NorthStandard Limited

Directors' Report, Strategic Report and Financial Statements 2024

NorthStandard

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DIRECTORS

JA Tyrrell	■●	
I Procopiou	■	
JPF Reith	✱	
JP Grose	●	
N Hadjioannou	■●	
C d'Amico	■	
R Menendez Ross	●	Deceased 18 March 2024
P Vellis	✱	
AJ Groom	▲✱●	
E Johnsen	▲■	
NJO Fell		
PB Shirke	■●	
PA Jennings	●	
NR Taylor	▲✱	
MR Thompson	▲✱	
KA Morgan	▲✱	Appointed 5 July 2023

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

COMPANY SECRETARY

CP Owen	Resigned 15 November 2023
MSR McGeary	Appointed 15 November 2023

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STRATEGIC REPORT

The Directors present their Strategic Report together with their Directors' Report, and the Group and Company financial statements of NorthStandard Limited, for the year ended 20 February 2024.

Principal activities

NorthStandard Limited is a marine mutual insurance company owned by its shipowner and charterer Members, who are policyholders of mutual insurance policies issued by the Company and its subsidiaries.

NorthStandard and its subsidiary companies provide marine protection and indemnity ("P&I") insurance, freight, demurrage, and defence ("FD&D") insurance, and related covers on a mutual basis to its shipowner and charterer Members. The Group also provides marine P&I, FD&D, and related insurance, together with marine Hull, marine War, and Aquaculture insurance, on a fixed premium basis to Members and non-Members.

NorthStandard Limited is one of twelve member Clubs of the International Group of P&I Clubs ("the IG"), which between them provide marine liability cover for 90% of the world's ocean-going tonnage. Through the IG, the member Clubs, whilst individually competitive, share between them their large loss exposures, and their respective knowledge and expertise on matters relating to shipowners' third-party liabilities.

Key developments in the year

On 20 February 2023, at the start of the current financial year, the merger of North of England P&I Association and The Standard Club to form NorthStandard was completed. The merger was concluded by NorthStandard Limited becoming the sole member of The Standard Club Limited, and the former Members of The Standard Club Limited becoming Members of NorthStandard Limited. For UK accounting purposes this is accounted for as an acquisition, however from hereafter in these financial statements it will be referred to as the merger. The merger resulted in a significant increase in the Group's Members, entered tonnage, and gross written premiums at the 2023 policy year renewal, and in the level of capital and reserves from completion.

During the year, significant progress has been made towards the integration of the merged Clubs with a focus on delivering on the promises made to Members whilst maintaining our commitment to service excellence.

We have successfully transitioned to a new operating model, built around geographical sectors servicing our P&I and FD&D Members, and specialty sectors servicing the Members and policyholders of our other classes of business. A technology roadmap has been developed, ensuring an integrated renewal for the 2024 policy year, with further system integration activities planned for the years ahead. And after extensive employee engagement, we have launched the NorthStandard Principles, which provide a set of values that everyone working for the Club will work towards in the future.

The progress made would not have been possible without the hard work and dedication of the Group's employees and the support of its Members and policyholders, and the Directors place on record their appreciation for all of the effort and support over the past year.

Performance in the year and position at the year end

The Board has established certain Key Performance Indicators ("KPIs") by reference to which the development, performance and position of NorthStandard Limited's business can be measured effectively. The merger at the start of the current financial year necessitated that new KPIs and associated baseline measurements be established for the combined Group. Not all KPIs therefore have a meaningful comparator in the prior year.

The financial KPIs established by the Board are summarised in the below table.

	2024	**2023**
Gross written premium US$m	852.2	447.7
Gross written premium – specialty business US$m	261.8	91.5
S&P Rating and Outlook	A (Stable)	A (Stable)
Expense ratio	16.1%	18.7%
Combined ratio	74.9%	96.7%

The expense ratio is an expression of the Group's acquisition costs and administrative expenses as a proportion of gross earned premiums. The combined ratio is an expression of the sum of the Group's net operating expenses and claims incurred, net of reinsurance as a proportion of the sum of the Group's earned premiums, net of reinsurance.

STRATEGIC REPORT (CONTINUED)

The Board has also established KPIs in relation to cost savings driven by integration activities, which are not disclosed in the financial statements as they are commercially sensitive.

Written premium has increased from US$447.7m to US$852.2m, with the completion of the merger accounting for US$365.7m of the increase. The balance of the increase primarily results from the general premium increase of 10% declared for the P&I class of business for the 2023 policy year, together with an increase in the cost of the International Group reinsurance passed onto Members.

Written premiums for the specialty business have increased from US$91.5m to US$261.8m, with the completion of the merger accounting for the majority of the increase. We have seen growth across our specialty business lines, with a particularly strong contribution from the NorthStandard Hull product.

The cost of claims in a year tends to be driven by our experience of large claims (those over US$1m) on the most recent policy year for NorthStandard's own claims, combined with the level of activity on the IG pool in which NorthStandard participates. At the twelve-month development stage of the 2023/24 policy year the Group has experienced more large claims that at the same stage of the 2022/23 policy year, but that is to be expected as a result of the merger and the significant increase in the Group's underwriting exposure. Compared to the aggregate experience of the entities making up the Group in the prior year, large claims are slightly elevated in number, but the value of those claims has increased more significantly. The prior financial year was characterised by a very low level of activity on the IG pool for the 2022/23 policy year at the twelve-month development stage, and with no pool claims reported by Members of the Group. The 2023/24 policy year has seen more activity at the twelve-month development stage, including three pool claims reported by Members of the Group, but remains below the experience of the 2020 and 2021 policy years at the same stage of development. Overall, gross claims incurred have increased from US$281.8m to US$469.3m and net claims incurred have increased from US$53.2m to US$78.5m.

Administrative expenses have increased from US$61.4m to US$103.7m reflecting the enlarged size of the Group, and including US$13.6m of merger related activities. Though expenses have increased, the expense ratio has reduced from 18.7% to 16.1% given the significant increase in gross earned premiums. The combination of increases in premium, claims cost and expenses results in a reduction in the combined ratio from 96.7% to 74.9%.

Total investment return, net of expenses and charges, was a gain of US$34.5m compared to a loss of US$5.3m in the prior year. The Group is invested predominantly in fixed income securities, and the fair value of these assets suffered in the prior year given rising interest rates, but the majority of that fair value loss remained unrealised at 20 February 2024. The current year return has benefitted from the increased size of the portfolio held, a higher level of income given the increased interest rate environment, and a reversal of prior year unrealised losses. The Group suffered a loss on foreign exchange of US$1.2m (2023: loss of US$10.8m).

Other income including amortisation of negative goodwill arising on the merger of US$68.1m has increased from US$2.8m to US$69.9m.

Overall, the Group recorded a surplus after tax of US$140.2m compared to a deficit after tax of US$12.5m in the prior year.

The total accumulated surplus attributable to Members has increased from US$321.3m at 20 February 2023 to US$461.4m at 20 February 2024. The increase is a result of the surplus recorded above, combined with a positive movement on the Group's defined benefit pension deficit valuation offset by the revaluation of land and buildings recorded in other comprehensive income.

Principal risks and uncertainties

Insurance and financial risks as set out in note 3 to the financial statements could materialise and prevent the Group from achieving its strategic objectives. Additional, potential threats to achieving our strategic objectives from the current environment in which the Group operates have been identified in relation to political unrest, tax legislation and climate change. More information on climate change is included in the Non-financial and Sustainability Information Statement section of this Strategic Report.

Political unrest

The risk associated with political unrest and associated conflict or potential for conflict is generally elevated. The direct financial impact on NorthStandard has thus far been immaterial, with the principal impact to date being operationally, where our teams have been working with our Members and clients to help them navigate the consequences for their businesses.

The longer-term financial consequences of the current environment are less certain, given the indefinite timescales and potential for further escalation. A prolonged period of political unrest and conflict or potential for conflict is likely to contribute to investment market volatility and may have an impact on the levels of global economic activity. A reduction in global economic activity would likely result in reduced claims activity, but would also adversely affect our strategy to grow premium income.

STRATEGIC REPORT (CONTINUED)

Tax legislation

The Organisation for Economic Cooperation and Development (OECD) Pillar Two framework is designed to limit tax competition between countries by ensuring that large multinational groups pay a minimum level of tax on the profits arising in each jurisdiction in which they operate. The framework has been implemented in the UK, where the Group is headquartered, through the Finance (No.2) Act 2023, and comes into effect for the Group for the year ending 20 February 2025.

The Pillar Two rules are complex, and whilst an initial assessment has indicated that the impact will not be material to the Group, the legislation increases uncertainty as to the amount of tax that the Group will pay in future periods.

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

The Board of Directors of NorthStandard, both individually and collectively, consider that they have acted in good faith, and in the way that would be most likely to promote the success of the Group for the benefit of its Members, in the decisions taken during the year ended 20 February 2024.

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

The Board, operating through its Nominations & Remuneration Committee, have pursued employee engagement, and have established links between progressing towards the Group's strategic goals and a proportion of the annual bonus scheme reward that all Group staff participate in.

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

As a member of the IG, NorthStandard is represented in various subcommittees and working groups, and collaborates with other IG clubs across a range of industry issues for the benefit of members generally.

NorthStandard is committed to conducting its business affairs in a fair, proper and ethical manner, and in compliance with all applicable laws, regulations and professional standards. The Board ensures that corporate values, including the NorthStandard Principles launched in the year, are communicated to all staff to ensure that their work on behalf of NorthStandard is carried out in the right way. The Board, including through the Group Risk Committee, formally consider policies on whistleblowing, money laundering, bribery, modern slavery and other policies and procedures designed to ensure the Group maintains high standards of business conduct on an annual basis.

The Board are committed to treating Members and all stakeholders fairly, as well as keeping under review the quality of service that NorthStandard provides.

Non-financial and Sustainability Information Statement

Business model

The marine environment and its commercial operations are in constant motion, presenting many opportunities and challenges for shipowners, managers and charterers worldwide. Regulation, technology, climate and political unrest all have potentially far-reaching implications on our Members' operations – at sea and onshore.

To navigate these opportunities and challenges, NorthStandard, one of the largest P&I clubs in the IG, is here to support Members as a dynamic leader and trusted partner. NorthStandard has global reach, offering an unmatched breadth and depth of service that supports our Members' operations, embraces their potential and helps their business thrive.

The success of our Member's business is at the heart of everything we do. Our approach to underwriting, claims and loss prevention is built on an unwavering commitment to transparency, flexibility, expertise and speedy resolution. Our people, with years of expertise in maritime operations, also offer invaluable insight to mitigate losses and reduce costs.

STRATEGIC REPORT (CONTINUED)

Non-financial KPIs

The Board has established non-financial KPIs as set out in the table below. As with the financial KPIs, the merger at the start of the current financial year necessitated that new KPIs and associated baseline measurements be established for the combined Group. Not all KPIs therefore have a meaningful comparator in the prior year.

	2024	**2023**
Member Survey Net Promoter Score	Not yet measured	N/A
Employee Survey Net Promoter Score	+2	N/A
Female representation in leadership roles	10%	N/A
Promotion of Members' interests at key forums	Qualitative assessment	Qualitative assessment

Environmental matters

Key Policies:
- 2030 Sustainability Strategy

Climate change will increasingly impact our Members and clients as the markets of global commodity transportation and marine resources change. Claims liabilities may be affected by changes to the physical environment. Underwriting risks, claim types and investment asset values may also be impacted because of environmental changes, and as we transition to a carbon neutral environment and adopt new technologies. Increased environmental awareness and environmentally focussed regulation will also introduce new liabilities and challenge the operations of our Members and clients.

