
NORTHSTANDARD REINSURANCE LIMITED

Financial Statements
(With Auditor's Report Thereon)

February 20, 2024

Opinion

In our opinion, the financial statements:

- give a true and fair view of the state of the Company's affairs as at 20 February 2024 and its surplus for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Bermuda Companies Act 1981.

We have audited the financial statements of NorthStandard Reinsurance Limited (the 'Company') for the year ended 20 February 2024 which comprise; the Income and Expenditure Account; the Balance Sheet; the Cash Flow Statement and the notes to the financial statements, which include a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and Financial Reporting Standard 103 "Insurance Contracts" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Association in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our 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.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Association's 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 Association'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 Association with respect to going concern are described in the relevant sections of this report.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the 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.

We have nothing to report in this regard.

Responsibilities of directors

As explained more fully in the Directors' Responsibilities Statement set out on page 3, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Association'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 Association or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

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

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

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


- Obtaining an understanding of the legal and regulatory framework applicable to the Company's operations and the control environment in monitoring compliance with laws and regulations;
- Our responses to significant audit risks over management override of controls are intended to sufficiently address the risk of fraudulent manipulation.
- Enquiries of management;
- Review of minutes of board meetings throughout the period; and
- Agreement of the financial statement disclosures to underlying supporting documentation.

A further description of our 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 the Bermuda Companies Act 1981. 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.

DocuSigned by:


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Thomas Reed
Senior Statutory Auditor

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

13 June 2024

DIRECTORS REPORT

Statement of directors' responsibilities

The directors of NorthStandard Reinsurance Limited ('the directors') have accepted responsibility for the preparation of these non-statutory accounts for the year ended 20 February 2024 which are intended by them to give a true and fair view of the state of affairs of the company and of the profit or loss for that period. They have prepared the non-statutory accounts on a basis consistent with UK Accounting Standards (UK Generally Accepted Accounting Practice).

In preparing these non-statutory accounts, the directors have:

- selected suitable accounting policies and applied them consistently;
- made judgements and estimates that are reasonable and prudent;
- stated whether applicable UK Accounting Standards have been followed; subject to any material departures being disclosed and explained in the non-statutory accounts; and
- prepared the non-statutory accounts on the going concern basis as they believe that the company will continue in business.

The directors have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Going concern

The directors believe that the Company has adequate resources, reinsurance arrangements and support from its Members to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

NORTHSTANDARD REINSURANCE LIMITED

(Incorporated in Bermuda)

Balance Sheet

February 20, 2024

(Expressed in Thousands of United States Dollars)

	2024			2023
	<u>P & I</u>	<u>FD & D</u>	<u>Total</u>	<u>Total</u>
	US\$000	US\$000	US\$000	US\$000
Assets				
Cash at bank and in hand	22,163	-	22,163	14,253
Investment income receivable and prepaids	3,090	-	3,090	20
Marketable securities - at market value (Note 4)	1,066,842	58,067	1,124,909	672,519
Inter-class receivable	3,773	-	3,773	3,773
Reinsurance recoverable	82,017	-	82,017	-
Due from NorthStandard Limited (Note 6)	38,581	93,994	132,575	35,790
Derivative asset	<u>203</u>	<u>-</u>	<u>203</u>	<u>-</u>
	1,216,669	152,061	1,368,730	726,355
Liabilities				
Reserve for outstanding claims (Note 7)	979,985	42,719	1,022,704	594,903
Unearned premiums	(207)	-	(207)	19,825
Accounts payable	887	4	891	116
Inter-class payable	-	3,773	3,773	3,773
Due to NorthStandard Limited (Note 6)	-	-	-	8,123
	<u>980,665</u>	<u>46,496</u>	<u>1,027,161</u>	<u>626,740</u>
Net Assets	<u>236,004</u>	<u>105,565</u>	<u>341,569</u>	<u>99,615</u>
Represented by:				
Members' contributions (Note 8)	370	-	370	250
Contingency reserve (Note 9)	422,728	44,449	467,177	506,939
Balance from income and expenditure account	<u>(187,094)</u>	<u>61,116</u>	<u>(125,978)</u>	<u>(407,574)</u>
	236,004	105,565	341,569	99,615

See accompanying notes to the financial statements

These financial statements were approved by the Board on May 16, 2024.

