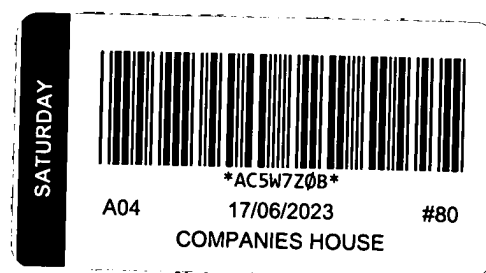




**Annual Report and Financial Statements
For the year ended 31 December 2022**



Registered Number 3084992

Pool Reinsurance (Nuclear) Limited
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for the year ended 31 December 2022

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Pool Reinsurance (Nuclear) Limited - Annual report and financial statements 2022
Directors and Officers

The Directors of the Company who were in office during the year and up to the date of signing the financial statements were

Garry Fearn

Hugh Bohling

Dame Sue Owen

Penny Shaw

John Ayton

Resigned 31st March 2022

The Directors' biographies are set out below.

Garry Fearn (Chairman)

A Director since May 2013. Chairman of EC Insurance Holdings Ltd and EC Insurance Services Ltd, subsidiaries of the Electrical Contractors' Association. Chairman of Tradex Insurance Company Limited and Chairman of Tradex Insurance Holdings Ltd. Former Chief Executive of MMA Insurance plc and former Executive Deputy Chairman of Covea Insurance PLC and Non-Executive Director of Swinton Group Limited.

Hugh Bohling

A Director since February 2007. As a Solicitor, Hugh was a partner of a major international law firm before setting up his own law firm, CityNet Law, to specialise in the insurance market where he has practised for more than 35 years. Although now retired from full-time practice, he continues as a consultant for clients and has directorships with Trust Underwriting Ltd, a corporate member of Lloyd's, and for Altellium Ltd and an insur- tech start-up. Hugh has held various board positions in the UK and abroad since 2006. Hugh provides legal expertise and insight on the board.

Dame Sue Owen

Dame Sue Owen DCB was appointed to the Board on 1 October 2020 following nomination by HM Government. She is an economist with over 30 years' experience in government, including 14 years at Treasury. She led the Department for Digital, Culture, Media and Sport from 2013-19, having also worked in the British Embassy Washington, No. 10, International Development and as Strategy Director General in Work and Pensions. Having retired from the civil service in 2019, she now chairs the Governors of the Royal Ballet and, in addition to her role at Pool Reinsurance (Nuclear) Limited, is a Non-Executive Director at Pool Reinsurance Company Limited, Serco plc, Pantheon International plc, Methera Global Communications and Opera Holland Park. She is also a member of the Supervisory Board of DAF NV. In May 2022 Dame Sue was appointed chair of the UK Debt Management Office.

Penny Shaw

A Director since July 2019. Previously Chief Risk Officer of Hanover (including Chaucer) Group and Executive Director of Chaucer Syndicates Limited until March 2020. Penny is now a Non-Executive Director (NED) and Chair of Risk Oversight Committee for Assured Guaranty UK Limited and Chair of Risk & Audit Committee for Assured Guaranty SA, NED and Chair of Audit & Risk for Catalina UK companies, NED and Chair of Risk for Zurich Assurance Limited, NED and Chair of Risk for Aspen Managing Agencies Limited, NED and Chair of Underwriting and Reserve Committee for American International Group UK Limited.

Chief Executive Officer (CEO)

Barry McConway

Company Secretary

Tricor Corporate Secretaries Limited, 4th Floor, 50 Mark Lane, London, EC3R 7QR.

Independent Auditor

Deloitte LLP, 2 New Street Square, London, EC4A 3BZ.

Registered Office

Tricor Suite, 4th Floor, 50 Mark Lane, London, United Kingdom, EC3R 7QR.

Telephone Number: + 44 (0)20 3216 2000.

Pool Reinsurance (Nuclear) Limited - Annual report and financial statements 2022
Chairman's statement

The effects of the global pandemic eased during 2022 and the Company returned to a more normal form of working albeit with reduced travel and less face-to-face meetings. We have continued to use remote working when it is more efficient, but we have reinstated in person board meetings when Directors are able to travel to London. Pool Reinsurance (Nuclear) Ltd's (PRNL) priority continues to be the safety of its people and to this end we continued to review the operating model. There is no doubt that the past three years have tested our model extensively and, throughout that time, it has proved to be flexible and very robust. This has enabled us to work and maintain a seamless connection with all our stakeholders. The Board will continue to keep the operating structure under scrutiny.

In terms of trading, for the year ended 31st December 2022, the Company made a loss after tax of £192k (2021: £24 profit). This has resulted in the accumulated reserves on the profit and loss account available to meet future claims reducing slightly to £32.0m at the end of December 2022 (2021: £32.2m). The loss incurred this year is mainly a consequence of the volatility in the investment markets. This resulted in our overall investment return, even in the low-risk funds in which our investments are placed, being below our expectations. Our overriding investment objective is to maintain capital value and this was achieved. However, the returns in the short dated fixed interest funds that we invest in were extremely volatile until some form of normality returned in the fourth quarter. Gross written premium income amounted to £43k in 2022 (2021: £40k). The Company has maintained the level of income as in 2021 and continues to look at ways to increase the level of premium ceded to the business. However, given the nature of reinsurance offered by PRNL and the market in which it operates, there is little opportunity for any immediate increase in gross income. In addition, we continue to review the ongoing nature of the scheme with Her Majesty's Treasury (HMT) and will report to Members once these discussions are finalised.

The Board is satisfied that, despite the reduced level of premium income, the Company continues to operate as a going concern and will satisfy this test for the foreseeable future.

The Company makes every effort to work closely with both the Prudential Regulation Authority (PRA) and HM Government. As mentioned in previous statements, the Company continues to operate with a capital waiver granted by the PRA. This waiver was renewed in 2020 and now covers the period up to 31st December 2025.

We are still waiting for the outcome of the Office of National Statistics (ONS) review which was scheduled for 2022. The review is to consider the classification of PRNL within the Government framework. The work has continued into 2023 and we report to members when it is appropriate.

The purpose of the Company continues to be the provision of an efficient and cost-effective reinsurance mechanism to enable Members to provide direct insurance cover to the owners of nuclear installations in the United Kingdom. The cover is limited to the risk of damage to certain property from fire or explosion caused by acts of terrorism. In this respect, I can confirm that the Directors do not anticipate any changes to the nature of the business.

The war in Ukraine continues to be a geopolitical and humanitarian catastrophe. Whilst the Company has no exposures in Ukraine or Russia, this does not make it any less concerning.

The significant increase in inflation during 2022, whilst having an impact on investment markets and, as mentioned, the resulting volatility in the first 9 months of the year will be felt more clearly in 2023. Some of our expenses will increase and the Board and Management are working to reduce the impact where it is possible.

The Board recognises the scale of the climate change challenge and is fully supportive of efforts to reduce the Company's carbon footprint. Inevitably, given the limited scale and nature of our business, the scope for change is restricted, but we will continue to seek to identify opportunities both internally, such as increased remote working and electronic meetings, and with our outsourcers and other partners.

I am pleased to report that there were no incidents giving rise to claims during the year. The current threat level, as amended by the Government in February 2022, is substantial with regard to the likelihood of terrorist attacks in the UK. I take the opportunity once again to remind Members of the need to keep under continuous review their readiness to deal with claims arising under the Scheme.

The total membership of the Company at the end of the year was 33 (2021: 33) and we do not expect any significant change to this number during 2023.