To monitor and address these risks and their financial impact on us, we have adopted a cross cutting approach to climate change by incorporating climate related risks within our risk management framework. Climate related risks have been incorporated into our risk registers and their potential financial implications are monitored by risk owners across our business which include representatives from our leadership, geographic and specialty sectors, and enabling functions. Risk reporting is undertaken on a quarterly basis and considered by the Risk Committee and Board of Directors, enabling the financial risks of climate change to be continuously monitored and associated mitigating controls to be reassessed. Climate related risks are also considered within our annual own risk and solvency assessment report and stress testing programme to ensure these risks are factored into our overall risk assessments.

We have also introduced an annual dashboard for our Risk Committee, covering our risk owners' views of the potential short, medium and long-term financial risks associated with climate change. We believe this report supports the embedding of climate related risk management within our governance and risk management frameworks, and will help to ensure our risk appetites are aligned to our sustainability strategy.

Prior to the merger, both North and Standard entities had established sustainability strategies and targets. Work is ongoing to establish sustainability strategies and targets that are relevant to the combined Group, and in particular there is a need to ensure that we have the correct baseline calculation for our total carbon footprint against which we can measure our progress against those targets. This work has included extensive stakeholder consultation, including the Board, Members, employees and brokers and will result in a Group wide strategy being launched in the year to February 2025.

NorthStandard have committed to 'net zero' carbon emissions by latest 2030. This commitment covers emissions as a result of directly burning fossil fuels in our buildings for air conditioning, lighting, powering our equipment, and the use of company vehicles. It also includes Scope 2 emissions that we cause indirectly by purchasing energy to run our operations, and some Scope 3 emissions, for example business travelling and commuting. Net zero means reducing our carbon footprint as much as possible before offsetting the rest.

Greenhouse Gas Emissions, Energy Consumption and Energy Efficiency Action

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

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

STRATEGIC REPORT (CONTINUED)

In light of the merger in February 2023, and the significant increase in the size of the Group's operations as a result of the merger, we have re-based the calculation for our total carbon footprint against which we can measure our progress against our net zero target. To allow this progress to be tracked, and to ensure comparability, the information for the year ended February 2023 in the below table has been restated as if the merger had been concluded at 20 February 2022.

	Year ended February 24	Year ended February 23 (restated)	Unit
UK office electricity consumption	606,633	828,665	kWh
UK office gas consumption	167,424	687,246	kWh
Scope 1 emissions	32.7	133.9	tCO2e
Scope 2 emissions	125.6	171.6	tCO2e
Scope 3 emissions	3,357.7	3,522.3	tCO2e
Intensity ratio – total emissions per FTE	6.9	7.5	tCO2e/FTE

We have taken steps towards reducing our carbon footprint including:

- in our Newcastle office we replaced our LED lighting system with reprogrammed sensors and renewable energy supply;
- company vehicles have been replaced with electric vehicles;
- recycling paper, plastic, aluminium, toners and mobile phones;
- using carbon neutral corporate stationery;
- re-using office equipment rather than buying new where possible;
- reducing catering orders to reduce wastage at meetings.

To reduce our carbon footprint further we look to:

- support reduction in employee outputs with flexible work arrangements and green energy recommendations that focus on travel to work and working from home;
- review business travel;
- as part of the refurbishment of the Newcastle office, we are looking to:
    - enhance building air tightness for thermal comfort and to reduce heating demands;
    - replace the boiler with air source heat pumps for efficient space conditioning;
    - modernise the hybrid variable refrigerant flow system for improved efficiency and potential integration with heat pumps;
    - install high-efficiency extract fans to improve air quality and reduce energy use;
    - implement electric point of use water heaters for targeted hot water delivery and reduced waste;
    - install photovoltaic panels to generate clean electricity and offset energy consumption.

Employees

Key policies:
- 2030 Sustainability Strategy
- Diversity and Inclusion Policy
- Group Flexible Working Policy
- Health and Safety Policy

Having a diverse and inclusive workforce is critical to NorthStandard's success. The aims of diversity and inclusion at NorthStandard are to ensure that everyone has access to the same opportunities, the same treatment, and that everyone is made to feel as though they belong. It's about people feeling themselves at work, that they hold an important role and can make a meaningful contribution.

As part of our diversity strategy, during the year NorthStandard established a Shadow Leadership Team ("SLT"). The SLT shares much of the same information as the main leadership team, and its purpose is to diversify the perspectives that the leadership team are exposed to whilst making a real contribution towards strategic initiatives and encouraging informed decision making. We have also introduced a reverse mentoring programme, pairing members of the senior leadership team with junior employees from diverse backgrounds to give the senior leaders a better understanding of the issues and challenges under-represented groups face in the workplace.

STRATEGIC REPORT (CONTINUED)

NorthStandard encourages the establishment of Employee Resource Groups (ERG), which are voluntary, employee-led groups whose aim is to foster and promote an inclusive workplace aligned with NorthStandard's principles. Each ERG has a leadership team sponsor, and provide an opportunity for employees to work with colleagues from other departments and locations, and to keep in contact with senior leadership. The Health and Wellbeing ERG exists to raise awareness in relation to physical, emotional and financial wellbeing, and runs a series of campaigns throughout the year on a variety of topics. The Diversity, Equity and Inclusion ERG promotes diversity and inclusion within NorthStandard and supports the company's diversity strategy.

Social Matters

Key policies:
- 2030 Sustainability Strategy
- Corporate Social Responsibility (CSR) programme

NorthStandard are committed to the communities in which it operates, building relationships with not-for-profit organisations through a dedicated charitable fund and our Community Programme. Our aim is to have a positive impact on our communities and environment and to maintain high levels of engagement in corporate social responsibility, wellbeing and environmental initiatives.

Through a focus on building partnerships with selected charities and the strong relationships this builds, NorthStandard has made a real impact and change with these charities – not just by giving money to a cause but by giving staff the opportunity to engage in other ways. Our CSR programme empowers our people and teams to donate their time and skills to causes close to their heart and make a noticeable difference to people, animals and the environment across the globe.

Respect for human rights

Key policies:
- Modern Slavery and Human Trafficking Statement
- Health and Safety Policy
- Group Procurement Policy
- Company Code of Conduct

NorthStandard has a zero-tolerance policy to slavery and human trafficking and are committed to ensuring that there is no modern slavery or human trafficking in our supply chains or in any part of our business. We recognise the importance of acting ethically and lawfully in all our business relationships and implementing and enforcing effective systems and controls to ensure that activity such as slavery and human trafficking is not taking place anywhere in our supply chains.

NorthStandard does not act as a producer, manufacturer, or retailer of physical goods and as such believes that there is a low risk of slavery and human trafficking occurring in our supply chains. Our key suppliers are those that support our insurance underwriting, claims handling and loss prevention activities, in particular reinsurers, suppliers of IT equipment and services and professional service firms such as brokers, loss adjusters, correspondents, surveyors, lawyers, accountants and actuaries.

Anti-corruption and anti-bribery matters

Key policies:
- Fit and Proper Policy
- Anti-Bribery Policy
- Code of Conduct
- Whistleblowing Policy

NorthStandard is committed to maintaining the highest possible ethical standards in all of its business activities. As a global operator, NorthStandard recognises that bribery and corruption are a growing concern in corporate and public life in many countries around the world.

The Board of Directors has overall responsibility for the general design, implementation, operation and review of the Anti-Bribery policy and for ensuring that NorthStandard has adequate systems in place to prevent bribery and corruption.

The Strategic Report was approved on behalf of the Board of Directors on 23 May 2024.

PA Jennings
Managing Director
23 May 2024

J Grose Managing
Director
23 May 2024

REPORT OF THE DIRECTORS

Group information
For the year ended 20 February 2024 the Group comprised NorthStandard Limited ('NorthStandard' or 'the Company') and its subsidiaries. The Company is headquartered in the United Kingdom, and has also established branches in Australia, New Zealand, Singapore and Japan.

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

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

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

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

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

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

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

The Group coordinates regular engagement with brokers and reinsurers through its underwriters and reinsurance department respectively. There are several industry events each year which bring senior managers together with the leaders of key broking firms, and a dedicated reinsurance department to build long-term relationships with our reinsurers.

NorthStandard has transparent communication with its regulators, facilitated principally by the Risk and Compliance department, but also through ongoing engagement with senior management and Member-facing employees. Any significant regulatory engagements are reported to the Board of Directors.

Donations
NorthStandard made no political donations during the year (2023 – None).

REPORT OF THE DIRECTORS (CONTINUED)

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

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

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

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

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

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

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

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

NorthStandard produces a detailed Own Risk and Solvency Assessment ("ORSA") document each year in line with the Group's ORSA Policy and the requirements of the PRA for a Solvency II regulated firm. The ORSA documents the activities undertaken by the Group during the year and provides an overview of the Group's strategy, the risks faced by the Group, and an assessment of its future solvency requirements as the Group's strategy is implemented. It also records the results of stress and reverse stress testing conducted on the business plans approved by the Board, including a consideration of divergence from expected underwriting, operational and investment performance. The most recent ORSA document for the Group was considered and approved by the Board in February 2024.

NorthStandard has a total accumulated surplus as at 20 February 2024 of US$461.4 million and as such the Directors consider NorthStandard to have suitable financial resources. Furthermore, NorthStandard is a mutual organisation and has the facility to raise additional capital via additional calls from its Members for open policy years should they be required. As a consequence, the Directors believe that NorthStandard is well placed to manage its business risks successfully.

After making enquiries, the Directors have formed a judgement at the time of approving the financial statements, that there is a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future (a period of at least twelve months from the date of approval of the financial statements). For this reason, the Directors continue to adopt the going concern basis in preparing the financial statements.

REPORT OF THE DIRECTORS (CONTINUED)

Greenhouse Gas Emissions, Energy Consumption and Energy Efficiency Action

NorthStandard has chosen to include the information in relation to greenhouse gas emissions, energy consumption and energy efficiency action required by Part 7A of Schedule 7 to The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 in the Strategic Report rather than the Directors' Report.

Likely future developments in the business of the company and its subsidiary undertakings

Following the merger of North of England P&I Association and The Standard Club to form NorthStandard at the start of the current financial year, NorthStandard Limited intends to rationalise its group structure. Certain of the Group's subsidiaries are surplus to requirements, for example where their function is replicated in another Group entity, and therefore are being put into run-off or becoming dormant. This rationalisation will not have any material implications for the business of the company or for the Group as a whole, but will be a significant development for individual subsidiary undertakings in the Group.

