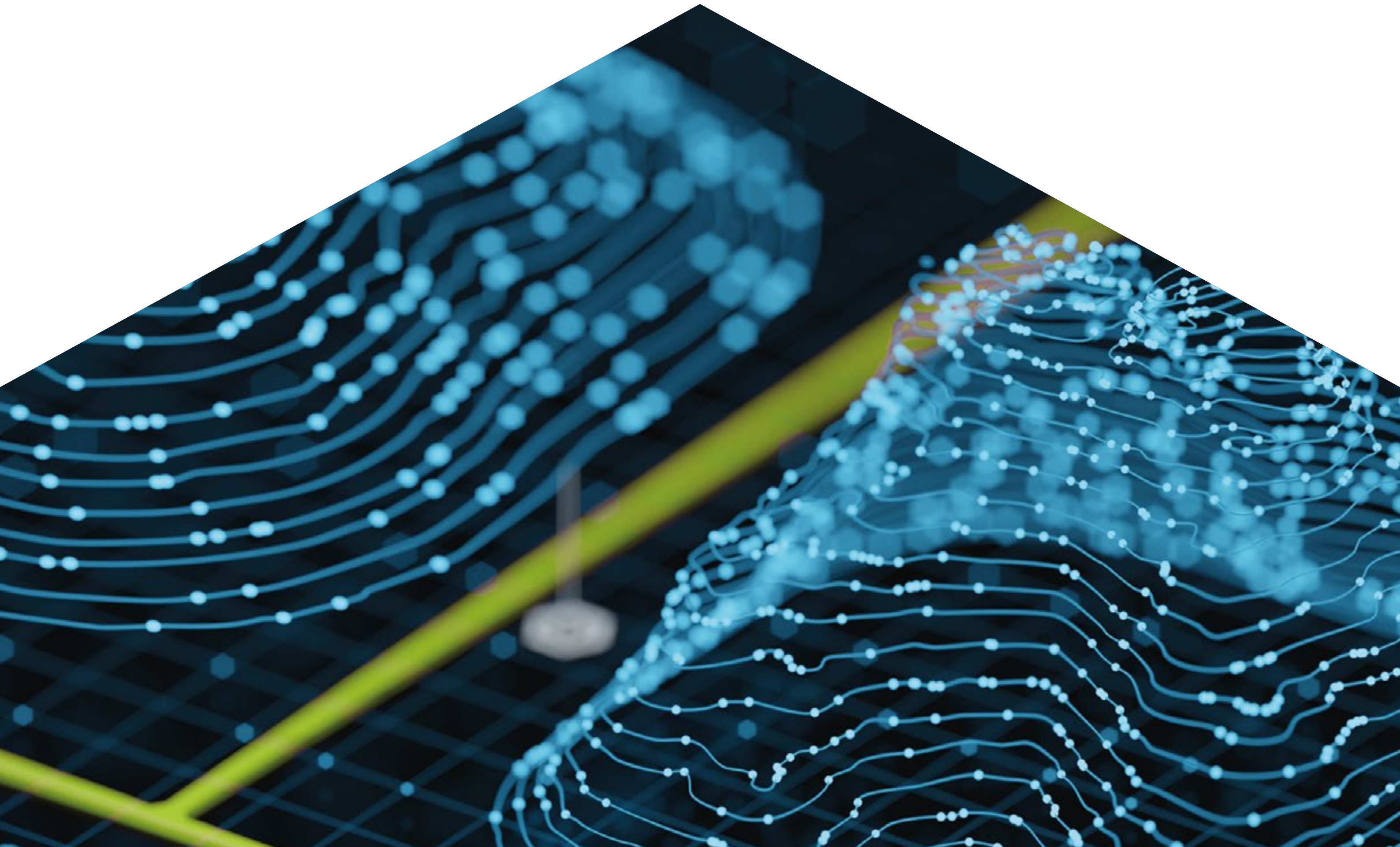
The Directors are responsible for preparing the Annual Report and the Financial Statements in accordance with applicable law and regulations. AIM rules require the Directors to prepare consolidated Financial Statements for each financial year. Under those rules they have elected to prepare the Financial Statements in accordance with International Financial Reporting Standards as adopted by the EU.

The Financial Statements are required to give a true and fair view of the state of affairs of the Group and of the profit or loss of the Group for the year. In preparing these Financial Statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently
- make judgements and estimates that are reasonable and prudent
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the Financial Statements
- prepare the Financial Statements on the going-concern basis unless it is inappropriate to presume that the Group will continue in business.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and to enable them to ensure that the Financial Statements comply with the AIM rules. They 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.

Financial statements



Independent auditor's report to the members of Randall & Quilter Investment Holdings Ltd.

Opinion

We have audited the Group Financial Statements of Randall & Quilter Investment Holdings Ltd (Group) for the year ended 31 December 2021 which comprise the consolidated income statement, consolidated statement of comprehensive income, the consolidated statement of changes in equity, consolidated statement of financial position and the consolidated cash flow statement and notes to the Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is International Financial Reporting Standards (IFRSs).

In our opinion, the Group Financial Statements:

- give a true and fair view of the state of the Group's affairs as at 31 December 2021 and its loss for the year then ended
- have been properly prepared in accordance with IFRSs.

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 are independent of the Group 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 listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to going concern

We draw attention to note 2.d. in the Financial Statements, which indicates that the going concern basis is conditional on new equity funding being raised by the end of July 2022. At the date of signing of these Financial Statements, the Group has not yet completed this capital raise but has received indicative orders from its shareholders which indicate that the equity raising will be successful. However, the success of the capital raise is subject to approval by shareholders at a Special General Meeting and therefore there is uncertainty that the appropriate resolutions will be passed and the new equity funding is received. Our opinion is not modified in respect of this matter.

