



ASCOT UNDERWRITING GROUP LIMITED

ANNUAL REPORT & FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

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Company Information

Directors	H R Jones-Bak P Patel K M Wilson J Zaffino
Company Secretary	E H Guyatt
Independent auditors	Deloitte LLP Statutory Auditor 1 New Street Square London EC4A 3HQ
Company bankers	Lloyds Bank Plc 25 Gresham Street London EC2V 7HN
Registered office	20 Fenchurch Street London England EC3M 3BY
Registered number	10360031

Strategic report for the year ended 31 December 2022

The directors present their strategic report on the Company for the year ended 31 December 2022.

Principal activity and review of business

Ascot Underwriting Group Limited (“the Company” or “AUGL”) is a holding company for Ascot Underwriting Holdings Limited (“AUHL”), Ascot Corporate Name Limited (“ACNL”), Ascot Employees Corporate Member Limited (“AECM”), Ascot MGA Limited (“AMGA”) and Ascot Underwriting Limited (“AUL”), and its indirect subsidiary Ascot Insurance Services Limited (“AISL”). All entities are incorporated in the United Kingdom and collectively form the UK group.

AUGL operates as a holding company for AUHL, ACNL, AUL, AMGA and AECM. AUHL operates as a service company by incurring expenses on behalf of and recharging to other companies within the UK group and to related parties within Ascot Group (being subsidiaries of Ascot Group Limited). ACNL acts as a limited liability corporate member of the Society of Lloyd’s (“Lloyd’s”), providing underwriting capacity to Syndicate 1414 (“the Syndicate”). AECM is currently dormant. AUL trades as a managing agent for Syndicate 1414. AISL is a wholly owned subsidiary of AUL that acts as a service company of Syndicate 1414. AMGA was incorporated on 15 June 2022 and was dormant for the 2022 financial year.

During the year the Company received \$6,627,910 of dividends in total from UK subsidiaries AUHL and AUL.

Results and performance

The results of the Company for the year, as set out on pages 17 to 26, show a profit on ordinary activities before taxation of \$264k (2021: profit of \$1,712k). The Company has made a profit due to the receipt of \$6,628k (2021: \$5,869k) of dividends from its underlying subsidiaries. The tax credit is \$1,404k (2021: \$777k) leaving a total profit for the financial year of \$1,668k (2021: \$2,489k). The total shareholders’ funds of the Company at the end of the year are \$377,743k (2021: \$376,075k).

Key performance indicators

	2022	2021
	\$’000	\$’000
Net assets	377,743	376,075

The Company is primarily a holding company; it does not generate income from active trade, and its primary source of income is dividend income from underlying subsidiaries. As a holding company the performance of its subsidiaries are the key performance indicators providing the Company with a source of income via dividends in the event of profitable subsidiaries.

Future outlook

The Company continues to be considered a going concern, as it can evidence a strong net asset position and ability to meet the financial obligations due for at least twelve months from the signing of the accounts. The Company expects to continue in its capacity as a holding company for the UK group for the foreseeable future.

Principal risks and uncertainties

The risks set out below are considered to be the principal risks for the Company. The Board of Directors is ultimately responsible for Risk Management. All aspects of the Risk Management Framework have been approved by the Board of Directors. The comments below represent only an overview of the key risks and of the controls to mitigate these risks.

Group risk – the risk that the activities of companies within the UK group have an adverse impact on each other. The key risks considered are sharing of resources (including financial, labour and infrastructure) and brand damage from negative publicity. These are mitigated through clear governance structures, financial monitoring (where applicable), communication between entities across the group as well as a coordinated marketing and communications strategy.

Liquidity risk – the risk is that sufficient cash may not be available to settle obligations when due at a reasonable cost. The only significant liquidity requirement of AUGL is the ability to service the Eurobond facility, which was relisted via the inception of a new facility on 18 November 2021, for a further five years. The Company has sufficient cash reserves to settle the interest on the loan as it arises.

Operational risk – the risk is the subsidiaries of the Company cannot trade due to the office infrastructure or people being unavailable. To counter the impact of this the subsidiaries maintain various contingency plans e.g. disaster recovery sites and backup to mitigate the impact of this risk.

Strategic report for the year ended 31 December 2022 (continued)**Environmental, Social and Governance Matters**

The directors of the Board would like to share the following statement as it represents the actions being taken by the Ascot group, within the UK. The Board recognises the importance of establishing an environmental, social and governance (ESG) philosophy that best serves our stakeholders and shareholders.

Environment – Ascot recognises the need to address the impact of climate change on global communities. Ascot's carbon reduction plan, which is published on the company website, states that Ascot Underwriting Limited is committed to achieving Net Zero Greenhouse Gas emissions by 2050 and has continued its progress to track its scope 1, 2 emissions and initiated development work on scope 3 emissions. In line with our commitment to improving the transparency of our contribution to climate change, the following table summarises the results of the Streamlined Energy and Carbon report, which has been calculated following the standards set out under the Greenhouse Gas (GHG) reporting regime:

2021-2022 greenhouse gas emission figures* (tonnes CO2 equivalent) :

Greenhouse Gas (GHG) Emissions	Unit	2022	2021
Scope 1 – Direct	tCO2e	16	24
Scope 2 (location based) – Indirect	tCO2e	109	99
Scope 2 (market based) – Indirect	tCO2e	0	0
Total (Location)	tCO2e	125	123
Total (Market)	tCO2e	16	24

*The emission data disclosed within this report has been supplied by CBRE Limited.

*Electricity for 20 Fenchurch Street supplied by Total Gas & Power; 100% renewable supplied from REGO accredited source. Electricity for Lloyd's of London supplied by Shell Energy UK for 100% renewable energy.

Ascot Group had an increase in energy use and emissions compared to the previous year. This is due to Ascot expanding its office space within Lloyd's, alongside increased energy demands as employees return to pre-pandemic working patterns. The management company of 20 Fenchurch Street and the building management team at Lloyd's have undertaken a number of energy efficiency projects during the year to reduce each building's carbon footprint and continue the transition to renewable energy. In addition to understanding our operational carbon footprint, we have also confirmed our commitment towards a future where the insurance sector can better support global efforts in addressing climate change, through our continued alignment with the Lloyd's market ESG principles, including reviewing our asset portfolio from an ESG focus.

As a global insurer the impact of climate change is fundamental to our business as we are witnessing a higher frequency and severity in natural catastrophes and extreme weather events. Syndicate 1414 has embedded catastrophe aggregation management principles within the infrastructure of its underwriting process which includes sensitivity analyses and scenario analyses to better understand this risk. During 2022, Ascot also implemented a responsible investment policy which sets out its approach and strategy for the support and consideration of ESG factors across our investment portfolios.