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

On behalf of the Board of Directors

PA Jennings	**J Grose**
Managing Director	Managing Director
23 May 2024	23 May 2024

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

Opinion on the financial statements

In our opinion, the financial statements:

- give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 20 February 2024 and of the Group's surplus for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of NorthStandard Limited (formerly The North of England Protecting and Indemnity Association Limited ("the Company") and its subsidiaries (the "Group") for the year ended 20 February 2024 which comprise the Consolidated Statement of financial position, Consolidated Income Statement, Consolidated Statement of Comprehensive Income, the Consolidated Statement of Changes in Equity, the Consolidated Statement of Cash Flows, the Parent Company Statement of Financial Position, the Parent Company Statement of Changes in Equity, 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 applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* and Financial Reporting Standard 103 *Insurance Contracts* (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

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

Independence

Following the recommendation of the Audit and Risk committee, we were appointed by the Board of Directors on 21 September 2022 to audit the financial statements for the year ended 20 February 2023 and subsequent financial periods. The period of total uninterrupted engagement including retenders and reappointments is 2 years, covering the years ended 20 February 2023 to 20 February 2024.

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

Conclusions relating to going concern

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

- Review and challenge of the Groups current plans and budgets, challenging growth assertions and checking that movements were in line with justifiable assumptions and were consistent with our understanding of the business. The 2024/25 budget was assessed based on audited 2024 figures and our general commercial and sector experience;
- Enquiries of the Directors and scrutiny of management information, board minutes and regulatory correspondence to ascertain the existence of undisclosed events or obligations that may cast doubt on the Groups ability to continue as a going concern;

- Consideration of the basis of solvency projections and appropriateness of the module used and checked the application for the next 12 months from when the financial statements are authorised for issue;
- Assessed the Groups solvency position through reference of sufficiency of assets to meet liabilities and the adequacy of regulatory capital;
- Review of the Groups assessment of the risks relating to climate change and assessment of potential impacts on the Groups financial position and forecasts; and
- Review of the latest available Own Risk and Solvency Assessment (‘ORSA’) return to check compliance with regulatory solvency requirements. This included checking that stress testing was performed and consideration of the results of the stress testing as documented in the ORSA return.

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

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

Overview

<table>
<tr><td>Coverage</td><td>100% of Group Deficit Before Tax
100% of Group Gross Written Premium
100% of Group Total Assets</td></tr>
<tr><td>Key audit matters</td><td><table>
<tr><th></th><th>2024</th><th>2023</th></tr>
<tr><td>Valuation and cut-off of technical provisions and reinsurer’s share of technical provisions</td><td>✔</td><td>✔</td></tr>
<tr><td>Valuation of Defined Benefit Pension Scheme</td><td>N/A</td><td>✔</td></tr>
<tr><td>Consolidation – Impact of Business Combination.</td><td>✔</td><td>N/A</td></tr>
</table>
The Valuation of Defined Benefit Pension Scheme is no longer considered a key audit matter as this is below materiality and the key factors that led to the risk considered a KAM in prior year are no longer as prevalent. These are highly volatile inflationary environment, interest rates and their impact on the defined benefit pension liabilities.</td></tr>
<tr><td>Materiality</td><td>Consolidated financial statements as a whole

$16.153m (2023:$6.426m) based on 3% (2023:2%) of net assets.

Parent financial statements as a whole
$9.665m (2023:$5.681m) based on 3% (2023: 2%) of net assets.</td></tr>
</table>

An overview of the scope of our audit

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

The Group comprises the parent and its subsidiary undertakings. We considered the parent Northstandard Limited, Hydra Insurance Company Limited (North Cell only), NorthStandard EU Designated Activity Company Limited, Standard Club UK, Standard Club Asia, and Standard Club Ireland DAC to be significant components, and these were subject to full scope audit carried out by the Group engagement team.

For the remaining components we have reviewed consolidated balances and performed procedures over material consolidated balances.

Climate change
Our work on the assessment of potential impacts of climate-related risks on the Group's operations and financial statements included:

- Enquiries and challenge of management to understand the actions they have taken to identify climate-related risks and their potential impacts on the financial statements and adequately disclose climate-related risks within the annual report;
- Our own qualitative risk assessment taking into consideration the sector in which the Group operates and how climate change affects this particular sector;
- Involvement of climate-related experts in evaluating managements risk assessment; and
- Review of the minutes of Board and Audit and Risk Committee meeting and performed a risk assessment as to how the impact of the Group's commitment may affect the financial statements and our audit.

We challenged the extent to which climate-related considerations.

Based on our risk assessment procedures, we did not identify there to be any Key Audit Matters materially impacted by climate-related risks.

Key audit matters

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

Description of Key Audit Matter		**Procedures performed to address this risk**
Valuation and cut off of technical provisions and reinsurer's share of technical provisions (note 8) The accounting policies & estimates are set out in note	We have assessed this area as being of significant risk to the audit and a key audit matter due to the significance of these amounts in deriving the Group and Parent results and the complexity of assumptions and estimation underpinning the determination of technical provisions, which can be highly subjective. In particular: Case reserves are inherently uncertain and rely on:	We performed the following procedures: **Valuation of Case reserves:** • Agreed all case reserves above performance materiality and a sample of non-material case reserves to supporting documentation, such as legal correspondence, to assess whether case estimates are valued appropriately; • For pool claims that the entity has an obligation to partake in the settlement of we have agreed the amounts

1.11 and 2.	• The expertise of the claims handlers and their experience of assessing claims in different jurisdictions and of different types. • The correct and timely entry of claims information onto the claims systems before the year end. Modelling of the provision for claims incurred but not reported ('IBNR') is reliant on: • Up to date, relevant, claims data being correctly entered into actuarial models. • Selection of appropriate actuarial methodologies. • The application of appropriate actuarial techniques, judgement and assumptions (including the selection of appropriate models for occupational disease exposures). The Group and Parent has a range of reinsurance placements, incorporating group quota share, pool excess of loss, non-pool cover and facultative covers. The reinsurer's share of technical provisions is dependent on the correct valuation of gross reserves and the appropriate application of the portfolio of reinsurance agreements in place.	recognised to the live portal used by the international group to communicate incurred amounts; • We have in conjunction with our IT specialists tested the embedded authority limits for claims estimate movements within the underwriting systems for mutual business and checked that these operate effectively throughout the period; and • We have reviewed a sample of static claims review controls to check that these have operated effectively throughout the period. **Cut-off of Case Reserves:** • Agreed material claim adjustments post year end to supporting documentation and assessed whether these adjustments were accounted for in the correct period. **Valuation of IBNR:** • Reconciled key actuarial inputs used in actuarial models to accounting records; • Reviewed the outturn of prior years' claims IBNR against previous estimates, to assess valuation of IBNR held against the subsequent claims' development. • With the assistance of our internal actuarial specialists, we independently projected ultimate claims using historical claims data and our own actuarial techniques for P&I business classes; • With the assistance of our internal actuarial specialists, we assessed the appropriateness of the methodology, significant judgements and assumptions applied by the Group and Parent actuarial team in application to diversified business. **Valuation of Reinsurers' Share of Technical Provisions:** • Recomputed recoveries on the quota share reinsurance arrangements though application of the ceding percentage to the technical provisions subject to quota share based on the agreement; • Assessed the accuracy of the excess of loss reinsurance calculations

		through identification of claims above reinsurance retention levels, thus eligible for recovery, and recalculating the reinsurers' share in line with the excess of loss reinsurance programme terms; • For facultative reinsurance agreements we have reviewed the application of the programme for a sample of agreements and ensured that recoveries are appropriately presented; and • For claims with incurred positions above the pool retention limit we have checked that the appropriate recovery has been booked in the financial statements. **Key observations:** Based on our audit procedures performed we consider the judgements and assumptions made in the valuation of technical provisions and reinsurer's share of technical provisions to be appropriate.
Consolidation - Business Combination The accounting policies are included under Note 1.3 - Consolidation And Note 23 – Investments in Group Undertakings.	The business combination between the legacy North Group and Standard Group in the current period has been deemed a significant risk due to the complex accounting and technical considerations required on acquisition and for the consolidation of the group results. The scope for unusual transactions increased considerably alongside one-off transactions for the treatment of the business combination, associated impairment of subsidiaries, recognition & amortisation of goodwill and consolidation adjustments in respect of the common pooling arrangement that the clubs have been party to historically. Based on the above, this is considered to be a Key Audit Matter.	We performed the following procedures: • We reviewed the business combination documents and the management assessment against the business combination accounting standards applicable with particular focus on: ► The review of the fair value consideration of the assets of Standard Group at acquisition date; ► The mathematical accuracy of the negative goodwill calculation and the resulting treatment and amortisation of the value over 1 year; ► We reviewed the accounting in relation to the business combination with Standard Club and ensured that this reflects the substance of the associated business combination; ► We also performed an impairment assessment on amounts held as investments in subsidiaries by observing movements in net assets around the Group since acquisition; ► We assessed the need for consolidation adjustments for historic IG Pool Reinsurance policy years in relation to merging of two Groups with a common pooling arrangement and ensured that reversals are in line with historical circumstances and

		complete; ► Evaluated the reserving implications in conjunction with our specialists of bringing together two Groups with different reserving policies and prudent margins and ensured that the consolidated results still present a compliant reserve and were calculated in accordance with Technical Actuarial Standards. **Key observations:** Based on our audit procedures performed we have not identified any indications that the accounting treatment applied by management was not appropriate.

Our application of materiality

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

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

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

	Group financial statements		**Parent company financial statements**	
	2024 $	2023 $	2024 $	2023 $
Materiality	16,153,000	6,426,000	9,665,000	5,681,000
Basis for determining materiality	3% of Net assets	2% of net assets	3% of Net assets	2% of net assets
Rationale for the benchmark applied	The principal determinant in this assessment was the Group and Company's Net Assets respectively, which we consider to be the most relevant benchmark, as it reflects a key measure of the ability of the Group/Company to settle its claims liabilities as they fall due.			
Performance materiality	12,114,750	3,856,000	7,248,750	3,409,000
Basis for determining performance materiality	75%	60%	75%	60%
Rationale for the percentage applied for performance materiality	Performance materiality percentage was reviewed and revised to 75% in current	60% was reflective of the risk associated with first year audits in prior	Performance materiality percentage was reviewed and revised to 75% in current	60% was reflective of the risk associated with first year audits in prior period.

	year based on reduced risk due to factors including but not limited to few misstatements identified, management attitude and presence of controls.	period.	year based on reduced risk due to factors including but not limited to few misstatements identified, management attitude and presence of controls.	

Component materiality

For the purposes of our Group audit opinion, we reviewed materiality for each significant component of the Group, apart from the Parent Company whose materiality is set out above to ensure the aggregate of the component materialities did not exceed 2.5 times group materiality.

Reporting threshold

We agreed with the Audit Committee that we would report to them all individual audit differences for group in excess of $807.65k (2023:$128k) and parent $483.25k (2023: $114k). We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

Other information

The directors are responsible for the other information. The other information comprises the information included in the Directors Report, Strategic Report and Annual Financial Statements 2024, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

Other Companies Act 2006 reporting

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

Strategic report and Directors' report	In our opinion, based on the work undertaken in the course of the audit: • the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and • the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements. In the light of the knowledge and understanding of the Group and Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the Directors' report.

Matters on which we are required to report by exception	We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion: • adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or • the financial statements are not in agreement with the accounting records and returns; or • certain disclosures of Directors' remuneration specified by law are not made; or • we have not received all the information and explanations we require for our audit.

Responsibilities of Directors

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

In preparing the financial statements, the Directors are responsible for assessing the Group'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.

