

George and Grey Insurance Limited

Annual Report and Audited Financial Statements

For the year ended 31 December 2023

GEORGE AND GREY INSURANCE LIMITED

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GEORGE AND GREY INSURANCE LIMITED

COMPANY INFORMATION

Directors: E Ballard
P B Wakefield
R N Williams

Registered office: Heritage Hall
Le Marchant Street
St Peter Port
Guernsey
GY1 4JH

Secretary and Manager: Artex Risk Solutions (Guernsey) Limited
Heritage Hall
Le Marchant Street
St Peter Port
Guernsey
GY1 4JH

Independent auditor: Moore Stephens Audit and Assurance (Guernsey) Limited
PO Box 146
Level 2 Park Place
Park Street
St Peter Port
Guernsey
GY1 3HZ

Registered number: 70619

GEORGE AND GREY INSURANCE LIMITED

REPORT OF THE DIRECTORS

The directors submit their annual report and the audited financial statements ('the financial statements') of George and Grey Insurance Limited ('the Company') for the year ended 31 December 2023.

Principal activities

The principal activity of the Company is the writing of general insurance business. The Company is registered under the Insurance Business (Bailiwick of Guernsey) Law, 2002 ('the Insurance Law') to carry on general insurance business, excluding domestic business.

Results

The results for the year are shown in the Statement of Comprehensive Income - Non Technical Account on page 9.

The prior period ran from 10 May 2022 to 31 December 2022 and therefore the comparatives are not directly comparable.

Dividends

No dividends were paid or proposed in respect for the year ended 31 December 2023 (2022: nil)

Directors

The directors who held office for the year and to date are as stated on page 2.

Financial reporting framework

As permitted by Guernsey company law, the directors have elected to prepare the financial statements in accordance with a notice served under section 35(6) of The Insurance Business (Bailiwick of Guernsey) Law, 2002 (the "Notice") by the Guernsey Financial Services Commission ("GFSC"), rather than on a "true and fair" basis. The financial statements are also prepared in accordance with the Companies (Guernsey) Law, 2008 and The Insurance Business (Bailiwick of Guernsey) Law, 2002 as modified by the Notice.

The Company has applied FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102") and FRS 103 Insurance Contracts ("FRS 103"), except that as permitted under the Notice, the GFSC has granted the Company a derogation from the disclosure requirements set out in paragraphs 4.4 to 4.9 of FRS 103.

Statement of directors' responsibilities

The directors are responsible for preparing the directors' report and the financial statements each financial year in accordance with applicable laws and the accounting policies as detailed in note 2 to these financial statements.

Company law requires the directors to prepare financial statements for each financial period. Under that law they have elected to prepare the financial statements in accordance with the Notice and applicable law.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

GEORGE AND GREY INSURANCE LIMITED

REPORT OF THE DIRECTORS (CONTINUED)

Statement of directors' responsibilities (continued)

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and which enable them to ensure that the financial statements have been properly prepared in accordance with The Insurance Business (Bailiwick of Guernsey) Law, 2002, the Companies (Guernsey) Law, 2008 and stated accounting policies as fully disclosed in note 2 to the financial statements.

They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud, error and non-compliance with laws or regulations.

The directors confirm that so far as they are aware, there is no relevant audit information of which the Company's auditor is unaware, having taken all the steps they ought to have taken as directors to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of this information.

The directors confirm that they have complied with the above requirements in preparing the financial statements.

Audit exemption

Under section 256 of the Companies Law, the Company is exempt from the requirement to be audited under that law; however the financial statements have been audited in accordance with section 35(6) of the Insurance Law.

Independent Auditors

A resolution to reappoint Moore Stephens Audit and Assurance (Guernsey) Limited as auditor to the Company will be proposed at the annual general meeting.

Going concern

The financial statements have been prepared on a going concern basis. The directors believe that this basis is appropriate as the Company has net assets in excess of its regulatory solvency requirement, and is not dependent on any external finance.

On behalf of the Board



Director

Date: 16/04/2024

GEORGE AND GREY INSURANCE LIMITED

Independent auditor's report to the members of George and Grey Insurance Limited Opinion

We have audited the financial statements of George and Grey Insurance Limited ('the Company') for the year ended 31 December 2023 which comprise the Statement of Comprehensive Income - Technical Account, the Statement of Comprehensive Income - Non-Technical Account, the Statement of Financial Position, the 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 set out in Note 2.

