

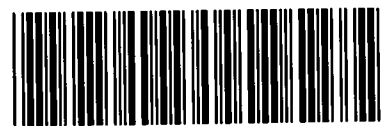
Company Number: 04818520

CANOPIUS HOLDINGS UK LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

**FOR THE YEAR ENDED
31 DECEMBER 2022**

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COMPANIES HOUSE

Directors and Professional Advisors

Directors Michael Duffy (resigned 31 December 2022)
Gavin Phillips (appointed 4 January 2022)
Michael Watson

Registered Office Floor 29
22 Bishopsgate
London
EC2N 4BQ

Company Number 04818520

Independent Auditor Ernst & Young LLP
25 Churchill Place
Canary Wharf
London
E14 5EY

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Strategic Report

Strategic report for the year ended 31 December 2022

The directors present their Strategic Report on Canopus Holdings UK Limited ("the Company") for the year ended 31 December 2022.

Review of the business

The principal activity of the Company is to act as a group holding company to subsidiary undertakings of the Canopus Group Limited ("Canopus Group").

The Company's total income, including investment income and interest receivable amounted to £4,266,000 (2021: £6,475,000) and the Company's profit before tax was £996,000 (2021, profit before tax was £279,000).

Principal risks and uncertainties

The directors consider that the Company is exposed to credit risk on its financial assets, as detailed in note 16, and the risk that the carrying amount of its investment in subsidiaries is higher than the recoverable amount, as detailed in note 9. There are no other significant risks or uncertainties.

Risk Management

The recoverable amount of the Company's investment in subsidiaries is impacted by the performance of the syndicates on which those subsidiaries participate. Canopus Managing Agents Limited ("CMA") is the managing agent for the syndicates, and risks related to the performance of the syndicates are mitigated by governance and controls provided by CMA.

Key performance indicators

The Board monitors the progress of the Company by reference to the following KPIs:

	2022 £'000	2021 £'000
Revenue	3,471	5,838
Profit for the year before tax	996	279
Net assets	237,820	236,824

The Company generates revenue through the recharge of expenses to 'overseas' entities within the Canopus Group. The reduction in revenue in 2022 is primarily driven by Canopus Group Limited (CGL) entity now receiving recharged expenses from Canopus Services Limited, a fellow group undertaking, rather than from the Company.

The increase in profit during 2022 was mainly driven by the write-back of an intercompany creditor following the forgiveness of debt by the counterparty Canopus Capital Two Limited.

Stakeholder Engagement

In 2022, the Company's Board undertook a variety of activities to engage with stakeholders and bring their voices into the boardroom. The Company's key stakeholders are reported below together with a summary of the Company's engagement with them.

Group Shareholders

The Canopus Group Limited ('the Group') highly values the views of its shareholders and maintains open and transparent communication channels with them. This dialogue and ensuring their ongoing support is critical to the success of the business. The shareholders afford the ability to plan for the long term, which has been central to the Group transformation programme this year. They provide the Group with financial support and security and are kept informed with detailed financial information on a quarterly basis, in addition to the annual report, providing more in-depth insights into the Group. Feedback from shareholders is provided to the CGL Board.

Strategic Report (continued)

Employees

Employees are essential to the success of the Group and the achievement of its goals. The Group is building a resilient and sustainable organisation which can support growth and that relies on a motivated and engaged team. The transformation programme on which the Group has embarked over the past year has people at its core.

The Group communicates key messages with employees through regular Town Hall meetings. The Group uses periodic Information and Consultation Forums to obtain regular feedback from employees and discuss topics in-depth. Detailed employee feedback is obtained using employee engagement surveys, which are conducted on average once per year.

Principal Decisions 2022

Introduction

The Company defines a principal decision as any decision of the Board that is material to the Company and or is significant to any of its stakeholders. Thus, a key decision may include, but is not limited to:

- New business strategy or significant changes to existing strategy.
- Capital allocation decisions, including payments of dividends.
- Material corporate activity including acquisitions and disposals.
- Large-scale restructuring.
- Appointments to the Board.
- Decisions relating to major regulatory and or legal matters.

The Company's governance framework, policies and procedures are designed to ensure that the Board takes into account the views of all the Company's stakeholders and the impact of its activities on the community, environment and the Company's reputation, to ensure that decision-making is collaborative and well informed. Discussed below are how the Directors considered the matters set out in section 172(1) (a)-(f) ("section 172") of the Companies Act 2006 when discharging their duties and the effect of that on principal decisions taken by the Board.

Principal Decisions

Discussed below are the principal decisions made by the Board during 2022.

Board Appointment Changes

The Board made the following appointment during 2022:

- Gavin Phillips was appointed a director of the Company, effective 4 January 2022.