Social - Ascot endeavours not only to be a good corporate citizen and trusted insurer, but also a respected employer that prioritises the importance of staff well-being and success.

The Board continues to place emphasis on ensuring diversity in its broadest sense within the Company. It is committed to maintaining diverse representation at the Board and executive level in line with targets that have been set across the Lloyd's market, and the Board is committed to the development of diversity in senior management roles. For more detail and examples of how Ascot has supported staff through 2022, and other social initiatives please refer to the Section 172 statement.

Governance - Ascot is committed to fostering and promoting responsible corporate governance and transparency. Strong governance practices underpin our commitment to ethics and integrity, board diversity and stakeholder engagement across all facets of the business. Oversight and discussion of ESG related items takes place across various committees in the governance framework with notable developments escalated to the Syndicate Executive, Risk Committee and ultimately, the Board. During 2022 we have worked towards putting in place sustainable procurement and underwriting policies.

The strategic report was approved at a meeting of the Board of Directors and signed on its behalf by:



H R Jones-Bak
Director
27 March 2023

Section 172 Statement

The directors are fully aware of their responsibilities to promote the success of the Company in accordance with s172 of the Companies Act and have acted in accordance with these responsibilities during the year. In respect to this disclosure the Board has identified that its key stakeholders are the Ascot UK workforce, our group shareholder Canada Pension Plan Investment Board (CPP Investments), customers, brokers, regulators and suppliers. The Board considers and discusses information from across the organisation to assist in understanding the effect of Ascot's operations and the interests and views of our key stakeholders. It reviews strategy, financial and operational performance as well as information covering areas such as key risks and legal and regulatory compliance. This information is provided to the Board through reports circulated in advance of each Board meeting and through in-person presentations. Regarding our responsibilities to our key stakeholders the directors, individually and as a whole have considered and acted in respect of:

The likely consequences of any decision in the long term

The directors have performed a review of the business and have considered the future outlook of the Company within the strategic report. Furthermore, our annual planning cycle is designed to ensure a long-term beneficial impact on the Ascot group, taking into account the strategic direction of the group, and overall profitability. In recent years, targeted underwriting actions have been taken by the Syndicate to improve stability of results and overall profitability – this includes continuous performance monitoring and the non-renewal of consistently underperforming accounts. The directors have also focused on areas of expansion and opportunity, including the expansion of new teams who write as Lloyd's consortium leaders, introducing new relationships and revenue streams. We continue to operate our business within a structured control environment, ensuring ongoing compliance with all regulatory matters. For example, steps are being taken to ensure compliance with the FCA's new Consumer Duty regime.

The interests of the employees working for the Ascot UK group

The directors strive to make Ascot an enjoyable and rewarding place to work, and periodically carry out employee surveys to ensure the level of staff engagement is on track with expectations. Employees are also encouraged to participate in the market-wide Lloyd's Culture Survey, with any areas of concern or issues shared by Lloyd's with Ascot. Furthermore, Ascot holds regular town hall meetings for all staff to discuss the Ascot group results, updates to Ascot's strategy, and opportunities and challenges that are being seen across the market. These regular meetings ensure Ascot staff are well informed and aligned to Ascot's core strategy, helping to keep standards and engagement at the expected level.

The HR department has been proactive in ensuring all staff have access to mental well-being support, including the appointment of local Mental Health Champions in the UK who have received mental health first aid training. In recognition of Mental Health Awareness month, mental health awareness webinars were provided to all staff. A hybrid in the office/at home working policy was introduced and implemented in 2021 which is designed to promote a positive work life balance through increased work location flexibility.

Ascot's commitment to maintaining an inclusive culture is enhanced by the Ascot Culture Council which empowers our employees to shape, reinforce and contribute to Ascot culture, with a focus on continuously developing the Ascot culture strategy so it aligns with corporate objectives. The Culture Council recently established a Mentorship Program and received an overwhelming response for volunteers amongst employees. Ascot has also joined the Insurance Supper Club, a global business community that provides personal, professional and business development for women in insurance and established the first Employee Resource Group 'Ascot Group Women and Allies'; created to empower, develop and support the continued success of female employees.

The need to foster the UK group's business relationships with suppliers, customers and others

Ascot strives to have a client-centric approach to business and is constantly reviewing how we engage with our customers to ensure we are able to transact as seamlessly and dynamically as possible. This includes reviewing the products on offer, the distribution channels used and ensuring the claims response time is among best in class within the London market, which is evidenced by our response times consistently being faster than the average for the market throughout 2022.

Ascot continues to implement the "One Ascot" approach to business across the globe, whereby all staff members are encouraged to consider how we can better serve clients and utilise offerings available in other jurisdictions. Our internal digital strategy is focused on ensuring that all systems and processes are aligned to allow frictionless trade and reporting across regions giving our customers access to products that may have otherwise been difficult to service.

The UK group has a robust accounts payable function that ensures suppliers are paid well within standard credit terms, with payments made weekly once invoices have been approved for settlement. The underlying technology means that the approval process is automated, with staff able to approve invoices via mobile/email apps.

Section 172 Statement (Continued)**The impact of the UK group's operations on the community and the environment**

The AUL Charity Committee meets regularly to assess ongoing charitable partnerships and other ways in which the UK group is able to support the local community. This has included donations to charities by service company AUHL on behalf of the UK group throughout the year to local causes such as the East End Community Foundation and The Ben Kinsella Trust, as well as in response to emerging global emergencies through a donation to the Disasters Emergency Committee Ukraine refugee appeal. During 2022 Ascot also partnered with the Sponsors for the Educational Opportunity charity supporting students from underserved and underrepresented backgrounds for career success via Internships.

The directors continue to consider the impact the UK group has on the environment and this will become an increasing area of focus over time. Ascot's carbon reduction plan, which is published on the company website, states that AUL is committed to achieving Net Zero Greenhouse Gas emissions by 2050 and has continued its progress to track its scope 1, 2 emissions and initiated development work on scope 3 emissions. As part of Ascot's carbon reduction initiatives, employees are encouraged to take advantage of the cycle to work scheme and a hybrid working policy has been successfully implemented, which has supported the reduction in emissions associated with commuting. Other initiatives include limiting the amount of printing in the office and introducing reusable cups and water bottles as part of reducing our environmental impact.

Ascot's ethos to community is also embedded within its business operations, with Syndicate 1414 leading the 'AsOne' facility, launched seven days after the Black Sea agreement brokered by the UN and signed by Russia, Ukraine and Turkey. The facility was a first of its kind, set up to be a purpose built insurance capacity that clients could rely on to export grain and food products from Ukraine. During 2022, Ascot also implemented a responsible investment policy which sets out its approach and strategy for the support and consideration of ESG factors across our investment portfolios. Further, and importantly, we have worked towards putting in place sustainable procurement and underwriting policies.