In our opinion the financial statements:

- have been properly prepared, in all material respects, in accordance with the applicable financial framework described in Note 2: and
- comply with The Insurance Business (Bailiwick of Guernsey) Law, 2002.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)"). Our responsibilities under these standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Guernsey, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with those requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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.

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 company'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.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. Our opinion on the 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. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information; we are required to report that fact.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where The Companies (Guernsey) Law, 2008 requires us to report to you if, in our opinion:

- proper accounting records have not been kept by the company; or
- the financial statements are not in agreement with the accounting records; or
- we have failed to obtain all the information and explanations, which, to the best of our knowledge and belief, are necessary for the purposes of our audit.

GEORGE AND GREY INSURANCE LIMITED

Independent auditor's report to the members of George and Grey Insurance Limited (continued)

Matters on which we are required to report by exception (continued)

We have nothing to report in respect of the following matters where The Insurance Business (Bailiwick of Guernsey) Law, 2002 requires us to report to you if, in our opinion:

- the information given in the annual return prepared pursuant to section 33 is inconsistent with the financial statements; or
- there is any transaction outside the normal course of business which resulted in the balance sheet showing a situation materially different from that which would otherwise have obtained, and which is not adequately disclosed in the financial statements.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of financial statements 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 Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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 of 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 assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

The objectives of our audit in respect of fraud are; to identify and assess the risks of material misstatement of the financial statements due to fraud; to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud, through designing and implementing appropriate responses to those assessed risks; and to respond appropriately to instances of fraud or suspected fraud identified during the audit. However, the primary responsibility for the prevention and detection of fraud rests with both management and those charged with Our approach was as follows:

- We obtained an understanding of the legal and regulatory requirements applicable to the company and considered that the most significant are UK Generally Accepted Accounting Practice, The Companies (Guernsey) Law, 2008, and The Insurance Business (Bailiwick of Guernsey) Law, 2002.
- We obtained an understanding of how the company complies with these requirements by discussions with management and examination of various statutory documentation such as the minutes and compliance reports.
- We assessed the risk of material misstatement of the financial statements, including the risk of material misstatement due to fraud and how it might occur, by holding discussions with management.
- We inquired of management as to any known instances of non-compliance or suspected non-compliance with laws and regulations and examined correspondence with the GFSC and legal advisors.
- We assessed the information to be submitted to the GFSC together with the audited financial statements on the annual Insurer's Return such as the Regulatory and Solvency Assessment and confirmed that the information was

GEORGE AND GREY INSURANCE LIMITED

Independent auditor's report to the members of George and Grey Insurance Limited (continued)

Based on this understanding, we designed specific appropriate audit procedures to identify instances of non-compliance with laws and regulations. This included making enquiries of management and obtaining additional corroborative evidence as required.

A further description of the auditor's responsibilities for the audit of the financial statements is located 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 Schedule 3 of The Insurance Business (Bailiwick of Guernsey) Law, 2002. 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.

MOORE STEPHENS AUDIT AND ASSURANCE (GUERNSEY) LIMITED



Date: 16/4/24

PO Box 146, Level 2 Park Place
Park Street, St Peter Port
Guernsey GY1 3HZ

GEORGE AND GREY INSURANCE LIMITED

STATEMENT OF COMPREHENSIVE INCOME TECHNICAL ACCOUNT

For the year ended 31 December 2023

		Year ended 31 December 2023	For the period 10 May 2022 to 31 December 2022
	Note	GBP	GBP
Earned Premiums			
Gross premiums written		429,425	246,353
Net earned premiums		429,425	246,353
Claims Incurred			
Movement in unexpired risk reserve	5	(39,326)	(92,784)
		-	(92,784)
Balance on the Technical Account for General Business		390,099	153,569

All results arise from continuing operations.

The notes on pages 12 to 20 form an integral part of these financial statements.