When considering appointments to the Board, the Board places the interest of stakeholders at the core of its considerations. The Board seeks candidates with insurance and strategic experience to enable the Board to deliver long-term sustainable growth to the Company for the benefits of its shareholder and wider stakeholders. The Board shall continue to ensure that the nomination process is inclusive and fair and that all nominations to the Board are made after careful consideration of the candidates' individual competence, skills and experience, measured against identified criteria and considering the interest of stakeholders.

During 2022 the following resignation from the Board was received:

- Michael Duffy resigned from the Board effective 31 December 2022.

Renewal of Letter of Credit Facility Agreement

At their meeting held 31 October 2022, as the guarantor, the Board agreed to renew the letter of credit facility with ING and reduce it to \$420m (comprised of \$300m denominated in US Dollars and £100m denominated in Pound Sterling).

The Strategic Report was approved by the Board on 26 June 2023 and signed on their behalf by:

Gavin Phillips

Gavin Phillips
Director
27 June 2023

Directors' Report

Directors' Report for the year ended 31 December 2022

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

Dividends

No dividends were paid in 2022 to the Company's immediate parent company (2021: £nil).

Dividends of £6k were received from subsidiary undertakings in 2022 (2021: £5k).

Directors

The directors set out on page 1 have held office during the whole of the period from 1 January 2022 to the date of this report, unless otherwise indicated.

None of the directors held a direct interest in the shares of the Company.

Political donations

No political donations were made by the Company (2021: £nil).

Qualifying third party indemnity provision

The Company has put in place Directors & Officers ("D&O") insurance and an indemnity in the Articles of Association to indemnify directors and officers of the Company against losses or liabilities sustained in the execution of the duties of office. The indemnity is a qualifying third party indemnity provision under s.232 and s.234 of the Companies Act 2006.

Going concern

The directors have considered the going concern basis of preparation of the Company's financial statements as at 31 December 2022. This included the factors likely to affect its future performance as well as the Company's principal risks and uncertainties.

Having assessed the principal risks to liquidity and solvency for the Company, the directors have concluded that there are no material uncertainties that may cast significant doubt about the Company's financial ability to continue as a going concern and they have a reasonable expectation that the Company has adequate resources to continue in operational existence until at least 30 June 2024 and that therefore it is appropriate to adopt a going concern basis for the preparation of the financial statements, and accordingly these financial statements have been prepared on a going concern basis.

Subsequent events

By written resolution dated 20 March 2023, the Board agreed to subscribe for one ordinary share in Canopus Corporate Capital Limited, which was settled through the payment of \$26.0m of assets.

During April 2023, a number of the Company's subsidiaries appointed PricewaterhouseCoopers LLP, 7 More London Riverside, London, SE1 2RT, as liquidators thereby starting the process of voluntary liquidation.

Further details of the subsidiaries and their carrying values are included in note 21.

Financial risk management

The policy for managing financial risk is discussed in the Strategic Report under risk management.

Directors' Report (continued)

Disclosure of information to auditors

In the case of each of the persons who are directors of the Company at the time the report is approved:

- So far as the directors are aware, there is no relevant audit information, being information needed by the Company's auditor in connection with the auditor's report, of which the auditor is unaware; and
- Having made enquiries of fellow directors of the Company and the Company's auditor, each director has taken all the steps that he or she ought to have taken as a director to become aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Independent Auditors

Ernst & Young LLP were the auditors for the year ended 31 December 2022.

Ernst & Young LLP have expressed their willingness to continue in office as auditor.

Statement of directors' responsibilities

The directors are responsible for preparing the Strategic Report, Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. 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 101 Reduced Disclosure Framework (FRS 101).

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 101, have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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.

Some information is not shown in the Directors' Report because it is shown in the Strategic Report instead under s414c (ii). This information is business review and principal activities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the group's website.

The Directors' Report was approved by the Board on 26 June 2023 and signed on their behalf by:



Gavin Phillips
Director
27 June 2023

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CANOPIUS HOLDINGS UK LIMITED

Opinion

We have audited the financial statements of Canopus Holdings UK Limited (the "company") for the year ended 31 December 2022 which comprise the Income Statement, the Statement of Financial Position, the Statement of Changes in Equity and the related notes 1 to 21, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view 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; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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 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.

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 the period to 30 June 2024 which is 12 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. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

Other information

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CANOPIUS HOLDINGS UK LIMITED
(continued)

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 directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

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 material misstatements in the strategic report or directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 6, 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.