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

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

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

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:
- Agreement of the financial statement disclosures to underlying supporting documentation;
- Assessed the susceptibility of the financial statements to material misstatement including fraud and identified the fraud risk areas to be the valuation of technical provisions (refer to the key audit matters section above), the defined benefit plan and management override of controls;
- In response to the risk of management override of controls, assessed the appropriateness of journal entries which met a specific defined criteria by agreeing to supporting documentation, utilising our internal software to aid in the identification of journals meeting our criteria;
- Enquiries of management and those charged with governance to ascertain if there has been any actual or suspected fraud;

- Review of minutes of board meetings throughout the period for any evidence of fraud or non-compliance with laws and regulations;
- Obtaining an understanding of the control environment in monitoring compliance with laws and regulations;
- Review of correspondence with the PRA and FCA for any evidence of non-compliance with laws and regulations;
- Review of the Groups Own Risk and Solvency Assessment for indications of any current or future issues in relation to external capital requirements and consequential breaches of laws and regulations; and
- We also communicated relevant identified laws and regulations and identified fraud risks to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

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

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

Use of our report

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

31 May 2024

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

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION	Note	2024 US$m	2023 US$m
Assets			
Intangible assets	5	6.6	9.0
Investments			
Land & Buildings	6	12.4	14.8
Financial investments	7	533.7	241.7
Total investments		**546.1**	**256.5**
Reinsurers' share of technical provisions			
Claims outstanding	8	1,469.2	959.7
Provision for unearned premiums		30.7	26.0
Reinsurers' share of technical provisions		**1,499.9**	**985.7**
Debtors			
Debtors arising out of direct insurance operations	9	141.0	54.8
Debtors arising out of reinsurance operations	9	100.4	15.9
Other debtors	9	7.8	5.2
Total debtors		**249.2**	**75.9**
Other assets			
Tangible assets	10	6.1	4.7
Cash at bank and in hand	11	253.7	197.7
Other assets		0.5	0.5
Total other assets		**260.3**	**202.9**
Prepayments and accrued income			
Deferred acquisition costs	12	12.9	8.3
Other prepayments and accrued income	12	27.0	14.8
Total prepayments and accrued income		**39.9**	**23.1**
Total assets		**2,602.0**	**1,553.1**
Capital & Reserves			
Revaluation reserve		1.8	3.9
Profit and loss account		459.7	317.4
Total capital & reserves		**461.5**	**321.3**
Liabilities			
Technical provisions			
Provision for unearned premiums		66.6	49.9
Claims outstanding	8	1,709.3	1,039.6
Total technical provisions		**1,775.9**	**1,089.5**
Retirement benefit liability	13	4.2	9.2
Creditors			
Creditors arising out of direct insurance operations	14	59.8	53.2
Creditors arising out of reinsurance operations	14	258.7	61.7
Other creditors including taxation and social security	14	13.6	7.7
Total creditors		**332.1**	**122.6**
Accruals and deferred income		28.3	10.5
Total liabilities		**2,140.5**	**1,231.8**
Total capital & reserves and liabilities		**2,602.0**	**1,553.1**

NorthStandard Limited
20 February 2024

The notes on pages 29 to 59 form part of these financial statements which were approved by the Board on 23 May 2024.

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

Company number: 505456

CONSOLIDATED INCOME STATEMENT		**2024 US$m**	**2023 US$m**
<u>Technical account – General business</u>	**Note**		
Earned premiums, net of reinsurance			
Gross premiums written		852.2	447.7
Outward reinsurance premiums		(665.0)	(384.6)
Net written premiums		**187.2**	**63.1**
Change in the gross provision for unearned premiums		(16.7)	1.8
Change in the provision for unearned premiums, reinsurers' share		(2.1)	(9.5)
Net change in unearned premiums		**(18.8)**	**(7.7)**
Earned premiums, net of reinsurance		**168.4**	**55.4**
Total technical income		**168.4**	**55.4**
Claims incurred, net of reinsurance			
Gross claims paid		(775.1)	(382.6)
Reinsurer's share		684.8	329.1
Net claims paid		**(90.3)**	**(53.5)**
Change in provision for gross claims		305.8	100.8
Reinsurer's share		(294.0)	(100.5)
Net change in the provision for claims		**11.8**	**0.3**
Claims incurred, net of reinsurance		**(78.5)**	**(53.2)**
Net operating expenses			
Acquisition costs		(30.4)	(22.4)
Administrative expenses	15	(103.8)	(61.4)
Reinsurance commissions		86.7	83.4
Net operating expenses		**(47.5)**	**(0.4)**
Total technical charges		**(126.0)**	**(53.6)**
Balance on the technical account for general business		**42.4**	**1.8**
<u>Non-technical account</u>			
Balance on the technical account for general business		**42.4**	**1.8**
Investment return net of expenses and charges	16	34.5	(5.3)
Amortisation of negative goodwill	4,26	68.1	-
Other income	17	1.8	2.8
Other charges	18	(1.2)	(10.8)
Profit/(loss) on ordinary activities before tax		**145.6**	**(11.5)**
Tax on ordinary activities	19	(5.3)	(1.0)
Profit/(loss) on ordinary activities after tax		**140.3**	**(12.5)**
<u>CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME</u>			
Profit/(loss) for financial year		140.3	(12.5)
Other Comprehensive Income			
Actuarial gains on defined benefit pension scheme	13	2.0	1.4
Revaluation of land and building		(2.1)	0.3
Total comprehensive income/(loss) for the year		**140.2**	**(10.8)**

The notes on pages 29 to 59 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Profit & Loss Account US$m	Revaluation Reserve US$m	Total attributable to Members US$m	NCI US$m	Accumulated Surplus US$m
At 20 February 2023	317.4	3.9	321.3	-	321.3
Profit for the year	140.3	-	140.3	-	140.3
Other comprehensive income	2.0	(2.1)	(0.1)	-	(0.1)
Total comprehensive income/(loss) for the year	**142.3**	**(2.1)**	**140.2**	**-**	**140.2**
At 20 February 2024	**459.7**	**1.8**	**461.5**	**-**	**461.5**
At 20 February 2022 As restated	328.5	3.6	332.1	0.1	332.2
Loss for the year	(12.5)		(12.5)	-	(12.5)
Other comprehensive income	1.4	0.3	1.7	-	1.7
Total comprehensive (loss)/income for the year	**(11.1)**	**0.3**	**(10.8)**	**-**	**(10.8)**
Sale of non-controlling interest	-	-	-	(0.1)	(0.1)
At 20 February 2023	**317.4**	**3.9**	**321.3**	**-**	**321.3**

In the prior year contingency funds were split out and reported separately to the profit and loss account. There is no requirement to report this separately therefore in the current year the total balance has been reported in the profit and loss account.

CONSOLIDATED STATEMENT OF CASH FLOWS	Note	**2024 US$m**	**2023 US$m**
Operating Activities			
Cash generated from operating activities	20	22.5	66.3
Tax paid		(1.6)	(1.3)
Net cash generated from operating activities		**20.9**	**65.0**
Cash Flows used in Investing Activities			
Purchases of property, plant and equipment	10	(2.5)	(0.5)
Purchases of intangibles	5	-	(0.1)
Purchase of additional holding in subsidiary	23	-	(0.3)
Net proceeds from sale of subsidiary	23	-	1.0
Arising on business combinations	26	41.9	-
Net cash generated from / (used in) investing activities		**39.4**	**0.1**
Cash Flows used in Financing Activities			
Dividends paid to non-controlling interest (“NCI”)		-	-
Net cash used in financing activities		**-**	**-**
Net increase in cash and cash equivalents		**60.3**	**65.1**
Foreign exchange		(0.8)	(8.5)
Cash and cash equivalents at beginning of year		194.2	137.6
Cash and cash equivalents at end of year	11	**253.7**	**194.2**

The notes on pages 29 to 59 form part of these financial statements.

PARENT COMPANY STATEMENT OF FINANCIAL POSITION	Note	**2024 US$m**	**2023 US$m**
<u>Assets</u>			
Intangible assets	5	4.6	9.0
Investments			
Land & Buildings	6	12.4	14.8
Investment in group undertakings	23	108.0	104.6
Financial investments	7	67.5	63.1
Total investments		**187.9**	**182.5**
Reinsurers' share of technical provisions			
Claims outstanding	8	584.3	732.0
Provision for unearned premiums		25.9	18.3
Reinsurers' share of technical provisions		**610.2**	**750.3**
Debtors			
Debtors arising out of direct insurance operations	9	41.7	36.4
Debtors arising out of reinsurance operations	9	24.3	11.9
Other debtors	9	17.3	12.7
Total debtors		**83.3**	**61.0**
Other assets			
Tangible assets	10	3.7	4.6
Cash at bank and in hand	11	132.0	102.8
Other assets		-	-
Total other assets		**135.7**	**107.4**
Prepayments and accrued income			
Deferred acquisition costs	12	6.7	4.6
Other prepayments and accrued income	12	10.8	7.5
Total prepayments and accrued income		**17.5**	**12.1**
Total assets		**1,039.2**	**1,122.3**
<u>Capital & Reserves</u>			
Revaluation reserve		1.2	3.3
Profit and loss account		296.3	280.8
Total capital & reserves		**297.5**	**284.1**
<u>Liabilities</u>			
Technical provisions			
Provision for unearned premiums		42.4	33.9
Claims outstanding	8	573.7	709.6
Total technical provisions		**616.1**	**743.5**
Retirement benefit liability	13	4.2	9.2
Creditors			
Creditors arising out of direct insurance operations	14	31.1	39.5
Creditors arising out of reinsurance operations	14	42.5	34.0
Other creditors including taxation and social security	14	43.4	7.4
Total creditors		**117.0**	**80.9**
Accruals and deferred income		4.4	4.6
Total liabilities		**741.7**	**838.2**
Total capital & reserves and liabilities		**1,039.2**	**1,122.3**

NorthStandard Limited
20 February 2024

In accordance with section 408 of The Companies Act 2006, the parent Company income statement and related notes have not been presented separately. The profit dealt with in the income statement of the parent Company was US$13.4 million (2023 – loss of US$18.8 million).

The notes on pages 29 to 59 form part of these financial statements which were approved by the Board on 23 May 2024.

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

Company number: 505456

PARENT COMPANY STATEMENT OF CHANGES IN EQUITY

	Attributable to Members		
	Profit & Loss Account	**Revaluation Reserve**	**Accumulated Surplus**
	US$m	**US$m**	**US$m**
At 20 February 2023	**280.8**	**3.3**	**284.1**
Profit for the year	13.5	-	13.5
Other comprehensive income for the year	2.0	(2.1)	(0.1)
Total comprehensive income/(loss) for the year	15.5	(2.1)	13.4
At 20 February 2024	**296.3**	**1.2**	**297.5**
At 20 February 2022 As restated	**299.9**	**3.0**	**302.9**
Loss for the year	(20.5)	-	(20.5)
Other comprehensive income for the year	1.4	0.3	1.7
Total comprehensive (loss)/income for the year	(19.1)	0.3	(18.8)
At 20 February 2023	**280.8**	**3.3**	**284.1**

In the prior year contingency funds were split out and reported separately to the profit and loss account. There is no requirement to report this separately therefore in the current year the total balance has been reported in the profit and loss account.

The notes on pages 29 to 59 form part of these financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

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

1.1 Basis of preparation

These consolidated financial statements have been prepared in compliance with applicable accounting standards in the United Kingdom ('UK GAAP') including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland* ('FRS 102'), Financial Reporting Standard 103 *Insurance Contracts* ('FRS 103'), and the Companies Act 2006 and the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations relating to insurance companies.