As usual, a separate report on corporate governance is included in this Annual Report. We continue to carry out our annual assessment of the effectiveness of the Board and Chairman. These are valuable processes and an appropriate amount of time is set aside within the Board calendar to review and discuss the results.

During the year one of our former Directors, John Ayton, resigned. He was a Director of the Company from 2011 until March 2022. On behalf of the Board, I would like to thank him for his work over the last 10 years.

In conclusion, I would again like to thank the Members for their continuing support and Directors and Management for their commitment and application over the course of the year.



Garry Fearn
Chairman

23rd March 2023

Pool Reinsurance (Nuclear) Limited - Annual report and financial statements 2022
Strategic report

The Directors of Pool Reinsurance (Nuclear) Limited present their strategic report of the Company for the year ended 31 December 2022.

Review of the business

During the year under review the principal activity of the Company remained unchanged. The Company is a mutual reinsurance company created by its Members and financially supported by a retrocession agreement with HM Government to provide reinsurance for its Members. The terms of the agreement also specify circumstances in which amounts paid by HM Government under the indemnity will be subject to repayment by the Company.

The reinsurance coverage provided by the Company under the Scheme established with the Government (the Scheme) is limited to losses as a result of damage to or destruction of Property by fire and/or explosion where the proximate cause is an act of terrorism on insured registered nuclear sites. The "act of terrorism" must be certified as such by the Government and the Insurances of the site must have been underwritten by a Member in accordance with the terms and conditions contained in the Underwriting manual. The Scheme therefore facilitates the continued provision of insurance to the owners of nuclear installations in the United Kingdom against the risk of damage to property from fire or explosion caused by acts of terrorism.

The Company is authorised by the PRA to carry on in the United Kingdom general insurance business classes 8 (fire and natural forces) and 16 (miscellaneous financial loss - including business interruption) restricted to reinsurance business only.

A review of the business of the Company, including particulars of any important events that occurred during the year, the business environment and the Company's strategy can be found in the Chairman's statement on page 2.

Results and performance

The Company made a loss on ordinary activities before tax of £139k (2021 : Profit £21k) after transferring a loss of £433k (2021 : Profit £13k) from the general business technical account. Investment income amounted to £297k (2021 : £12k). The loss after tax for the financial year was £192k (2021 : Profit £24k). The taxation charge relates to United Kingdom corporation tax on investment income receivable less interest payable and investment expenses. There is no taxation of the underwriting result as the business is conducted on a mutual basis.

The Company has accumulated profits of £32.0m as at 31 December 2022 (2021: £32.2m).

The Investment Income has risen from £12k in 2021 to £297k in 2022. Whilst this increase is welcome, the numbers hide the volatility in the short term fixed interest market particularly in the first 9 months of 2022. The returns in this 9 month period were in line with the levels seen in 2021. The fourth quarter, with the impact of the Central banks increasing base rates, saw yields return to levels seen in previous years.

The Company continues to rely on the protection of the Retrocession Agreement entered into with HM Government which has the effect of setting a nil capital requirement, a summary of which is set out at Note 5 to the financial statements. Again as previously mentioned, we are in discussions with HMT about the ongoing nature of the Scheme particularly in light of the Office for National Statistics (ONS) review and the reduced premium income.

The COVID-19 pandemic created unprecedented challenges to everyone. Thanks to the flexibility and resilience of our staff and outsource providers we have continued the smooth operation of the business. The Company has continued to meet all its statutory, regulatory and operational obligations.

As stated in the Chairman's statement, we will continue to keep the operating structure of the Company under scrutiny.

Key performance indicators

Taking account of the information provided in this report and the notes to the financial statements and in view of the special nature of the Company, there are no additional key performance indicators that are considered necessary for an understanding of the business.

Principal risks and uncertainties

The Company has adopted a Risk Framework to address the management of its financial and non-financial risks. There are procedures in place to identify, assess and manage the risks faced by the organisation. The Company's risk assessment was reviewed by the Audit and Risk Committee throughout the year. The Board and the Executive Management are responsible for ownership and management of risks that might impact upon the Company's objectives.

The effectiveness of the Company's system of internal controls and its risk management framework are reviewed by an external provider of internal audit and risk control review services. Whilst the Company has an exemption from the PRA with regard to requiring an internal audit function, it undertakes external reviews (at least annually) of the risks and controls that are in place. The reports on such reviews, including recommendations and management responses were considered by the Audit and Risk Committee in March 2022 and thereafter by the Board.

The Directors consider that the principal risks which face the Company, together with details of the control measures adopted by the Company are as follow:

Principal risk	Mitigating factors
<p>Insurance risk</p> <p>The Company is exposed to insurance risk arising from inherent uncertainties as to the occurrence, amount and timing of its insurance liabilities.</p>	<p>The Company's approach to the management of insurance risk reflects the commitments contained in the agreements which underpin the Company's Scheme. The Company undertakes to accept all risks presented to it which meet the Scheme's</p> <p>Exposure to insurance risk is managed through controls to ensure, as far as possible, that liquid funds are available to meet a claim or series of claims as and when necessary. In addition, there is no limit on the indemnity provided by HM Government under the terms of the Retrocession Agreement.</p> <p>This risk and its mitigations are described further in note 5(a) to the financial statements.</p>
<p>Market risk</p> <p>The investment strategy exposes the Company to a range of financial risks arising from investing its assets against the contingency that they may be required in the short term to deal with a claim or series of claims, but with recognition that they may not be called upon for long periods.</p>	<p>Exposure to market risk is managed through the investment strategy which rests on the two main objectives for the fund of stability and liquidity, with the asset allocation aligned to these.</p> <p>The strategy is conservative and designed to preserve capital and limit volatility from market risk.</p> <p>This risk and its mitigations are described further in note 5(c) to the financial statements.</p>
<p>Credit risk</p> <p>The Company is exposed to credit risk arising from a counterparty failing to perform its contractual obligations, including failure to perform them in a timely manner.</p>	<p>Exposure to credit risk predominately arises from investments. These exposures are managed through use of high quality counterparties and setting appropriate limits to investment.</p> <p>There is credit risk with the Company's Members and its retrocessionaire, HMT. This risk is considered to be minimal given the structure of the scheme.</p> <p>This risk and its mitigations are described further in note 5(d) to the financial statements.</p>
<p>Liquidity Risk</p> <p>The Company is exposed to liquidity risk through its investments.</p>	<p>Exposure to liquidity risk is managed through holding assets in high quality liquid funds, meeting any cash outflow by using its existing funds and then drawing on the unlimited support provided by HM Government.</p> <p>This risk and its mitigations are described further in note 5(e) to the financial statements.</p>

Pool Reinsurance (Nuclear) Limited - Annual report and financial statements 2022
Strategic report (continued)

Principal risk	Mitigating factors
Operational risk	Exposure to operational risk is managed by ensuring that there are effective processes, systems and controls throughout the Company. Arrangements with outsource providers are monitored and their appropriateness assessed periodically. The Company maintains a strong and open relationship with its
The Company is exposed to operational risk where failure in relation to people, processes, systems and external factors, including conduct risk, jeopardise the operation of the Company's Scheme.	Legal advice is obtained annually to review the Company's position in relation to Competition Act 1998, to determine that the Scheme continues to meet the exemption requirements set out in that Act.

In addition, consistent with the Financial Reporting Council guidance published in October 2018, the Company has considered the broad uncertainties that may attach to Brexit. The Company keeps under review the impact of the agreement that has been reached with the EU and any future agreement regarding financial services on each of the risk categories above, both in respect of its reinsurance operations and investment strategy.