GEORGE AND GREY INSURANCE LIMITED

STATEMENT OF COMPREHENSIVE INCOME NON TECHNICAL ACCOUNT

for the year ended 31 December 2023

		Year ended 31 December 2023	For the period 10 May 2022 to 31 December 2022 GBP
	Note	GBP	
Balance on the Technical Account		390,099	153,569
Income			
Investment income receivable		51,552	6,638
Unrealised gain / (loss) on investments	6	1,718	(363)
		<u>53,270</u>	<u>6,275</u>
Expenses			
Management fees		(42,000)	(25,667)
Directors' fees		(5,000)	(3,199)
Audit fee		(6,100)	(5,700)
Investment management fees		(1,272)	(133)
Regulatory and filing fees		(7,210)	(4,360)
Legal and professional fees		-	(54,237)
D&O insurance		(6,715)	(2,316)
Bank charges		(183)	(75)
Sundry expenses		(175)	(658)
Total expenses		<u>(68,655)</u>	<u>(96,345)</u>
Profit for the financial year/period		<u>374,714</u>	<u>63,499</u>

The Company has no items of other comprehensive income therefore the gain for the financial year/period represents the total comprehensive gain. All results arise from continuing operations.

The notes on pages 12 to 20 form an integral part of these financial statements.


GEORGE AND GREY INSURANCE LIMITED

STATEMENT OF FINANCIAL POSITION as at 31 December 2023

	Notes	31 December 2023 GBP	31 December 2022 GBP
ASSETS			
Current assets			
Investments at market value	6	1,251,355	849,637
Debtors	8	329,425	171,353
Prepayments and accrued income	9	22,077	10,249
Cash and cash equivalents		85,631	233,810
Total assets		1,688,488	1,265,049
LIABILITIES AND EQUITY			
Current liabilities			
IPT control account		9,000	-
Creditors	10	6,100	5,701
Total liabilities		15,100	5,701
Technical provisions			
Unexpired risk reserve	5	132,110	92,784
Capital and reserves			
Share capital	7	150,000	150,000
Share premium	7	953,065	953,065
Retained earnings		438,213	63,499
Total shareholders' funds		1,541,278	1,166,564
Total liabilities and equity		1,688,488	1,265,049

The notes on pages 12 to 20 form an integral part of these financial statements.

The financial statements on pages 8 to 20 were approved by the board of directors on 16 April 2024 and are signed on its behalf by:



Director

16/04/2024

GEORGE AND GREY INSURANCE LIMITED

STATEMENT OF CHANGES IN EQUITY for the year ended 31 December 2023

	Share capital GBP	Share premium GBP	Retained earnings GBP	Total GBP
At 10 May 2022				
Share capital issued	150,000	-	-	150,000
Share premium issued	-	953,065	-	953,065
Total comprehensive income for the year	-	-	63,499	63,499
Balance at 31 December 2022	150,000	953,065	63,499	1,166,564
Total comprehensive income for the year	-	-	374,714	374,714
Balance at 31 December 2023	150,000	953,065	438,213	1,541,278

The notes on pages 12 to 20 form an integral part of these financial statements.

GEORGE AND GREY INSURANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

1 General information

George and Grey Insurance Limited ("The Company") is a limited company, limited by shares and was incorporated in Guernsey. Its registered office is Heritage Hall, Le Marchant Street, St Peter Port, Guernsey, GY1 4JH.

The principal activity of the Company is that of underwriting general insurance business. The Company is registered under the Insurance Business (Bailiwick of Guernsey) Law, 2002 to carry on general insurance business, excluding domestic business.

The Company was converted from a Cell into a Limited Company on 10 May 2022. At this time, the Company took on all liabilities held by the Cell in exchange for contributions in the form of Share Premium.

2 Basis of preparation of financial statements

(a) Statement of compliance

These financial statements have been prepared under the historic cost convention, with the exception of revaluation of investments, in accordance with applicable United Kingdom accounting standards, Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and applicable sections of Financial Reporting Standard 103, "Insurance Contracts" ("FRS 103").

Under section 35 (6) of The Insurance Business (Bailiwick of Guernsey) Law, 2002, the Guernsey Financial Services Commission has granted the Company a derogation from the disclosure requirements set out in paragraphs 4.4 to 4.9 of FRS 103.

The Company is a qualifying entity as defined in FRS 102 since it is consolidated into the financial statements of Cavello Group Limited, which prepares consolidated financial statements that are publicly available at Companies House.

The exemption on presentation of a cash flow statement has been applied in the preparation of these financial statements, since the company is a qualifying entity, in accordance with FRS 102.

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

The Company's functional and presentation currency is Sterling.