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.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CANOPIUS HOLDINGS UK LIMITED
(continued)**

Explanation as to what extent 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 irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are direct laws and regulations, the financial reporting framework (UK GAAP and the Companies Act 2006), and the relevant direct and indirect tax compliance regulation in the United Kingdom.
- We understood how the company is complying with those frameworks by making enquiries of management, internal audit, and those responsible for legal and compliance matters of the company. In assessing the effectiveness of the control environment, we also reviewed minutes of the Board and gained an understanding of the company's approach to governance.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations impacting the company. Our procedures involved making enquiry of those charged with governance and senior management for their awareness of any non-compliance of laws or regulations; inquiring about the policies that have been established to prevent non-compliance with laws and regulations by officers and employees at a company level; inquiring about the company's methods of enforcing and monitoring compliance with such policies.
- We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur by considering the controls that the company has established to address risks identified by the company, or that otherwise seek to prevent, deter or detect fraud. We also considered areas of significant judgement, including complex transactions, performance targets, external pressures and their potential to influence management to manage earnings or influence the perceptions of investors and stakeholders. We tested manual journals, including segregation of duties, and tested specific transactions back to source documentation or independent confirmation, ensuring appropriate authorisation of the transactions. These procedures were designed to provide reasonable assurance that the financial statements were materially free from fraud or error.
- The company operates in the insurance industry which is a highly regulated environment. As such the Senior Statutory Auditor considered the experience and expertise of the engagement team to ensure that the team had the appropriate competence and capabilities.

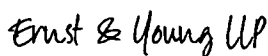
A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Canopus Holdings UK Limited – Year ended 31 December 2022
A Canopus Group Company

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CANOPIUS HOLDINGS UK LIMITED
(continued)

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.

DocuSigned by:

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Andrew Blackmore (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
27 June 2023

Income statement

		Year ended 31 December	
	Note	2022 £'000	2021 £'000
Revenue		3,471	5,838
Administrative expenses		(2,952)	(5,870)
Operating profit/(loss)	4	519	(32)
Investment income	6	6	5
Profit/(loss) on ordinary activities before interest and taxation		525	(27)
Finance income	7	789	632
Finance costs	7	(318)	(326)
Finance income - net		471	306
Profit on ordinary activities before income tax		996	279
Income tax on ordinary activities	8	-	48
Profit for the financial year		996	327

The income statement relates entirely to continuing activities.

There are no recognised gains or losses apart from those included in the income statement above. Accordingly no statement of comprehensive income is presented.

Statement of financial position

		As at 31 December	
	Notes	2022 £'000	2021 £'000
Fixed assets			
Investments in subsidiary undertakings	9	218,591	218,591
Right-of-use assets	19	20,540	23,263
		239,131	241,854
Current assets			
Debtors: amounts falling due within one year	10	35,144	34,050
Financial investments	11	3,144	3,284
Cash and cash equivalents		57	117
		38,345	37,451
Creditors - amounts falling due within one year			
Amounts owed to group undertakings	12	(14,402)	(17,985)
		(14,402)	(17,985)
Net current assets		23,943	19,466
Total assets less current liabilities		263,074	261,320
Creditors – amounts falling due after more than one year	13	(25,254)	(24,496)
Net assets		237,820	236,824
Equity			
Called up share capital	15	-	-
Share premium	15	215,495	215,495
Retained earnings		22,325	21,329
Total shareholder's funds		237,820	236,824

The notes on pages 14 to 27 are an integral part of these financial statements.

The financial statements on pages 11 to 27 were authorised for issue by the board of directors on 26 June 2023 and were signed on its behalf by;

Gavin Phillips

Gavin Phillips
Director
27 June 2023
Canopus Holdings UK Limited
Registered no. 04818520

Statement of changes in equity

	Called up share Capital (note 15) £'000	Share Premium (note 15) £'000	Retained Earnings £'000	Total Shareholder's funds £'000
Balance as at 1 January 2021	-	196,332	21,002	217,334
Profit for the financial year	-	-	327	327
Total comprehensive income for the year	-	-	327	327
Issue of shares	-	19,163	-	19,163
Total transactions with owners, recognised directly in equity	-	19,163	-	19,163
Balance as at 31 December 2021	-	215,495	21,329	236,824
Balance as at 1 January 2022	-	215,495	21,329	236,824
Profit for the financial year	-	-	996	996
Total comprehensive income for the year	-	-	996	996
Balance as at 31 December 2022	-	215,495	22,325	237,820

Notes to the financial statements

1. General information

The principal activity of the Company is to act as a group holding company to subsidiary undertakings of the Canopus Group.

The Company is a wholly owned subsidiary of Canopus Group Limited ("CGL") and is incorporated and domiciled in the UK. The address of its registered office is Floor 29, 22 Bishopsgate, London, EC2N 4BQ. The Company is limited by shares.

2. 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 the years presented, unless otherwise stated.