The Company has reviewed the guidance issued by the Financial Reporting Council (FRC) on "Climate – related corporate reporting".

As mentioned previously in the Chairman's statement, the Directors recognise the scale of the climate change challenge and are fully supportive of efforts to reduce the Company's carbon footprint. However, they believe that the overall impact that the Company can make to reducing this is limited.

The Companies Act 2006 - Section 172 statement

The Directors are aware of their responsibilities to promote the success of the Company in accordance with Section 172(1) of the Companies Act 2006 and have acted in accordance with these responsibilities during the year.

Directors have had regard to wider stakeholder interests when performing their duties. The key stakeholders include staff, Members, HM Government, regulators, policyholders and outsource service providers. The Company's values (inter alia to conduct business with due skill, honesty, care, diligence and integrity as well as to achieve equity between our stakeholders), underpin the Company's decision-making processes.

The challenges of the pandemic made interaction with our stakeholders more difficult than usual. The Company continued to have meetings, albeit remotely as we did in 2021. In this respect, examples of this approach in initiatives with Members and the wider insurance community are:

- The Company held discussions with Members about undertaking a claims test. As a result of their discussions we plan to hold this in 2023.
- The Company held meetings with both HMT and BEIS to discuss the continuation of the Scheme and its format going forward. These discussions will continue in 2023 and we will report to Members once they have reached a conclusion.

Engaging with our external stakeholders has been a constant theme for the Company for many years. During the course of 2022 all of these meetings were held remotely.

- Every year, we meet with all our Members either directly or through their Managing General Agent (MGA). These meetings are structured and include matters such as systems, policy coverage and stakeholder feedback. The outcome of all meetings is reported back to the Board.

Pool Reinsurance (Nuclear) Limited - Annual report and financial statements 2022
Strategic report (continued)

- As regards our major outsource service providers, Tricor Corporate Secretaries Limited (Tricor) and Polo Commercial Insurance Services Limited (Polo) there are number of points of contact.
- There are quarterly meetings with Polo and the Company's management team which are reported to the Board on an exception basis. In addition, a senior manager from Polo attends at least one Board meeting per year and both parties have the opportunity to discuss any issues that they wish to raise.
- With Tricor, there are regular meetings and access to the Board through their work as Company Secretary. The Company Secretary attends each board meeting and the senior director from Tricor attends at least one Board Meeting per year and has an opportunity to discuss any issues that they wish to raise.
- Each quarter the Company meets with HMT to discuss various issues relating to the operation of the scheme. These meetings are minuted and reported to the Board at each quarter.

All of the above is evidenced by the minutes of the Board meetings.

The Company only has 2 part time executive employees, and as such employee engagement is different from the norm. The contracts for both these positions were updated in 2018 to ensure they were fit for purpose and current. Given the nature of the business and the close working relationship between the Executive and the Board it is not considered appropriate to have further HR initiatives.

Future developments

The Directors do not anticipate that the nature of the Company's business will change in the near future. The Company only covers first party fire and explosion (including business interruption) at certain registered nuclear sites in the UK. There are a very limited number of risks that are reinsured to the Company. With regards to claims, there have been no reported losses since the formation of the Company.

As mentioned in the Chairman's statement, the Russian invasion of Ukraine in February 2022 was and continues to be a humanitarian catastrophe and a major geo-political concern. PRNL has no Russian or Ukrainian exposures; it is too soon to judge anything other than the short term impact on global markets and PRNL's investment fund, but this will be kept under review.

The financial accounting continues to be carried out by Polo Commercial Insurance Services Limited. The role of Company Secretary is performed by Tricor Corporate Secretaries Limited.

The Company provides its Members with a reinsurance facility that is not freely available in the UK insurance market. The Directors are confident that, with the availability of the Retrocession Agreement with HM Government, this can continue.

Approved by the Board and signed on its behalf by



Garry Fearn
Chairman

23rd March 2023

Registered Number 3084992

Pool Reinsurance (Nuclear) Limited - Annual report and financial statements 2022
Directors' report

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

Board of Directors

Role of the Board

The Board is responsible for providing leadership of the Company within a framework of prudent and effective controls which enables risk to be assessed and managed. The Board sets the overall strategy of the Company within the context of the Scheme for which purpose the Company was established. In addition, the Board oversees its implementation, reviewing the performance of the management team and ensuring that there are appropriate systems of internal controls and risk management.

The Board's policy is to maintain a framework of corporate governance that would be considered good practice in companies of similar significance. Therefore, although the Company is neither required to comply with the UK Corporate Governance code and certain other codes and guidelines generally applicable to listed companies, nor to make a statement on its compliance with such requirements, the Board believes it is appropriate to consider their provisions in determining the Company's own corporate governance arrangements, and also to describe such arrangements to the Members, which it does within this report.

The Board holds at least four meetings each year, at which it considers reports from each of the key functions. In particular, these Board agenda items are legal, regulatory, financial performance and risk. In addition to these standing items, the Board considers other matters of significance to the Company, in accordance with an agreed schedule of matters to be considered in the forthcoming year.

As appropriate, in addition to the regularly scheduled Board meetings, ad hoc meetings are arranged as necessary.

The Board Procedures manual has a formal schedule of matters reserved to the Board, which is reviewed annually. Such matters include those which are considered to be of significant strategic importance, which affect the structure of the Scheme, setting the values and standards of the Company, or which affect the corporate governance framework. The Board has otherwise delegated to its Committees (where constituted) and to the Executive Management the power to make decisions on operational matters within a framework of internal controls. Each Committee operates within written terms of reference and the respective roles and responsibilities of the Chairman and the CEO are set out in writing, all of which may only be amended with the Board's approval. The appointment and removal of the CEO and Company Secretary are also matters reserved to the Board.

The Chairman, in conjunction with the Executive Management and the Company Secretary, ensures that the Board receives the information it needs in order to discharge its responsibilities. All Directors have access to the services of the Company Secretary and independent professional advice is available to the Directors in respect of any issue arising in the course of their duties, at the expense of the Company. The Company maintains appropriate directors' and officers' liability insurance in respect of legal actions against its Directors.

Following their appointment, new Directors are given an in-depth induction by executive management. In addition, training is provided to Directors throughout their appointment, as appropriate, to ensure that they possess the appropriate knowledge regarding the Company and its operations necessary for the effective performance of their role.

The Board Procedures Manual includes provision for an annual performance evaluation including self-assessment of the Board, coupled with an external evaluation conducted periodically, as required, and assessment of the CEO and the Chairman. The process for the CEO assessment includes the Chairman holding a meeting with the other Directors without any of the management present, whilst in the case of the Chairman, the other Directors hold a meeting without the Chairman being present. These are done annually.

The Board last conducted an external evaluation of its operating structure in 2018. Overall, this review concluded that the Board and its Committees continued to operate effectively with the appropriate balance of expertise, experience, independence and knowledge to deliver long-term value for the Members.

Pool Reinsurance (Nuclear) Limited - Annual report and financial statements 2022
Directors' report (continued)

Composition

The Board consists solely of Non-Executive Directors, including a Non-Executive Chairman. Brief biographical details of the current Directors are set out on page 3.

The appointment of all new Directors is a matter for consideration by the Board. The Articles of Association allow HM Government to nominate individuals to be considered by the Board for appointment as Directors, although only one Director at any time may hold office following nomination in this way. At present, Dame Sue Owen is the Director following nomination by HM Government.