(b) Significant accounting policies

Going concern

The financial statements have been prepared on a going concern basis. The directors believe that this basis is appropriate as the Company has net assets in excess of its regulatory solvency requirement, and is not dependent on any external finance.

Insurance contract adjustable premiums

For certain contracts of insurance and related reinsurance contracts, premium is initially charged and recognised based on deposit premiums that are then adjustable upon the ultimate performance of the contracts. Such adjustable premium is recognised in the Statement of Comprehensive Income - Technical account and Statement of Financial Position.

Claims payable

Claims payable represent the amount of claims which have been notified during the period but not paid as at the reporting date.

GEORGE AND GREY INSURANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED)

2 Accounting policies (continued)

(b) Significant accounting policies (continued)

Unexpired risk reserve

Provision is made in relation to future claims in the form of an unexpired risk reserve (URR).

It is determined that because of the nature of Insurance Backed Guarantees (IBG) policies, the majority of claims, if any were to arise, would do so in the first 5 years of each issued guarantee.

Claims incurred are expected to peak in the first 1-3 years of the first 5 years and significantly improve for remainder of the risk period.

The current URR reserve has been calculated using claims experience reports provided from the Cavello Group for all Langley claims cases for the last 5 years.

Insurance receivables

Insurance receivables are recognised when due and measured on initial recognition at the fair value of the consideration received or receivable. The carrying value of insurance receivables is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable, with the impairment loss recorded in the statement of profit or loss.

Insurance receivables are derecognised when the derecognition criteria for financial assets have been met.

Premiums

Premiums written relate to business incepted during the year. Premiums are received net of insurance premium tax (IPT).

Reinsurance assets

Reinsurance assets represent balances due from reinsurance companies. Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision or settled claims associated with the reinsurer's policies and are in accordance with the related insurance contract.

Reinsurance assets are reviewed for impairment at each reporting date, or more frequently, when an indication of impairment arises during the reporting period. Impairment occurs when there is objective evidence as a result of an event that occurred after initial recognition of the reinsurance asset that the company may not receive all outstanding amounts due under the terms of the contract and the event has a reliably measurable impact on the amounts that the Company will receive from the reinsurer. The impairment loss, if any, is recorded in the Statement of Comprehensive Income - Non Technical Account.

Insurance payables

Insurance payables are recognised when due and measured on initial recognition at the fair value of the consideration payable less directly attributable transaction costs.

Insurance payables are derecognised when the obligation under the liability is settled, cancelled or expired.

Loss recoveries

The loss recoveries provisions, included in insurance debtors, relate to third party recoveries that have not yet been finalised. In the event that a potential third party recovery is identified, recovery specialists are appointed by the claims handlers to pursue third party recoveries. Loss recoveries are accounted for on an accrual basis and recognised when recovery is probable and amounts can be measured reliably.

GEORGE AND GREY INSURANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED)

2 Accounting Policies (continued)

(b) Significant accounting policies (continued)

Other income and other expenses

Other income and other expenses are accounted for on an accruals basis.

Interest income

Cash and cash equivalents

Cash and cash equivalents includes deposits held at call with banks and other short-term highly liquid investments with original maturities of less than three months.

Investments

Investments comprise certificates of deposit with original maturities between 3 and 12 months. Investments are valued at the market price at the reporting date. Any realised / unrealised gains or losses on revaluation of investments are recognised in the Statement of Comprehensive Income Non-Technical Account as movements of investments held at fair value through profit or loss. Accrued interest is calculated on a straight line basis, with expected interest accrued over the fixed period of the deposit. Interest receivable is included in the Statement of Comprehensive Income - Non Technical account on an accruals basis.

Related party transactions

The Company discloses transactions with related parties which are not wholly owned with the same group. It does not disclose transactions with members of the same group that are wholly owned.

Financial Instruments

i) Financial assets

Basic financial assets include investments managed by Ravenscroft Cash Management Limited ("RCML") and are initially recognised at transaction price. These comprise of certificates of deposit. The directors have determined that these should be valued at fair value through profit or loss because they are managed in accordance with the Company's investment policy and their performance is evaluated on a fair value basis.

The fair value of the investments is determined by RCML and is derived from bid prices available on market trading platforms at the reporting date. Any surplus or deficit on any fair value movement or disposal is recognised in the Statement of Comprehensive Income Non-Technical Account.