The desirability of the UK group maintaining a reputation for high standards of business conduct

This is a core value of Ascot and every member of staff is expected to act with professionalism and integrity, which is reiterated within job descriptions, the staff handbook and the annual appraisal process. In order to ensure these high standards of business conduct are delivered, a relevant committee structure is in place with sub-committees reporting to the Board on key areas of the business, including (but not limited to) Audit, Investment, Nomination and Remuneration and Risk Committees and Syndicate Executive, Claims and Underwriting Management Sub-Committees.

We have transparent communication and ongoing engagement with our key regulators facilitated through the compliance team and certain members of the executive team. Any significant regulatory matters are reported to the Board.

There is a clear policy in place for Whistleblowing ensuring employees are empowered to raise concerns in confidence and without fear of unfair treatment. A Non-Executive Director, is the Whistleblowing champion for the Company and the Risk Committee as a whole ensures that the processes in place are adequate; this includes the provision of an external whistleblowing hotline service. A whistleblowing report is reviewed and agreed by the Board of Directors annually.

The need to act fairly between members of Ascot group

Ascot's principal owner is CPP Investments, with other minority investors being employees or former employees of Ascot. The Board includes CPP Investments appointed members who engage in all strategic and operational decisions.

Directors' report for the year ended 31 December 2022

The directors present their report and audited Company financial statements for the year ended 31 December 2022.

Future outlook

This has been discussed in the Strategic Report.

Results and performance

This has been discussed in the Strategic Report.

Dividends

During the year the Company received \$6,627,910 of dividends (2021: \$5,868,840) in total from UK subsidiaries consisting of £3,000,000 from AUL (2021: £3,150,000), and £2,000,000 from AUHL (2021: £1,000,000). There are no proposed dividends by the Company post the date of this report.

Directors

The directors and officers who held office during the year and up to the date of this report are listed below.

A L Brooks	Resigned 6 February 2023
H R Jones-Bak	
P Patel	
K M Wilson	
J M Zaffino	Appointed 6 February 2023

Company Secretary

E H Guyatt

Principal risks and uncertainties

This has been discussed in the Strategic Report.

Charitable Donations

No donations were made for charitable purposes during the year (2021: \$nil). No donations were made for political purposes during the year (2021: \$nil). During the year service company AUHL made donations for charitable purposes of £215,580 on behalf of the UK group.

Statement of directors' responsibilities

The directors are responsible for preparing the strategic report and the directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. The directors have prepared the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial reporting Standard 102 The Financial Reporting Standard Applicable in the UK and Republic of Ireland (FRS 102).

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 Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

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

Directors' report for the year ended 31 December 2022 (continued)**Statement of directors' responsibilities (continued)**

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Statement of disclosure of information to the auditors

So far as each person who was a director of the Company at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditors in connection with preparing their report, of which the auditors are unaware. Having made enquiries of fellow directors of the Company and the Company's auditor, each director has taken all the steps that they are obliged to take as a director in order to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

Independent Auditors

Deloitte LLP have expressed their willingness to continue in office as auditors.

Streamlined Energy and Carbon Reporting

Ascot Group is committed to complying with relevant environmental legislation to improve transparency and auditability of emissions. As part of this commitment, this section of our Director's Report discloses our operational energy consumption and carbon footprint in line with the UK government's Streamlined Energy and Carbon Reporting (SECR) initiative. The data included in this section covers this financial year and the previous one (January to December; 2021 and 2022).

Methodology

The emissions included in this report are calculated following the Greenhouse Gas (GHG) Protocol Corporate Accounting and Reporting Standard (revised edition). The boundaries of the GHG inventory are defined using the operational control approach. Emissions factors are sourced from the UK Government GHG Conversion Factors for Company Reporting. Ascot Group is not responsible for any transport; therefore, this report covers emissions across Scope 1 and Scope 2:

- Scope 1 – Direct emissions from natural gas
- Scope 2 – Indirect emissions from electricity

On 18 July 2022, Ascot began occupancy of a new leased area at Lloyds, One Lime Street. This, together with 20 Fenchurch Street, comprises all of Ascot's UK offices. In order to better reflect the environmental benefit of purchasing renewable energy and in line with the GHG Protocol Corporate Accounting and Reporting Standard (revised edition) guidelines, we report our emissions from electricity in two ways: 'market-based' and 'location-based' methods. Market-based emissions reflect the type of electricity purchased/ consumed, which may be different from the average national generation mix. For both of our offices in the reporting year we sourced 100% renewable electricity. The metrics that Ascot Group uses for normalising emissions for annual comparison is tCO₂e per £M of revenue and full-time employees (FTE).

UK annual energy and carbon

Due to the nature of our business, multiple reporting entities occupy the same office space and are jointly responsible for energy consumed. For SECR purposes, Ascot Group have estimated entity-specific UK energy consumption and GHG emissions based on the proportion of each office's floor area out of the entire building's floor area.

The following tables summarise the entity-specific energy consumption and subsequent emissions.

Table 1: Annual energy consumption

Energy	Unit	2022	2021*
Electricity	kWh	583,848	511,580
Gas	kWh	101,727	132,445
Total	kWh	685575	644025

*Energy data for September - December 2021 was estimated based on the energy consumption from the three months prior.

Directors' report for the year ended 31 December 2022 (continued)

Table 2: Annual tCO₂e emissions

Greenhouse Gas (GHG) Emissions	Unit	2022	2021
Scope 1 – Direct	tCO ₂ e	18	24
Scope 2 (location based) – Indirect	tCO ₂ e	113	109
Scope 2 (market based) – Indirect*	tCO ₂ e	0	0
Total (Location)	tCO₂e	131	133
Total (Market)	tCO₂e	18	24

*Electricity for 20 Fenchurch Street supplied by Total Gas & Power; 100% renewable sources. Electricity for Lloyds of London supplied by Shell Energy UK for 100% renewable energy.

As shown in Table 1 and 2, the UK group had an increase in energy use and emissions compared to the previous year. This is due to the expansion of office space in Lloyd's alongside increased energy demands as employees return to pre-pandemic working patterns. Compared with 2021, energy use increased by 6%. Additionally, there is a 25% decrease in market-based emissions from 2021 to 2022. This is influenced by the drop in scope 1 emissions.