Otherwise, the appointment of any new Director is considered by the Board according to objective criteria. The provisions of the Articles of Association require that any Directors appointed by the Board must stand for reappointment at the first Annual General Meeting following their appointment. While the appointment of Non-Executive Directors is not subject to a specified term, with the exception of HM Government's nominated Director who is subject to a six year maximum term, the Directors are nonetheless subject to retirement by rotation and therefore must stand for re-election by the Members at least every three years thereafter.

Therefore, at the forthcoming Annual General Meeting:

- Penny Shaw will retire by rotation and will seek re-election.

The composition of the Board is considered periodically to ensure an appropriate balance of expertise and experience to support the strategic and operational direction of the Company.

Equality and Diversity

The Board recognises the benefits of a diverse workforce and is committed to providing a working environment that is free from discrimination. In line with the Equality Act 2010 and the requirements of the financial regulators, the Board seeks to promote the principles of equality and diversity in all its dealings with employees, consultants, non-executive directors, Members, suppliers, contractors and the reinsureds.

Directors' Interests

As a mutual company without a share capital, the Company's Members do not hold shares in the Company. Consequently, the Directors do not have any relevant interests in shares that require disclosure for the purposes of Companies Act 2006.

Board Committees

As at 31 December 2022 the Board had established one standing Committee to undertake certain of its responsibilities; that being the Admissions Committee.

The role of the Admissions Committee is to consider and approve the admission of prospective Members to the Company and to authorise the execution of the relevant documents. The members of the Admissions Committee are Hugh Bohling, the Chief Executive and the Company Secretary.

The Admissions Committee meets as and when required to consider applications for membership.

The activities of Audit and Risk Committee (ARC) are now undertaken by the Board as a result of the significant loss of income in late 2021 and the need to reduce costs within the Company. The final ARC Meeting was held on 24th March 2022 and since then the work of the ARC has been undertaken within the Board meetings. The Board now ensures the integrity of the financial statements of the Company, including its annual report, interim management statements and any other formal announcement relating to its financial performance. The Board oversees the external audit process and also reviews significant financial reporting issues and the judgements which they contain, having regard to matters communicated to it by the Auditor. In addition, the Board establishes and maintains a risk management framework, under the overall responsibility of the CEO and the Chief Financial Officer (CFO), to align the Company's risk profile against risk appetite.

Currently the Company has a waiver from the PRA regarding the need to have an internal audit function which expires in July 2026. The Board has responsibility and oversight for ensuring that internal audit requirements are still met and proportionate to the scale and business model of the Company. Also, the Board engages an external consultant, currently BDO, to review the risk framework and its operation.

Pool Reinsurance (Nuclear) Limited - Annual report and financial statements 2022
Directors' report (continued)

In addition to the above Committee, the Board may from time to time establish ad hoc Committees to address any specific purpose, with such delegation of powers and membership as the Board considers appropriate or necessary to meet its aims.

In accordance with the Articles of Association, the proceedings of any Committee to which the Board has delegated powers are minuted and reported to the Directors at the next following Board meeting.

Directors' and CEO's Remuneration

The Company's Articles of Association provide that there shall be paid to the Directors such fees as the Directors determine, not exceeding an annual aggregate of £150,000 (2021: £150,000).

Subject to the annual aggregate limit, Directors receive fees at levels approved by the Board. These are reviewed by the Board on a biennial basis, incorporating the use of market data to do so. No Director receives any additional remuneration from the Company other than his or her fees. Directors are not paid compensation for loss of office.

The remuneration of the CEO is set by the Board.

Future developments

As stated in the strategic report on page 8 and given the nature of the Scheme, the Directors do not envisage any changes to the business in the near future.

Qualifying third party indemnity provisions

The Company has maintained insurance cover for the Directors and Officers of the Company against certain liabilities that they may incur in carrying out their duties. The Company's Articles of Association provide that every Director and Officer may be indemnified by the Company except to the extent prohibited or restricted by the Companies Act 2006. Consequently, qualifying third party indemnity provisions were in force for the benefit of all Directors and Officers at the time when the Directors' Report for the previous financial year was approved, and were in force during the financial year ended 31 December 2022.

Financial risk management

The Company's management of financial risk and policies with regard to the use of financial instruments are disclosed in the Strategic Report and Note 5 of the financial statements. In particular, the Company's exposures to market risk, credit risk and liquidity risk are separately disclosed in that note. The Company's exposure to cash flow risk is addressed under the headings of 'Credit risk', 'Liquidity risk' and 'Market risk'.

Post balance sheet events

The Company has no disclosable post balance sheet events.

Disclosure of information to Auditors

At the date of this report, each individual Director was not aware of any relevant audit information of which the Company's Auditors were unaware, and each individual Director has taken the steps he/she ought to have taken as a Director to make him/herself aware of any relevant audit information and establish whether the Company's Auditors were aware of that information.

Independent Auditors

The Board's policy on the provision of non-audit services to the Company by the Auditors is that they are permitted to perform such work in areas where it is appropriate for them to do so, and provided that this does not compromise their independence. During the year they performed no such work.

The Auditors, Deloitte LLP, have indicated their willingness to continue in office as Auditors to the company and resolutions to re-appoint Deloitte LLP as Auditors to the Company and to authorise the Board of Directors to set their fees will be proposed at the Annual General Meeting.

Statement of Directors' responsibilities

The Directors are responsible for preparing the strategic report, Directors' report and the Company's financial statements (the financial statements) in accordance with applicable law and regulations.

Company Law requires the Directors to prepare financial statements for each financial year. Under that law 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) and Financial Reporting Standard 103 "Insurance Contracts" (FRS 103).

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;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards, including FRS 102 and FRS 103 have been followed, subject to any material departures disclosed and explained in the financial statements;
- notify its Members in writing about the use of disclosure exemptions, if any, of FRS 102 and FRS 103 used in the preparation of 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.

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.

Corporate governance

The Board's policy is to maintain a framework of corporate governance that would be considered good practice in companies of similar significance. Therefore, although the Company is neither required to comply with the UK Corporate Governance Code and certain other codes and guidelines generally applicable to listed companies, nor to make a statement on its compliance with such requirements, the Board believes it is appropriate to consider their provisions in determining the Company's own corporate governance arrangements.

The Board has responsibility for establishing systems of internal control to provide reasonable assurance against material misstatement or loss and to ensure compliance with laws and regulations. In establishing controls the Board has regard to the materiality of the relevant risk, the likelihood of loss and the costs of controls. The system of internal control can provide only reasonable and not absolute assurance against the risk of material misstatement or loss.

Up until 24 March 2022, the Audit and Risk Committee (ARC) undertook a review of the Company's risks against the Risk Policies and Controls at each committee meeting and reported to the Board. Thereafter, the Board reviewed and continues to review these processes and all other aspects of the effectiveness of internal control systems on a regular basis. Furthermore, quarterly meetings are held with Polo Commercial Insurance Services Limited in relation to the financial processing, technical accounting and credit control for the Company under contract.

Statement of going concern

The Board is satisfied, after taking account of the Retrocession Agreement with HM Government, that the Company has adequate financial resources to continue to operate for the foreseeable future which is, but not limited to, at least 12 months and is financially sound. The HM Government Retrocession Agreement is continuous and ongoing unless there is cancellation within defined and specific criteria. For this reason, the Board has concluded that it can effectively continue indefinitely, barring any significant changes to the reinsurance market in which the Company operates. As a consequence, it considers the going concern basis appropriate for the preparation of financial statements.