Other basic financial assets, including insurance debtors, accrued income and cash and cash equivalents are initially recognised at transaction price. Such assets are subsequently carried at amortised cost.

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price.

Investments (shares and debt securities) are included in the balance sheet at market value. The market value of the investments represents quoted securities at bid price. Any surplus or deficit on any revaluation is recognised in the non-technical account.

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party or (c) control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

ii) Financial liabilities

Basic financial liabilities are initially recognised at transaction price. Such liabilities are subsequently carried at amortised cost. Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

GEORGE AND GREY INSURANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED)

NOT Accounting Policies (continued)

(b) Significant accounting policies (continued)

Financial Instruments (continued)

ii) Financial liabilities

Specifically, claims payable are referred to as financial liabilities within these financial statements but are technically insurance liabilities, arising from the company's insurance contracts. They represent the value of claims paid by the fronting insurers which the company, as reinsurer, are in turn due to pay under the terms of its insurance contracts with those fronting insurers at the reporting date. The amount and timing of settlements of claims payable are contractual, and no longer subject to significant insurance risk, and so claims payable follow the same recognition, measurement and derecognition policies as for basic financial liabilities measured at amortised cost. However, the company's policy is to not offset any insurance liabilities (including technical provisions) with premiums receivable owed from the same counterparty in these financial statements, irrespective of any rights or intentions the company has to settle claims against premiums in its insurance contracts, and accordingly all such balances are presented gross in the Statement of Financial Position.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

The Company does not hold or issue derivative financial instruments.

3 Critical accounting judgements and estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the application of the accounting policies and the reported amounts of assets and liabilities and expenses. Actual results may materially differ from these estimates.

Estimates and underlying assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are reasonable under the circumstances. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Provision is made in relation to future claims in the form of an unexpired risk reserve (URR).

It is determined that because of the nature of Insurance Backed Guarantees (IBG) policies, the majority of claims, if any were to arise, would do so in the first 5 years of each issued guarantee.

Claims incurred are expected to peak in the first 1-3 years of the first 5 years and significantly improve for remainder of the risk period. As there is currently no historic claims data, the estimation used for the URR is considered a reasonable approximation.

4 Taxation

The Company is subject to Guernsey income tax at the company standard rate of 0%.

GEORGE AND GREY INSURANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED)

5 Unexpired Risk Reserve

	2023 GBP	2022 GBP
Unexpired risk reserve brought forward	92,784	-
Unexpired risk reserve movement	39,326	92,784
Unexpired risk reserve carried forward	<u>132,110</u>	<u>92,784</u>

6 Investments

	2023 GBP	2022 GBP
Opening investment held at fair value	849,637	-
Purchase of investments	400,000	850,000
Movement in fair value through profit or loss	1,718	(363)
Closing investment held at fair value	<u>1,251,355</u>	<u>849,637</u>

Investments consist of certificate of deposit and accrued interest held in Ravenscroft Cash Management Limited (RCML).

7 Share capital

	2023 GBP	2022 GBP
Allotted, called up and fully paid 150,000 ordinary shares of GBP 1 each fully paid	<u>150,000</u>	<u>150,000</u>
Share premium	<u>953,065</u>	<u>953,065</u>

The rights attaching to ordinary shares are as follows:

Dividends – ordinary shareholders are only entitled to dividends arising from profits or gains of the Company, subject to statutory solvency requirements.

Capital – on winding up the Company the holder of ordinary shares is entitled to repayment of the nominal amount paid thereon.

Voting rights - ordinary shares carry one vote per share held at general meetings of the Company.

8 Insurance Debtors

	2023 GBP	2022 GBP
Premium debtors	<u>329,425</u>	<u>171,353</u>

The premium debtors refers to the amount of premium receivable from the Group.

9 Prepayments and accrued income

	2023 GBP	2022 GBP
Accrued investment income	17,697	5,691
Prepaid Director and Officer insurance	4,380	4,558
	<u>22,077</u>	<u>10,249</u>

GEORGE AND GREY INSURANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED)

10 Creditors

	2023 GBP	2022 GBP
Audit fee accrual	<u>6,100</u>	<u>5,701</u>

11 Immediate and ultimate controlling party

The Company is wholly owned by Cavello Group Limited, a limited company registered in the United Kingdom, the immediate controlling party. Cavello Group Limited is 100% owned and controlled by Antonio Silvestri. The Directors consider Antonio Silvestri to be the ultimate controlling party of the Company.