Table3: tCO₂e vs normalisation metric

Intensity Ratio	Unit	2022	2021
Market-based	tCO ₂ e/£M	0.014	0.023
Market-based	tCO ₂ e/FTE	0.062	0.108
Location-based	tCO ₂ e/£M	0.097	0.127
Location-based	tCO ₂ e/FTE	0.422	0.593

Energy efficiency measures

In 2022, the building management team at 20 Fenchurch Street completed the following energy efficiency projects:

- Project Go Dark initiates savings on lighting within common areas. The occupier is encouraged to work with lighting specialist to adjust lighting accordingly for increased efficiency on their floor.
- Cooling tower variable set points implemented in July 2022 to achieve maximum cooling efficiency.
- A boiler outside temperature hold off procedure implemented. This turns the pumps off when the air temperature exceeds 21 degrees Celsius.

In 2022, the building management team at Lloyd's completed the following energy efficiency projects during Ascot's tenancy:

- The LV project was completed resulting in all 5 substations being fully refurbished with installation of state-of-the-art components.
- Additional LED lighting installed throughout Tower 2 stairwell with PIR sensors.
- LED lighting installed throughout all the roof plant rooms.
- The BMS run times were reviewed and the start and finish times of plant in specific locations was adjusted to ensure it only operates when the areas are being used.
- Improved communication between the Commercial Real Estate (CRE) and the Sustainability team to ensure there is a full understanding of the various works taking place associated with Lloyd's environmental management and the SBTi scope 1, 2 and 3 reporting process.

The directors' report and the section 172 statement were approved at a meeting of the Board of Directors and signed on its behalf by:



H R Jones-Bak
Director
27 March 2023



P Patel
Director
27 March 2023

Independent auditor's report to the members of Ascot Underwriting Group Limited

Report on the audit of the financial statements

1. Opinion

In our opinion the financial statements of Ascot Underwriting Group Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 December 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the statement of comprehensive income;
- the statement of financial position;
- the statement of changes in equity;
- the related notes 1 to 18.

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" (United Kingdom Generally Accepted Accounting Practice).

2. Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

3. Summary of our audit approach

Key audit matters	<p>The key audit matter that we identified in the current year was:</p> <ul style="list-style-type: none"> • Investment in subsidiaries <p>Within this report, key audit matters are identified as follows:</p> <ul style="list-style-type: none"> • Newly identified • Increased level of risk • Similar level of risk • Decreased level of risk
Materiality	The materiality that we used in the current year was \$11.3m which was determined on the basis of 3% of net assets.
Scoping	Audit work to respond to the risks of material misstatement was performed directly by the audit engagement team. The Deloitte Bermuda IT team was scoped in to perform testing on key IT systems relevant for the Ascot Audit.
Significant changes in our approach	There were no significant changes in our approach in the current year.

Independent auditor's report to the members of Ascot Underwriting Group Limited (continued)

4. 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 company's ability to continue to adopt the going concern basis of accounting included assessment of the entity's:

- Financial results – we considered the company's and the company's subsidiaries' profitability, net asset position and cash flow in 2022 and the extent to which these supported management's going concern assessment
- Assumptions used in forecasts – we assessed assumptions used in forecasts, including forecast premiums written and claims, against our understanding of the business and the market in which the company and its subsidiaries operates.
- Accuracy of previous forecasts – we assessed the accuracy of historical forecasts via comparison to actuals.

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.

5. 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. These matters included 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.

5.1 Investment in subsidiaries (*similar level of risk*)

Key audit matter description	<p>The company has investments in subsidiaries of \$507m as at 31 December 2022 (2021: \$507m), valued at cost and reviewed annually for impairment. These investments comprise investments in Ascot Underwriting Holdings Limited, Ascot Employees Corporate Member Limited, Ascot Corporate Name Limited, Ascot MGA Limited and Ascot Underwriting Limited and are highly material to the company as they account for 96% of total assets.</p> <p>Judgement is required by the directors as to whether any of the investments should be impaired based on the financial position and future prospects of the investments. This takes into consideration a range of factors such as the trading performance, the expected revenue growth and discount rates.</p> <p>Further details are included within the strategic report on pages 3 to 4, critical accounting estimates and judgements note in note 2 and note 10 to the financial statements.</p>
How the scope of our audit responded to the key audit matter	<p>We obtained an understanding of relevant controls related to the valuation of investment subsidiaries.</p> <p>We evaluated management's assessment of whether impairment indicators existed at the balance sheet date, and the details of the assets and cash generating units on which this assessment was made.</p> <p>We evaluated this assessment against the requirements of FRS 102, to assess whether management had considered all the required elements from the standards. We assessed whether judgements made by management were justified and reasonable by considering these against the performance of the wider Ascot group and its position within the Lloyd's market.</p>
Key observations	<p>Based on the work performed we concluded that the valuation of investment in subsidiaries is appropriate.</p>

Independent auditor’s report to the members of Ascot Underwriting Group Limited (continued)

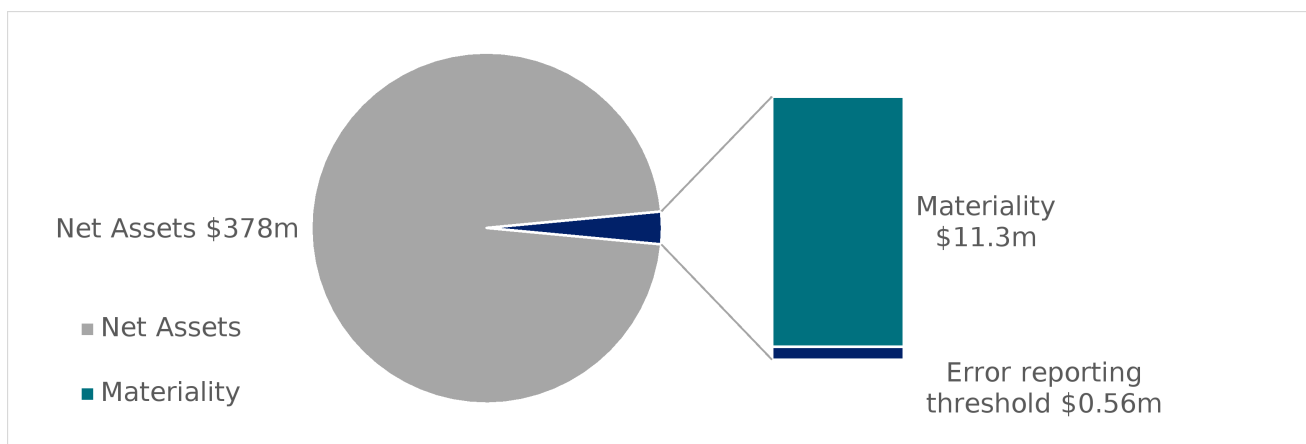
6. Our application of materiality

6.1 Materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

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

Materiality	\$11.3m (2021: \$11.2m)
Basis for determining materiality	3% of net assets (2021: 3% of net assets)
Rationale for the benchmark applied	We determined materiality based on net assets. The company's ultimate parent Canada Pension Plan Investment Board (CPPIB) is a well-capitalised investor with a long investment horizon. We consider net assets to be of most concern to the key users (CPPIB) of Ascot Underwriting Group Limited's financial statements with respect to performance. We have chosen net assets as a benchmark as this is more reflective of performance by also showing the debt position of the holding company, which impacts valuation from CPPIB's perspective.