Pool Reinsurance (Nuclear) Limited - Annual report and financial statements 2022
Directors' report (continued)

Status of the Company

The Company is a private company limited by guarantee, not having share capital. The Company is a mutual reinsurer. The guarantee provided is of a nominal amount and all capital is in the form of retained reserves. The trading profit or loss of the Company, the technical result, is attributed to the Members; accordingly there is no taxation on the Company of the underwriting result as the business is conducted on a mutual basis.

The Company is authorised by the PRA and regulated by the PRA and the Financial Conduct Authority.

The Company is not part of a group and has no subsidiaries. It reinsures solely UK (excluding Northern Ireland) based risks.

Approved by the Board and signed on its behalf by



Garry Fearn
Chairman

23rd March 2023

Registered Number 3084992

Pool Reinsurance (Nuclear) Limited - Annual report and financial statements 2022
Independent Auditor's report to the Members of Pool Reinsurance (Nuclear) Limited

Report on the audit of the financial statements

1. Opinion

In our opinion the financial statements of Pool Reinsurance (Nuclear) 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 profit and loss account;
- the balance sheet;
- the statement of changes in equity;
- the statement of cash flows; and
- 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, 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	The key audit matter that we identified in the current year was: <ul style="list-style-type: none">• Valuation and existence of financial investments. Within this report, key audit matters are identified as follows: <ul style="list-style-type: none">Newly identifiedIncreased level of riskSimilar level of riskDecreased level of risk
Materiality	The materiality that we used in the current year was £500,000 (PY £500,000) which represents 1.6% of net assets.
Scoping	Audit work to respond to the risks of material misstatement was performed directly by the audit engagement team.
Significant changes in our approach	There have been no significant changes in our audit approach in the current year.

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.

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.

During the course of our audit we identified one key audit matter. This matter was 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 this matter.

5.1 Valuation and existence of financial investments	
Key audit matter description	As at 31 December 2022 the financial investments balance stood at £32.05m (2021: £32.3m), equating to 99.4% of total assets of the Company. The balance is comprised of two Money Market Funds (MMF) which are highly liquid and have low estimation uncertainty in valuing. However, due to the proportion of the net assets represented by this balance, we have identified this balance as a key audit matter. Refer to pages 9-13 (Director's report), page 24 (significant accounting policies) and, pages 19-23 (financial disclosures).
How the scope of our audit responded to the key audit matter	We have performed a business process walkthrough in order to gain a detailed understanding of the financial investments cycle and how the balance is recorded in the general ledger. We have tested the valuation of financial investments through obtaining independent prices from reputable third party sources for 100% of the Company's investments. We have tested the existence of the financial investments by obtaining an independent confirmation letter from the MMF managers confirming the balances held within the account as at 31 December 2022. We then reconciled this confirmation to the amount recorded in the general ledger.
Key observations	We completed our procedures over the valuation and existence of financial investment and did not identify any instance of material misstatements across

6. Our application of materiality

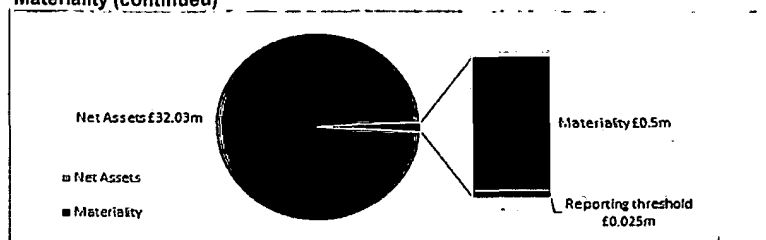
6.1 Materiality

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	£500,000 (2021: £500,000)
Basis for determining materiality	1.6% (2021: 1.6%) of net assets.
Rationale for the benchmark applied	Pool Reinsurance (Nuclear) Limited is a mutual reinsurance company, which exists for the benefit of its Members. As such, we considered net assets to be the most appropriate benchmark, as this represents the Company's ability to meet claims as they fall due, which is deemed to be of most concern to the members.

Materiality (continued)



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. there have not been any significant changes in business structure and operations; and
- b. our experience from previous audits, which has indicated a low level of corrected and uncorrected misstatements identified in prior periods.

6.3 Error reporting threshold

We agreed with the Board that we would report all audit differences in excess of £25,000 (2021: £25,000) as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Board on disclosure matters that we identified when assessing the overall presentation of the financial statements.

7. An overview of the scope of our audit

Our audit was scoped by obtaining an understanding of the entity and its environment, including internal control, and assessing the risk of material misstatement. Audit work to respond to the risks of material misstatement was performed directly by the audit engagement team.

The accounting function for the Company has been outsourced to an outsourced service provider. As part of our audit we obtained an understanding of relevant controls in place at the outsourced service provider.

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 in 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 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.

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, the key drivers for directors' remuneration, bonus levels and performance targets;
- results of our enquiries of management, Capita, and the audit committee about their own identification and assessment of the risks of irregularities;
- 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, 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. 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, tax legislation, Money Laundering Regulations, Financial Services and Markets Act 2000 and FCA/PRA Rulebooks.

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 Company's operating regulatory market and solvency requirements set by the FCA and PRA, respectively.

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 and the audit committee 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 the FCA 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 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

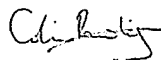
Under the Companies Act 2006 we are required to report to you if, in our opinion:

- 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
- certain disclosures of directors' remuneration have not been made; or
- the financial statements are not in agreement with the accounting records and returns.

We have nothing to report on these matters.

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.



Colin Rawlings FCA (Senior Statutory Auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, UK
24th March 2023

Pool Reinsurance (Nuclear) Limited - Annual report and financial statements 2022
Profit and loss account
For the year ended 31 December 2022

Technical account - general business

	<u>Notes</u>	<u>2022</u> £000s	<u>2021</u> £000s
Gross premiums written	6	43	40
Outward reinsurance premiums	6	(4)	(4)
		<hr/>	<hr/>
Net premiums written		39	36
Change in the gross provision for unearned premiums	12	(2)	616
Change in the provision for unearned premiums, reinsurers' share	12	-	(61)
		<hr/>	<hr/>
Earned premiums, net of reinsurance		37	591
Net operating expenses	7	(470)	(578)
		<hr/>	<hr/>
Balance on the technical account for general business		<u>(433)</u>	<u>13</u>

The above results all relate to continuing operations and to risks located in the United Kingdom.

Company number : 3084992

The notes on pages 24 to 33 form an integral part of these financial statements.

Pool Reinsurance (Nuclear) Limited - Annual report and financial statements 2022
Profit and loss account (continued)
For the year ended 31 December 2022

Non-technical account

	<u>Notes</u>	<u>2022</u> £000s	<u>2021</u> £000s
Balance on the general business technical account		(433)	13
Investment income	9	297	12
Investment expenses and charges	9	(3)	(4)
Profit on ordinary activities before tax		<u>(139)</u>	<u>21</u>
Tax on profit on ordinary activities	10	(53)	3
Profit for the financial year		<u><u>(192)</u></u>	<u><u>24</u></u>

The above results all relate to continuing operations.

There were no amounts recognised in other comprehensive income in the current or preceding year other than those included in the statement of profit or loss. Therefore no statement of other comprehensive income has been presented.

Company number : 3084991

The notes on pages 24 to 33 form an integral part of these financial statements.