In auditing the Financial Statements, we have concluded that the Director's 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 company's ability to continue to adopt the going concern basis of accounting included:

- We confirmed our understanding of management's going concern assessment process and also engaged with management to ensure all key factors were considered in their assessment
- We obtained management's going concern assessment, including the cash forecast for the going concern period. We also verified credit facilities available to the Group. The Group has modelled various scenarios in their cash forecasts in order to incorporate unexpected changes to the forecasted liquidity of the Group
- We have reviewed the factors and assumptions included in the cash forecast. We considered the appropriateness of the methods used to calculate the cash forecasts and determined that the methods utilized were appropriate to be able to make an assessment for the Group
- We reviewed the Group's going concern disclosures included in the annual report in order to assess that the disclosures were appropriate and in conformity with the reporting standards.

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

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. For planning, we consider materiality to be the magnitude by which misstatements, including omissions, either individually or in aggregate, could reasonably be expected to influence the economic decisions of users that are taken on the basis of the Financial Statements. Importantly, misstatements below this level 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. The application of these key considerations gives rise to the following level of materiality, the quantum and purpose of which is tabulated below.

Materiality measure	How we determined it	Key considerations and benchmarks	Quantum $
Financial statement materiality	10% of average result before tax for the current year and the previous two years for continuing operations.	In determining our materiality, we have considered financial benchmarks which we believe to be relevant to the primary users of the Group's Financial Statements. We concluded the profit before tax was the most relevant benchmark to these users. We used the average profit before tax for the current year and previous two years as this benchmark is less distorted by large changes in the profit before tax year on year.	8,300,000 (2020: 3,973,000)

We use a different level of materiality ('performance materiality') to determine the extent of our testing for the audit of the Financial Statements. Performance materiality is based on the audit materiality as adjusted for the judgements made as to the entity risk and our evaluation of the specific risk of each audit area having regard to the internal control environment. This was set at $6,300,000 (2020: $2,979,750).

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of $420,000 (2020: $198,650) as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We reassessed materiality at the end of the audit and did not find it necessary to revise our planning materiality.

Our approach to the audit

Our audit approach was developed by obtaining an understanding of the Group's activities, taking into account the geographic structure of the Group, the key subjective judgements made by the Directors, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain, and the overall control environment.

Based on this understanding we assessed those aspects of the Group's transactions and balances which were most likely to give rise to a material misstatement and were most susceptible to irregularities including fraud or error. Specifically, we identified what we considered to be key audit matters and planned our audit approach accordingly.

The Group operates in a number of overseas locations. In establishing the overall approach to the Group audit, we determined the type of work that needed be performed by us, as the Group auditors, and the auditors of the overseas subsidiaries.

Where the work was performed by auditors of the overseas subsidiaries, we determined the level of involvement we needed as the Group auditors to have in the audit work to be able to conclude whether sufficient and appropriate audit evidence had been obtained as a basis for our group opinion on the Financial Statements as a whole. We carried out detailed reviews of the audit work of the material components in Bermuda, Malta and the United States of America. We also kept in regular communication with those overseas auditors, through discussions and written instructions.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Financial Statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) 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. These matters were addressed in the context of our audit of the Financial Statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Area	Reason	Audit response
Recognition of program income Refer to Notes 2 f) and 5 to the Group Financial Statements for disclosures of related accounting policies and balances.	The Group has entered into a number of new programs in the year. In accordance with IFRS, the income arising from these programs should only be recognized as income within the income statement when the performance conditions associated with it have been met. The determination of the performance conditions associated with such income gives rise to significant judgements to be exercised by management. There is a risk that such judgements are not made in accordance with IFRS and thus the accounting for such income is materially misstated in the Financial Statements.	We obtained an understanding and evaluated the design and implementation of controls that the Group has established in relation to the recognition of the new program income. We also performed the following procedures: • Reviewed the underlying program agreements • Tested, on a sample basis, whether amounts recognized were reasonable and appropriately recorded in the correct accounting period based on the contractual obligations of the insurance agreements. Based on the procedures we performed, we observed that the recognition of the new program income was reasonable and appropriate based on the requirements of IFRS and the nature of the underlying agreements.
Valuation of insurance contract provisions Refer to Notes 2 h) and 23 to the Group Financial Statements for disclosures of related accounting policies and balances.	Total net insurance contract provisions for the year end 31 December 2021 are $1,102 million. The methodologies and assumptions utilized to develop insurance contract provisions involve a significant degree of judgement. The liabilities are based on the estimated ultimate cost of all claims incurred but not settled at a given date, whether reported or not. In addition, classes of business where there is a greater length of time between initial claim event and settlement (such as historic asbestosis and environmental pollution classes) also tend to display greater variability between initial estimates and final settlements. A range of methods may be used to determine these provisions. We focused on this area as the underlying methods include a number of explicit and implicit assumptions relating to the expected settlement amounts and settlement patterns of claims and are subject to complex calculations including application of management's judgement which can give rise to materially different values.	We evaluated whether the Group's actuarial methodologies were consistent with those used generally in the industry and with prior periods. We also evaluated the governance around the overall Group reserving process, including the scrutiny applied by the Group Audit and Risk Committee, as well as Group level actuarial reviews. Additionally, we performed the following procedures: • Tested, on a sample basis, the underlying data to source documentation to assess the completeness and accuracy; • Reviewed any significant prior year reserve movements by reference to any significant adverse market development; • Performed independent re-projections and sensitivity analyzes on selected classes of business and compared our re-projected claims reserves to those booked by management, and challenged management to understand any significant differences • Tested the calculations used in identifying reinsurers' share of any claims. Based on the procedures we performed, we observed that the value of the insurance contract provisions was reasonable and appropriate.