Signed on behalf of the Board on June 13, 2024



Director



Director

NORTHSTANDARD REINSURANCE LIMITED

(Incorporated in Bermuda)

Income and Expenditure Account

Year Ended February 20, 2024

(Expressed in Thousands of United States Dollars)

	2024			2023
	<u>P & I</u>	<u>FD & D</u>	<u>Total</u>	<u>Total</u>
	US\$000	US\$000	US\$000	US\$000
Reinsurance operations				
Premium calls	371,988	19,127	391,115	234,918
Claims Passed	(465,697)	(24,754)	(490,451)	(199,332)
Net change in unearned premiums	<u>28,650</u>	<u>-</u>	<u>28,650</u>	<u>(5,807)</u>
	<u>(65,059)</u>	<u>(5,627)</u>	<u>(70,686)</u>	<u>29,779</u>
Investment results				
Realised gains on sale	2,154	1,871	4,025	3,521
Change in unrealised depreciation of marketable securities	48,283	3,044	51,327	(27,769)
Interest on cash and time deposits	1,308	-	1,308	17
Foreign currency translation adj	(664)	-	(664)	-
Investment advisors' fees	<u>(1,530)</u>	<u>(30)</u>	<u>(1,560)</u>	<u>(395)</u>
	<u>49,551</u>	<u>4,885</u>	<u>54,436</u>	<u>(24,626)</u>
General and administrative expenses	<u>(611)</u>	<u>-</u>	<u>(611)</u>	<u>(495)</u>
(Deficit)/Surplus from operations for the year before change in estimated outstanding claims	(16,119)	(742)	(16,861)	4,658
Decrease/(Increase) in estimated outstanding claims	66,815	(4,919)	61,896	(6,599)
Other Income (Note 12)	<u>139,193</u>	<u>57,609</u>	<u>196,802</u>	<u>-</u>
Surplus / (Deficit) for the year	189,889	51,948	241,837	(1,941)
Transfer to contingency Reserve	35,603	4,156	39,759	19,848
(Deficit) / Surplus, beginning of year	<u>(412,586)</u>	<u>5,012</u>	<u>(407,574)</u>	<u>(425,481)</u>
(Deficit) / Surplus, end of year	<u>(187,094)</u>	<u>61,116</u>	<u>(125,978)</u>	<u>(407,574)</u>

The Company has no recognised gains or losses other than those included above. All items relate to continuing operations.

See accompanying notes to financial statements

NORTHSTANDARD REINSURANCE LIMITED

(Incorporated in Bermuda)

Cash Flow Statement

Year Ended February 20, 2024

(Expressed in Thousands of United States Dollars)

	<u>2024</u>	<u>2023</u>
	US\$000	US\$000
Net cash (outflow)/inflow from operating activities	<u>7,790</u>	<u>85</u>
Cash flows were invested as follows:		
Capital expenditure and financial investment		
Payments to acquire investments	2,448	162,246
Receipts from sales of investments	<u>(315)</u>	<u>(148,049)</u>
	2,133	14,197
Increase/(Decrease) in cash and other financial investments	<u>5,657</u>	<u>(14,112)</u>
Net investment of cash flows	<u>7,790</u>	<u>85</u>
Movement in opening and closing cash and portfolio investments		
Net investment of cash flows	7,790	85
Changes in market value and exchange rate effects	<u>452,390</u>	<u>(11,142)</u>
Total movement in portfolio investments	460,180	(11,057)
Portfolio investment and cash at beginning of year	<u>686,772</u>	<u>697,829</u>
Portfolio investment and cash at end of year	<u>1,146,952</u>	<u>686,772</u>
Cash flow from financing activities		
Acquisition of SC Re shares	<u>(120)</u>	<u>-</u>
Net cash used in financing activities	<u>(120)</u>	<u>-</u>
Analysis of cash and portfolio investments:		
Cash at bank and in hand	22,163	14,253
Marketable securities	<u>1,124,909</u>	<u>672,519</u>
	<u>1,147,072</u>	<u>686,772</u>
Reconciliation of net profit for the year to net cash inflow from operating activities:		
Net income/(deficit) for the year	241,837	(1,941)
Change in market value and foreign exchange	(452,390)	11,142
(Increase)/Decrease in investment income receivable and prepaids	(3,070)	15
Increase in reinsurance recoverable	(82,017)	-
Increase in derivative asset	(203)	-
Increase/(Decrease) in accounts payable	772	(156)
Increase in reserve for outstanding claims	427,802	6,599
Decrease in amount due to/from NorthStandard Limited, net	(104,909)	(21,443)
(Decrease) / Increase in unearned premium	<u>(20,032)</u>	<u>5,869</u>
Net cash inflow from operating activities	<u>7,790</u>	<u>85</u>