6.2 Performance materiality

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole. Performance materiality was set at 70% of materiality for the 2022 audit (2021: 70%). In determining performance materiality, we considered the following factors:

- a. our risk assessment, including our assessment of the Company's overall control environment and the relatively low complexity of balances.
- b. our past experience of the audit, which has indicated a low number of corrected and uncorrected misstatements identified in prior periods.

6.3 Error reporting threshold

We agreed with the directors that we would report to the directors all audit differences in excess of \$0.56m (2021: \$0.56m), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the directors on disclosure matters that we identified when assessing the overall presentation of the financial statements.

Independent auditor's report to the members of Ascot Underwriting Group Limited (continued)**7. An overview of the scope of our audit****7.1 Scoping**

Our audit was scoped by obtaining an understanding of the entity and its environment, including internal control, and assessing the risks of material misstatement. Audit work to respond to the risks of material misstatement was performed directly by the audit engagement team. The Deloitte Bermuda IT team was scoped in to perform testing on key IT systems relevant for the Ascot audit.

7.2 Our consideration of the control environment

The only key IT system relevant to the control environment is SunGL (general ledger system), and the related IT environmental and controls. We took an IT controls reliance approach and performed testing of key IT systems relevant to the audit. Work was performed by our Bermuda IT team this year and included testing of the joiners and leavers process, user access controls, change management controls and password controls. Our testing noted no significant deficiencies of IT controls, with all deficiencies identified being fully mitigated. As such, we were able to rely on these controls as part of our audit.

We planned to rely on controls with relation to expenses and payroll, cash and investments and the financial statement close process. We obtained an understanding of relevant controls for each of these areas, and took a triennial approach to testing the relevant controls where required under this approach. We did not identify any deficiencies in these controls through our testing. As such, we were able to rely on these controls as part of our audit.

7.3 Our consideration of climate-related risks

We obtained management's action plan to embed their approach to managing climate-related financial risks within their organisation. The action plan includes climate change scenario analysis; updating documentation to cover climate-related reporting requirements; documenting the discussion of climate-related risks at Board level and during the business planning cycle; considering setting risk appetites around certain exposures; and producing a carbon emissions report in line with the Greenhouse Gas Protocol framework.

We have assessed and challenged management's assertions via a review of the nature of Ascot's business and their potential exposures to climate risk.

For the financial year ended 31 December 2022, management have assessed that there are no material climate risks impacting upon the Ascot financial statements as at this year end. We concur with this conclusion and have assessed whether the climate change disclosures in the annual report were consistent with our understanding of the business and the financial statements.

7.4 Working with other auditors

We scoped in our Bermuda IT team to perform testing on key IT systems relevant for the Ascot audit. We attended frequent update calls to understand the progress of their work during the audit. We performed a desktop review once their testing was complete and reviewed their concluding documentation for our audit files before we concluded on our audit.

8. 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 contained within the annual report.

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.

Independent auditor's report to the members of Ascot Underwriting Group Limited (continued)

9. Responsibilities of directors

As explained more fully in the directors' responsibilities statement, 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 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 have no realistic alternative but to do so.

10. 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.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

11. Extent to which the audit was considered 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. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

11.1 Identifying and assessing potential risks related to irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:

- the nature of the industry and sector, control environment and business performance including the design of the company's remuneration policies, key drivers for directors' remuneration, bonus levels and performance targets;
- results of our enquiries of management, the directors and the audit committee about their own identification and assessment of the risks of irregularities, including those that are specific to the company's sector;
- any matters we identified having obtained and reviewed the company's documentation of their policies and procedures relating to:
 - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
 - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
 - the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations;
- the matters discussed among the audit engagement team and relevant internal specialists, including tax, valuations and IT specialists regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud. In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

We also obtained an understanding of the legal and regulatory framework that the company operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included the UK Companies Act 2006 and tax legislation.

Independent auditor's report to the members of Ascot Underwriting Group Limited (continued)

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty. These included the Lloyd's of London Acts and Byelaws and regulatory solvency requirements.

11.2 Audit response to risks identified

As a result of performing the above, we did not identify any key audit matters related to the potential risk of fraud or non-compliance with laws and regulations.

In addition to the above, our procedures to respond to risks identified included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- enquiring of management, the audit committee and in-house legal counsel concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance, reviewing internal audit reports and reviewing correspondence with HMRC, Lloyds and the PRA; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

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

Report on other legal and regulatory requirements

12. Opinions on other matters prescribed by the Companies Act 2006

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 company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

13. Matters on which we are required to report by exception

13.1 Adequacy of explanations received and accounting records

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

13.2 Directors' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made.

We have nothing to report in respect of this matter.

Independent auditor's report to the members of Ascot Underwriting Group Limited (continued)

14. 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.

Adam Ely FCA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom
27 March 2023

**Statement of Comprehensive Income
for the year ended 31 December 2022**

	Note	2022 \$'000	2021 \$'000
Turnover		—	—
Gross profit		—	—
Administrative expenses		(840)	(110)
Operating loss	3	(840)	(110)
Interest receivable and similar income	6	240	3
Income from shares in group undertakings	7	6,628	5,869
Interest payable and similar charges	8	(5,764)	(4,050)
Profit on ordinary activities before taxation		264	1,712
Tax credit on profit on ordinary activities	9	1,404	777
Profit for the financial year		1,668	2,489

All operations are continuing.

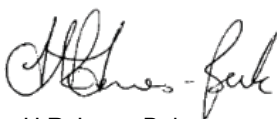
The notes on pages 20 to 26 form an integral part of these financial statements.

**Statement of Financial Position
as at 31 December 2022**

	Note	2022 \$'000	2021 \$'000
Investment in subsidiaries	10	506,727	506,727
Total fixed assets		506,727	506,727
Investments	11	12,347	16,105
Debtors	12	6,452	4
Cash at bank		46	101
Deferred tax asset	13	1,976	1,271
Total current assets		20,821	17,481
Creditors: amounts falling due within one year	14	(1,054)	(51)
Net current assets		19,767	17,430
Total assets less current liabilities		526,494	524,157
Creditors: amounts falling due after one year	15	(148,751)	(148,082)
Net assets		377,743	376,075
Called up share capital	16	306	306
Share Premium	16	355,685	355,685
Profit and loss account		21,752	20,084
Total Shareholders' funds		377,743	376,075

The notes on pages 20 to 26 form an integral part of these financial statements.