12 Financial instruments

The carrying values of the Company's financial assets are summarised by category below:

	2023 GBP	2022 GBP
Financial assets		
Measured at fair value through profit or loss		
Current asset investments	<u>1,251,355</u>	<u>849,637</u>
	<u>1,251,355</u>	<u>849,637</u>
Measured at amortised cost		
Insurance debtors	329,425	171,353
Other debtors and sundry debtors	22,076	10,249
Cash and cash equivalents	<u>85,631</u>	<u>233,810</u>
	<u>437,132</u>	<u>415,412</u>

Fair value methodology

Fair value is the amount for which an asset or liability could be exchanged between willing parties in an arm's length transaction. The fair value of the investments is determined by RCML and is derived from bid prices available on market trading platforms at the reporting date.

All the Company's financial assets measured at fair value are classified as level 1 using the fair value hierarchy. There has been no movement between levels during the period.

Fair value hierarchy

Level 1 - Quoted price for an identical asset in an active market

Inputs to level 1 fair value are quoted prices (unadjusted) in active markets for identical assets. An active market is one in which transactions for the asset occur with sufficient frequency and volume to provide pricing information on an on-going basis.

13 Financial risk management

The Company is exposed to financial risk through its financial assets and policyholder liabilities. In particular the key financial risk is that proceeds from, or the valuation of, financial assets are not sufficient to fund the obligations arising from policies as they fall due.

The Company monitors and manages the financial risks relating to the operations of the Company through internal risk reports which analyse exposures by degree and magnitude of risks. These risks include market risk (currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

(a) Market risk

Market risk is the risk of adverse financial impact as a consequence of market movements such as currency exchange rates, interest rates and other price changes. Market risk arises due to fluctuations in both the value of assets held and the value of liabilities. The objective of the Company in managing its market risk is to ensure risk is managed in line with the Company's risk appetite.

The Company has established policies and procedures in order to manage and maintain market risk at a low level. These are detailed in the Company's risk register and include documented investment guidelines which set out permitted investment types, maximum maturity, counterparty limits and minimum criteria regarding credit rating.

The investment portfolio is managed by the appointed investment manager, RCML, in accordance with the guidelines, and RCML reports regularly to the Board on performance and compliance with the guidelines. Risk in respect of financial assets is maintained at a low level by the application of investment guidelines set by the Company which limit the Company's investments to tradeable short term money market instruments, fixed term deposits and cash and cash equivalents. There were no changes in the Company's market risk exposure in the financial period nor to the objectives, policies or processes for managing risk.

GEORGE AND GREY INSURANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED)

13 Financial risk management (continued) (a) Market risk (continued)

(i) Currency risk management

The Company holds no assets or liabilities in foreign currency, and as a result is not exposed to any direct foreign currency risk.

(ii) Interest rate risk management

Interest rate risk is the risk that the value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Financial liabilities are not discounted and therefore are not exposed to interest rate risk. The directors consider the company does not have significant exposure to interest rate risk.

The Company's method for analysing sensitivity to interest rate fluctuations has not changed significantly over the financial period.

(iii) Other price risk management

The Company is exposed to other price risk arising from fluctuations in the value of financial instruments as a result of changes in the market prices and the risks inherent in all investments. The directors consider the company does not have significant exposure to other price risk.

(b) Credit risk

Credit risk is the risk of financial loss as a result of the default or failure of third parties to meet their payment obligations to the Company. The key areas of exposure to credit risk for the Company are in relation to its investments, cash and cash equivalents, and to a lesser extent amounts due from policyholders and intermediaries.

The objective of the Company in managing its credit risk is to ensure risk is managed in line with the Company's risk appetite. The Company has established policies and procedures in order to manage credit risk and methods to measure it.

The Company has adopted, in relation to its investments and cash and cash equivalents, a policy of only dealing with counterparties that are credit rated equivalent to A and above. This information is supplied by independent rating agencies. The Company continues to monitor the credit risk in relation to its investment portfolio by using external credit ratings. The credit risk linked to accrued income mainly comprises head office service charge income which is recognised upon inception, at a fixed percentage of the corresponding property policy premium income. The timely receipt of the accrued income is monitored on a quarter basis as part of the management accounts process.