2.1 Authorisation of the financial statements and basis of preparation

The financial statements of the Company for the year ended 31 December 2022 were authorised for issue by the board of directors on 26 June 2023 and the statement of financial position was signed on the Board's behalf by Gavin Phillips.

The financial statements of the Company have been prepared in accordance with the Financial Reporting Standard 101, 'Reduced Disclosure Framework' (FRS 101). The financial statements have been prepared under the historic cost convention, as modified by financial assets and financial liabilities measured at fair value through profit and loss, and in accordance with the Companies Act 2006.

The preparation of financial statements in conformity with FRS 101 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 3.

The Company meets the definition of a qualifying entity under FRS 100 issued by the FRC.

The following exemptions from the requirements of IFRS have been applied in the preparation of these financial statements, in accordance with FRS 101:

- The following paragraphs of IAS 1, 'Presentation of financial statements':
 - o 10(d), (statement of cash flows);
 - o 10(f) (a statement of financial position as at the beginning of the preceding period when an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements);
 - o 16 (statement of compliance with all IFRS);
 - o 38A (requirement for minimum of two primary statements, including cash flow statements);
 - o 38B-D (additional comparative information);
 - o 40A-D (requirements for a third statement of financial position);
 - o 79(a)(iv) (outstanding shares at the beginning and end of the current period);
 - o 111 (cash flow statement information); and
 - o 134-136 (capital management disclosures).
- IAS 7, 'Statement of cash flows';
- Paragraphs 30 and 31 of IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors' (impact of IFRSs that have yet to be issued);
- Paragraph 17 and 18a of IAS 24, 'Related party disclosures' (key management compensation);
- The requirements in IAS 24, 'Related party disclosures' to disclose related party transactions entered into between two or more members of a group;
- IFRS 7, 'Financial Instruments: Disclosures';
- Paragraphs 91 to 99 of IFRS 13, 'Fair Value Measurement' (disclosure);
- Paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15 'Revenue from contracts with customers'; and

Notes to the financial statements

2. Summary of significant accounting policies (continued)

- The Company adopted the relevant presentation requirements of IAS 1 formats for the Statement of financial position and the income statement in accordance with Schedule 1 to the Regulations, as amended by Statutory Instrument 2015/980, which permits a company a choice of adapted or statutory formats. The Company chose IAS 1 presentation format to be aligned with the Group financial statements.

Under the provisions of Section 401 (1) and (2) of the Companies Act 2006, the Company is exempt from the requirement to prepare and deliver consolidated group financial statements on the grounds that the immediate parent undertaking, as set out in note 20, prepares group financial statements.

2.2 Going concern

The directors have considered the going concern basis of preparation of the Company's financial statements as at 31 December 2022. This included the factors likely to affect its future performance as well as the Company's principal risks and uncertainties.

Having assessed the principal risks to liquidity and solvency for the Company, the directors have concluded that there are no material uncertainties that may cast significant doubt about the Company's financial ability to continue as a going concern and they have a reasonable expectation that the Company has adequate resources to continue in operational existence until at least 30 June 2024 and that therefore it is appropriate to adopt a going concern basis for the preparation of the financial statements, and accordingly these financial statements have been prepared on a going concern basis.

2.3 Foreign currency translation

(a) Functional and presentational currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the Company operates ('the functional currency'). The financial statements are presented in Sterling (£), which is also the Company's functional currency.

(b) Transactions and balances

Monetary assets and liabilities are translated into Sterling at the exchange rates prevailing at the balance sheet date. Income and expense transactions are translated using the rates prevailing at the date of transaction or appropriate average rates. All foreign exchange gains and losses are presented in the income statement.

Non-monetary assets and liabilities carried at historical cost are translated in the balance sheet at the exchange rate prevailing on the original transaction date except where there has been a change in the functional currency.

2.4 Revenue

Revenue represents amounts receivable from other group companies for services provided and is recognised at the point at which the service is provided in line with the associated expenses. The consideration is fixed with no variable element in line with the services provided.

2.5 Operating expenses

Operating expenses are recognised in profit and loss as incurred. These are principally borne by a subsidiary undertaking, which acts as service company to the group, and recharged to managed syndicates and group companies on the basis of usage.

Notes to the financial statements

2. Summary of significant accounting policies (continued)

2.6 Investment income

Investment income comprises of intercompany cash dividends recognised when received, intercompany dividends in specie recognised at Board approval date and intercompany preference dividends receivable.

2.7 Finance income

Finance income consists of bank interest accruals and interest that has accrued on the loans that the Company holds. Loan interest is recognised in line with the terms of the finance agreements.

2.8 Finance costs

Finance costs consist of interest on the loans payable that the Company holds and investment management fees. Loan interest is recognised on an accruals basis in line with the terms of the agreements.