The financial statements on pages 17 to 26 were approved at a meeting of the Board of Directors and signed on its behalf by:



H R Jones-Bak
Director
27 March 2023



P Patel
Director
27 March 2023

**Statement of Changes in Equity
for the year ended 31 December 2022**

	Called-up Share Capital	Share Premium	Profit and Loss Account	Total
Note	\$'000	\$'000	\$'000	\$'000
Balance as at 1 January 2021	306	355,685	17,595	373,586
Total comprehensive profit attributed to shareholders	—	—	2,489	2,489
Balances as at 31 December 2021	306	355,685	20,084	376,075
Balance as at 1 January 2022	306	355,685	20,084	376,075
Total comprehensive profit attributed to shareholders	—	—	1,668	1,668
Balances as at 31 December 2022	306	355,685	21,752	377,743

Notes to the financial statements for the year ended 31 December 2022**1. Statement of compliance**

The individual financial statements of the Company have been prepared in compliance with United Kingdom Accounting Standards, which includes Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102"), and the Companies Act 2006, under the provision of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (SI 2008/410).

2. Summary of significant accounting policies

AUGL acts primarily as a private holding company limited by its shares and is incorporated in the United Kingdom. The address of its registered office is 20 Fenchurch Street, London EC3M 3BY. 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.

Basis of presentation

The financial statements have been prepared on the going concern basis, under the historical cost convention, in accordance with the Companies Act 2006, and reflect the provisions of The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 ('SI2008/410'), the accounting policies as set out below, and in accordance with applicable accounting standards in the United Kingdom (FRS 102). In selecting appropriate accounting policies and the disclosures needed to help users to understand the accounting policies adopted and how they have been consistently applied, consideration has been given to the provision of FRS 102.

The Company's result is included within the consolidated financial statements of Ascot Group Limited ("AGL"). Consequently the Company has taken advantage of section 401(2) of the Companies Act 2006, which exempts an intermediate parent company that is a subsidiary of a parent not established under the law of an EEA State from the requirement to prepare consolidated financial statements if it is included in the consolidated financial statements of a larger group drawn in a manner equivalent to the consolidated financial statements produced in accordance with the provisions of the Seventh Directive. As such, the financial statements contain information about AUGL as an individual company and do not contain consolidated financial information.

Under FRS 102 paragraph 1.11 and 1.12 the company is exempt from the requirement to prepare a cash flow statement on the grounds that the ultimate parent company AGL publishes consolidated financial statements which include the affairs of this company. The consolidated financial statements of AGL, within which this company's affairs are included are publicly available (see note 18).

Going Concern

In arriving at a determination of going concern, the directors consider a number of risks, taking into account the economic, regulatory and environmental considerations as referenced in the Strategic Report;

- a. **Group risk** – the risk that the activities of companies within the UK group have an adverse impact on each other.
- b. **Liquidity risk** – the risk is that sufficient cash may not be available to settle obligations when due at a reasonable cost.
- c. **Operational risk** – the risk is the subsidiaries of the Company cannot trade due to the office infrastructure or people being unavailable.

The Company has concluded that it continues to be a going concern after taking into account the above risks, as it can evidence strong net asset position and ability to meet the financial obligations due for at least twelve months from the signing of the accounts.

Critical accounting judgements and estimation uncertainty

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

Currently the only critical accounting judgement for AUGL is in relation to the assessment for impairment to the investments held in AUHL, AUL, AECM, ACNL and AMGA. The Company has taken the view that these investments continue to pertain to the same cash generating unit ("CGU") and as such consider impairment at the CGU level accordingly, rather than at the individual entity level. The Company is satisfied that this approach is in line with FRS 102 section 27 (Impairment of assets) due to the inter-dependence of each subsidiary on future group cashflows, forecasted profit and operational reliance within the UK group, including future potential growth strategies.

Notes to the financial statements for the year ended 31 December 2022 (continued)***Critical accounting judgements and estimation uncertainty (continued)***

For each reporting period, the Company considers whether the investment in subsidiaries is impaired. This requires consideration of numerous indicators of impairment from both internal and external sources, upon which the Company makes a judgement based on all known facts and future plans. Where an indication of impairment is identified the estimation of recoverable amount requires estimation of the recoverable value of the single CGU described above. This requires estimation of the future cash flows of the UK group and also selection of an appropriate discount rate in order to calculate the net present value of those cash flows.

Key accounting policies***Dividends***

Income from shares in group undertakings represents dividend income received from subsidiary operations. Interim dividends are recognised when paid and final dividends are recognised as when they are approved by members passing a written resolution.

Expenditure

The Company retains expenses which are incurred directly in relation to the running of the Company, for example audit fees. In addition, the Company is allocated a share of expenses, which are incurred in relation to its role as the holding entity of the UK group, from other group entities under the Group Resource Agreement. AMGA was incorporated as a subsidiary of AUGL on 15 June 2022 and has remained dormant for the 2022 financial year. In its capacity as the parent company of AMGA, AUGL is incurring expenses in relation to the set up costs of AMGA.

Interest receivable and payable

Interest is recognised in the financial statements in the period to which it relates.

Taxation

Current and deferred income tax for current and prior periods is recognised at the amount expected to be paid to or recovered from the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the statement of financial position date.

Deferred income tax is recognised on an undiscounted basis for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. A deferred income tax asset is recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and tax losses can be utilised. Current and deferred income tax for current and prior periods is recognised at the amount expected to be paid to or recovered from the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the statement of financial position date. Deferred income tax is recognised on an undiscounted basis for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. A deferred income tax asset is recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and tax losses can be utilised. Current and deferred income taxes are recognised as income or expense in statement of comprehensive income. The expense is charged or credited to operations based upon amounts payable or recoverable as a result of taxable operations for the current year. Where there are losses in the UK in any one year they can be carried back for one year or carried forward indefinitely to be offset against profits arising.

Investment in subsidiaries

Investments in subsidiary undertakings and other investments are stated at cost and are reviewed for impairment on an annual basis for any indicators that the carrying value should be impaired.

Foreign currencies

The Company's functional currency is US Dollars. All income and expenses denominated in foreign currencies during the period are translated into US Dollars at the average rates of exchange during the year. Monetary assets and liabilities denominated in foreign currencies are translated into US Dollars at the rates of exchange ruling at the statement of financial position date. Exchange differences arising from these transactions are recorded as a gain or loss in the statement of comprehensive income.