See accompanying notes to financial statements

NORTHSTANDARD REINSURANCE LIMITED

(Incorporated in Bermuda)

Notes to Financial Statements

February 20, 2024

1. General

NorthStandard Reinsurance Limited, (the “Company”) with a registered office at Clarendon House, 2 Church Street, Hamilton, was incorporated under the laws of Bermuda with registration no. 22688 on December 9, 1996 and has been re-registered and operated as a Class 3A insurer under The Insurance Act 1978, with effect from 20th February 2023 following the Short Form Merger with Standard Reinsurance (Bermuda) Limited (“SC Re”), where the Company surviving the merger, pursuant to section 107 of the Companies Act 1981. The Short Form Merger occurred immediately following completion of the Membership Merger between North P&I Club and the Standard Club Group.

The Company is also subject to the Segregated Account Companies Act 2000 (“The Act”). The Act provides for the creation of legally segregated cells for the conduct of insurance business, and ensures that creditors of a segregated cell have no access to the assets of other segregated cells. Only one cell, The NorthStandard Cell (formerly The North Cell) was created.

Effective February 20, 1997, the Company assumed, via a Deed of Accession and Notice of Transfer, the Protection and Indemnity (“P&I”) and Freight Demurrage and Defence (“FD&D”) risks previously reinsured by The North of England P&I Association (Bermuda) Limited (“NORTHSTANDARD-B”). The Company agreed to assume the assets and liabilities of NORTHSTANDARD-B at that date, as set out in the Deed of Accession and Notice of Transfer, for all policy years up to February 20, 1997. It also agreed, with effect from February 20, 1997, to reinsure 90% of the P&I and FD&D risks of NorthStandard Limited (“NorthStandard”), less a discount. The discount is no longer effective and instead commission is now calculated as 90% of admin expenses for both P&I and FD&D.

The Company agreed, via a Deed of Amendment and Restatement dated October 23, 2018, to reinsure 60% of risks of NorthStandard’s Australian branch business effective November 16, 2018 and 90% of the risks of NorthStandard’s New Zealand branch business effective November 1, 2018, and in each case that was transferred to NorthStandard via a Transfer Agreement from its wholly-owned subsidiary, Sunderland Marine Insurance Company Limited (“SMI”).

Effective 20 February 2019, the Company agreed, via a Third Amended and Restated Reinsurance Agreement dated 17 December 2018, to reinsure 90% of the P&I and FD&D risks of North of England P&I Designated Activity Company (“North EU”), less a discount. The discount is no longer effective and instead commission is now calculated as 90% of admin expenses for both P&I and FD&D.

NorthStandard is a United Kingdom incorporated association whose members mutually insure each other, and on whom premium calls are made as required to meet anticipated and known claims. Its members are shipowners who have entered ships for insurance by NorthStandard. The Company has the same members as NorthStandard.

North EU is incorporated in Ireland and a wholly owned subsidiary of NorthStandard established to ensure that NorthStandard’s Group have continued access to EEA markets following termination of the United Kingdom’s membership of the European Union. With effect from 20 February 2019 North EU has underwritten all new and renewing business of the NorthStandard Group with a place of management located within an EEA state. Policyholders of North EU’s P&I and FD&D classes are also members of NorthStandard.

All the business written is limited to the reinsurance of NorthStandard Group.

NORTHSTANDARD REINSURANCE LIMITED

(Incorporated in Bermuda)

Notes to Financial Statements

February 20, 2024

1. **General** (continued)

The financial statements are prepared on a basis consistent with UK Accounting Standards (UK Generally Accepted Accounting Practice) on the historical cost basis except that the following assets and liabilities are stated at their fair value: marketable securities - at market value, and reserve for outstanding claims measured in accordance with the policies as per Note 2.

These non-statutory financial statements have been prepared on request of the members of the company.

2. **Basis of financial statements and significant accounting policies**

The following accounting policies have been adopted by the Company:

a) *Reinsurance premiums and calls*

Recorded premium income represents the Company's share of calls for the current year, and adjustments for previous years. The concept of call is where the Company make good a deficiency in respect of any policy year. Premiums written are credited to the Income Statement on an accrual basis and included in income on pro-rated basis over the term of the contract. Unearned premiums are those proportions of premiums written in a year that relate to periods of risk after the reporting date. Unearned premiums are calculated on a daily prorated basis. The proportion attributable to subsequent periods is deferred as a provision for unearned premiums. The policy years run from noon GMT on any 20 February to noon GMT on the following 20 February. The Company's financial years are coterminous with their policy years.

b) *Claims and related expenses*

Claims and related expenses represent the Company's share for the current year of all claims paid by NorthStandard, and include NorthStandard's share of other clubs' pool claims, which are charged to the income and expenditure account on an incurred basis. The share that the Company reinsures is currently at 90% of all UK, New Zealand, EU, US and Singapore claims paid and 60% of all Australian claims paid.