2.9 Financial instruments

2.9.1 Classification

On initial recognition, financial assets are measured at fair value. Subsequently, they can be measured at amortised cost, fair value through other comprehensive income (FVOCI) or fair value through profit or loss (FVTPL). The classification depends on two criteria:

- I. the business model within which financial assets are managed; and
- II. their contractual cash flow characteristics (whether the cash flows represent 'solely payments of principal and interest' (SPPI)).

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, are not intended to be sold in the short term and do not fall into the other categories of financial assets as described above. On initial recognition loans and receivables are measured at fair value. Subsequently they are measured at amortised cost.

Debtors

Debtors are amounts due from associated group companies. If collection is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets. Debtors are measured at amortised cost using the effective interest method.

Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts.

2.9.2 Impairment

The Company determines forward looking expected credit losses (ECL) for all its financial assets held at amortised cost.

The Company has applied the simplified approach to establishing an ECL in relation to debtors. Debtors represent amounts due from associated group companies. Further details on credit risk are detailed in note 16.

2.10 Investments in subsidiary

Investments in subsidiary undertakings are stated at cost, less any provision for impairment.

The recoverability of these balances is dependent on the financial position and future prospects of the subsidiary companies. The principal risks relating to these subsidiaries and the valuation methodology adopted for testing for impairment are disclosed in note 9.

Notes to the financial statements

2. Summary of significant accounting policies (continued)

2.11 Leases

The Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Company as a lessee

The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets

The Company recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred and lease payments made at or before the commencement date, less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful life of the assets. The right-of-use assets are subject to impairment.

Lease liabilities

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term.

The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of any purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating the lease, if the lease term reflects the Company exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the unwind of discounting and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments or a change in the assessment of an option to purchase the underlying asset.

2.12 Dividend distribution

Dividend distributions to the Company's shareholders are recognised as a liability in the Company's financial statements in the period in which the dividends are approved by the Company's shareholders.

2.13 Current income tax

The tax expense for the period comprises current tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in shareholder's funds, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Taxable profits or losses are eliminated by claims or surrenders of group relief between group members for no consideration.

Notes to the financial statements

2. Summary of significant accounting policies (continued)

2.14 Pension obligations

The costs of providing pensions for all staff are charged in the profit and loss account of the year to which they relate. Pension costs arising from staff remuneration, which is ultimately borne by group undertakings or the group's managed syndicates, are charged to those companies or syndicates as incurred.

Canopus Services Limited ("CSL") operates defined contribution pension schemes on behalf of the Company. The assets of the schemes are held separately from those of the Company in independently administered funds.

3. Critical accounting estimates and judgements

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. The primary estimates and judgements used during the year were in respect of the recoverable amount of the investments in subsidiaries that the Company has. Details of these subsidiaries can be found in notes 9 and 14.

4. Operating Profit/(Loss)

Operating profit/(loss) is stated after charging:

	2022 £'000	2021 £'000
Wages and salaries	2,177	2,725
Social security costs	245	343
Other pension costs	129	192
Other staff costs	120	97
Staff costs	2,671	3,357
Audit of the Company's financial statements	18	16

5. Employees and directors

Employees

All the directors and employees of the Company are employed by CSL. Staff costs are charged to the Company on the basis of time spent by those relevant directors and employees on the affairs of the Company.

Headcount

The monthly average number of staff employed by CSL and recharged to the Company, including directors, was:

	2022 Number	2021 Number
Other agency, accounting and administration	21	16

Notes to the financial statements

5. Employees and directors (continued)

Directors' emoluments and staff costs

No persons were employed by the Company during the year ended 31 December 2022 (2021: nil).

The Company's directors are employed by Canopus Services Limited ("CSL"). Directors' costs were borne by a fellow group undertaking and no recharges were made by CSL to the Company for the year ended 31 December 2022 (2021: £nil).

The remuneration arrangements of certain of the Company's directors are included within the disclosures provided within the financial statements of Canopus Managing Agents Limited (CMA) and CSL.

The directors did not receive any emoluments from the Company for their qualifying services during the year ended 31 December 2022 (2021: £nil).

6. Investment income

	2022 £'000	2021 £'000
Intercompany dividend income	6	5
Total investment income	6	5

7. Finance income and costs

Finance income

	2022 £'000	2021 £'000
Interest income	789	632
Total finance income	789	632

Finance cost

	2022 £'000	2021 £'000
Interest charges	318	326
Total finance cost	318	326

Notes to the financial statements

8. Income tax

Tax expense included in profit or loss

	2022 £'000	2021 £'000
Current tax:		
- UK Corporation tax on profits for the year	-	-
Total current tax	-	-
- Foreign tax	-	(48)
Tax on profit on ordinary activities	-	(48)

Total tax assessed for the year is different from the standard rate of corporation tax in the UK of 19% (2021: 19%). The differences are explained below.