Financial assets and liabilities

When financial assets and liabilities are payable or recoverable in more than one year, they are initially recognised at cost and subsequently re-measured at amortised cost using the effective interest rate method. The interest rate used is generally that as stated in the loan agreement (if applicable) or a standard market rate for a similar product. The unwinding of the associated discount is subsequently recognised in the Statement of Comprehensive Income. Financial assets and liabilities payable or receivable in less than one year are recognised at cost, and deemed to be at present value.

Notes to the financial statements for the year ended 31 December 2022 (continued)**2. Cash flow statement**

The Company is consolidated into the financial statements of AGL (see note 18). Consequently, the Company has taken advantage of the exemption from preparing a statement of cash flows under the terms of FRS 102.1.11, 1.12 and 1.13 which state that a qualifying entity is entitled to do so.

3. Operating profit

Operating profit is stated after charging:

	2022	2021
	\$'000	\$'000
Auditor's remuneration	25	37
Tax (credit) / fees	(3)	14
Legal fees	58	26
Irrecoverable VAT	27	2
Foreign exchange (gain) / loss	(749)	29
Recharges from Group companies (note 4)	1,007	—
Professional fees	475	—

Auditor's remuneration relates purely to the audit of the statutory financial statements.

AMGA was incorporated as a subsidiary of AUGL on 15 June 2022 and has remained dormant for the 2022 financial year. In its capacity as the parent company of AMGA, AUGL is incurring expenses on behalf of AMGA in relation to its set up costs. During 2022, \$552k expenses relating to the set up costs of the new subsidiary were incurred by AUGL, consisting largely of technology costs and legal fees. In respect of costs incurred on behalf of dormant subsidiary AECM, a \$8k credit was assumed by AUGL in the financial year for a tax fee release.

For 2022, the Company was allocated a share of expenses incurred in relation to its role as the holding entity of the UK group, from other group entities under the Group Resource Agreement. 2022 is the first year that the Company has been allocated costs under the Group Resource Agreement.

4. Staff costs

There are no employees. All staff are employed by other companies in the Ascot Group.

5. Directors' Remuneration

Aggregate directors' emoluments charged to the Company, or its subsidiaries, or paid for the benefit of the Company for the four remunerated directors are as follows:

Directors' emoluments	2022	2021
	\$'000	\$'000
Salary	1,035	1,054
Other pension costs	104	105
Other benefits	21	23
Short term and long term incentive plans	1,063	1,408
Stock salary - restricted stock awards	943	—
	3,166	2,590
Highest paid	1,731,824	1,153,910
Share options	nil	nil

The highest paid director for the year ended 31 December 2022 received \$1,731,824 of remuneration in the year (2021: \$1,153,910).

Notes to the financial statements for the year ended 31 December 2022 (continued)**6. Interest receivable and similar income**

Interest receivable relates to amounts earned from the Company's held money market accounts, accrued income and interest earned on cash held during the year.

7. Income from shares in group undertakings

During the year the Company received \$6,627,910 of dividends (2021: \$5,868,840) in total from UK subsidiaries consisting of £3,000,000 from AUL (2021: £3,150,000), and £2,000,000 from AUHL (2021: £1,000,000). There are no proposed dividends by the Company post the date of this report.

8. Interest payable and similar charges

	2022	2021
	\$'000	\$'000
Amounts accrued on interest bearing loans	5,095	5,968
Loan discounting	669	(1,918)
	<u>5,764</u>	<u>4,050</u>

For further detail on the loan discount please refer to note 15 - Creditors: amounts falling due after one year.

9. Tax on profit on ordinary activities**a) Analysis of charge in the year**

The tax charge comprises:

	2022	2021
	\$'000	\$'000
Current Tax on profit on ordinary activities:		
UK Corporation tax	—	—
Adjustments in respect of prior years - Group Relief	699	741
Current tax on income for the year	<u>699</u>	<u>741</u>
Deferred taxation:		
Deferred tax – origination and reversal of timing differences	1,404	777
Adjustment in respect of prior years - Group Relief	(699)	(741)
Deferred tax on income for the year (note 13)	<u>705</u>	<u>36</u>
Tax Credit	<u>1,404</u>	<u>777</u>

b) Factors affecting tax charge for the year

The standard rate of Corporation Tax in the UK is 19.00% (2021: 19.00%). Accordingly, the Company's profits for this accounting period are taxed at a rate of 19.00% (2021: 19.00%). The current tax assessed for the year is lower (2021: lower) than the standard rate of Corporation Tax in the UK for 2022 of 19.00% (2021: 19.00%). The differences are explained below:

	2022	2021
	\$'000	\$'000
Profit on ordinary activities before taxation	264	1,712
Profit on ordinary activities before tax multiplied by the standard rate of UK corporation tax of 19.00% (2021: 19.00%)	(50)	(325)
Income / (expenses) not deductible for tax purposes:		
Dividends	1,259	1,115
Legal and Professional - assumed on behalf of subsidiaries	(104)	(9)
Foreign exchange gain on capital transactions	(8)	(4)
Foreign exchange on prior year adjustment	(16)	—
Tax rate differences	323	—
Tax credit for the period	<u>1,404</u>	<u>777</u>

Notes to the financial statements for the year ended 31 December 2022 (continued)

10. Investment in subsidiaries

The related undertakings of Ascot Underwriting Group Limited at 31 December 2022:

Subsidiary undertaking	Principal Activity	Registered Address	Class	Percentage
Ascot Underwriting Holdings Limited	Holding Company	20 Fenchurch Street, London, UK	Ordinary	100%
Ascot Employees Corporate Member Limited	Dormant Corporate Member of Lloyd's	20 Fenchurch Street, London, UK	Ordinary	100%
Ascot Corporate Name Limited	Corporate Member of Lloyd's	20 Fenchurch Street, London, UK	Ordinary	100%
Ascot Underwriting Limited	Managing Agent	20 Fenchurch Street, London, UK	Ordinary	100%
Ascot MGA Limited	Service Company	20 Fenchurch Street, London, UK	Ordinary	100%

Indirect related undertakings as at 31 December 2022 were:

Subsidiary undertaking	Principal Activity	Registered Address	Class	Percentage
Ascot Insurance Services Limited	Service Company	20 Fenchurch Street, London, UK	Ordinary	100%

Investment in subsidiary undertakings:

Cost	2022 \$	2021 \$
Ascot Corporate Name Limited	239,538,811	239,538,811
Ascot Employees Corporate Member Limited	10,840,000	10,840,000
Ascot Underwriting Holdings Limited	255,844,760	255,844,760
Ascot Underwriting Limited	503,296	503,296
Ascot MGA Limited	100	—
At Year End	506,726,967	506,726,867

11. Investments

Included within the investments balance within current assets is \$12,347k of Invesco money market short term investments (2021: \$16,105k).