Pool Reinsurance (Nuclear) Limited - Annual report and financial statements 2022
Balance sheet
As at 31 December 2022

	<u>Notes</u>	<u>2022</u> £000s	<u>2021</u> £000s
Assets			
Investments			
Other financial investments	11	32,051	32,304
Reinsurers' share of technical provisions			
Provision for unearned premiums	12	2	2
Debtors			
Debtors arising out of reinsurance operations		1	2
Other debtors		9	3
Other assets			
Cash at bank and in hand		116	116
Prepayments and accrued income			
Other prepayments and accrued income		58	62
Total assets		<u>32,237</u>	<u>32,489</u>
Liabilities			
Capital and reserves			
Profit and Loss Account	16	32,004	32,196
Technical provisions			
Provision for unearned premiums	12	23	21
Claims outstanding		-	-
Creditors: amounts falling due after more than one year			
Creditors arising out of reinsurance operations	13	9	96
Creditors: amounts falling due within one year			
Creditors arising out of reinsurance operations		94	133
Other creditors including taxation and social security	14	50	10
		144	143
Accruals and deferred income		57	33
Total liabilities		<u>32,237</u>	<u>32,489</u>

The financial statements on pages 19 to 23 were approved by the Board on 23rd March 2023 and signed on its behalf by


Garry Fearn
Chairman

Company number : 3084992

The notes on pages 24 to 33 form an integral part of these financial statements.

Pool Reinsurance (Nuclear) Limited - Annual report and financial statements 2022
Statement of changes in equity
For the year ended 31 December 2022

	<u>2022</u> £000s	<u>2021</u> £000s
Profit and loss account reserves as at the beginning of the year	32,196	32,172
Profit for the financial year	(192)	24
Profit and loss account reserves as at the end of the year	<u>32,004</u>	<u>32,196</u>

The notes on pages 24 to 33 form an integral part of these financial statements.

Pool Reinsurance (Nuclear) Limited - Annual report and financial statements 2022
Statement of cash flows
For the year ended 31 December 2022

	<u>Notes</u>	<u>2022</u> £000s	<u>2021</u> £000s
Net cash (outflow)/inflow from operating activities	15	(553)	(705)
Tax paid		3	(41)
Net cash (decrease)/increase generated from operating activities		<u>(550)</u>	<u>(746)</u>
Cash flow from investing activities			
Investment income received		297	12
Net cash generated from investing activities		<u>297</u>	<u>12</u>
Net cash generated from financing activities		<u>-</u>	<u>-</u>
Net (decrease)/increase in cash and cash equivalents		<u>(253)</u>	<u>(734)</u>
Cash and cash equivalents at beginning of the year		32,420	33,154
Cash and cash equivalents at end of the year		<u>32,167</u>	<u>32,420</u>
Cash and cash equivalents consists of:			
Cash at bank and in hand		116	116
Money Market Open Ended Investment Companies (OEICs)		32,051	32,304
presented within other financial investments			
Cash and cash equivalents		<u>32,167</u>	<u>32,420</u>

The notes on pages 24 to 33 form an integral part of these financial statements.

1 General Information

The Company is authorised by the PRA to carry on in the United Kingdom general insurance business classes 8 (fire and natural forces) and 16 (miscellaneous financial loss) restricted to reinsurance business only. All transactions relate to ongoing business. The Company is a mutual reinsurer, limited by guarantee and is incorporated in England and Wales. The address of its registered office is 50 Mark Lane, London, EC3R 7QR.

2 Statement of compliance

The financial statements of the Company have been prepared in compliance with UK Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" (FRS 102), Financial Reporting Standard 103, "Insurance Contracts" (FRS 103) and the Companies Act 2006. The financial statements have been prepared in compliance with the provisions of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations relating to insurance companies.

3 Summary of significant accounting policies

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

a Basis of preparation

The preparation of financial statements in conformity with FRS 102 and FRS 103 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 4.

b Going concern

The Directors are satisfied, after taking account of the Retrocession Agreement with HM Government, that the Company has adequate financial resources to continue to operate for the foreseeable future which is, but not limited to, at least 12 months and is financially sound. The HM Government Retrocession Agreement is continuous and ongoing unless there is cancellation within defined and specific criteria. For this reason, the Board has concluded that it can effectively continue indefinitely, barring any significant changes to the reinsurance market in which the Company operates. As a consequence, it considers the going concern basis appropriate for the preparation of financial

c Functional and presentation currency

The financial statements are presented in pounds sterling and rounded to thousands. The Company's functional currency is pounds sterling.

d Insurance contracts - classification

The Company has reviewed the nature of the inwards and outwards reinsurance business it transacts. It is satisfied that all such business falls within the definition of insurance risk and has therefore treated the relevant contracts as insurance contracts for the purposes of these financial statements. All premiums disclosed in the profit and loss account relate to standard insurance contracts.

e Insurance contracts

The results are determined on an annual basis whereby the incurred cost of claims, commission and related expenses are charged against the earned proportion of premiums, net of reinsurance as follows:

(i) Premiums written

Premiums written relate to business incepted during the year, together with any difference between booked premiums for prior years and those previously accrued, and include estimates of premiums due but not yet receivable or notified to the Company, less an allowance for cancellations.

(ii) Unearned premiums

Unearned premiums represent the proportion of premiums written in the year that relate to unexpired terms of policies in force at the balance sheet date, calculated on a time apportionment basis.

3 Summary of significant accounting policies (continued)

e Insurance contracts (continued)

(iii) Claims incurred

Claims incurred comprise claims and related expenses paid in the year and changes in the provisions for outstanding claims, including provisions for claims incurred but not reported and related expenses, together with any other adjustments to claims from previous years. Where applicable, deductions are made for salvage and other recoveries.

(iv) Claims provisions and related reinsurance recoveries

Provision is made at the year end for the estimated cost of claims incurred but not settled at the balance sheet date, including the cost of claims incurred but not yet reported to the Company. The estimated cost of claims includes expenses to be incurred in settling claims and a deduction for the expected value of salvage and other recoveries. The Company takes all reasonable steps to ensure that it has appropriate information regarding its claims exposures. However, given the uncertainty in establishing claims provisions, it is likely that the final outcome will prove to be different from the

The estimation of claims incurred but not reported (IBNR) is generally subject to a greater degree of uncertainty than the estimation of the cost of settling claims already notified to the Company, where more information about the claim event is generally available. In estimating the cost of IBNR, any estimate is based on information about any known circumstance that may give rise to a claim.

The nature of the underlying business is such that there should not be a significant delay between the occurrence of the claim and the claim being reported. However, there can be significant delays in assessing the Company's ultimate liability for such claims. Claims notified to the Company at the balance sheet date are estimated on a case by case basis to reflect the individual circumstances of each claim.

Provisions are calculated gross of any reinsurance recoveries. A separate estimate is made of the amounts that will be recoverable from reinsurers based upon the gross provisions and having due regard to collectability.

(v) Outwards reinsurance premiums

A creditor is recognised for outwards reinsurance premiums payable including amounts that may become payable to HM Government under the terms of the Retrocession Agreement.

The premium due to HM Government for providing retrocession cover becomes payable only when the funds standing to the credit of the Insurance Fund and the Investment Fund, as defined by the Retrocession Agreement, exceed £10 million. The accumulated funds continued to exceed £10 million during the year to 31 December 2021. These funds are broadly equivalent to premiums received, plus investment income earned, less incurred claims, taxation and expenses, subject to certain differences in the timing of their recognition. In certain circumstances the retrocession premium may become immediately payable if the Company fails to comply with the conditions of the Retrocession Agreement.

f Expenses

All expenses are recognised on an accruals basis and, other than direct investment expenses, are charged to the technical account.

g Investment income

Investment income, which is all included in the non-technical account, is determined on an accruals basis. Realised gains or losses represent the difference between net sales proceeds and the purchase price or, if previously valued, the fair value at the previous balance sheet date. Unrealised gains and losses represent the difference between the fair value at the balance sheet date and purchase price or, if previously valued, the fair value at the previous balance sheet date.