	2022 £'000	2021 £'000
Profit on ordinary activities before tax	996	279
Profit multiplied by the effective rate of tax in the UK of 19% (2021: 19%)	189	53
Effects of:		
-Unrecognised deferred tax assets	223	-
-Group relief	-	(53)
-Non-deductible expenses	(411)	-
-Foreign tax	-	(48)
-Non-taxable income	(1)	-
Total tax charge/(credit)	-	(48)

The Organisation for Economic Co-operation and Development (OECD)/G20 Inclusive Framework on Base Erosion and Profit Shifting (BEPS) addresses the tax challenges arising from the digitalisation of the global economy.

The Pillar Two Global anti-Base Erosion rules (GloBE Rules) represent the first substantial overhaul of the international tax rules in almost a century. The GloBE Rules propose four new taxing mechanisms under which multinational enterprises (MNEs) would pay a minimum level of tax (Minimum Tax): the Subject to Tax Rule is a tax treaty-based rule that generally proposes a Minimum Tax on certain cross-border intercompany transactions that otherwise are not subject to a minimum level of tax; the Income Inclusion Rule (IIR); the Under Taxed Payments Rule (UTPR); and the Qualified Domestic Minimum Top-up Tax (QDMT) generally propose a Minimum Tax on the income arising in each jurisdiction in which an MNE operates.

We continue to monitor the regulatory developments in respect of (substantive) enactment of the GloBE Rules in all of the jurisdictions where they operate either through wholly or partially owned subsidiaries, joint ventures, flow through entities or permanent establishments.

Notes to the financial statements

8. Income tax (continued)

Finance Act 2021 enacted the increase in the corporation tax rate from 19% to 25% from 1 April 2023.

The Company has tax losses of £2,884k (2021: £1,861k) which have no expiry date and have not been recognised for deferred tax purposes due to uncertainty over the availability of future taxable profits.

9. Investment in subsidiary undertakings

	2022 £'000	2021 £'000
As at 1 January	218,591	199,428
Additions in the year	-	19,163
As at 31 December	218,591	218,591

On 13 May 2021, the Company subscribed to £19.2m of additional shares in Canopus Corporate Capital Limited.

The investment in subsidiaries has been assessed for indicators of potential impairment at the reporting date. The Company has considered the recoverable amount of its investment in subsidiaries with reference to its fair value less costs to sell. The fair value has been established with reference to market multiples for similar business, which provides a current and observable input into the fair value measurement, which is classed as level 2 within the fair value hierarchy. At 31 December 2022, the recoverable amount of the investment in subsidiaries was determined to be greater than the carrying value and therefore management has concluded that there is no impairment.

10. Debtors: amounts falling due within one year

	2022 £'000	2021 £'000
Amounts owed by parent company	26,947	27,050
Amounts owed by group undertakings	8,197	7,000
	35,144	34,050

Amounts owed by parent company include a loan to CGL which carries interest at the Bank of England base rate + 2.23%. Amounts owed by group undertakings include a loan to its subsidiary Pebbles 456 Limited, which carries interest at the Bank of England base rate + 2.0%.

11. Financial investments

	2022 £'000	2021 £'000
Holdings in collective investment schemes	3,144	3,284
Fair value as at 31 December	3,144	3,284
Cost as at 31 December	3,144	3,284

The amounts held include £3.1m (2021: £3.3m) of listed money market funds.

Notes to the financial statements

12. Creditors: amounts falling due within one year

	2022 £'000	2021 £'000
Amounts owed to group undertakings	14,402	17,985
	14,402	17,985

Amounts owed to group undertakings include a loan from Canopus Managing Agents Ltd which carries interest at the Bank of England base rate + 2.48%.

13. Creditors: amounts falling due after more than one year

	2022 £'000	2021 £'000
Lease liabilities	25,254	24,496
	25,254	24,496

The Company's lease accounting policy is included in note 2.11. Additional information about the company's lease arrangements in the reporting period is included in note 19.

14. Subsidiary and associated undertakings

Details of the Company's direct and indirect subsidiary undertakings as at 31 December 2022 are stated below, all of which operate in the United Kingdom and are registered in England and Wales, unless stated otherwise.