12. Debtors

	2022 \$'000	2021 \$'000
Amounts due from subsidiaries	6,416	4
Accrued Income	36	—
	6,452	4

Amounts due from subsidiaries do not have any applicable terms and conditions applied and will be settled within one year.

Notes to the financial statements for the year ended 31 December 2022 (continued)

13. Deferred tax asset

Deferred tax is provided as follows:

	2022	2021
	\$'000	\$'000
At 1 January	1,271	1,235
Deferred tax credit to other comprehensive income (note 9a)	705	36
At 31 December	<u>1,976</u>	<u>1,271</u>
The closing deferred tax balance comprise:		
	2022	2021
	\$'000	\$'000
Trading losses	<u>1,976</u>	<u>1,271</u>
	<u>1,976</u>	<u>1,271</u>

The calculation of the deferred tax assets and liabilities is based on corporation tax rates, as at the balance sheet date, for the financial years in which the timing difference is expected to reverse. The net deferred tax asset expected to reverse in 2023 is \$281k (2022: \$568k). Deferred tax has not been recognised on pre-2017 losses of \$138k (2021: \$138k) as they are not expected to be utilised in future years.

The Chancellor of the Exchequer announced in his annual budget on the 03 March 2021 that the rate of corporation tax will increase to 25% commencing April 2023 and the increase was substantively enacted on 24 May 2021. The Company has recognised deferred tax at the rate of which it is expected the tax to unwind. The impact of this increase was a deferred tax credit of \$323k (2021: nil).

14. Creditors: amounts falling due within one year

	2022	2021
	\$'000	\$'000
Amounts due to subsidiaries	1,030	—
Accruals and deferred income	24	51
	<u>1,054</u>	<u>51</u>

Amounts due to subsidiaries do not have any applicable terms and conditions applied and will be settled within one year.

15. Creditors: amounts falling due after one year

	2022	2021
	\$'000	\$'000
Loan notes issued to immediate parent	(148,751)	(148,082)
	<u>(148,751)</u>	<u>(148,082)</u>

A resolution was passed by the board of AUGL on 17 November 2016 to create up to 200,000,000 loan notes with a value of \$1 per note. The loan notes were issued on 18 November 2016 and 150,000,000 were taken up by the Company's parent, Ascot Bermuda Limited ("ABL"). Interest on the notes accrues on a days basis of a 360-day year. In anticipation of maturation of the original loan facility, the Board passed a resolution on 17 June 2021 to relist the loan notes via the inception of a new facility on 18 November 2021, for a further five years.

The issuer (AUGL) will pay interest on the principal amount of each note at a rate of 3.35% per annum, with any interest accrued but unsettled at the period end being added to the principal. The final maturity date of the notes is 18 November 2026 at which point AUGL shall either redeem the notes via a capital contribution with their parent company, or enter into a new loan agreement with ABL. The \$150m loan note instrument issued by AUGL is held by ABL and is listed on the Bermuda Stock Exchange.

The balance of the financial liability at the end of the year has been measured at amortised cost using the effective interest rate method (loan rate of 3.35%); this has given rise to the discount being partially unwound to the statement of comprehensive income of expense \$668,920 (2021: credit of \$1,917,517) and a discount to the balance sheet value of the loan of receivable \$1,248,597 (2021: \$1,917,517).

Notes to the financial statements for the year ended 31 December 2022 (continued)

16. Share capital and other reserves

	2022 \$	2021 \$
Authorised	305,992	305,992
Allotted and fully paid	305,992	305,992

The capital consists of 305,992,274 ordinary shares of \$0.001 each. The entire issued share capital of the Company is owned by ABL.

	2022 Share Capital \$'000	2022 Share Premium \$'000	2022 Retained Earnings \$'000	2021 Share Capital \$'000	2021 Share Premium \$'000	2021 Retained Earnings \$'000
Balance at 1 January	306	355,685	20,084	306	355,685	17,595
Gain for the period	—	—	1,668	—	—	2,489
Balance at 31 December	306	355,685	21,752	306	355,685	20,084

17. Related party transactions

The only related parties that have transacted with AUGL are companies within the Ascot group of companies.

The Company has taken advantage of exemptions under FRS 102 Section 33 to not disclose inter-group transactions as the Company is a wholly-owned subsidiary of ABL and AGL. Copies of the AGL consolidated financial statements can be obtained from the Company Secretary, Victoria Place, 5th Floor, 31 Victoria Street, Hamilton, HM10, Bermuda.

At the statement of financial position date, outstanding amounts due to AUHL were \$1,030,309 (2021: \$nil) in respect of expenses recharged to the Company. Outstanding amounts due to subsidiary AECM were \$121 (2021: \$135) and amounts receivable from subsidiary ACNL in respect of intercompany funding were \$6,416,150 (2021: \$nil).

A resolution was passed by the board of AUGL on 17 November 2016 to create up to 200,000,000 loan notes with a value of \$1 per note. The loan notes were issued on 18 November 2016 and 150,000,000 were taken up by the Company's parent, ABL. The Board passed a further resolution on 17 June 2021 to relist the loan notes via the inception of a new facility on 18 November 2021, for a further five years. At the statement of financial position date, outstanding amounts payable in respect of the \$150m loan note were \$148,751,404 (2021: \$148,082,483) including accrued and outstanding interest.

In its capacity as the parent company of AMGA, AUGL is incurring expenses on behalf of the dormant AMGA in relation to its set up costs. During 2022, \$552k expenses relating to the set up costs of the new subsidiary were incurred by AUGL. At the statement of financial position date, outstanding amounts receivable were £nil.

Other than those mentioned above and in the relevant disclosure notes, there are no other material related party transactions during the year.

18. Ultimate controlling party

The Company's immediate parent undertaking is ABL. Copies of ABL financial statements can be obtained from the Company Secretary, Victoria Place, 5th Floor, 31 Victoria Street, Hamilton, HM10, Bermuda.

The intermediate parent undertaking, and smallest group to consolidate these financial statements is AGL. Copies of the AGL consolidated financial statements can be obtained from the registered company address from the Company Secretary, Victoria Place, 5th Floor, 31 Victoria Street, Hamilton, HM10, Bermuda. The ultimate parent undertaking and controlling party is Canada Pension Plan Investment Board, incorporated in Canada with a registered address of 1 Queen Street East, Suite 2500, Toronto ON M5C 2W5, Canada.