3 Summary of significant accounting policies (continued)

h Taxation

Taxation expense for the period comprises current and deferred tax recognised in the reporting period. It is recognised in the profit and loss account and is not discounted.

(i) Current tax

Current tax is the amount of income tax payable in respect of the taxable profit for the year or prior years. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by period end. There is no taxation of the underwriting result as the business is conducted on a mutual basis.

(ii) Deferred tax

Deferred tax arises from timing differences that are differences between taxable profits and total comprehensive income as stated in the financial statements. These timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements. Deferred tax is recognised on all timing differences at the reporting date. Unrelieved tax losses and other deferred tax assets are only recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the period end and that are expected to apply to the reversal of the timing difference.

i Other financial investments

The Company has chosen to adopt section 11 and 12 of FRS 102 in respect of its financial investments, which are all Money Market Open Ended Investment Companies (OEICs). Other financial investments consist of two funds containing overnight cash deposits, commercial paper and short term government bonds that meet the definition of cash equivalents, and as such these are included in the cash flow statement.

j Cash and cash equivalents

Cash and cash equivalents consist of the Company's current bank account and the Money Market OEICs which comprise the Company's other financial investments.

k Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount of the obligation can be estimated reliably. Please see Note 3 e (ii) for details of the unearned premium provisions.

l Related party transactions

The Company discloses transactions with related parties. Where appropriate, transactions of a similar nature are aggregated unless, in the opinion of the Directors, separate disclosure is necessary to understand the effect of the transactions on the Company's financial statements. The Company had no related party transactions in the year.

4 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.

There are currently no significant judgements when applying the accounting policies or sources of estimation uncertainty to disclose.

5 Management of Insurance and financial risk

a Insurance risk

The risk under any one insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the very nature of an insurance contract, this risk is random and therefore unpredictable. However, to date, the Company has never incurred a claim.

The Company's approach to the management of insurance risk is influenced by the commitments contained in the agreements which form the foundations of the Company's Scheme. The Company undertakes to accept all risks presented to it which meet the criteria of the Scheme and has a Retrocession Agreement with HM Government providing unlimited indemnity where it faces claims beyond the extent of its ability to pay from its own resources. Under the PRA capital regime the Company has a capital resource requirement set equal to zero. This is possible because the Company's financial commitments are assured through its retrocessional facility with HM Government, the arrangements being designed to ensure that the Company can accept all exposures presented to it without limit.

In turn, these arrangements ensure that the Company can provide primary insurers with the reinsurance protection they need to enable them to provide terrorism cover to all clients upon request to the full extent of their policy programme. Hence it is not an objective to limit the assumption of insurance risk but to ensure that:

- risks accepted fall within the criteria set by the Scheme and fall within the coverage of the Retrocession Agreement;
- pricing is consistent between the Members of the Scheme; and
- adequate arrangements are in place in the event of a major claim.

The Company's appetite for insurance risk is unlimited within the context of the Scheme, and therefore assumes that losses in excess of the Company's own funds will ultimately be met by its retrocessional cover. Its policy is to assume all relevant risks presented to it whilst ensuring that it accepts only risks falling within the criteria set by the Scheme.

b Financial risk management objectives

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

The overall financial risk management objective is to invest the assets against the contingency that they could be exhausted suddenly by a claim or series of claims, but with recognition that they may not be called upon for long periods.

The two main objectives of the Company's investment strategy are stability and liquidity. The Company therefore considers that Money Market OEICs are suitable to meet its financial risk objective.

In the prior year the Company has been aware of the Amendments to FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland – Interest rate benchmark reform (Phase 2), in line with the mandatory effective date of 1st January 2021. In December 2019 the Financial Reporting Council (FRC) issued Amendments to FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland – Interest rate benchmark reform (known as Phase 1). Phase 1 amendments modify specific hedge accounting requirements as a result of the interest rate benchmark reform and given our investment portfolio this does not apply to PRNL.

As at 31st December 2022 PRNL has no exposure to any LIBOR based contracts or interest payments. As a result there are no Phase 2 amendments required.

The Company is exposed, therefore, to limited financial risk (market risk, credit risk and liquidity risk) as the portfolio in which it is invested is restricted to high-quality, short-term, money market instruments. These are issued by, but not limited to, HM Government, the Organisation for Economic Cooperation and Development, sovereign governments, supranational entities, public corporations, local authorities, banks and other financial institutions.

5 Management of insurance and financial risk (continued)

c Market risk

(i) Interest rate risk

Interest rate risk is the risk that arises from fluctuating interest rates on the Company's investments in Money Market OEICs. The Company therefore monitors its interest rate risk by reporting the individual fund performance against its benchmark to the Board on a quarterly basis. The funds that the Company invests in have an weighted average maturity of 71 days across the two institutions, which further reduces interest rate risk. The sensitivity analysis for interest rate risk shows that a 0.1% increase/decrease in interest rates will increase/decrease the Company's investment income by £32k, assuming all other assumptions remain unchanged.

(ii) Price risk

The Company is exposed to price risk as a result of changes in the value of investments in Money Market OEICs. The Company has limited exposure to price risk as a result of its restricted investment portfolio in money market OEICs which have a short weighted average maturity and therefore have limited price volatility. All the OEIC funds invest in high quality, short term, fixed and variable rate securities, listed or traded on one or more Recognised Exchanges, across a range of financial institutions, sovereign and corporate issuers.

(iii) Currency Risk

Currency risk arises when future commercial transactions or recognised assets and liabilities are denominated in a currency that is not the entity's functional currency. However as all the Company's business is transacted in Sterling, it has no currency risk.

As at 31st December 2022, the Company had no exposure to LIBOR based contracts.

d Credit Risk

Credit risk arises from the failure of a counterparty to perform its financial obligations to the Company, or a failure to perform those obligations in a timely manner. The risk of non-payment or late payment of premiums to the Company by its reinsureds is limited as the Company's agreement with its Members sets deadlines for the payment of premiums.

The Company's only retrocessionaire is HM Government and therefore is not considered to be a source of credit risk.

The Company's risk policies take account of credit risk arising through the investment portfolio (£32.1m) and cash at bank (£0.1m) by restricting it to readily realisable assets. All its investments are held in AAA rated funds whilst its cash at bank is held with Lloyds Bank Plc.

The credit rating of these institutions is monitored on a quarterly basis by the Board and would form part of a risk report if required.

As at 31st December 2022, the Company had no exposure to LIBOR based contracts.

5 Management of Insurance and financial risk (continued)

e Liquidity Risk

Liquidity risk is the risk that cash may not be available to pay obligations when due at a reasonable cost. The primary liquidity risk of the Company is the obligation to pay claims to policyholders as they fall due. The Company's investment portfolio is therefore structured with the objective of ensuring that all funds are held in readily realisable assets in the event of a claim.

The table below analyses the maturity of the Company's creditors. All liabilities are presented on a contractual undiscounted cash flow basis.