London

Registered office – Floor 29, 22 Bishopsgate, London, EC2N 4BQ:

Subsidiaries	Principal Activities	Effective ordinary shares held by the Company (%)	Effective ordinary shares held by the Group (%)
Canopus Managing Agents Limited	Managing Agent at Lloyd's	100%	100%
Canopus Services Limited	Group Service Company	100%	100%
Canopus Underwriting Limited	Syndicate Service Company	100%	100%
Trenwick Underwriting Limited	Insurance Intermediary	100%	100%
Canopus Europe Limited	Syndicate Service Company	100%	100%
Creechurch Holdings Limited	Holding Company	100%	100%
Trenwick UK Holdings Limited	Dormant	100%	100%
Trenwick UK Limited	Dormant	-	100%
Acorn Corporate Capital Limited	Dormant	100%	100%
Canopus Capital Four Limited	Lloyd's Corporate Member	100%	100%
Canopus Capital Seven Limited	Lloyd's Corporate Member	100%	100%
Canopus Capital Nine Limited	Lloyd's Corporate Member	100%	100%
Canopus Capital Ten Limited	Lloyd's Corporate Member	100%	100%

Notes to the financial statements

14. Subsidiary and associated undertakings (continued)

Subsidiaries	Principal Activities	Effective ordinary shares held by the Company (%)	Effective ordinary shares held by the Group (%)
Canopus Capital Twelve Limited	Lloyd's Corporate Member	100%	100%
Canopus Capital Sixteen Limited	Dormant	100%	100%
Flectat 2 Limited	Lloyds Corporate Member	100%	100%
Canopus Corporate Capital Limited	Lloyd's Corporate Member	100%	100%
KGM Motor Policies Limited (THE)	Dormant	100%	100%
KGM Motor Insurance Services Limited	Dormant	100%	100%
K.G.M Underwriting Agencies Limited	Dormant	100%	100%
KDIB Holdings Limited	Non-trading	-	100%

Bermuda

Registered office – Canons Court, 22
Hamilton, HM 12, Bermuda:

Subsidiaries	Principal Activities	Effective ordinary shares held by the Company (%)	Effective ordinary shares held by the Group (%)
Pebbles 456 Limited	Holding company	100%	100%
Canopus ILS Limited	Reinsurance company	-	100%
Multi-Strat Holdings Limited	Reinsurance company	-	65%

Despite one of the previous shareholders of KDIB Holdings Limited ("KDIBH"), who is contractually obliged to sell their shares to Creechurch Holdings Limited ("CHL"), failing to sign the share transfer documentation with respect to 17.29% of the shares, CHL is the beneficial owner of 100% of KDIBH, and therefore the Company is also the beneficial owner. CHL will continue to correspond with the shareholder concerned.

15. Called up share capital

Authorised, Issued and fully paid:	At 1 January 2021	Changes in Issued capital	At 31 December 2021	Changes in Issued capital	At 31 December 2022
	Number	Number	Number	Number	Number
Ordinary Shares					
Ordinary shares of £1 each	3	1	4	-	4
Ordinary shares total	3	1	4	-	4
Share Capital	£3	£1	£4	-	£4
Share Premium	£196,331,517	£19,163,292	£215,494,809	-	£215,494,809

1 share with a nominal value of £1, was issued on 13 May 2021 for £19,163,293.

Notes to the financial statements

16. Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

The Company uses quantitative and qualitative information in order to reach a conclusion whether there has been any significant increase in credit risk from recognition.

Amounts owed by parent and group companies includes loans and various inter-company balances with other group companies. The Company assesses the risk by reviewing the going concern assessment, the long-term forecasts of the Group and whether there have been any historic defaults.

The Company's cash and cash equivalents are held with banking and financial institution counterparties. The Company has assessed the risk and does not consider there to be any significant risk of default given the credit rating and no history of default.

The table below details the gross carrying amount and the net carrying amount post loss allowance.

At 31 December 2022				
	Note	Gross carrying amount £'000	Loss Allowance £'000	Net carrying amount £'000
Amounts owed by parent company	10	26,947	-	26,947
Amounts owed by Group undertakings	10	8,564	(366)	8,197
Cash and cash equivalents		57	-	57
At 31 December 2021				
	Note	Gross carrying amount £'000	Loss Allowance £'000	Net carrying amount £'000
Amounts owed by parent company	10	27,050	-	27,050
Amounts owed by Group undertakings	10	7,250	(250)	7,000
Cash and cash equivalents		117	-	117

17. Liquidity risk

The expected payment profile of lease liabilities, based on undiscounted cash flows, as at 31 December 2022 was as follows:

Lease liabilities	2022 £'000	2021 £'000
Less than one year	-	-
Between one and two years	3,277	-
Between two and five years	11,776	11,128
Over five years	15,445	19,370
	30,498	30,498

Notes to the financial statements

18. Contingencies and commitments

(a) Deeds of indemnity

During the year the Company has entered into no (2021: nil) new Deeds of Indemnity and terminated nil (2021: nil) existing Deeds Of Indemnity with Lloyd's. There are a total of five (2021: five) Deeds remaining to cover remote potential liabilities that may arise following the release by Lloyd's of various members' FAL.