Independent auditor's report to the members of Randall & Quilter Investment Holdings Ltd. continued

Key audit matters continued

Area	Reason	Audit response
Accounting for the acquisitions made in 2021 Refer to Notes 2 c) and 29 to the Group Financial Statements for disclosures of related accounting policies and balances.	The Group completed 6 business combinations during the year end 31 December 2021, giving rise to goodwill on bargain purchase of $49.7 million. The insurance contract provisions assumed on acquisition must be discounted in the fair value assessment. This gives rise to a finite-life intangible asset as a result of the difference between the discounted fair value of the insurance contract provisions and the undiscounted insurance contract provisions measured in accordance with the Group's accounting policy. The intangible asset created by this comparison is amortised over the period of time the insurance contract provisions are expected to be settled. Management applies judgement in the accounting and valuation of the acquired assets and liabilities, particularly relating to the fair value of the insurance contract provisions acquired which can give rise to materially different values of any resulting goodwill on bargain purchase.	We evaluated the design and tested the operating effectiveness of controls that the Group established in relation to acquisition accounting. We carried out the following testing: • Performed a walkthrough test of the controls in place within the accounting process to understand management's process under IFRS 3 • Read contracts, agreements and board minutes relating to the acquisitions • Corroborated management's assumptions by comparing them to relevant available information. In particular, we challenged the discount rates and settlement patterns used to calculate the insurance contract provisions giving rise to the finite-life intangible asset • Validated and challenged key inputs and data used in valuation models by reference to historical data and our expectations • Assessed the completeness of the identification of the assets acquired and the appropriateness of the assets' useful economic lives using our knowledge of the run-off insurance industry • Evaluated the adequacy of the business combination disclosures made in note 29 to the requirements in IFRS 3. Based on the procedures we performed, we observed that the methodologies and the assumptions applied were reasonable

Other information

The other information comprises the information included in the annual report, other than the Financial Statements and our auditor's report thereon. The Directors are responsible for the other information. Our opinion on the Group Financial Statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the Financial Statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Financial Statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the Financial Statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement, the Directors are responsible for the preparation of the Group 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 Group Financial Statements, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the Group and the insurance sector in which it operates to identify laws and regulations that could reasonably be expected to have a direct effect on the Financial Statements. We obtained our understanding in this regard through discussions with management, industry research and the application of our cumulative audit knowledge and experience of the insurance sector

- » We determined the principal laws and regulations relevant to the company in this regard to be those that relate to the financial reporting framework. Our considerations of other laws and regulations that may have a material effect on the Financial Statements included the prudential and supervisory requirements of the regulatory bodies across the Group
- » We designed our audit procedures to ensure the audit team considered whether there were any indications of non-compliance by the company with those laws and regulations. These procedures included, but were not limited to, making enquiries of management and those responsible for legal and compliance matters. We also reviewed the correspondence between the company and regulatory bodies and reviewed the minutes of the Board to identify any indications of non-compliance
- » Any instances of non-compliance with laws and regulations were communicated by/to components and considered in our audit approach, if applicable
- » We also identified possible risks of material misstatement of the Financial Statements due to fraud. We considered in addition to the no-rebuttable presumption of a risk of fraud arising from management override of controls, that there was potential for management bias in the reporting of events and transactions in the Financial Statements relating to the valuation of the insurance contract provisions. To address this, we challenged the assumptions and judgements made by management when auditing this significant accounting estimate
- » As in all of our audits, we addressed the risk of fraud arising from management override of controls by performing audit procedures which included, but were not limited to, the testing of journals and reviewing accounting estimates for evidence of bias and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the Financial Statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the Financial Statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

A further description of our responsibilities for the audit of the Financial Statements is located on the Financial Reporting Council's website at: http://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 parent company's members, as a body, in accordance with our engagement letter dated 27 January 2022. Our audit work has been undertaken so that we might state to the parent 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 parent company and the parent company's members as a body, for our audit work, for this report, or for the opinions we have formed.

The engagement partner on the audit resulting in this independent auditor's report is Carmine Papa.

PKF Littlejohn LLP

PKF Littlejohn LLP
Chartered Accountants and Registered Auditor

15 Westferry Circus
Canary Wharf
London
E14 4HD

12 June 2022

Consolidated income statement

For the year ended 31 December 2021

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

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

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

Consolidated statement of comprehensive income

For the year ended 31 December 2021

	2021 $000	2020 $000
Other comprehensive income:		
Items that will not be reclassified to profit or loss:		
Pension scheme actuarial gains/(losses)	3.1	(0.7)
Deferred tax on pension scheme actuarial (gains)/losses	(0.2)	0.3
	2.9	(0.4)
Items that may be subsequently reclassified to profit or loss:		
Exchange (losses)/gains on consolidation	(3.3)	12.6
Other comprehensive income	(0.4)	12.2
(Loss)/profit for the year	(127.4)	37.7
Total comprehensive income for the year	**(127.8)**	**49.9**
Attributable to:		
Shareholders of the parent	(127.8)	50.0
Non-controlling interests	–	(0.1)
Total comprehensive income for the year	**(127.8)**	**49.9**