				2022
	£000s	£000s	£000s	£000s
	0-1 year	1-2 years	2-3 years	Total
Creditors	144	4	4	152
Total	144	4	4	152

				2021
	£000s	£000s	£000s	£000s
	0-1 year	1-2 years	2-3 years	Total
Creditors	143	92	4	239
Total	143	92	4	239

As at 31st December 2022, the Company had no exposure to LIBOR based contracts.

f Capital management

The principal activity of the Company is reinsurance business conducted for the benefit of Members providing protection as part of the Scheme to facilitate the continued provision of insurance to the owners of nuclear installations in the United Kingdom against the risk of damage to property from fire or explosion caused by acts of terrorism. The Company is a mutual reinsurer and, as a private company limited by guarantee, the Company does not have any share capital, so all capital is retained reserves.

The PRA made, on application of the Company, a direction in December 2015 under section 138A of the Financial Services and Markets Act 2000 which replaces the Company's previous waiver. The effect of the direction is that, inter alia, the Company's capital resources requirement is zero.

This waiver expires on 31 December 2025.

The Company does not consider operational or accounting risks as a result of interest rate benchmark reform to have a material impact of its Capital Management.

Since the inception of the Company, no claims have been incurred. However, the investment strategy is predicated on the basis that should such an event occur, all the investment funds could be realised within 2 working days.

g Fair value estimation

For financial instruments held at fair value, the Company discloses fair value measurements by Level of the following fair value measurement hierarchy:

Level 1: The unadjusted quoted price in an active market for identical assets or liabilities that the entity can access at the measurement date.

Level 2: Inputs other than quoted prices included within Level 1 that are observable (i.e. developed using market data) for the asset or liability, either directly or indirectly.

Level 3: Inputs are unobservable (i.e. for which market data is unavailable) for the asset or liability.

All financial instruments held are classed as Level 1.

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6	Particulars of business		
	The Company is authorised by the PRA to carry on in the United Kingdom general insurance business classes 8 (fire and natural forces) and 16 (miscellaneous financial loss) restricted to reinsurance business only. All transactions relate to ongoing business. Gross premiums written by the Company in 2021 totalled £40k (2020: £877k).		
	Under the Company's Retrocession Agreement with HM Government, 10% of the value of gross premiums written incepted in the year is payable as outwards reinsurance premiums to HM Government. In 2022 this amounted to £4k (2021: £4k).		
7	Expenses		
a	Net operating expenses	<u>2022</u> £000s	<u>2021</u> £000s
	Administrative expenses (including Auditor's remuneration)	<u>470</u>	<u>578</u>
b	Auditor's Remuneration	<u>2022</u> £000s	<u>2021</u> £000s
	Fees payable to the Company's Auditors for the audit of the Company's financial statements	30	27
	Fees payable to the Company's Auditors for other services:		
	Audit-related assurance services	<u>2</u>	<u>2</u>
		<u>32</u>	<u>29</u>
	Fees are stated excluding VAT.		
8	Employees and Directors		
a	Employees	<u>2022</u> £000s	<u>2021</u> £000s
	Wages and Salaries	89	124
	Social security costs	<u>12</u>	<u>15</u>
		<u>101</u>	<u>139</u>
	The Company has a total of 2 part-time employees, CEO and CFO (2021 – 2 part-time employees). These employees are also the Company's key management.		
b	Directors	<u>2022</u> £000s	<u>2021</u> £000s
	The Directors' emoluments were as follows:		
	Aggregate emoluments	<u>85</u>	<u>101</u>
	Emoluments are stated excluding VAT where applicable.		
9	Investment return	<u>2022</u> £000s	<u>2021</u> £000s
	Investment Income		
	Interest income on financial assets at fair value through profit and loss	<u>297</u>	<u>12</u>
		<u>2022</u> £000s	<u>2021</u> £000s
	Investment expenses and charges		
	Interest payable on retrocession premiums	<u>(3)</u>	<u>(4)</u>

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Notes to the financial statements (continued)

10 Tax on profit on ordinary activities

The Company is a mutual and as such does not pay corporation tax on its technical result. Corporation tax is however payable on its non-technical account.

	<u>2022</u>	<u>2021</u>
	£000s	£000s
United Kingdom corporation tax at 19% average rate (2021: 19%):		
Current tax on income for the year	<u>53</u>	<u>(3)</u>
Tax on profit on ordinary activities	<u>53</u>	<u>(3)</u>

Factors affecting the tax charge for the year:

The tax assessed for the year is higher (2021: lower) than the standard weighted rate of corporation tax in the UK (19%) (2021:19%). The difference is explained below.

	<u>2022</u>	<u>2021</u>
	£000s	£000s
Non technical account		
Profit on ordinary activities before tax	<u>(139)</u>	<u>21</u>
	<u>2022</u>	<u>2021</u>
	£000s	£000s
Profit on ordinary activities at standard weighted rate of corporation tax in the UK of 19% (2021:19%)	(26)	3
Balance on the technical account - not taxable	82	(2)
Other investment expenses - taxable	<u>(3)</u>	<u>(4)</u>
Total current tax charge for the year	<u>53</u>	<u>(3)</u>

11 Other financial investments

	<u>2022</u>	<u>2021</u>
	£000s	£000s
Investments at fair value through profit or loss:		
Shares and other variable-yield securities and units in unit trusts	<u>32,051</u>	<u>32,304</u>

12 Reconciliation of provision for unearned premiums

The reconciliation of opening and closing provision for unearned premiums is as follows:

	<u>2022</u>	<u>2021</u>
	£000s	£000s
Gross		
As at 1 January	21	637
Change in the gross provision for unearned premiums	<u>2</u>	<u>(616)</u>
As at 31 December	<u>23</u>	<u>21</u>
Reinsurers' share		
As at 1 January	2	63
Change in the provision for unearned premiums, reinsurers' share	<u>-</u>	<u>(61)</u>
As at 31 December	<u>2</u>	<u>2</u>

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13	Creditors: amounts falling due after more than one year	<u>2022</u>	<u>2021</u>
		£000s	£000s
	Retrocession payable to HM Government on 31/3/23 (21: 31/3/22)	4	92
	Retrocession payable to HM Government on 31/3/24 (21: 31/3/23)	4	4
	Total	<u>9</u>	<u>96</u>
14	Other creditors including tax and social security	<u>2022</u>	<u>2021</u>
		£000s	£000s
	Corporation tax	50	-
	Other creditors	-	10
		<u>50</u>	<u>10</u>
15	Reconciliation of profit for the financial year to net cash inflow from operating activities	<u>2022</u>	<u>2021</u>
		£000s	£000s
	Profit for the financial year	(192)	24
	Adjustments:		
	Increase in reinsurers' share of technical provisions	-	61
	Decrease/(increase) in debtors	(5)	11
	Decrease/(increase) in other prepayments and accrued income	4	3
	(Decrease) in provision for unearned premium	2	(616)
	(Decrease) in creditors excluding taxation	(142)	(176)
	Increase/(decrease) in accruals and deferred income	24	3
	Tax on profit on ordinary activities	53	(3)
	Investment income	(297)	(12)
	Net cash inflow from operating activities	<u>(553)</u>	<u>(705)</u>
16	Reconciliation of movements in the Profit and Loss Account	<u>2022</u>	<u>2021</u>
		£000s	£000s
	Profit and loss account balance brought forward	32,196	32,172
	Profit for the financial year	(192)	24
	Profit and loss account balance carried forward	<u>32,004</u>	<u>32,196</u>

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- 17** **Related party transactions**
All Members of the Company are offered identical terms for all transactions with the Company.
Key management personnel and Directors' compensation are disclosed in total in Note 8.
- 18** **Subsequent events**
There have been no events since the year end.