Full provision is made for outstanding claims which are based upon the NorthStandard's best estimate of the ultimate likely cost of individual claims notified but not paid at the balance sheet date. Provision is also made for claims incurred but not reported (IBNRs) based on statistical methods. Both the individual estimates and the IBNR methodology are reviewed on a regular basis and are determined after consultation with an external actuary. Although the amounts recorded are based on information currently available, the ultimate liability of the claims provisions may, as a result of subsequent information and events, prove to be less than or in excess of the amounts currently provided. Such changes in estimates are reported in the period in which they are determined. Provision for the cost of claims handling is included within the provision for claims IBNR.

c) *Foreign currency translation*

Assets and liabilities in foreign currencies are translated into United States dollars at rates of exchange prevailing at the balance sheet date. Foreign currency income and expenditures including reinsurance transactions are translated at the rate prevailing at the transaction date.

The foreign currency translation adjustment represents the realised and unrealised gains and losses on forward foreign exchange contracts, unrealised adjustments arising from translation of foreign currency assets and liabilities, and realised foreign exchange gains and losses on disposal of foreign currency denominated marketable securities.

NORTHSTANDARD REINSURANCE LIMITED

(Incorporated in Bermuda)

Notes to Financial Statements

February 20, 2024

2. **Basis of financial statements and significant accounting policies** (continued)

d) Marketable securities

Marketable securities are carried at market value with changes in unrealized gains and losses recorded in the income and expenditure account. Investments in mutual funds are recorded at net asset value as reported by the funds' administrator, which approximate their market value. Gains and losses on disposal of investments are reflected in income when realised.

Future contracts are marked to market with changes in unrealized gains and losses recorded in the income and expenditure account.

f) Cash at bank and in hand

The Company considers cash in hand and deposits repayable on demand as equivalent to cash.

g) Other financial investments

Other financial investments comprise deposits with credit institutions. These investments are carried at market value.

h) Investment income and expenses

Interest income and interest payable are recognised in profit or loss as they accrue, using the effective interest method. Dividend income is recognised in the profit and loss account on the date the Company's right to receive payments is established.

3. **Commitment**

In accordance with the terms of its reinsurance agreement the Company has agreed to pay on demand any monies owing to NorthStandard and has secured this commitment by a floating charge on all its assets.

NORTHSTANDARD REINSURANCE LIMITED

(Incorporated in Bermuda)

Notes to Financial Statements

February 20, 2024

4. Marketable securities

(i) The cost and market value of marketable securities are as follows:

	P&I			
	February 20, 2024		February 20, 2023	
	<u>Cost</u> <u>US \$000</u>	<u>Market</u> <u>Value</u> <u>US \$000</u>	<u>Cost</u> <u>US \$000</u>	<u>Market</u> <u>Value</u> <u>US \$000</u>
Fixed interest securities	889,089	896,155	530,483	521,209
Equity securities	<u>154,386</u>	<u>170,687</u>	<u>86,719</u>	<u>96,475</u>
	<u>1,043,475</u>	<u>1,066,842</u>	<u>617,202</u>	<u>617,684</u>
	FD&D			
	February 20, 2024		February 20, 2023	
	<u>Cost</u> <u>US \$000</u>	<u>Market</u> <u>Value</u> <u>US \$000</u>	<u>Cost</u> <u>US \$000</u>	<u>Market</u> <u>Value</u> <u>US \$000</u>
Fixed interest securities	41,878	43,504	42,490	42,019
Equity securities	<u>12,954</u>	<u>14,563</u>	<u>12,154</u>	<u>12,816</u>
	<u>54,832</u>	<u>58,067</u>	<u>54,644</u>	<u>54,835</u>
Total	<u>1,098,307</u>	<u>1,124,909</u>	<u>661,846</u>	<u>672,519</u>

(ii) Fixed interest securities - maturities

The market value amounts for fixed interest securities held at February 20, 2024 are shown below by contractual maturity. Actual maturity dates may differ from contractual maturity dates because certain borrowers may have the right to call or prepay certain obligations with or without call or prepayment penalties.