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

Consolidated statement of changes in equity

For the year ended 31 December 2021

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

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

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

Consolidated statement of financial position

For the year ended 31 December 2021

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

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

W L Spiegel

T S Solomon

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

Consolidated cash flow statement

For the year ended 31 December 2021

	Notes	2021 $m	2020 $m
Cash flows from operating activities			
(Loss)/profit for the year		(127.4)	37.7
Tax included in consolidated income statement		(34.6)	1.0
Finance costs	10	26.5	12.6
Depreciation and impairment	16 & 17	2.9	3.0
Share based payments	25	2.8	14.8
Share of profits of associates		(11.2)	(1.7)
Profit on divestment		(2.6)	(0.7)
Goodwill on bargain purchase	29	(49.7)	(84.2)
Amortization and impairment of intangible assets	15	13.3	14.2
Fair value loss/(gain) on financial assets		17.7	(5.6)
Loss on revaluation of investment property	18	–	0.2
Contributions to pension plan		(1.1)	(1.0)
Loss on net assets of pension schemes		0.1	0.3
Increase in receivables		(409.5)	(107.2)
Decrease/(increase) in deposits with ceding undertakings		158.7	(147.2)
Increase in payables		705.7	23.4
(Decrease)/increase in net insurance technical provisions		(193.5)	299.8
Net cash from operating activities		**98.1**	**59.4**
Cash flows from investing activities			
Purchase of property, plant and equipment	16	(0.7)	(1.4)
Proceeds from sale of financial assets		100.8	100.3
Purchase of financial assets		(397.6)	(364.7)
Acquisition of subsidiary undertakings (offset by cash acquired)		46.7	29.3
Divestment (offset by cash disposed of)		3.5	(5.1)
Distributions from associate		10.3	–
Net cash used in investing activities		**(237.0)**	**(241.6)**
Cash flows from financing activities			
Repayment of borrowings		(42.0)	(56.7)
Proceeds from new borrowing arrangements		121.7	186.3
Dividends paid		(8.3)	–
Interest and other finance costs paid	10	(26.5)	(12.6)
Cancellation of shares	14	–	(11.6)
Receipts from issue of shares		–	19.9
Receipts from issue of convertible debt		–	80.0
Purchase of treasury shares		–	(0.2)
Net cash from financing activities		**44.9**	**205.1**
Net increase in cash and cash equivalents		**(94.0)**	**22.9**
Cash and cash equivalents at beginning of year		363.5	309.4
Exchange losses on cash and cash equivalents		(3.2)	31.2
Cash and cash equivalents at end of year	20	**266.3**	**363.5**
Share of Syndicates' cash restricted funds		50.7	36.4
Other funds		215.6	327.1
Cash and cash equivalents at end of year		**266.3**	**363.5**

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

Notes to the consolidated financial statements

For the year ended 31 December 2021

1. Corporate information

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

2. Accounting policies

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

a. Basis of preparation

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

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

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

New and amended Standards adopted by the Group

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

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

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

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

IAS 1 and IAS 8 Amendments, Definition of Material. The amendments clarify the definition of 'material' and align the definition used in the Conceptual Framework and the standards themselves. Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity. The Financial Statements have been prepared in accordance of this clarification.

New and amended Standards not yet adopted by the Group

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

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

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

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

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

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

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

Notes to the consolidated financial statements continued

For the year ended 31 December 2021

2. Accounting policies continued

a. Basis of preparation continued

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

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

IFRS 9 requires all recognized financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement to be subsequently measured at amortised cost or fair value. Under IFRS 9, financial assets that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost unless the entity applies the fair value option. All other financial assets, including equity investments are measured at their fair values at the end of subsequent accounting periods. Under IFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognized in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or increase an accounting mismatch in profit or loss. Changes in the fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss.

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

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

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

b. Selection of accounting policies

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

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

c. Consolidation

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

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

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

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

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

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

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

d. Going concern

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

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

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

e. Foreign currency translation

Functional and presentational currency

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

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

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

Notes to the consolidated financial statements continued

For the year ended 31 December 2021

2. Accounting policies continued

e. Foreign currency translation continued

Transactions and balances

Transactions in foreign currencies are recorded at the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the end of the reporting period; the resulting exchange gain or loss is recognized in the Consolidated Income Statement. Non-monetary items recorded at historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction and are not subsequently restated.

Group translation

The assets and liabilities of overseas subsidiaries, including associated goodwill, held in functional currencies other than the Group's presentational currency are translated at the exchange rate as at the period end date. Income and expenses are translated at average rates for the period. All resulting exchange differences are recognized in other comprehensive income and accumulated in the foreign currency translation reserve in the Consolidated Statement of Financial Position.

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

f. Premiums

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

Unearned premiums

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

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

Acquisition costs

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

g. Claims

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

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

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

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

A reinsurance asset (reinsurers' share of technical provisions) is recognized to reflect the amount estimated to be recoverable under the reinsurance contracts in respect of the outstanding claims reported and IBNR. The amount recoverable from reinsurers is initially valued on the same basis as the underlying claims provision. The amount recoverable is reduced when there is an event arising after the initial recognition that provides objective evidence that the Group may not receive all amounts due under the contract.

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

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

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

Provision for future claims handling costs

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

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

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

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

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

Unexpired risks provision

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

i. Provisions

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

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

j. Structured settlements

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

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

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

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

k. Segmental reporting

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

l. Financial instruments

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

Financial assets

i) Acquisition

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

ii) Financial assets at fair value through profit and loss

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

Notes to the consolidated financial statements continued

For the year ended 31 December 2021

2. Accounting policies continued

l. Financial instruments continued

iii) Fair value measurement

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

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

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

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

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

iv) Insurance receivables and payables

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

v) Investment income

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

Financial liabilities

Borrowings

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

Senior and subordinated debt

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

Derivative financial instruments

Derivatives are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at their fair value. The best evidence of fair value of a derivative at initial recognition is the transaction price. The method of recognizing the resulting fair value gains or losses depends on whether the derivative is designated as a hedging instrument and, if so, the nature of the item being hedged. Fair values are obtained from quoted market prices in active markets, recent market transactions, and valuation techniques which include discounted cash flow models. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

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

m. Property, plant and equipment

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

The principal rates per annum used for this purpose are:

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

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

n. Leases

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

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

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

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

o. Goodwill

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

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

p. Other intangible assets

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

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

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

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

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

US insurance authorisation licences

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

Rights to customer contractual relationships

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

Notes to the consolidated financial statements continued

For the year ended 31 December 2021

2. Accounting policies continued

q. Employee Benefits

The Group makes contributions to defined contribution schemes and a defined benefit scheme.

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

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

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

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

r. Cash and cash equivalents

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

s. Finance costs

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

t. Operating expenses

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

Pre-contract costs

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

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

Onerous contracts

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

Arrangement fees

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

u. Other income

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

Management fees

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

Purchased reinsurance receivables

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

Earned fee income

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

v. Share based payments

The Group issues equity settled payments to certain of its employees.

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

w. Current and deferred income tax

Tax on the profit or loss for the year comprises current and deferred tax.