The following table shows aggregated credit risk exposure for assets with external credit ratings from Standard & Poor at the reporting date:

As at 31 December 2023	A rated	Unrated	Total
Investments	1,251,355	-	1,251,355
Cash and cash equivalents	85,631	-	85,631
Accrued income	17,697	-	17,697
	1,354,683	-	1,354,683
As at 31 December 2022	A rated	Unrated	Total
Investments	849,637	-	849,637
Cash and cash equivalents	233,810	-	233,810
Accrued income	5,691	-	5,691
	1,089,138	-	1,089,138

GEORGE AND GREY INSURANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED)

13 Financial risk management (continued)

(c) Liquidity risk management

Liquidity risk is the risk that the Company cannot meet its obligations associated with financial liabilities as they fall due. Liquidity management ensures that the Company has sufficient access to funds necessary to cover Insurance liabilities. The Company has adopted an appropriate liquidity risk management framework for the management of the Company's liquidity requirements.

The Company manages liquidity risk by monitoring cash flows and matching the maturity profiles of assets and liabilities, and by maintaining the Company's assets as cash balances, or as marketable investments. The Company's financial assets as at 31 December 2023 are all current assets and are significantly in excess of the Company's financial liabilities.

All financial liabilities are contractually due for settlement within twelve months of the reporting date. Liquidity management ensures that the Company has sufficient access to funds necessary to cover insurance claims, surrenders, withdrawals and maturing liabilities. Accordingly, most of the Company's assets are maintained as cash and cash equivalents, or as marketable investments.

There were no substantive changes in the Company's liquidity risk exposure in the financial period nor to the objectives, policies or processes for managing liquidity risk.

The Company expects to meet its obligations from operating cash flows and proceeds of maturing financial assets.

(d) Capital management

The Company's objectives when managing its capital are:

i) to comply with the legal and statutory obligations and maintain capital commensurate with the nature, scale and risk profile of the business;

ii) to safeguard the Company's ability to continue as a going concern; and

iii) to provide an adequate return to shareholders by ensuring the pricing of the insurance contracts commensurately with the level of risk.

The principle underlying the rules prescribed by the Guernsey Financial Services Commission ("GFSC") is that the Company must at all times maintain assets of a value sufficient to cover its liabilities, including liabilities arising under or in connection with contracts of insurance, and ensure that there is a suitable matching of assets and liabilities.

The Company defines capital in accordance with regulations prescribed by the GFSC. The Company's capital consists of:

	2023 GBP	2022 GBP
Share capital (paid)	150,000	150,000
Share premium	953,065	953,065
Retained earnings	438,213	63,499
Available capital	<u>1,541,278</u>	<u>1,166,563</u>

The MCR is a formulaic approach using the higher of either a premium based requirement or reserve based requirement. The premium based requirement is calculated by applying 12% to the Company's net premium income on an annualised basis. The reserve based requirement is calculated by applying 12% to the net technical provisions.

The PCR is a formulaic approach applying risk weighting factors to market, counterparty, underwriting and reserving risk.

The Company is required to maintain a surplus of admissible assets over its liabilities which is at all times higher than both its MCR and PCR. The MCR represents the point at which the regulator would invoke the strongest action, while the PCR is the level of capital above which no action is required, with varying degrees of action required if capital lies between the MCR and the PCR.

At 31 December 2023, the Company held a surplus of GBP1,441,278 (2022: GBP1,066,565) above its MCR requirement of GBP100,000 (2022: GBP100,000) and a surplus of GBP1,435,541 (2022: GBP1,066,565) above its PCR requirement of GBP105,737 (2022: GBP100,000).

Management information to monitor the Company's capital requirements and solvency position is produced and presented to the Board on a periodic basis, ensuring that the Company meets its capital requirements at all times. The Company has complied with the relevant GFSC solvency rules throughout the period.

GEORGE AND GREY INSURANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED)

14 Related party transactions

Included within the Company's financial statements are the following related party transactions;

Mr P B Wakefield is a Director of the Company. Directors' fees of GBP5,000 were payable to Mr P B Wakefield (2022: GBP3,199)

Mr E Ballard and Mr R N Williams waived their entitlement to a Directors' fee.

15 Subsequent events

There have been no events subsequent to the end of the period which require adjustment or disclosure in these Financial Statements.