The consolidated financial statements have been prepared under the historical cost convention, except for the revaluation of land and buildings and financial instruments. The consolidated financial statements are presented in US Dollars (US$) rounded to the nearest US$0.1 million, unless otherwise stated.

In accordance with section 408 of The Companies Act 2006, the parent Company income statement and related notes have not been presented separately. The profit dealt with in the income statement of the parent Company was US$13.4 million (2023 – loss of US$18.8 million).

The preparation of financial statements in conformity with UK GAAP requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in note 2.

Going concern

NorthStandard produces a detailed Own Risk and Solvency Assessment ("ORSA") document each year in line with the Group's ORSA Policy and the requirements of the PRA for a Solvency II regulated firm. The ORSA documents the activities undertaken by the Group during the year and provides an overview of the strategy, the risks faced, and an assessment of the future solvency requirements as the strategy is implemented. It also records the results of stress and reverse stress testing conducted on the business plans approved by the Board including a consideration of divergence from expected underwriting, operational and investment performance and what the directors consider to be reasonably possible severe downside scenarios. The most recent ORSA document for the Group was considered and approved by the Board in February 2024.

NorthStandard has a total accumulated surplus as at 20 February 2024 of US$461.4million (2023: US$321.3 million) and as a mutual organisation has the facility to raise additional capital via additional calls from its Members for open policy years should they be required. The Directors consider that NorthStandard is well placed to manage its business risks successfully.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

1.2 Business combinations

Business combinations are accounted for using the purchase method as at the acquisition date, which is the date on which control is transferred to the Group. Control is defined in note 1.3 below.

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

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

1.3 Consolidation

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

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

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

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

1.4 Foreign currency translation

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

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

Translation differences on monetary items, such as equities held at fair value through profit or loss are reported as part of the fair value gain or loss. Non-monetary assets and liabilities that are measured in terms of historical cost in foreign currencies are translated using the foreign exchange rate ruling at the date of transactions.

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

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

	Average to 20 February 2024	Average to 20 February 2023	At 20 February 2024	At 20 February 2023
Pound Sterling	1.2502	1.2150	1.2588	1.2029
Euro	1.0833	1.0444	1.0776	1.0684
Australian Dollar	0.6594	0.6905	0.6531	0.6869
New Zealand Dollar	0.6109	0.6296	0.6143	0.6235

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

1.5 Intangible assets

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. Intangible assets not yet brought into use are assessed for impairment on an annual basis.

1.6 Property, plant and equipment

Land and buildings comprise the offices occupied by the Group. Land and buildings are shown at fair value, based on periodic, but at least triennial, valuations by external independent appraisers. All other property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to NorthStandard and the cost of the item can be measured reliably. All other repairs and maintenance expenditure is charged to the income statement during the financial period in which it is incurred.

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

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

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

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

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

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement.

1.7 Financial instruments

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

Financial investments

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

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

Collective investment vehicles are valued by the fund administrator in line with the agreed valuation policy. The fund administrator values the assets and liabilities for the purposes of calculating the net asset value of each fund and for each class of shares issued by each fund as of each dealing day.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

1.7 Financial instruments (continued)

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

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

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

At 20 February 2024

	Level 1		Level 2		Level 3		Total Fair Value	
US$m	**The Group**	**The Company**	**The Group**	**The Company**	**The Group**	**The Company**	**The Group**	**The Company**
Equity securities	-	-	-	-	0.1	0.1	0.1	0.1
Collective Investment Vehicles – equity funds	2.5	-	-	-	-	-	2.5	-
Collective Investment Vehicles – debt funds	267.4	66.1	-	-	-	-	267.4	66.1
Debt securities and other fixed income securities	262.4	-	-	-	-	-	262.4	-
Land and buildings	-	-	-	-	12.4	12.4	12.4	12.4
Derivative assets	-	-	1.3	1.3	-	-	1.3	1.3
	532.3	**66.1**	**1.3**	**1.3**	**12.5**	**12.5**	**546.1**	**79.9**

The opening position is shown in the table below:
At 20 February 2023

	Level 1		Level 2		Level 3		Total Fair Value	
US$m	**The Group**	**The Company**	**The Group**	**The Company**	**The Group**	**The Company**	**The Group**	**The Company**
Equity securities	-	-	-	-	0.1	0.1	0.1	0.1
Collective Investment Vehicles	241.6	63.0	-	-	-	-	241.6	63.0
Land and buildings (Restated)	-	-	-	-	14.8	14.8	14.8	14.8
Derivative liabilities	-	-	(0.8)	(0.8)	-	-	(0.8)	(0.8)
	241.6	**63.0**	**(0.8)**	**(0.8)**	**14.9**	**14.9**	**255.7**	**77.1**

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

The movement in assets measured at fair value based on level 3 relates to disposals, revaluation, and depreciation in relation to land and buildings. The Directors do not consider that changing one or more of the inputs to reasonably priced alternative assumptions would change the fair value of the land and buildings significantly. Further details are included in note 7.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

1.8 Impairment of assets
NorthStandard assesses at each reporting date whether there is any objective evidence that an asset is impaired. Intangible assets not yet available for use are assessed for impairment each year whether or not there is any objective evidence of impairment. An asset is deemed to be impaired, and impairment losses are incurred, only if there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the asset that can be reliably estimated.

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

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

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

1.9 Cash and cash equivalents
Cash and cash equivalents in the balance sheet includes cash in hand, deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less. For the purposes of the statement of cash flows, cash and cash equivalents also includes overdrawn bank accounts that form an integral part of the Group's cash management activities.

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

1.11 Revenue and expense recognition

Premium

Premiums written consist of the total receivable for the whole period of cover provided by the contracts incepting during the accounting period, together with any premium adjustments relating to the current or prior accounting periods. For certain insurance contracts, such as certain Charterer covers written on a declaration basis, it is necessary to initially recognise premium based on estimates of ultimate premiums, which are adjusted as more information becomes available.

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

Acquisition costs

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

Reinsurance premiums and related commissions

Reinsurance premiums are charged to the income statement on an accrual basis, including a provision for the future expected costs of adjustments to the premium due under existing reinsurance policies. Related commissions are accounted for in the same accounting period as the premiums for the related direct insurance business. No claims bonuses and profit commissions are recognised when there is sufficient certainty that they will be received.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

1.11 Revenue and expense recognition (continued)

Claims, reinsurance recoveries, and related expenses

Claims paid are defined as those claims transactions settled up to the statement of financial position date including the internal and external claims settlement expenses allocated to those transactions. The reinsurers' share of claims paid represents recoveries received from reinsurance protections in the period plus recoveries receivable against claims paid that have not been received at the statement of financial position date, net of any provision for bad debt.

Claims reserves are estimated on an undiscounted basis. Claims reserves are made for known or anticipated liabilities under insurance contracts which have not been settled up to the statement of financial position date, including an allowance for the future costs of handling those claims. This is estimated based on past experience and current expectations of future cost levels. Recoveries under reinsurance policies purchased by NorthStandard are accrued so as to match the relevant gross claims and associated provisions and reserves upon which NorthStandard is entitled to make recoveries.

Although the claims reserves are considered to be reasonable, having regard to previous claims experience (including the use of certain statistically based projections), case by case reviews of notified losses and on the basis of information available at the date of determining the provision, the ultimate liabilities will vary as a result of subsequent information and events. This uncertainty is discussed further in note 2.

Interest

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

Employee benefits

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

Retirement benefit schemes

NorthStandard is the sponsoring employer for two pension schemes providing benefits based upon final pensionable salary, known as defined benefit schemes. The assets of the schemes are held separately from those of NorthStandard. The NorthStandard defined benefit scheme was closed to new members on 31 March 2006 and closed to future accrual on 31 January 2018. The SMI defined benefit scheme was closed to new members on 1 July 2008 and closed to future accrual on 31 January 2018.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

1.11 Revenue and expense recognition (continued)

Leases

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

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

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

Taxation

Where the different treatment of certain items for taxation and accounting purposes results in an obligation to pay more or a right to pay less tax in the future deferred tax is recognised in respect of such timing differences that have originated but not reversed at the statement of financial position date with certain limited exceptions.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred taxation is calculated on an undiscounted basis at the tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws enacted or substantively enacted at the statement of financial position date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2. Critical Accounting Estimates and Judgements in Applying Accounting Policies

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

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

Claims Reserves – Members and Policyholders

The estimation of the ultimate liability arising from claims made under insurance contracts is NorthStandard's most critical accounting estimate. There are several sources of uncertainty that need to be considered in the estimate of the liability that NorthStandard will ultimately pay for such claims, such as the extent to which claims have occurred but not been reported to NorthStandard, the length of time it takes to finalise a claims award, the extent to which fees will be incurred in the management of a case and the potential outcomes that can arise from being involved in litigation. The extent to which the accumulated surplus may be sensitive to these sources of uncertainty is disclosed in note 8.

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

The ultimate cost of claims is only known at their conclusion. Provision is made for claims incurred but not reported ("IBNR") based upon Management's estimate of the ultimate likely cost of claims following advice from the internal actuarial team. This includes the projection of ultimate claims liabilities using standard actuarial techniques such as chain ladder and Bornhuetter-Ferguson methods. The projection methods used are most sensitive to two sets of assumptions that are determined to be the key assumptions influencing the amounts recognised in the financial statements. The first set are those regarding the development of claims, particularly large losses including our and other clubs' pool claims, because due to their size they have the biggest financial impact even after allowing for reinsurance. Experience shows that large claims develop differently to smaller claims. Accordingly claims data are split by value as well as by class of business and territory and development patterns are calculated separately for each of the more than 60 resulting sub-classes of business. The second set of assumptions is the initial loss pick, which is selected based on historical data for each of the sub-classes of business underwritten, allowing for any observable trends, the volume of exposure written, and the level of maturity of the policy years.

The booked reserves include an uplift to allow for volatility in the Group's claims experience. The uplift is calibrated with respect to historical claims volatility and is set as a percentage of reserves that increases when uncertainty rises and decreases when uncertainty falls.

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

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

The additional provision covers the likelihood that:

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

Pensions and other post-retirement benefits
NorthStandard is the sponsoring employer for two defined benefit pension schemes. The key assumptions used for the actuarial valuations are based on the Directors' best estimate of the variables that will determine the ultimate cost of providing post-employment benefits, on which further detail is provided in note 13.

3. Management of Insurance Risk and Financial Risk

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

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

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

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

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

Insurance risk is mitigated by appropriate reinsurance programmes, including the International Group pooling and reinsurance programme, NorthStandard's own non-pool and retention reinsurance, and a quota-share agreement with NorthStandard Re, a company wholly owned by the Members, which reinsures 90% of NorthStandard's retained risk.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

3.2 Financial risk

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

Capital management

NorthStandard operates a capital management plan that relates to both global operations and all branches and offices to ensure that regulatory capital minima, supervisory targets and the Group's own internal targets are met at all times. Capital is monitored by management, the Board and the Group Risk Committee looking closely at actual and projected coverage across a number of jurisdictions. In the UK this includes meeting the capital requirements of the Prudential Regulation Authority (PRA). The Group's capital comprises the accumulated surplus attributable to members of US$461.4 million (2023: US$321.3 million) shown in the statement of financial position. The Group complies with the PRA capital requirements of a Minimum Capital Requirement (MCR) of US$84.2 million (2023: US$40.6 million) and Solvency Capital Requirement (SCR) of US$293.5 million (2023: US$150.8 million). In addition, in calculating the coverage of the SCR and MCR, the Group has approval from the PRA to recognise Ancillary Own Funds arising from the ability to make an additional call on members.