(b) Bank facilities

As at 31 December 2022, the Company, along with CGL and an associated group company, Canopus US Holdings Inc, is a guarantor to the following facility available for letters of credit which may be deposited in FAL:

- \$300m and £100m (2021: \$365m and £100m) unsecured, of which \$300m and £100m (2021: \$365m and £100m) has been utilised to support underwriting on syndicate 4444's 2021, 2022 and 2023 years of account and syndicate 1861's 2020 year of account.

(c) Premises leases

The Company entered into a lease in relation to office space which commenced on 7 December 2020 and runs until 6 December 2030 when there is the first break clause. Additional disclosure in relation to this lease is contained in note 19.

(d) Put options

The Company has granted a put option to a third party under which the Company may be required, subject to certain terms and conditions, to acquire preference shares issued by a subsidiary company, Canopus Corporate Capital Limited.

The potential liability is £20,883,200 (2021: £20,883,200), but the option has been valued at £nil as none of the conditions of the option have been met nor are expected to be met in the foreseeable future. In the event that a liability does ever arise, it would be matched by an equivalent amount of profits realised in Canopus Corporate Capital Limited.

19. Leases

The Company's lease accounting policy is included in note 2.11. This note provides additional information about the Company's lease arrangements in the reporting period.

Company as a lessee

The Company is a lessee in relation to office space (land and buildings) used in its operations. Some of the Company's lease contracts include:

- Extension and termination options, which are considered further below; and/or
- Obligations to make variable lease payments, such as where the Company reimburses the lessor for related insurance costs that it incurs. These amounts are not material.
- Rent free period from 7 December 2020 until 29 February 2024

Notes to the financial statements

19. Leases (continued)

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the period.

Land and buildings	2022 £'000	2021 £'000
At 1 January	23,263	25,291
Additions		
- Other allowed expenses capitalised	-	78
Reassessment of discounted future cashflows	(136)	(805)
Depreciation expense	(2,587)	(1,301)
At 31 December	20,540	23,263

Set out below are the carrying amounts of lease liabilities and the movements during the period:

	2022 £'000	2021 £'000
At 1 January	24,496	24,427
Unwind of discounting (interest on lease liabilities)	924	874
Reassessment of discounted future cashflows	(166)	(805)
At 31 December	25,254	24,496

The following are the amounts recognised in profit or loss in the period in relation to the Company's leases:

	2022 £'000	2021 £'000
Depreciation expense of right-of-use assets	2,587	1,301
Interest expense on lease liabilities	924	874
Recharged to other group entities	(3,445)	(2,108)
Total amount recognised in profit or loss	66	67

The Company had total cash outflows for leases of £nil in 2022 (2021: £nil). Under the lease's term there is a rent free period until 29 February 2024.

The Company's lease includes extension and termination options which provide the Company with flexibility to manage leased assets in line with changing business needs. In measuring lease liabilities and right-of-use assets management exercises judgment to determine whether these options are reasonably certain to be exercised.

As at 31 December 2022, undiscounted potential future lease payments of £30.4m (2021: £30.4m) relating to periods following the exercise date of an extension option not expected to be exercised were not reflected in amounts recognised within the statement of financial position.

The maturity analysis of lease liabilities is disclosed in Note 17.

Notes to the financial statements

20. Immediate and ultimate parent undertaking and controlling party

The Company's immediate parent is Canopus Group Limited which is registered in Jersey.

CGL is the largest and smallest group of undertakings for which group accounts are drawn up and that are publicly available and of which the Company is a member. The group accounts can be obtained from the Canopus website.

The ultimate controlling parties of CGL are CCP GP Investors Holdings (Cayman) LP, CCP III Cayman GP Limited and CCP III SBS Cayman Limited.

21. Subsequent events

On 20 March 2023, the Company was allotted one ordinary share in Canopus Corporate Capital Limited in exchange for consideration of \$26.0m, which was settled through the payment of \$26.0m of assets.

The following subsidiaries appointed PricewaterhouseCoopers LLP, 7 More London Riverside, London, SE1 2RT, as liquidators thereby starting the process of voluntary liquidation:

Subsidiaries disposed	Appointment Date	Principal Activity	Effective ordinary shares held by the Company (%)	Effective ordinary shares held by the Group (%)	Carrying Value Held by the company (£)
KGM Motor Policies Limited (THE)	20 April 2023	Dormant	100%	100%	-
KGM Motor Insurance Services Limited	20 April 2023	Dormant	100%	100%	-
K.G.M Underwriting Agencies Limited	20 April 2023	Dormant	100%	100%	-

This had no impact on the valuation of the Company's investment in subsidiaries balance.