	2024	2023
	<u>US \$000</u>	<u>US \$000</u>
Within one year	109,177	178,286
More than one year to five years	667,497	431,041
More than five years to ten years	119,786	47,115
After more than ten years	<u>43,199</u>	<u>16,077</u>
Members' funds at end of year	<u>939,659</u>	<u>672,519</u>

(iii) All investments in fixed interest securities have a credit rating in the range of AAA to CCC.

(iv) Foreign exchange contracts outstanding at the year-end were \$Nil (2023: \$Nil).

NORTHSTANDARD REINSURANCE LIMITED

(Incorporated in Bermuda)

Notes to Financial Statements

February 20, 2024

4. Marketable securities (continued)

The Company is exposed to credit loss in the event of non-performance by the other parties to contacts that are in an unrealised gain position. The Company does not anticipate any non-performance.

5. Segmental reporting

All of the company's operations are based in Bermuda.

	2024		2023	
	Net assets US \$000	Net Income US \$000	Net assets US \$000	Net Loss US \$000
P&I	236,004	189,889	45,995	1,086
FD&D	105,565	51,948	53,620	(3,027)
	<u>341,569</u>	<u>241,837</u>	<u>99,615</u>	<u>(1,941)</u>

6. Ceding company debtor/creditor

In accordance with the terms of the reinsurance agreement with the ceding company, any amounts receivable/payable are due on demand.

7. Estimated outstanding claims

Claims are subject to prolonged delay, both as to notification and settlement. Quantification of outstanding claims is based on experience and judgement; however the ultimate cost thereof cannot be ascertained with certainty at the date of the balance sheet. Accordingly, the amount provided for estimated outstanding claims in the financial statements may differ materially from the Company's ultimate liability for claims. Any differences between these estimates and the actual settlement will be recorded in the period in which they become known.

8. Members' contributions

On 20 February 2023, the Company acquired the entire 120,000 issued share capital of SC Re from The Standard Club for a consideration of US\$1 via the execution of a share transfer form.

Following the Membership Merger and the Statutory Merger with SC Re, the membership contribution increased to \$ 370,000 (2023: \$250,000) which represents the \$250,000 payment of the members' initial contribution and the \$120,000 acquired share capital prior to the Statutory Merger.

9. Contingency reserve

The contingency reserve has been established in order to maintain call stability and represents the balance on closed policy years. The transfers made (from)/to the contingency reserve during the year including adjustments from previous years amounted to (\$35.6) million (2023: (\$19.8) million).

Policy years are kept open for no longer than four years. Any surplus or deficit at the closure of a policy year is transferred to or from the contingency reserve.

NORTHSTANDARD REINSURANCE LIMITED

(Incorporated in Bermuda)

Notes to Financial Statements

February 20, 2024

10. Taxation

Under current Bermuda law, the Company is not required to pay any taxes in Bermuda on either income or capital gains. The Company has received an undertaking from the Bermuda government exempting it from all local income, withholding and capital gains taxes until March 31, 2035. At present, the Bermuda government has enacted legislation for its 15% corporate income tax ("CIT") that would apply to Bermuda businesses that are part of multinational enterprise groups (MNE Groups) with annual revenue of €750 million or more. The corporate income tax was enacted on December 27, 2023 and will be effective for tax years beginning on or after January 1, 2025. The Company has determined that it does not fall within the scope of the Bermuda CIT ACT.

11. Merger with Standard Reinsurance (Bermuda) Limited ("SC Re")

Immediately following the acquisition of SC Re by the Company, Standard Re merged with and into the Company and such merger was undertaken as a short form merger pursuant to section 107 of the Companies Act 1981.

The Company, as the surviving company of the merger, continues to act as a reinsurer to the NorthStandard Group. By virtue of the merger, all of Standard Re's contracts and assets were transferred to the Company by operation of law. The Company also assumed Standard Re's obligations under its reinsurance agreements.

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

	Fair value at Merger date (US \$000)
Cash at bank	8,200
Investment income receivable and prepaids	2,980
Marketable securities - at market value	430,289
Reinsurance recoverable	117,862
Reinsurance receivable	102,664
Investment in group undertakings	28,596
Reserve for outstanding claims	(489,683)
Accounts payable and accrued expenses	(3,986)
Fair value of net assets at merger date	196,922
Acquired issued share capital	(120)
Goodwill arising on the merger	196,802

The goodwill arising on the merger represents the free reserves of the SC Re at the date of the merger and is effectively capital contributed by the former members of SC Re in order to become members of the Company. As the benefit of this capital was immediately available to the Company, the full amount of the goodwill arising on the merger has been recognized in the reported profit for the current financial year.

12. Subsequent events

There have been no other significant events after the Balance Sheet date.