Liquidity risk

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

Investment risk

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

Market risk

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

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

Interest rate risk

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

	2024	**2023**
Increase / decrease in relevant yield curve by 1% - change in accumulated surplus (US$m)	+/- 11.8	+/- 5.0

Currency risk

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

3.2 Financial risk (continued)

The Group Hedging Policy, overseen by the Group Investment Committee, allows for the use of forward exchange contracts and specified other instruments to mitigate the foreign exchange risk associated with maintaining capital in currencies other than US Dollars. As at and for the year ended 20 February 2024, no such arrangements have been placed (2023: none).

The impact on operating expenses from a 5% strengthening of UK Sterling against the US Dollar as applied to the average exchange rate in the year would be an increase of US$4.1 million (before the impact of forward contracts).

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

Credit risk

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

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

At 20 February 2024

	AAA / AA	A	BBB	Other Rated	Not Rated	Value US$m
Collective Investment Vehicles – equity funds	-	-	-	-	100.00%	2.5
Collective Investment Vehicles – debt funds	69.49%	16.08%	14.17%	0.26%	-	267.4
Debt securities and other fixed income securities	85.14%	12.88%	1.98%	-	-	262.4
Reinsurance assets	1.46%	95.32%	2.77%	0.35%	0.10%	1,469.2
Debtors	1.57%	37.28%	0.52%	-	60.63%	249.2
Cash	57.39%	42.02%	0.35%	0.20%	0.04%	253.7

At 20 February 2023

	AAA / AA	A	BBB	Other Rated	Not Rated	Value US$m
Collective Investment Vehicles	74.80%	11.41%	13.67%	0.12%	-	241.6
Reinsurance assets	2.09%	94.60%	3.01%	0.07%	0.23%	959.7
Debtors	5.03%	10.85%	1.74%	-	82.38%	75.9
Cash	48.69%	50.59%	0.43%	0.24%	0.05%	197.7

3.2 Financial risk (continued)

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

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

Other areas where North is exposed to credit risk are:

Reinsurer's share of insurance liabilities
Reinsurance is used to manage insurance risk as explained above. This does not, however, discharge NorthStandard's liability as primary insurer. If a reinsurer fails to pay a claim for any reason, NorthStandard remains liable for the payment to the policyholder. The creditworthiness of reinsurers is considered on an ongoing basis by reviewing their financial strength prior to finalisation of any contract. NorthStandard's policy requires minimum credit ratings for reinsurers at both inception of the reinsurance programme and on an on-going basis**.** Most reinsurance programmes have security substitution clauses in the event of a reinsurer downgrade.

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

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

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

4. Negative goodwill

	Group US$m
Negative goodwill at the beginning of the financial year	-
Arising on business combinations during the year (Note 26)	(68.1)
Recognised in profit or loss in the year (Note 17)	68.1
Negative goodwill at the end of the financial year	**-**

5. Intangible assets

	Computer software Group US$m	Computer software Parent US$m
Cost		
At beginning of the year	15.8	15.8
Arising on business combinations during the year (Note 26)	4.3	-
Disposals	(0.6)	-
At end of the year	**19.5**	**15.8**
Accumulated amortisation		
At beginning of the year	6.8	6.8
Amortisation charge	6.3	4.4
Disposals	(0.2)	-
At end of the year	**12.9**	**11.2**
Opening net book value	**9.0**	**9.0**
Closing net book value	**6.6**	**4.6**

Intangible assets for the Group and Company include capitalised software costs relating to new commercial software which became available for use in the prior year, with a net book value of US$4.4 million (2023 – US$8.7 million).

Amortisation expense of US$6.4 million (2023 – US$6.5 million) has been charged in expenses for marketing and administration.

6. Land & Buildings

	Group US$m	Parent US$m
Cost		
At beginning of the year	15.4	15.4
Revaluation	(2.9)	(2.9)
At end of the year	**12.5**	**12.5**
Accumulated Depreciation		
At beginning of the year	0.6	0.6
Depreciation charge	0.3	0.3
Reversal of depreciation charge on revaluation	(0.8)	(0.8)
At end of the year	**0.1**	**0.1**
Opening Net Book Value	**14.8**	**14.8**
Closing Net Book Value	**12.4**	**12.4**

The fair value of the head office building occupied by NorthStandard has been assessed by the Directors, taking into account a valuation undertaken by Naylors Gavin Black, an independent Chartered Surveyor on 31 January 2021. This Valuation Report was carried out in accordance with the Royal Institution of Chartered Surveyors (RICS) Valuation – Global Standards (Issued November 2021, effective from 31st January 2022 ('the Red Book')) which incorporate the IVSC International Valuation Standards (IVS). The Directors do not consider that there have been any material changes to the market since the date of the valuation such that this valuation remains appropriate at 20 February 2024

Sensitivity analysis applied to the valuation of the UK head office based in Newcastle upon Tyne of US$9.2 million gives the variations detailed below. The difference between the valuation of US$9.2 million and the carrying value of the property at year end relates to overseas properties which are not considered to be material for sensitivity analysis.

Valuation basis	Used in valuation	Variation %	Impact on valuation US$m
Price per square foot	£21	5% increase / decrease	+0.4 / -0.4
Investment yield rate	9.0%	0.5% increase / decrease	-0.6/ +0.7
Rent free period	2 years	Increase by 6 months	-0.5

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

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

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

At 20 February	2024 US$m	2023 US$m
Cost	18.3	18.3
Accumulated depreciation	(5.7)	(5.5)
Net book amount	**12.6**	**12.8**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

7. Other financial investments and liabilities

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

	Group 2024 US$m	Company 2024 US$m	Group 2023 US$m	Company 2023 US$m
Financial assets at fair value through profit or loss				
Equity securities - unlisted	0.1	0.1	0.1	0.1
Collective Investment Vehicles – equity funds	2.5	-	-	-
Collective Investment Vehicles – debt funds	267.4	66.1	241.6	63.0
Debt securities and other fixed income securities	262.4	-	-	-
Derivatives	1.3	1.3	-	-
Total	**533.7**	**67.5**	**241.7**	**63.1**
Maturity dates of the fixed interest instruments held are as follows:				
In up to two years	283.1	24.3	180.7	25.7
In more than two years but not more than three years	109.7	16.3	27.6	16.9
In more than three years but not more than four years	29.5	10.6	33.0	20.2
In more than four years but not more than five years	68.6	10.8	0.3	0.2
In more than five years	38.9	4.1	-	-
Total	**529.8**	**66.1**	**241.6**	**63.0**

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

Financial liabilities at fair value through profit or loss	Group 2024 US$m	Company 2024 US$m	Group 2023 US$m	Company 2023 US$m
Derivatives	-	-	0.8	0.8
Total	**-**	**-**	**0.8**	**0.8**

As at 20 February 2024, cash and cash equivalents of US$ NIL (2023: US$1.3 million) had been pledged as collateral for the derivatives.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

8. Technical provisions – claims outstanding

Reconciliation of opening and closing provisions for claims

	2024		2023	
	Gross	**Reinsurance**	**Gross**	**Reinsurance**
The Group	**US$m**	**US$m**	**US$m**	**US$m**
Outstanding claims at the beginning of the year	1,039.6	(959.7)	1,146.1	(1,062.9)
Arising on business combinations during the year (Note 26)	975.0	(803.6)	-	-
Claims incurred in the current policy year	506.6	(447.3)	271.8	(244.0)
Adjustments to prior year gross liabilities/reinsurance assets	(37.3)	56.5	10.0	15.4
Claims paid in the year	(775.1)	684.8	(382.6)	329.1
Foreign exchange	0.5	0.1	(5.7)	2.7
Outstanding claims at end of year	**1,709.3**	**(1,469.2)**	**1,039.6**	**(959.7)**

	2024		2023	
	Gross	**Reinsurance**	**Gross**	**Reinsurance**
The Company	**US$m**	**US$m**	**US$m**	**US$m**
Outstanding claims at the beginning of the year	709.6	(732.0)	818.6	(828.4)
Claims incurred in the current policy year	143.2	(141.5)	159.3	(150.2)
Adjustments to prior year gross liabilities/reinsurance assets	(88.3)	94.5	(19.6)	21.7
Claims paid in the year	(191.1)	194.8	(244.0)	222.6
Foreign exchange	0.3	(0.1)	(4.7)	2.3
Outstanding claims at end of year	**573.7**	**(584.3)**	**709.6**	**(732.0)**

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

Expected timing of cash flows relating to net insurance claims

	2024		2023	
	Group	**Company**	**Group**	**Company**
Date of undiscounted cash flow	**US$m**	**US$m**	**US$m**	**US$m**
In up to one years	82.3	(3.6)	30.3	(8.5)
In more than one years but not more than two years	50.0	(2.2)	15.9	(4.5)
In more than two years but not more than three years	31.6	(1.4)	10.0	(2.8)
In more than three years but not more than four years	23.8	(1.0)	7.1	(2.0)
In more than four years	52.4	(2.4)	16.6	(4.6)
Total	**240.1**	**(10.6)**	**79.9**	**(22.4)**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Sensitivity analysis

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

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

Insurance claims development – Gross (US$M)

Policy year	**2023**	**2022**	**2021**	**2020**	**2019**	**2018**	**2017**	**2016**	**2015**	**2014**
Estimate of ultimate claims cost										
At end of policy year	517.7	425.6	729.8	686.6	1,072.3	756.7	496.1	491.4	564.4	687.6
One year later		402.7	849.9	645.6	1,468.2	641.2	492.1	433.5	546.4	675.8
Two years later			894.7	670.3	1,535.2	813.7	754.8	415.4	541.3	655.0
Three years later				690.0	1,542.3	797.9	477.5	439.9	509.8	662.1
Four years later					1,510.7	767.1	432.9	415.0	429.9	610.7
Five years later						764.9	465.2	399.4	503.5	636.9
Six years later							479.9	400.2	500.7	614.1
Seven years later								385.3	496.9	602.3
Eight years later									483.6	599.1
Nine years later										574.1
Current estimate of cumulative claims	517.7	402.7	894.7	690.0	1,510.7	764.9	479.9	385.3	483.6	574.1
Cumulative payments to date	87.7	186.1	547.9	465.2	1,296.5	628.4	401.3	357.1	452.3	545.5
Liability recognised in statement of financial position	430.0	216.6	346.8	224.8	214.2	136.5	78.6	28.2	31.3	28.6
Total of ten years										1,735.6
Liability in respect of prior policy years										(70.0)
Claims handling reserve										43.7
Total liability included in statement of financial position										**1,709.3**

Insurance claims development – Net (US$M)

Policy year	**2023**	**2022**	**2021**	**2020**	**2019**	**2018**	**2017**	**2016**	**2015**	**2014**
Estimate of ultimate claims cost										
At end of policy year	79.9	43.6	61.4	61.2	63.7	56.3	56.4	53.7	65.0	83.2
One year later		53.7	64.5	58.7	60.2	59.9	60.0	59.3	77.9	84.4
Two years later			83.7	60.8	60.1	57.8	65.6	58.5	76.6	84.1
Three years later				75.8	60.7	57.4	59.4	62.8	73.3	83.3
Four years later					72.5	54.6	56.4	58.2	70.4	76.2
Five years later						63.9	59.6	59.0	76.0	88.3
Six years later							74.5	60.2	75.6	84.4
Seven years later								60.1	76.0	83.3
Eight years later									77.2	82.8
Nine years later										81.8
Current estimate of cumulative claims	79.9	53.7	83.7	75.8	72.5	63.9	74.5	60.1	77.2	81.8
Cumulative payments to date	11.9	22.8	46.1	46.3	55.4	52.8	53.0	55.7	71.0	78.6
Liability recognised in statement of financial position	68.0	30.9	37.6	29.5	17.1	11.1	21.5	4.4	6.2	3.2
Total of ten years										229.5
Liability in respect of prior policy years										5.1
Claims handling reserve										5.5
Total liability included in statement of financial position										**240.1**

9. Debtors

	Group 2024 US$m	Company 2024 US$m	Group 2023 US$m	Company 2023 US$m
Debtors arising out of direct insurance operations	141.0	41.7	54.8	36.4
Debtors arising out of reinsurance operations	100.4	24.3	15.9	11.9
Amounts owed by Group undertakings	-	12.9	-	7.5
Other debtors	7.8	4.4	5.2	5.2
	249.2	**83.3**	**75.9**	**61.0**

All amounts included in other debtors in both the Group and the Company are due within twelve months of the reporting date. Included in the Group other debtors balance is deposits held on behalf of Members.