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

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

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

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

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis. Deferred tax assets and liabilities are determined using tax rates that have been enacted or substantively enacted by the period end date and are expected to apply when the related deferred tax asset is realized, or the deferred tax liability is settled.

x. Share capital

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

y. Distributions

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

3. Estimation techniques, uncertainties and contingencies

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

Significant uncertainty in technical provisions

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

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

Claims provisions

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

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

Notes to the consolidated financial statements continued

For the year ended 31 December 2021

3. Estimation techniques, uncertainties and contingencies continued

Claims provisions continued

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

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

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

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

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

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

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

Asbestos, pollution and health hazard claims

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

Insurance claims handling expenses

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

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

Reinsurance recoveries

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

The insurance company subsidiaries are exposed to disputes on contracts with their reinsurers and the possibility of default by reinsurers. In establishing the provision for non-recovery of reinsurance balances, the Directors of each insurance company subsidiary consider the financial strength of each reinsurer, its ability to settle their liabilities as they fall due, the history of past settlements with the reinsurer, and the Group's own reserving standards and have regard to legal advice regarding the merits of any dispute.

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

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

Defined benefit pension scheme

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

Litigation, mediation and arbitration

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

Changes in foreign exchange rates

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

Assessment of impairment of intangible assets

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

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

Provisions

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

4. Management of insurance and financial risks

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

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

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

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

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

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

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

Notes to the consolidated financial statements continued

For the year ended 31 December 2021

4. Management of insurance and financial risks continued

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

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

	2021	2020
	$m	$m
Government and government agencies	330.9	311.8
Corporate bonds	1,055.9	778.2
Equities	11.9	7.5
Cash-based investment funds	112.6	74.0
Cash and cash equivalents	266.3	363.5
	1,777.6	**1,535.0**
	%	%
Government and government agencies	18.6	20.3
Corporate bonds	59.4	50.7
Equities	0.7	0.5
Cash-based investment funds	2.4	4.8
Cash and cash equivalents	18.9	23.7
	100.0	**100.0**

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

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

(i) Pricing risk

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

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

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

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

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

2020	Level 1 $m	Level 2 $m	Level 3 $m	Total $m
Government and government agencies	311.3	0.5	–	311.8
Corporate bonds	724.4	35.8	–	778.2
Equities	7.2	0.3	–	7.5
Cash-based investment funds	–	74.0	–	74.0
Purchased reinsurance receivables (Note 19)	–	–	6.4	6.4
Total financial assets measured at fair value	**1,060.9**	**110.6**	**6.4**	**1,177.9**

4. Management of insurance and financial risks continued

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

(i) Pricing risk continued

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

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

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

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

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

(ii) Liquidity risk

As at 31 December 2021

Maturity date or contractual re-pricing date

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

Interest rate ranges (coupon-rates)

	Less than one year %	After one year but less than two years %	After two years but less than three years %	After three years but less than five years %	More than five years %
Debt securities	0.13-8.025	0-8.25	0.10-7.38	0.13-9.75	0.01-9.25

As at 31 December 2020

Maturity date or contractual re-pricing date

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

Interest rate ranges (coupon-rates)

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

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

Notes to the consolidated financial statements continued

For the year ended 31 December 2021

4. Management of insurance and financial risks continued

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

iii) Interest rate risk

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

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

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

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

b. Credit risk

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

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

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

As at 31 December 2021	A rated $m	B rated $m	Less than B $m	Other* $m	Exposures of less than $200k $m	Total $m
Deposits with ceding undertakings	16.8	0.6	–	4.0	0.4	21.8
Reinsurers' share of insurance liabilities	1,301.3	50.3	–	729.1	24.9	2,105.6
Receivables arising out of reinsurance contracts	367.5	14.2	–	87.8	7.0	476.5

As at 31 December 2020	A rated $m	B rated $m	Less than B $m	Other* $m	Exposures of less than $200k $m	Total $m
Deposits with ceding undertakings	130.3	9.1	–	40.4	0.6	180.4
Reinsurers' share of insurance liabilities	852.6	59.6	–	264.4	4.0	1,180.6
Receivables arising out of reinsurance contracts	191.2	13.4	–	59.3	0.9	264.8

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

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

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

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

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

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

4. Management of insurance and financial risks continued

b. Credit risk continued

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

As at 31 December 2020	Neither past due nor impaired $m	Financial assets past due but not impaired: Past due 1–90 days $m	Financial assets past due but not impaired: Past due more than 90 days $m	Assets that have been impaired $m	Carrying value in the balance sheet $m
Deposits with ceding undertakings	180.2	–	–	0.2	180.4
Reinsurers' share of insurance liabilities	1,071.2			109.5	1,180.6
Receivables arising out of reinsurance contracts	120.4	0.3	0.3	143.8	264.8

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

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

The Group Board had a Group Reinsurance Asset Committee, chaired by a Non-Executive Director, which met quarterly. Its function was to monitor and report on the Group's Syndicate and non-Syndicate reinsurance assets and, where necessary, recommend courses of action to the Group to protect the asset. The committee was disbanded at the end of 2021 and from 2022 onwards reinsurance assets will be overseen by the Group Risk and Compliance and Audit committees, with some responsibilities now residing with management.

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

c. Currency risk

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

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

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

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

Notes to the consolidated financial statements continued

For the year ended 31 December 2021

4. Management of insurance and financial risks continued

c. Currency risk continued

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

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

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

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

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

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

d. Capital management

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

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

4. Management of insurance and financial risks continued

e. Insurance risk

(i) Program management business

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

(ii) Syndicate participations

The Group participates on Syndicates shown below:

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

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

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

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

(iii) Underwriting risk

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

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

(iv) Reserving risk

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

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

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

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

Notes to the consolidated financial statements continued

For the year ended 31 December 2021

4. Management of insurance and financial risks continued

e. Insurance risk

(iv) Reserving risk continued

The analysis of claims development in the Group's run-off insurance entities is as follows:

Gross	Group entities at 1 January 2018 $m	Entities acquired by the Group during 2018 $m	Entities acquired by the Group during 2019 $m	Entities acquired by the Group during 2020 $m	Entities acquired by the Group during 2021 $m
Gross claims at:					
1 January/acquisition	522.8	22.5	374.6	938.0	521.5
First year movement	(67.6)	(10.1)	(173.1)	9.2	(10.8)
Second year movement	(71.3)	(6.0)	30.5	(134.4)	–
Third year movement	148.1	2.7	13.0	–	–
Fourth year movement	(112.5)	(2.9)	–	–	–
Gross provision at 31 December 2021	**419.5**	**6.2**	**245.0**	**815.8**	**510.7**
Gross claims at:					
1 January/acquisition	522.8	22.5	374.6	938.0	521.5
Exchange adjustments	31.3	(8.2)	(13.4)	9.3	(0.6)
Payments	(196.3)	(8.6)	(185.3)	(135.1)	(10.3)
Gross provision at 31 December 2021	(419.5)	(6.2)	(245.0)	(815.8)	(510.7)
Deficit to date	**(61.7)**	**(0.5)**	**(69.1)**	**(3.6)**	**(0.1)**

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

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

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

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

5. Segmental information

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

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

Segmental results for the year ended 31 December 2021

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

Notes to the consolidated financial statements continued

For the year ended 31 December 2021

5. Segmental information continued

Segmental results for the year ended 31 December 2020

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

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

Notes:

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

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

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

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

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

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

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

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

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

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

5. Segmental information continued

Geographical analysis

As at 31 December 2021	UK $m	North America $m	Europe $m	Total $m
Gross assets	1,716.7	2,418.6	1,331.9	5,467.2
Intercompany eliminations	(137.4)	(103.5)	(58.6)	(299.5)
Segment assets	**1,579.3**	**2,315.1**	**1,273.3**	**5,167.7**
Gross liabilities	1,307.3	2,566.5	1,196.9	5,070.7
Intercompany eliminations	(238.3)	(12.2)	(49.0)	(299.5)
Segment liabilities	**1,069.0**	**2,554.3**	**1,147.9**	**4,771.2**
Revenue from external customers	**7.9**	**59.6**	**41.3**	**108.8**

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

As at 31 December 2020	UK $m	North America $m	Europe $m	Total $m
Gross assets	1,302.6	1,936.1	867.2	4,105.9
Intercompany eliminations	(116.4)	(197.2)	(63.9)	(377.5)
Segment assets	**1,186.2**	**1,738.9**	**803.3**	**3,728.4**
Gross liabilities	1,083.7	1,737.1	756.0	3,576.8
Intercompany eliminations	(155.4)	(213.5)	(8.6)	(377.5)
Segment liabilities	**928.3**	**1,523.6**	**747.4**	**3,199.3**
Revenue from external customers	**160.2**	**291.9**	**68.7**	**520.8**

6. Earned fee income

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

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

Notes to the consolidated financial statements continued

For the year ended 31 December 2021

7. Gross investment income

	2021	2020
	$m	$m
Investment income (excluding realized and unrealized gains and losses)	24.1	23.0
Realized net gains/(losses) on financial assets	3.8	(4.5)
Unrealized (losses)/gains on financial assets	(21.5)	10.1
Investment income	**6.4**	**28.6**

8. Other income

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

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

9. Operating expenses

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

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

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

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

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

10. Finance costs

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

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

11. Profit before income taxes

Profit before income taxes is stated after charging:

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

12. Income tax charge

a. Analysis of charge in the year

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

Notes to the consolidated financial statements continued

For the year ended 31 December 2021

12. Income tax charge continued

b. Factors affecting tax charge for the year

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

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

c. Factors that may affect future tax charges

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

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

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

13. Earnings and net assets per share

a. Basic earnings per share

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

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

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

13. Earnings and net assets per share continued

b. Diluted earnings per share

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

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

	2021	2020
	$m	$m
(Loss)/profit for the year attributable to ordinary shareholders	**(127.4)**	**37.8**
	No. 000's	**No. 000's**
Weighted average number of ordinary shares issued in year	217,611	216,026
Dilution effect of options	–	49,772
	217,611	265,798
Diluted earnings per ordinary share	**(46.9)c**	**14.2c**

c. Net asset value per share

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

d. Diluted net asset value per share

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

Notes to the consolidated financial statements continued

For the year ended 31 December 2021

14. Distributions

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

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

15. Intangible assets

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

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

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

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

Key assumptions used in value in use calculations

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

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

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

16. Property, plant and equipment

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

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

Notes to the consolidated financial statements continued

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17. Right-of-use assets

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

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

18. Investment properties and financial assets

a. Investment properties

	2021 $m	2020 $m
As at 1 January	1.8	1.9
Decrease in fair value during the year	–	(0.1)
As at 31 December	**1.8**	**1.8**

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

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

b. Financial Instruments

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

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

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

c. Shares in subsidiary and associate undertakings

The Company had interests in the following subsidiaries and associates at 31 December 2020:

Name of subsidiaries/associate	Country of incorporation/ registration	% of ordinary shares held via: The Company	Subsidiary and associate undertakings	Overall effective % of share capital held
Distinguished Re Ltd	Barbados	–	100	100
Oleum Insurance Company Limited	Barbados	–	100	100
R&Q Bermuda services Limited	Bermuda	–	100	100
R&Q Re (Bermuda) Limited	Bermuda	–	100	100
RQLM Limited	Bermuda	100	–	100
Sandell Holdings Ltd.	Bermuda	–	100	100
Tradesman Program Managers, LLC	USA	–	40	40
R&Q Re (Cayman) Ltd.	Cayman Island	–	100	100
R&Q Capital No. 1 Limited	England and Wales	–	100	100
R&Q Capital No. 6 Limited	England and Wales	–	100	100
R&Q Capital No. 7 Limited	England and Wales	–	100	100
R&Q Capital No. 8 Limited	England and Wales	–	100	100
R&Q Central Services Limited	England and Wales	–	100	100
R&Q Delta Company Limited	England and Wales	–	100	100
R&Q Eta Company Limited	England and Wales	–	100	100
R&Q Gamma Company Limited	England and Wales	–	100	100
Inceptum Insurance Company Limited	England and Wales	–	100	100
R&Q Insurance Services Limited	England and Wales	–	100	100
R&Q MGA Limited	England and Wales	–	100	100
R&Q Munro MA Limited	England and Wales	–	100	100
R&Q Munro Services Company Limited	England and Wales	–	100	100
R&Q Oast Limited	England and Wales	–	100	100
R&Q Overseas Holdings Limited	England and Wales	–	100	100
R&Q Reinsurance Company (UK) Limited	England and Wales	–	100	100
R&Quiem Financial Services Limited	England and Wales	–	100	100
Randall & Quilter Captive Holdings Limited	England and Wales	–	100	100
Randall & Quilter II Holdings Limited	England and Wales	–	100	100
Randall & Quilter IS Holdings Limited	England and Wales	–	100	100
Randall & Quilter Underwriting Management Holdings Limited	England and Wales	–	100	100
RQIH Limited	England and Wales	100	–	100
The World Marine & General Insurance Company PLC	England and Wales	–	100	100
Vibe Services Management Limited	England and Wales	–	100	100
Vibe Syndicate Management Limited	England and Wales	–	100	100
La Licorne Compagnie de Reassurances SA	France	–	100	100
Capstan Insurance Company Limited	Guernsey	–	100	100
R&Q Ireland Claims Services Limited #	Ireland	–	100	100
R&Q Ireland Company Limited by Guarantee #	Ireland	–	100	100
R&Q Theta Designated Activity Company	Ireland	–	100	100
Hickson Insurance Limited	Isle of Man	100	–	100
Pender Mutual Insurance Company Limited	Isle of Man	–	100	100
R&Q Insurance Management (IOM) Limited	Isle of Man	–	100	100
Accredited Insurance (Europe) Limited {	Malta	–	100	100
R&Q Malta Holdings Limited	Malta	–	100	100
Accredited Bond Agencies Inc.	USA	–	100	100
Accredited America Insurance Holding Corporation	USA	–	100	100
Accredited Specialty Insurance Company	USA	–	100	100
Accredited Surety and Casualty Company, Inc.	USA	–	100	100
CMAL LLC }	USA	–	–	–
Excess and Treaty Management Corporation	USA	–	100	100
GLOBAL Reinsurance Corporation of America	USA	–	100	100
GLOBAL U.S. Holdings Incorporated	USA	–	100	100
Grafton US Holdings Inc.	USA	–	100	100
ICDC Ltd	USA	–	100	100
National Legacy Insurance Company	USA	–	100	100
R&Q Healthcare Interests LLC	USA	–	100	100
R&Q Reinsurance Company	USA	–	100	100
R&Q Services Holding Inc	USA	–	100	100

Notes to the consolidated financial statements continued

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18. Investment properties and financial assets continued

c. Shares in subsidiary and associate undertakings continued

		% of ordinary shares held via:		
Principal activity and name of subsidiaries/associate	Country of incorporation/ registration	The Company	Subsidiary and associate undertakings	Overall effective % of share capital held
R&Q Solutions LLC	USA	–	100	100
Randall & Quilter America Holdings Inc	USA	–	100	100
Randall & Quilter Healthcare Holdings Inc.	USA	–	100	100
Randall & Quilter PS Holdings Inc	USA	–	100	100
Risk Transfer Underwriting Inc.	USA	–	100	100
Transport Insurance Company	USA	–	100	100

has a November year end due to Irish Law Society connection.

{ Has a UK and an Italian Branch

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

19. Insurance and other receivables

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

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

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

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

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

20. Cash and cash equivalents

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

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

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

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

21. Insurance and other payables

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

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

Structured Settlements

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

Notes to the consolidated financial statements continued

For the year ended 31 December 2021

22. Financial liabilities

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

Amounts due to credit institutions are payable as follows:

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

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

The Group has issued the following debt:

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

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

Lease liabilities maturity analysis – contractual undiscounted cash flows

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

Reconciliation of liabilities arising from financing activities

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

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

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

23. Insurance contract provisions and reinsurance balances

	2021			2020		
	Program Management $m	Legacy Insurance $m	Total $m	Program Management $m	Legacy Insurance $m	Total $m
Gross						
Insurance contract provisions at 1 January	682.6	1,720.2	2,402.8	390.9	1,009.5	1,400.4
Claims paid	(197.1)	(288.8)	(485.9)	(131.9)	(138.7)	(270.6)
Increases/(decreases) in provisions arising from the (disposal)/ acquisition of subsidiary undertakings and Syndicate participations	–	91.1	91.1	–	426.1	426.1
Increases in provisions arising from acquisition of reinsurance portfolios	–	430.4	430.4	–	368.2	368.2
Increase in claims provisions	459.3	64.7	524.0	307.0	42.1	349.1
Increase/(decrease) in unearned premium reserve	287.9	(8.6)	279.3	100.1	(3.1)	97.0
Net exchange differences	(22.3)	(11.9)	(34.2)	16.5	16.1	32.6
As at 31 December	**1,210.4**	**1,997.1**	**3,207.5**	**682.6**	**1,720.2**	**2,402.8**
Reinsurance						
Reinsurers' share of insurance contract provisions at 1 January	653.7	526.9	1,180.6	377.3	238.4	615.7
Proceeds from commutations and reinsurers' share of gross claims paid	(182.9)	28.7	(154.2)	(122.5)	(45.4)	(167.9)
Increases/(decreases) in provisions arising from the (disposal)/ acquisition of subsidiary undertakings and Syndicate participations	–	164.2	164.2	–	283.1	283.1
Increases in provisions arising from acquisition of reinsurance portfolios	–	247.5	247.5	–	1.4	1.4
Increase in claims provisions	430.5	(13.6)	416.9	290.7	27.4	318.1
Increase/(decrease) in unearned premium reserve	270.7	(3.7)	267.0	92.2	–	92.2
Net exchange differences	(20.6)	4.2	(16.4)	16.0	22.0	38.0
As at 31 December	**1,151.4**	**954.2**	**2,105.6**	**653.7**	**526.9**	**1,180.6**
Net						
Net insurance contract provisions at 1 January	28.9	1,193.3	1,222.2	13.6	771.1	784.7
Net claims paid	(14.2)	(317.5)	(331.7)	(9.4)	(93.3)	(102.7)
Increases/(decreases) in provisions arising from the (disposal)/ acquisition of subsidiary undertakings and Syndicate participations	–	(73.1)	(73.1)	–	143.0	143.0
Increases in provisions arising from acquisition of reinsurance portfolios	–	182.9	182.9	–	366.8	366.8
Increase/(decrease) in claims provisions	28.8	78.3	107.1	16.3	14.7	31.0
Increase/(decrease) in unearned premium reserve	17.2	(4.9)	12.3	7.9	(3.1)	4.8
Net exchange differences	(1.7)	(16.1)	(17.8)	0.5	(5.9)	(5.4)
As at 31 December	**59.0**	**1,042.9**	**1,101.9**	**28.9**	**1,193.3**	**1,222.2**

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For the year ended 31 December 2021

23. Insurance contract provisions and reinsurance balances continued

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

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

Assumptions, changes in assumptions and sensitivity

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

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

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

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

As detailed in Note 2 (h), when preparing these Consolidated Financial Statements, provision is made for all costs of running off the business of the insurance company subsidiaries to the extent that these costs exceed the estimated future investment return expected to be earned by those subsidiaries. Provision is also made for all costs of running off the underwriting years for those Syndicates treated as being in run-off on which the Group participates. The quantum of the costs of running off the business and the future investment income has been determined through the preparation of cash flow forecasts over the anticipated period of the run-off, using internally prepared budgets and forecasts of expenditure, investment income and actuarially assessed settlement patterns for the gross provisions. The gross costs of running off the business are estimated to be fully covered by the estimated future investment income.

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

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

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

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

24. Current and deferred tax

Current tax

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

Deferred tax

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

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

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

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

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

The movement on the deferred tax account is shown below:

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

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24. Current and deferred tax continued

Deferred tax

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

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

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

	2021 $m	2020 $m
Deferred tax assets – relating to trading losses		
Deferred tax assets to be recovered after more than 12 months	5.6	7.8
Deferred tax assets to be recovered within 12 months	17.0	10.4
Deferred tax assets	**22.6**	**18.2**

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

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

The above deferred tax assets arise mainly from temporary differences and losses arising on the Group's US insurance companies. Under local tax regulations these losses and other temporary differences are available to offset against the US subsidiaries' future taxable profits in the Group's US Insurance Services Division as well as any future taxable results that may arise in the US insurance companies.

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

25. Share capital

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

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

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

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

Cumulative Redeemable Preference Shares

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

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

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

Shares issued

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

26. Employees and Directors

Employee benefit expense for the Group during the year

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

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

Notes to the consolidated financial statements continued

For the year ended 31 December 2021

26. Employees and Directors continued

Average number of employees

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

Remuneration of the Directors and key management

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

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

Directors' emoluments

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

Bonus payments relating to the reporting year are paid in the following 3 years being 50%, 25% and 25% annually, and reflect the performance of the Group and the individuals. The costs in the 2021 financial year represent the amounts paid in 2021 and provision for costs relating to the 2019, 2020 and 2021 reporting years' performance, which will be paid in 2021, 2022 and 2023. The provisions are established on the likelihood of the performance and service period criteria being met. Where contractual arrangements supersede the above policy, the contractual arrangements are included.

27. Pension scheme obligations

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

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

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

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

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

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

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

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

Notes to the consolidated financial statements continued

For the year ended 31 December 2021

27. Pension scheme obligations continued

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

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

c. Significant actuarial assumptions

i) Financial assumptions

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

ii) Demographic assumptions

Assumed life expectancy in years, on retirement at 60

Assumed life expectancy in years, on retirement at 60	2021	2020
Retiring today		
– Males	26.3	26.2
– Females	29.0	28.7
Retiring in 20 years		
– Males	27.8	27.4
– Females	30.5	30.0

d. Sensitivity to assumptions

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

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

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

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

e. The major categories of plan assets are as follows

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

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

f. Contributions and present value of defined benefit obligation

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

28. Related party transactions

Transactions with subsidiaries

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

Transactions with Directors

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

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

Notes to the consolidated financial statements continued

For the year ended 31 December 2021

28. Related party transactions continued

Transactions with associate

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

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

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

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

29. Business combinations

Business combinations

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

Legacy entities and businesses

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

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

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

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

In order to disclose the impact on the Group as though the legacy entities had been owned the whole year, assumptions would have to be made about the Group's ability to manage efficiently the run-off of the legacy liabilities prior to the acquisition. As a result, and in accordance with IAS 8, the Directors believe it is not practicable to disclose revenue and profit before tax as if the entities had been owned for the whole year.

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

The Group completed the following business combinations during 2021:

EIIDAC

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

NYSHPWCT

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

Vibe

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

Oleum

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

Saurea

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

UK P&I Club

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

30.Non-controlling interests

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

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

31. Guarantees and indemnities in ordinary course of business

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

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

Notes to the consolidated financial statements continued

For the year ended 31 December 2021

32. Foreign exchange rates

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

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

33. Events after the reporting date

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

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

34. Contingent liability

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

35. Ultimate controlling party

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

Shareholder Information

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Philip Barnes
Jo Fox
Eamonn Flanagan
Alan Quilter
Tom Solomon

Secretary
David Gormley

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Registrar
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Trading Platforms
The Company is listed on the Alternative Investment Market (AIM) 100 Index of the London Stock Exchange and the OTCQX Best Market, a US trading platform that is operated by OTC Markets Group. The Company also has debt securities which are traded on the Global Exchange Market of Euronext Dublin.

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