10. Tangible assets

The Group

	Computer Equipment US$m	Motor Vehicles US$m	Office Equipment and Fittings US$m	Total US$m
Cost				
At beginning of the year	12.2	0.2	7.0	19.4
Arising on business combinations during the year (Note 26)	0.1	-	2.7	2.8
Additions	0.2	-	2.3	2.5
Disposals	(9.8)	-	(1.9)	(11.7)
At end of the year	**2.7**	**0.2**	**10.1**	**13.0**
Accumulated Depreciation				
At beginning of the year	9.6	0.1	5.0	14.7
Depreciation charge	0.5	0.1	1.6	2.2
Disposals	(8.8)	-	(1.2)	(10.0)
At end of the year	**1.3**	**0.2**	**5.4**	**6.9**
Opening Net Book Value	**2.6**	**0.1**	**2.0**	**4.7**
Closing Net Book Value	**1.4**	**-**	**4.7**	**6.1**

Depreciation expense of US$2.2 million (2023 – US$0.5 million) has been charged in expenses for marketing and administration.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

10. Tangible assets (continued)

The Parent

	Computer Equipment US$m	Motor Vehicles US$m	Office Equipment and Fittings US$m	Total US$m
Cost				
At beginning of the year	12.1	0.1	6.9	19.1
Additions	0.2	-	1.4	1.6
Disposals	(9.8)	-	(1.3)	(11.1)
At end of the year	**2.5**	**0.1**	**7.0**	**9.6**
Accumulated Depreciation				
At beginning of the year	9.5	0.1	4.9	14.5
Depreciation charge	0.5	-	0.5	1.0
Disposals	(8.8)	-	(0.8)	(9.6)
At end of the year	**1.2**	**0.1**	**4.6**	**5.9**
Opening Net Book Value	**2.6**	**-**	**2.0**	**4.6**
Closing Net Book Value	**1.3**	**-**	**2.4**	**3.7**

11. Cash at bank and in hand

	Group 2024 US$m	Company 2024 US$m	Group 2023 US$m	Company 2023 US$m
Cash at bank and in hand	204.7	90.6	140.0	50.2
Short-term bank deposits	30.1	28.9	29.1	29.1
Restricted cash	18.9	12.5	28.6	23.5
	253.7	**132.0**	**197.7**	**102.8**

The Group and Company have no overdraft facility (2023- US$ NIL). The Group and Company have a money market facility, the total facility is US$20.0 million (2023 – US$20.0 million) of which US$ NIL was drawn at 20 February 2024 (2023 – US$ NIL). The restricted cash balances relate to cash held on deposit on behalf of Members. Cash and cash equivalents for the purpose of the Statement of Cash Flows include overdrawn bank accounts under the Group's cash pooling agreement (see note 14).

	Group 2024 US$m	Company 2024 US$m	Group 2023 US$m	Company 2023 US$m
Cash and cash equivalents per the Statement of Financial Position	253.7	132.0	197.7	102.8
Overdrawn amounts included in creditors (note 14)	-	-	(3.5)	(3.5)
Cash and cash equivalents per Statement of Cash Flows	**253.7**	**132.0**	**194.2**	**99.3**

As of 20 February 2024, US$6.7 million (2023 – US$5.1 million) of the cash reported in the Group and Company are designated for the regulatory requirements of the NorthStandard Japan Branch.

12. Prepayments and accrued income

	Group 2024 US$m	Company 2024 US$m	Group 2023 US$m	Company 2023 US$m
Deferred acquisition costs	12.9	6.7	8.3	4.6
Accrued income	22.7	8.2	11.7	4.9
Prepayments and accrued interest	4.3	2.6	3.1	2.6
	39.9	**17.5**	**23.1**	**12.1**

13. Retirement Benefit Schemes

The Group & Company operates two defined benefit schemes in the United Kingdom which are operated under the Pensions Acts 1995 and 2004. The most recent triennial actuarial valuation for the North Scheme and SMI Scheme was carried out as at 30 June 2022 by a qualified independent actuary.

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

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

Both schemes were previously closed to new members and on 31 January 2018 both schemes were closed to the future accrual of benefits. On 2 February 2018 NorthStandard assumed control of the SMI pension scheme via a Flexible Apportionment Arrangement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

13. Retirement Benefit Schemes (continued)

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

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

The key rates assumed are:

	North	SMI	North	SMI
	2024	2024	2023	2023
Discount rate	5.0%	5.0%	4.6%	4.6%
Inflation rate	2.8%	2.8%	2.8%	2.8%

Mortality
For the purposes of both the 2024 and 2023 calculations the base mortality rates have been taken from the S3PA Light tables published by the Actuarial Profession’s Continuous Mortality Investigation (CMI). An allowance for future improvements in longevity was included in the 2023 calculations in accordance with the CMI 2021 projections with a long-term rate of improvements of 1% per annum. For the purposes of the 2024 calculations the allowance for future improvements in longevity has been updated to the CMI 2022 projections again with long-term rate of improvements of 1% per annum.

13. Retirement Benefit Schemes (continued)

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

The fair value of plan assets are as follows:

	North 2024 US$m	SMI 2024 US$m	North 2023 US$m	SMI 2023 US$m
Equities	10.0	6.0	21.6	7.7
Other	3.0	1.3	4.7	1.6
Credit/ Debt funds	31.5	9.0	15.7	5.4
Liability driven investments	31.9	11.2	29.3	11.9
Cash	2.0	0.2	2.4	0.7
	78.4	27.7	73.7	27.3

The actual return on plan assets for 2024 amounted to a loss of US$0.8 million (2023: US$38.4 million loss) for NorthStandard and a loss of US$0.1 million (2023: US$14.1 million loss) for SMI.

Defined benefit plans

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

	Defined benefit obligation US$m	Fair value of plan assets US$m	Benefit liability US$m
20 February 2023	**110.2**	**101.0**	**9.2**
Net interest	5.2	4.9	0.3
Sub-total included in income	**5.2**	**4.9**	**0.3**
Benefits paid	(2.5)	(2.5)	-
Return on plan assets			
- excluding amounts included in net interest expense	-	(5.8)	5.8
Actuarial changes			
- arising from changes in demographic assumptions	(1.7)	-	(1.7)
- arising from changes in financial assumptions	(6.8)	-	(6.8)
Experience adjustments	0.7	-	0.7
Sub-total included in OCI	**(7.8)**	**(5.8)**	**(2.0)**
Contributions by employer	-	3.8	(3.8)
Exchange rate movements	5.2	4.7	0.5
20 February 2024	**110.3**	**106.1**	**4.2**

13. Retirement Benefit Schemes (continued)

Sensitivity of key assumption

A quantitative sensitivity analysis for significant assumptions as at 20 February 2024 is shown below.

	Impact on retirement benefit liability
North Scheme	**US$m**
(Increase) / reduce discount rate by 0.5%	(6.1) /6.8
Increase / (reduce) inflation assumption by 0.5% (assumed affects deferred and pensioner increases and not salary increases)	2.1 / (2.0)
Increase life expectancy by one year	2.5
SMI Scheme	
(Increase) / reduce discount rate by 0.5%	(2.0) / 2.2
Increase / (reduce) inflation assumption by 0.5% (assumed affects deferred and pensioner increases and not salary increases)	0.8 / (0.8)
Increase life expectancy by one year	0.8

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

The amount expected to be contributed into the plans by the Group in 2024/25 is US$3.8 million for the North scheme and US$ NIL for SMI.

The average duration of the defined benefit plan obligation at the end of the reporting period is 16 years (2023: 18 years) for North scheme and 15 years (2023: 17 years) for SMI scheme.

Defined Contribution plans

The Group also operates a number of defined contribution pension schemes. The total pension cost charge for the year represents contributions payable to the schemes and amounted to US$8.8 million (2023: US$5.0 million). There were no outstanding or prepaid contributions at the beginning or end of the financial year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

14. Creditors

	Group 2024 US$m	Company 2024 US$m	Group 2023 US$m	Company 2023 US$m
Creditors arising out of direct insurance operations	59.8	31.1	53.2	39.5
Creditors arising out of reinsurance	258.7	42.5	61.7	34.0
Cash pooling liabilities	-	-	3.5	3.5
Derivatives	-	-	0.8	0.8
Amounts owed to Group undertakings	-	39.2	-	
Other creditors	13.6	4.2	3.4	3.1
	332.1	**117.0**	**122.6**	**80.9**

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

15. Operating Expenses by Nature

The Group	Note	**2024 US$m**	**2023 US$m**
Depreciation and amortisation charges		8.8	7.1
Impairment charge		-	3.7
Loss on disposal of fixed assets		1.7	-
Staff costs	21	98.5	53.4
Allocation of staff costs to claims handling expenses		(62.6)	(23.7)
Purchase of goods and services		57.4	20.9
Total operating expenses		**103.8**	**61.4**

Auditor's remuneration	**2024 US$m**	**2023 US$m**
Amounts payable to BDO LLP		
Audit of these financial statements	0.5	0.3
Amounts receivable by the company's auditor and its associates in respect of:		
Audit of financial statements of subsidiaries of the company	1.1	0.3
Audit related assurance services	0.3	0.1
Other assurance services	0.2	0.1
	2.1	**0.8**

Amounts receivable by the company's auditor and its associates in respect of the audit of financial statements of associated pension schemes is US$ NIL (2023: US$NIL). Other assurance services are for the audit of the Group's Solvency II returns.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

16. Investment return net of expenses and charges

	2024	2023
Investment income	**US$m**	**US$m**
Interest income on financial assets not at fair value through profit and loss	11.4	1.8
Realised gains/(losses) on financial investments at fair value through profit and loss	7.3	(0.4)
Derivative hedging	2.1	(0.8)
	20.8	**0.6**
Investment expenses and charges		
Other investment management expenses	(0.9)	(0.2)
	(0.9)	**(0.2)**
Net unrealised gains/(losses) on financial investments at fair value through profit and loss	14.6	(5.7)
Total investment return	**34.5**	**(5.3)**

17. Other income

	2024	2023
	US$m	**US$m**
Brokerage income	1.7	1.8
Other miscellaneous income	0.1	1.0
Other income	**1.8**	**2.8**

18. Other charges

	2024	2023
	US$m	**US$m**
Exchange losses	1.2	10.8
Other charges	**1.2**	**10.8**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

19. Tax Expense

The Group	**2024 US$m**	**2023 US$m**
Current tax	4.7	1.0
Deferred tax	0.6	-
	5.3	**1.0**

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

	2024 US$m	**2023 US$m**
Profit/(loss)	145.6	(11.5)
Tax on the above at standard UK corporation tax rate of 24.3% (2023: 19.0%)	35.4	(1.8)
Effect of different rates of tax	(0.2)	0.5
Effects of non-taxable income and non-deductible expenses	(31.3)	2.5
Deferred tax losses not recognised	0.6	-
Tax losses utilised	(0.5)	(0.8)
Tax on loss not recognised	0.1	0.5
Effects of foreign exchange	-	0.2
Adjustment in respect of previous years	0.7	(0.1)
Other adjustments	0.5	-
Total tax expense	**5.3**	**1.0**

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

The Group	**2024 US$m**	**2023 US$m**
At beginning of year	0.5	0.4
Arising on business combinations during the year	0.6	-
Movement in the year	(0.6)	0.1
At end of year	0.5	0.5
Deferred tax at the year-end relates to:		
- other timing differences	0.5	0.5
	0.5	0.5

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

20. Cash generated from operating activities

	Group 2024 US$m	Group 2023 US$m
Profit/(loss) for the year	140.2	(12.5)
Adjustments for:		
Depreciation and amortisation	2.5	7.1
Impairment of intangibles	6.3	3.7
Impairment of investments in subsidiaries	-	-
Investment (income)/ loss	(27.4)	7.1
Tax expense	5.3	1.0
Loss on sale of tangible assets	2.1	-
Profit on disposal of subsidiary	-	(1.1)
Decrease in insurance contracts net of reinsurance recoverable	(11.5)	(0.6)
Increase in unearned premium reserve net of reinsurers' share	31.9	8.5
(Increase) / decrease in total debtors and total prepayments and accrued income	(77.6)	15.9
Increase in total creditors and accruals and deferred income	27.3	24.5
Defined benefit contributions in excess of the charge for the year	(3.4)	(4.0)
Purchase of bonds at fair value through profit or loss	(216.8)	(25.2)
Sale of bonds at fair value through profit or loss	207.1	32.4
Foreign exchange loss	6.7	9.5
Derivative movement	(2.1)	-
Negative goodwill amortisation	(68.1)	-
Cash generated from operating activities	**22.5**	**66.3**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

21. Staff Costs

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

	2024 Number	2023 Number
Claims	223	138
Underwriting	125	62
Loss prevention	23	13
Brokerages	16	16
Other	282	144
	669	**373**

Their aggregate remuneration comprised:	2024 US$m	2023 US$m
Wages and salaries	80.4	43.6
Social security costs	7.4	3.6
Other post-employment benefits	10.7	6.2
	98.5	**53.4**

Directors' Remuneration

The Group
The remuneration of the Directors was as follows:

	2024 US$m	2023 US$m
Short-term employee benefits	3.9	2.4

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

	2024 US$m	2023 US$m
Short-term employee benefits	1.5	1.2

No Directors were members of the Company's defined benefit pension schemes during the year or in the prior year. The accrued pension entitlement under the Company's defined benefit scheme of the highest paid director at 20 February 2024 was US$ NIL (2023 - US$ NIL).

22. Guarantees

In the normal course of business, the Group has provided security / arranged for security to be provided on behalf of its Members. At 20 February 2024, the Group had bank guarantee facilities with Nordea Bank Abp, Barclays Bank Plc and HSBC Holdings Plc of up to US$145.7 million, of which US$85.5 million was utilised.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

23. Investments in Group undertakings

Details of subsidiary undertakings, all of which are included in the consolidated financial statements, are as per the below table. Those subsidiaries marked * are direct subsidiaries of NorthStandard Limited.

Name	Registered office		Ownership % 2024	Ownership % 2023
NorthStandard EU Designated Activity Company	Fitzwilliam Hall, Fitzwilliam Place, Dublin, DO2 T292, Ireland	*	100	100
The Standard Club Asia Ltd.	3 Anson Road, #10-02 Springleaf Tower, Singapore 079909		100	-
The Standard Club Designated Activity Company	Fitzwilliam Hall, Fitzwilliam Place, Dublin, DO2 T292, Ireland		100	-
The Standard Club UK Ltd	The Minster Building, 21 Mincing Lane, London, E3R7AG, UK		100	-
The Standard Club Limited	Clarendon House, 2 Church Street, Hamilton, HM 11, Bermuda	*	100	-
NorthStandard Group Services Limited	100 The Quayside, Newcastle upon Tyne, NE13DU, UK	*	100	100
NorthStandard Services Asia Pte. Limited	3 Anson Road, #10-02 Springleaf Tower, Singapore 079909		100	-
NorthStandard (Americas) Inc.	180 Maiden Lane, Suite 6A, New York, NY 10038, USA		100	-
NorthStandard Marine Consultant (Shanghai) Ltd Co.	Room 302A, Building 7, Gongping Road, Hongkou District, Shanghai, P.R. China 200082	*	100	100
Standard Club Management (Bermuda) Limited	Clarendon House, 2 Church Street, Hamilton, HM 11, Bermuda		100	-
Standard Club Management (Europe) Limited	Fitzwilliam Hall, Fitzwilliam Place, Dublin, DO2 T292, Ireland		100	-
Standard Club Management (UK) Limited	The Minster Building, 21 Mincing Lane, London, E3R7AG, UK		100	-
NEPIA Trust Company Limited	100 The Quayside, Newcastle upon Tyne, NE13DU, UK	*	100	100
North Risk Services Limited	100 The Quayside, Newcastle upon Tyne, NE13DU, UK	*	100	100
North of England Insurance Services, Inc.	180 Maiden Lane, Suite 6A, New York, NY 10038, USA	*	100	100
Harlock Murray Underwriting Limited	9850 King George Blvd #307, Surrey, BC V3T0P9, Canada	*	100	100
Harlock Murray Underwriting LLC	Corporation Trust Centre, 1209 Orange St., Wilmington, DE 19801, USA		100	100
Hydra Insurance Company Limited (NorthStandard Cell)	Victoria Hall, Victoria Street, Hamilton, HM 1826, Bermuda	*	100	100
Sunderland Marine Insurance Company Limited	100 The Quayside, Newcastle upon Tyne, NE13DU, UK	*	-	100

The value of the subsidiary undertakings is as follows:

The Company	2024 US$m	2023 US$m
Balance brought forward	104.6	114.2
Investment in The Standard Club Limited	0.1	-
Capital repatriated during the year	-	(7.8)
Capital contributed to Hydra (NorthStandard Cell) during the year	35.7	-
Capital distribution from Hydra (NorthStandard Cell) during the year	(32.4)	-
Sale of Van Olst de Graff & Co BV	-	(1.8)
Balance carried forward	**108.0**	**104.6**

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

24. Related Party Transactions

Key management compensation

The remuneration of the Directors was as follows:	2024 US$m	2023 US$m
Short term employee benefits	3.9	2.4

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

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

Other related parties
The Group operates two defined benefit schemes and further information can be found in note 13 of these Financial Statements.

Guarantees issued to subsidiary companies under s.479C of the Companies Act 2006

NorthStandard Limited has guaranteed all outstanding liabilities to which NorthStandard Group Services Limited and Standard Club Management (UK) Limited are subject as at 20 February 2024 and until they are satisfied in full. As a result, NorthStandard Group Services Limited and Standard Club Management (UK) Limited are exempt from the requirements of the Companies Act relating to the audit of individual accounts by virtue of s.479A of the Companies Act 2006.

25. Operating lease commitments

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

	2024 US$m	2023 US$m
Not later than 1 year	1.5	0.9
Later than 1 year and not later than 5 years	2.2	0.6
Later than 5 years	0.3	-
	4.0	**1.5**

26. Business combination

On 20 February 2023, immediately following the end of the prior financial year, the merger of the North of England P&I Association and The Standard Club was concluded by NorthStandard Limited becoming the sole member of The Standard Club Limited, and the former members of The Standard Club Limited becoming members of NorthStandard Limited. For UK accounting purposes this is accounted for as an acquisition, however elsewhere in these financial statements it is referred to as the merger. No consideration was payable by NorthStandard Limited to acquire control of The Standard Club Limited.

The book and fair value of the assets and liabilities recognised on completion of the merger were as follows:

	Book and fair value at acquisition date US$m
Financial investments	258.5
Tangible fixed assets	2.8
Intangible fixed assets	4.3
Cash	41.9
Reinsurance recoverables	803.6
Unearned RI premium	20.0
Debtors	112.5
Outstanding claims	(975.0)
Unearned premium	(0.1)
Creditors	(200.4)
Fair value of identifiable net assets at acquisition date	**68.1**
Consideration payable	-
Negative Goodwill arising on the acquisition	**68.1**

The negative goodwill arising represents the free reserve of The Standard Club Limited at the date of acquisition, and is effectively capital contributed by the former members of The Standard Club Limited in order to become members of NorthStandard Limited. As the benefit of this capital was immediately available to NorthStandard Limited, the full amount of the goodwill arising on the acquisition has been recognised in the reported profit for the current financial year.

The following amounts are included in the consolidated statement of comprehensive income for the current financial year in respect of the acquired business:

Gross premiums written	US$365.7m
Surplus / (deficit) for the year	US$(1.4)m

NorthStandard

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NorthStandard group incorporates entities, branches and offices worldwide and includes the insurance entities detailed below. For further details on our group please visit **north-standard.com**. To identify your insurer within NorthStandard please refer to your policy documents or please contact us.

NorthStandard Limited (No. 505456) is registered in England and also trades as Sunderland Marine. Registered Office: 100 The Quayside, Newcastle upon Tyne, NE1 3DU, UK. Authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority.

NorthStandard EU DAC is registered in Ireland (No. 628183) and also trades as Sunderland Marine. Registered Office: Fitzwilliam Hall, Fitzwilliam Place, Dublin, D02 T292, Ireland. Regulated by the Central Bank of Ireland (C182370).

The Standard Club Asia Ltd is registered in Singapore with limited liability (No. 199703224R). Registered Office: 3 Anson Rd, #10-02 Springleaf Tower, Singapore 079909. Authorised and regulated by the Monetary Authority of Singapore. The Standard Club Asia Ltd (Hong Kong Branch), registered in Hong Kong (No. F0024636), authorised and regulated by the Hong Kong Insurance Authority.

The Standard Club Ireland DAC is registered in Ireland (No. 631911). Registered Office: Fitzwilliam Hall, Fitzwilliam Place, Dublin 2. Authorised and regulated by the Central Bank of Ireland (C182196).

The Standard Club UK Ltd is registered in England (No. 00017864). Registered Office: The Minster Building, 21 Mincing Lane, London, EC3R 7AG. Authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority.