Compre Group Holdings Limited

Interim Report and Consolidated Financial Statements
30 June 2023

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Directors and Officers

Directors

Luigi Sbrozzi	
Rhonda Ramparas	
Emmanuel Clarke	
Aaron Papps	
Robert Perry	
William Bridger	
Anup Seth	Appointed 22 January 2023

Company secretary

Conyers Corporate Services (Bermuda) Limited

Registered office

c/o Conyers Corporate Services (Bermuda) Limited
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Registered number

56052

Auditors

Ernst & Young LLP
Churchill Place
London
E14 5EY

Business Performance - Compre completed the largest transaction in its history in H1 2023

Building on the success of 2022, Compre Group Holdings Limited (herein referred to as CGHL, Compre Group, Compre or the Group) has delivered its strongest performance to date in the first half of 2023 driven primarily by the completion of the largest transaction in its history acquiring $1.3bn[1] of net reserves from SiriusPoint. The transaction is a testament to the credibility of the Compre business and franchise with the financial strength and operational capability to pursue and successfully complete transactions of this magnitude. As a result, Compre Group is pleased to report an operating profit of $52.1m in the six month period ended 30th June 2023 (herein referred to as H1 2023), profit after tax of $162.1m, and a Tangible Net Asset Value of $714.9m at 30th June 2023. Compre Group has also made significant progress on expanding its operations in North America as well as embedding the development of specialist Centers of Excellence in key lines of business and jurisdictions, such as European Medical Malpractice (MedMal). Compre is a global specialty reinsurance business that provides capital and liability solutions to its clients, thereby giving them certainty on their portfolios.

Strategic Growth

Backing up the growth delivered in 2022, Compre Group signed deals in H1 2023 to acquire $888.8m of new business all of which have already been completed and onboarded in the year following regulatory approval processes. These deals have increased the Group's net (re)insurance liabilities from $617.9m at the end of 2022 to $1,296.5m as at 30th June 2023 adding significant scale and diversification to the balance sheet in the process. Since the end of H1 2023, Compre has completed the transaction agreed in late 2022 to acquire Medical Insurance Company DAC (MIC) which was the Irish subsidiary of Covea post the receipt of the necessary regulatory approvals. In addition, the Group had signed another transaction in 2022 to acquire a portfolio of MedMal liabilities which is awaiting regulatory approvals and is also expected to be completed in the second half of 2023. Collectively, these transactions are expected to add a further $300.0m of new business to Compre's balance sheet in H2 2023. The pipeline for further transactions remains very active driven by a need for capital and liability solutions in the wider market due to the push from clients to allocate capital out of non core lines of business in part driven by the hard reinsurance market. Further details of the transactions are as follows:

Deals signed and completed in 2023

1. In March 2023, Compre signed an agreement with SiriusPoint Limited for a loss portfolio transfer (LPT) on a diversified portfolio of primarily reinsurance business. The LPT covers approximately $1.3bn of reserves as at the signing date of 30th September 2022. The transaction was completed on 30th June 2023 post regulatory approvals and added $862.0m of reserves to the Group at the completion date.
2. In May 2023, Compre signed agreements to acquire a workers' compensation legacy portfolio of SUNZ Insurance Company (SUNZ). The transaction is structured as a loss portfolio transfer into Pallas Re. The portfolio comprises large deductible and guaranteed-cost workers' compensation policies and the transaction has been completed in May 2023 following regulatory approvals.

Deals signed and expected to complete in 2023

- On September 14, 2023, Compre Group signed an agreement with a European based insurer to acquire a MedMal portfolio for an undisclosed sum. The deal is structured as a LPT together with the operational claims management and is expected to be followed by a legal transfer. The acquisition and subsequent legal transfer are subject to regulatory approval.

Deals signed in 2022 and completed since the end of H1 2023

- In October 2022, Compre Group signed agreements to acquire the Irish subsidiary of Covéa, Medical Insurance Company DAC (MIC), which provided general liability insurance covering professional medical malpractice risks. MIC entered into run-off in 2015. The transaction was completed at the end of August post regulatory approvals.

Deals signed in 2022 and still expected to complete in 2023

- Compre Group agreed to acquire technical liabilities of approximately EUR 200 million through a LPT of hospital liability (MedMal) portfolio of German insurer Basler Sachversicherungs-AG, a subsidiary entity of the Baloise Group. The portfolio mainly consists of underwriting years 2004 to 2018 and as such has been in run-off for several years. The transaction is subject to regulatory approval by the German Federal Financial Supervisory Authority (BaFin).

The table below illustrates the significant growth in new business activity in the last few years especially in the last 24 months.

Deal Volume (on all signed deals in the period)	H1 2023	2022	2021	2020	2019
Acquired Reserves ($m)	889	462	405	201	98

The transaction with SiriusPoint in 2023 was Compre Group's largest transaction in its history. It was completed on schedule by the end of June 2023 which underscores the commitment of the Group to meeting deal timelines, working collaboratively on large, complex transactions and delivering certainty for its clients. In July 2023 the Group also completed the legal transfer of the French MedMal portfolio that was originally acquired as a LPT in 2022. The legal transfer effectively transfers all the policies to a Compre carrier, which in turn achieves the client objective of receiving certainty on this book of business and provides Compre with the opportunity to directly service policyholders through our MedMal Center of Excellence.

Strong Financial Performance

Compre Group's financial performance is driven by underwriting specialty reinsurance transactions with cedants looking for certainty on particular portfolios or lines of business. The Group is committed to maintaining the highest standards of underwriting discipline and only participates on transactions that meet its target return hurdles and risk appetite. The Group considers operating profit and growth in Tangible Net Asset Value (TNAV) based on all signed deals in the year as key measures of success along with building a balanced portfolio of

[1] Valuation of $1.3bn was at the date of signing and the figure had reduced to $862.0m as at the completion date of 30 June 2023.

liability risk on the balance sheet. The operating profit accounting for all signed deals in the period amounted to $52.1m (profit after tax: $162.1m) which is the highest in Compre's operating history over a six month period and represents growth compared to the prior year period which recorded an operating loss of $6.4m. This was driven by the new deals mentioned earlier along with significant contribution from net investment income which has benefited from higher reinvestment yields. TNAV has grown to $714.9m at the end of 30th June 2023 which has continued to grow significantly since the beginning of 2021 having increased by 4.5x over this period.

Compre Group has adopted the UK Generally Accepted Accounting Principles (GAAP) from 1st January 2023 and hence comparative information in these financial statements has been restated to reflect this change.

Key Performance Indicators ($m)	H1 2023	H1 2022	Change
Operating Profit[2]	**52.1**	**-6.4**	**N/A**
Profit/(Loss) after tax	**162.1**	**-53.6**	**N/A**
Tangible Net Asset Value[3]	**714.9**	**423.9**	**69%**

Assets under Management (AuM) including those held in funds withheld transactions have almost doubled in the first six months of 2023 compared to the position at 31st December 2022 driven by the new transactions completed in this period. The investment yield on the portfolio has continued to increase as the Group has benefited from investing assets arising from deals in the last 12 – 18 months at higher yields owing to the increasing interest rate cycle. The impact of the increased AuM on net investment income will be visible prominently in the second half of 2023 as $950.8m of assets were added in H1 2023. The first half of 2023 has experienced significant macroeconomic volatility driven by the fluctuating interest rate expectations based on global inflation data, the continued conflict in Ukraine and the regional banking crisis in the US which also led to the consolidation of Credit Suisse into UBS. The regional banking crisis in the US had no impact on the Group as there was no direct exposure to the banks in question and the Group had an immaterial exposure to Credit Suisse corporate bonds which continue to remain unimpaired following the merger of Credit Suisse with UBS. The Group's investment portfolio is well matched in terms of duration and currency with the underlying (re)insurance liabilities and as a result, the mark-to-market (MtM) impacts from rising interest rates over the last 18 months have been largely offset by the impact of increasing discount rates on liabilities. The investment portfolio is carefully managed by the Group's investment managers – Goldman Sachs Asset Management and Compre has strengthened its team by adding a Chief Investment Officer to ensure that returns and risks on the asset portfolio are appropriately balanced.

Capital and Solvency

As a global specialty reinsurance business, the Group looks to optimize its capital position to the extent possible as the underwriting and event risks associated with live underwriting do not exist with a run off book. Compre finished 2022 with a very strong capital position driven by the need to hold capital for transactions which were agreed in 2022 but due to complete in 2023. The Bermuda Solvency Coverage Requirements (BSCR) at the end of H1 2023 was 191% which remains well above the minimum requirements and movements in the period were driven by the additional capital requirements from transactions completed in H1 2023 partly offset by an equity injection of $68m from the existing shareholders in June 2023. This highlights the commitment of the existing shareholders to support the business in its growth strategy. The organic profit generation from the business and the injection of equity has resulted in an increase in Tier 1 capital which has also created additional capacity for subordinated capital instruments on the balance sheet. The Group will continue to explore these options in the second half of 2023 to ensure that it optimizes its capital stack and minimizes its weighted average cost of capital, especially, in the current macro-economic environment.

The new transactions have diversified very well with the existing Compre portfolios which has been beneficial from a risk and capital management perspective. This coupled with the fact that the Group's portfolio of assets and liabilities is well matched from a duration and currency perspective has resulted in the economic balance sheet remaining resilient in a period of considerable macro economic volatility.

Capital and Solvency Metrics	H1 2023	FY 2022	Variance
Own Funds ($m)	710.5	533.0	33%
Solvency Ratio (BSCR) (%)[4]	191%	234%	-43% pts

Continued Operational Development

The Group commenced on a journey to further develop its operating platform in order to increase its capacity to pursue larger, more complex transactions and to establish Centers of Excellence in European MedMal and Workers Compensation in North America. In H1 2023 the Group has accelerated the build out of the North American division of the business with key additions to the team, particularly on claims management of US casualty and workers' compensation portfolios. Compre continues to enhance its market leading platform by investing in People, Process and Technology. Our data strategy continues to evolve and transformation initiatives across a number of functions are progressing well in 2023 This will be led by Compre's newly appointed Group COO, Dan Fiehn who joined the Group in August with a data and technology focus.

[2] Operating profit refers to profit before tax adjusted for items outside the control of the management team such as mark to market movement on investments, discounting on liabilities, currency related movements and other non-recurring items. The figure shown is based on all signed deals in the period including signed deals which are yet to be completed.

[3] Tangible Net Asset Value excludes goodwill and other intangible assets from the net asset value. The figure shown is based on all signed deals as at the end of the period including signed deals which are yet to be completed. Details of the deals signed but yet to be completed have been provided in the Performance Review under the Strategic Growth section.

[4] The Group commenced reporting under Bermuda Solvency Coverage Requirements (BSCR) in 2022.

The Group has also upsized its senior lending facilities by increasing its revolving credit facility to $100m most of which remains unutilized at 30th June 2023, providing the Group with ability to pursue further growth in the second half of 2023. In addition, the Group has put in place a letter of credit facility of $50m which has been utilized to provide collateral on one of the transactions, thereby increasing the Group's financial flexibility in terms of liquidity. It is also worth noting that the Group had raised approximately $200m of long term subordinated debt in mid 2022 which has been utilized for the growth of the business at an attractive cost given the majority of it was a fixed rate instrument.

At the heart of our business are our people and Compre has continued to strengthen its talent pool with notable additions across functions. There have been notable additions to the leadership team as well with the appointment of a new Group COO. In addition a new role of HR Director has been created and we expect our preferred candidate to be able to start by the end of the year which will be particularly beneficial as we seek to build further capacity in North America.

Outlook for 2023

The first half of the year culminated in Compre completing the largest transaction in its history and Compre remains committed to building on its successes. The fact that the transaction was completed in June 2023 as had been originally anticipated at the time of signing the deal four months earlier is testament to the quality of the Compre team as this required a significant effort from both parties to obtain regulatory approvals and complete the necessary operational steps in a tight timeframe. The Group will remain focused on enhancing operating efficiency through its efforts on automating, improving and optimizing its operating platform and continue to strengthen its capabilities in North America to be able to service its clients with a mindset to deliver continued excellence.

The Board of Directors and shareholders would like to express a heartfelt gratitude to the entire Compre team who have worked tirelessly to deliver an exceptionally strong performance in the first half of 2023. We will continue to set our sights higher albeit always with a keen eye on maintaining underwriting discipline.

Will Bridger
Director

9 October 2023

Consolidated profit and loss account
For the period ended 30 June 2023
Technical account – General business

	Note	**30 June 2023 $000**	30 June 2022 $000
Earned premiums, net of reinsurance			
Gross premiums written		**1,491**	592
Outward reinsurance premiums		**761**	(1,884)
Change in the gross provision for unearned premiums	10	**327**	48
Change in the provision for unearned premiums, reinsurers' share	10	**—**	(48)
Total technical income		**2,579**	(1,292)
Claims incurred, net of reinsurance			
Claims paid			
– gross amount		**66,117**	62,292
– reinsurers' share		**(10,793)**	(6,024)
		55,324	56,268
Change in the provision for claims			
– gross amount	10	**(250,686)**	(121,229)
– reinsurers' share	10	**15,094**	9,739
		(235,592)	(111,490)
Claims incurred, net of reinsurance		**(180,268)**	(55,222)
Net operating expenses		**31,122**	18,785
Total technical charges		**(149,146)**	(36,437)
Balance on the technical account for general business		**151,725**	35,145

The notes on pages 12 to 23 form an integral part of these consolidated financial statements.

Consolidated profit and loss account
For the period ended 30 June 2023
Non-technical account

	Note	30 June 2023 $000	30 June 2022 $000
Balance on the general business technical account		**151,725**	35,145
Investment income	5	**13,617**	10,931
Unrealised gains on investments	5	**10,265**	—
Investment expenses and charges	5	**(12,312)**	(11,779)
Unrealised losses on investments	5	**—**	(78,001)
Other income		**1,446**	(7,547)
Other charges		**(2,092)**	(1,983)
Profit/(Loss) on ordinary activities before tax		**162,649**	(53,234)
Tax on profit/(loss) on ordinary activities	6	**(542)**	(411)
Profit/(Loss) after tax		**162,107**	(53,645)

The notes on pages 12 to 23 form an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income
For the period ended 30 June 2023

	Note	**30 June 2023 $000**	30 June 2022 $000
Profit/(Loss) after tax		**162,107**	(53,645)
Other comprehensive income:			
Currency translation differences		**1,015**	(1,136)
Unrealised gain/(loss) from available for sale securities		**456**	(493)
Other comprehensive income/(expense), net of tax		**1,471**	(1,629)
Total comprehensive income/(expense)		**163,578**	(55,274)

The notes on pages 12 to 23 form an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position
As at 30 June 2023

	Note	30 June 2023 $000	31 December 2022 *Restated $000
Assets			
Intangible assets			
Goodwill	7	**71,415**	73,345
Other intangible assets	7	**818**	954
		72,233	74,299
Investments			
Other financial investments	8	**1,150,202**	1,093,494
Deposits with ceding undertakings		**933,712**	39,602
		2,083,914	1,133,096
Reinsurers' share of technical provisions			
Provision for unearned premiums	10	—	—
Claims outstanding	10	**103,504**	118,189
		103,504	118,189
Debtors			
Debtors arising out of reinsurance operations		**76,060**	54,915
Other debtors		**7,151**	8,390
		83,211	63,305
Other assets			
Tangible assets		**720**	463
Cash at bank and in hand		**77,404**	74,955
Other Assets		**16,643**	15,957
		94,767	91,375
Prepayments and accrued income			
Accrued interest and rent		**6,241**	6,390
Other prepayments and accrued income		**2,535**	1,090
		8,776	7,480
Total Assets		**2,446,405**	1,487,744

*2022 comparatives have been restated as a result of the transition from IFRS to UK GAAP. Details are included in note 12

Consolidated Statement of Financial Position
As at 30 June 2023

	Note	30 June 2023	31 December 2022 *Restated
		$000	$000
Liabilities			
Capital and reserves			
Called up share capital	9	**3,310**	2,630
Share premium account	9	**512,503**	445,183
Revaluation reserve		**218**	(238)
Other reserves		**(2,986)**	(4,001)
Profit and loss account		**175,415**	13,308
Total equity		**688,460**	456,882
Subordinated liabilities	11	**243,231**	243,414
Technical provisions			
Provision for unearned premiums	10	**19,904**	560
Claims outstanding	10	**1,380,096**	735,538
		1,400,000	736,098
Provisions for other risks			
Provision for taxation		**9,958**	10,419
		9,958	10,419
Creditors			
Creditors arising out of reinsurance insurance operations		**52,827**	27,621
Amounts owed to credit institutions	11	**33,286**	—
Other creditors including taxation and social security		**6,836**	4,488
		92,949	32,109
Accruals and deferred income		**11,807**	8,822
Total liabilities		**1,757,945**	1,030,862
Total equity and liabilities		**2,446,405**	1,487,744

The notes on pages 12 to 23 form an integral part of these consolidated financial statements.

*2022 comparatives have been restated as a result of the transition from IFRS to UK GAAP. Details are included in note 12

Consolidated Statement of Changes in Equity
For the period ended 30 June 2023

	Notes	Called-up share capital	Share premium	Revaluation reserves	Other reserves	Retained earnings	Total equity
				*Restated	*Restated	*Restated	*Restated
		$000	$000	$000	$000	$000	$000
At 1 January 2022		2,630	445,183	—	(2,103)	25,205	470,915
Profit/(Loss) after tax		—	—	—	—	(53,645)	(53,645)
Other comprehensive income/ (expense), net of tax		—	—	(493)	(1,136)	—	(1,629)
Total comprehensive income/ (expense)		—	—	(493)	(1,136)	(53,645)	(55,274)
At 30 June 2022		2,630	445,183	(493)	(3,239)	(28,440)	415,641
At 1 January 2023		**2,630**	**445,183**	**(238)**	**(4,001)**	**13,308**	**456,882**
Profit/(Loss) after tax		**—**	**—**	**—**	**—**	**162,107**	**162,107**
Other comprehensive income/ (expense), net of tax		**—**	**—**	**456**	**1,015**	**—**	**1,471**
Total comprehensive income/ (expense)		**—**	**—**	**456**	**1,015**	**162,107**	**163,578**
Share Issuance		**680**	**67,320**	**—**	**—**	**—**	**68,000**
At 30 June 2023		**3,310**	**512,503**	**218**	**(2,986)**	**175,415**	**688,460**

The notes on pages 12 to 23 form an integral part of these consolidated financial statements.

*2022 comparatives have been restated as a result of the transition from IFRS to UK GAAP. Details are included in note 12

Consolidated Statement of Cash Flows
For the period ended 30 June 2023

	Note	30 June 2023 $000	30 June 2022 $000
Cash flow from operating activities			
Profit/(Loss) on ordinary activities before tax		**162,649**	(53,235)
Adjustment for:			
- Change in operating assets		**(2,689)**	30,681
- Change in operating liabilities		**(190,580)**	(30,102)
- Interest income		**(13,617)**	(10,931)
- Net finance costs		**12,312**	11,779
- Amortisation of intangible assets		**2,066**	2,100
- Depreciation of property, plant and equipment		**120**	86
- Fair value movements		**(17,073)**	83,308
Net cash from operating activities		**(46,812)**	33,686
Interest received		**11,499**	10,241
Income tax paid		**–**	–
Net cash (used in)/generated from operating activities		**(35,313)**	43,927
Cash flow from investing activities			
Purchases of intangible assets		**–**	(531)
Purchases of property, plant and equipment		**(359)**	(183)
Purchases of investments		**(266,125)**	(266,016)
Proceeds from disposal of investments		**215,422**	202,059
Net cash used in investing activities		**(51,062)**	(64,671)
Cash flow from financing activities			
Issue of shares		**68,000**	–
Proceeds from issue of borrowings		**33,000**	202,088
Repayments of borrowings		**(361)**	(58,129)
Dividends paid to owners of the parent		**–**	–
Interest paid		**(12,283)**	(2,436)
Net cash generated from financing activities		**88,356**	141,523
Net increase in cash at bank and in hand		**1,981**	120,779
Cash and cash equivalents at the beginning		**74,955**	127,860
Exchange gains/(losses) on cash and cash equivalents		**468**	(2,248)
Cash and cash equivalents at the end		**77,404**	246,391

The notes on pages 12 to 23 form an integral part of these consolidated financial statements.

1. General information

Compre Group Holdings Limited ('the company') and its subsidiaries (together 'the group') acquire and subsequently manage insurance and reinsurance companies and portfolios in the run-off insurance market.

The company is a private company limited by shares and is incorporated in Bermuda. The address of the registered office is Clarendon House, 2 Church Street, Hamilton HM 11.

2. Statement of compliance

The Group interim financial statements of Compre Group Holdings Limited have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 104, "Interim Financial Reporting" ("FRS 104").

As reported in the financial statements for the year ended 31 December 2022, the Group has adopted UK GAAP with effect from the financial period that began on 1 January 2023. The date of transition to UK GAAP, being the first day of the comparative period, is 1 January 2022. The necessary restatements and reconciliations from IFRS to UK GAAP have been presented in Note 12 to these interim financial statements.

3. Accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated. The only changes in accounting policies from those that were disclosed in the Group's consolidated financial statements for the year ended 31 December 2022 are a result of the Group's transition to UK GAAP, details of which are disclosed in Note 12. Accounting policies are consistent with those to be included in the financial statements for the year ended 31 December 2023.

3.1. Basis of preparation

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group 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.

The same accounting policies and methods of computation are followed in the interim financial statements as the annual financial statements. An abridged list of accounting policies are shown below.

3.2. Going concern

Having assessed the principal risks, the directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements. The assessment is based on the solvency, liquidity position and an estimation of the future profitability of the Group over the next twelve months.

3.3. Retroactive Reinsurance

Under retroactive reinsurance, the Group assumes liabilities incurred as a result of past insurable events. Legal transfers (loss portfolio transfers) that are not business combinations are also accounted for as retroactive reinsurance. The Group recognises assets acquired and liabilities assumed as a direct consequence of retroactive reinsurance agreements on the earlier of the following occurrences:

- the beginning of the coverage period; and
- the date when the first payment from a cedant becomes due.

The Group measures the assets acquired and the liabilities assumed in retroactive reinsurance agreements in accordance with the accounting policies for the respective assets and liabilities; these primarily include financial assets and technical provisions. Future adjustment premiums arising from retroactive reinsurance agreements are only recognised when there is a reliable measure for them, which is generally not expected to occur before such adjustment premiums crystallise and are notified to the Group.

Gains or losses on retroactive reinsurance, representing the difference between the assets acquired and the liabilities assumed, are recognised in profit or loss immediately upon initial recognition and are not amortised.

Subsequent changes to the estimated timing and amount of loss payments on retroactive reinsurance are reflected in profit or loss.

3.4. Taxation

Taxation expense for the period comprises current and deferred tax recognised in the reporting period. Tax is recognised in the profit and loss account, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, tax is also recognised in other comprehensive income or directly in equity respectively.

Current or deferred taxation assets and liabilities are not discounted.

Current tax

Current tax is the amount of income tax payable in respect of the taxable profit for the period or prior periods. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the period end.

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.

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.

3.5. Business combinations and goodwill

Business combinations are accounted for by applying the purchase method. The cost of a business combination is the fair value of the consideration given, liabilities incurred or assumed and of equity instruments issued plus the costs directly attributable to the business combination.

Upon the acquisition of a business, fair values are attributed to the identifiable assets, liabilities and contingent liabilities unless the fair value cannot be measured reliably, in which case the value is incorporated in goodwill.

Goodwill recognised represents the excess of the fair value and directly attributable costs of the purchase consideration over the fair values to the Group’s interest in the identifiable net assets, liabilities and contingent liabilities acquired.

Goodwill is amortised over its expected useful life which is of twenty years, and which has been applied to all goodwill held at the balance sheet date. Goodwill is assessed for impairment when there are indicators of impairment and any impairment is charged to the income statement.

3.6. Leased assets

At their inception, the Group assesses agreements that transfer the right to use assets. The assessment considers whether the arrangement is, or contains, a lease based on the substance of the arrangement.

Leases of assets that transfer substantially all the risks and rewards incidental to ownership are classified as finance leases. Leases that do not transfer all the risks and rewards of ownership are classified as operating leases. Payments under operating leases are charged to the profit and loss account on a straight-line basis over the period of the lease. The Group has no leases classified as finance leases throughout the reporting period.

Lease incentives

Incentives received to enter into an operating lease are credited to the profit and loss account, to reduce the lease expense, on a straight-line basis over the period of the lease.

3.7. Financial instruments

The Group has chosen to apply the recognition and measurement provisions of IAS 39 and the disclosure requirements of FRS 102 in respect of financial instruments. As a result, the adoption of UK GAAP has not resulted in changes to the classification and measurement of the Group's financial assets and financial liabilities.

3.8. Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Share premium represents the value of shares issued in excess of the nominal value of those shares less a deduction for issuance costs.

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.

Significant judgements in applying the accounting policies

Significant insurance risk
Insurance contracts are those contracts that transfer significant insurance risk. Such contracts may also transfer financial risk. As a general guideline, the Group defines as significant insurance risk the possibility of having to pay benefits on the occurrence of an insured event that are at least 10% more than the benefits payable if the insured event did not occur.

Sources of estimation uncertainty

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period are addressed below.

The ultimate liability arising from claims made under insurance contracts
The estimation of the ultimate liability arising from claims made under insurance contracts is the Group's most critical accounting estimate. The net carrying amount of the liability is $1,296m (31 December 2022: $618m). There are several sources of uncertainty that need to be considered in the estimate of the liability that the Group will ultimately pay for such claims. The level of provision has been set on the basis of the information that is currently available, including potential outstanding loss advices, experience of development of similar claims and case law.

The most significant assumptions made relate to the level of future claims, the level of future claims settlements and the legal interpretation of insurance policies. Whilst the directors consider that the gross provision for claims and the related reinsurance recoveries are fairly stated on the basis of the information currently available to them, the ultimate liability will vary as a result of subsequent information and events and may result in significant adjustments to the amount provided. Adjustments to the amounts of provision are reflected in the financial statements for the period in which the adjustments are made. The methods used, and the estimates made, are reviewed regularly. See Note 10 for disclosures relating to these provisions.

Fair value of financial instruments
The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The carrying value of these instruments is $1,150m (31 December 2022: $1,093m). The group uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period.

Estimated impairment of goodwill
The Group assesses for impairment of goodwill in accordance with the accounting policy stated in Note 3.5. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates. The carrying value of goodwill is $71m (31 December 2022: $73m). The assumptions on which any goodwill impairment testing is based include, but are not limited to, discount rate, useful life and cash flow forecasts for future business generation. These assumptions have been subject to sensitivity analysis, however, if any assumptions made prove to be inaccurate, this may mean that the value of the goodwill is not supportable, which could have a material effect on the Group's financial position.

5. Investment return

	30 June 2023	30 June 2022
	$000	$000
Investment income:		
Interest income on financial assets not at fair value through profit and loss	**1,943**	935
Income from financial assets at fair value through profit and loss	**11,485**	9,923
Income from other financial investments	**13,428**	10,858
Income from associated undertakings	**—**	—
Net gains on the realisation of investments	**189**	73
	13,617	10,931
Investment expenses and charges:		
Interest payable on financial liabilities at amortised cost	**(11,625)**	(2,490)
Other investment management expenses	**342**	(3,934)
Net losses on the realisation of investments	**(1,029)**	(5,355)
Total investment management expenses, including interest	**(12,312)**	(11,779)
Net unrealised gains/ (losses) on investments	**10,265**	(78,001)
Total investment return	**11,570**	(78,849)

Included in the above are net gains/(losses) on financial assets at fair value through profit and loss of $10,356k (2022: -$77,928).

Interest payable on financial liabilities at amortised cost comprises $11,625k (2022: $2,490k) in respect of subordinated debt instruments, bank loans and overdrafts and $3k (2022: $21k) in respect of other loans made to the group.

6. Taxation

	30 June 2023	30 June 2022
	$000	$000
Current tax		
Current tax on income for the period	**(700)**	(71)
Adjustments in respect of prior periods	**—**	—
Total current tax	**(700)**	(71)
Deferred tax		
Deferred tax for current period	**158**	(340)
Deferred tax in respect of prior period	**—**	—
Total deferred tax	**158**	(340)
Tax on profit/(loss) on ordinary activities	**(542)**	(411)

7. Goodwill and other intangible assets

	Goodwill Restated	**Computer Software**
	$000	**$000**
31 December 2022		
Cost	77,206	1,270
Accumulated amortisation and impairment	(3,861)	(316)
Net book amount	73,345	954
30 June 2023		
Opening net book amount	**73,345**	**954**
Acquisitions	**—**	**—**
Amortisation	**(1,930)**	**(136)**
Closing net book amount	**71,415**	**818**
30 June 2023		
Cost	**77,206**	**1,270**
Accumulated amortisation and impairment	**(5,791)**	**(452)**
Net book amount	**71,415**	**818**

The directors have assessed the useful life of the goodwill arising on the acquisition during the period as 20 years based on the period over which the value of the underlying business acquired is expected to exceed the values of the acquired identifiable net assets.

8. Other financial investments

	Carrying Value		Purchase Price	
	30 June 2023	31 December 2022	**30 June 2023**	31 December 2022
	$000	$000	**$000**	$000
Financial assets at fair value through profit or loss	**1,091,530**	1,045,819	**1,158,312**	1,132,141
Financial assets at fair value through OCI	**58,672**	47,675	**58,465**	47,912
Total financial assets	**1,150,202**	1,093,494	**1,216,777**	1,180,053

Government and agencies fixed maturity securities – These securities are generally priced by pricing services or index providers. The pricing services or index providers may use current market trades for securities with similar quality, maturity and coupon. If no such trades are available, the pricing service typically uses analytical models which may incorporate option adjusted spreads, daily interest rate data and market/sector news. The group generally classifies the fair values of government and agencies securities in Level 2.

Corporate fixed maturity securities – These securities are generally priced by pricing services or index providers. The pricing services or index providers typically use discounted cash flow models that incorporate benchmark curves for treasury, swap and high issuance credits. Credit spreads are developed from current market observations for like or similar securities. The group generally classifies the fair values of its corporate securities in Level 2.

Structured securities including mortgage and asset-backed securities – These securities are generally priced by broker/dealers. Broker/dealers may use current market trades for securities with similar qualities. If no such trades are available, inputs such as bid and offer, prepayment speeds, the U.S. treasury curve, swap curve and cash settlement may be used in a discounted cash flow model to determine the fair value of a security. The group generally classifies the fair values of its structured securities in Level 2.

Investments in funds - These investments are generally priced on net asset values (“NAV”) received from the fund managers or administrators. Due to the timing of the delivery of the final NAV by certain of the fund managers, valuations of certain alternative funds and specialty funds are estimated based on the most recently available information, including period end NAVs, period end estimates, or, in some cases, prior month or prior quarter NAVs. As this valuation technique incorporates both observable and significant unobservable inputs, the group generally classifies the fair value of its investments in funds as Level 3.

9. Share capital

Ordinary shares of $0.01 each allotted and fully paid	Number of shares	Total $000
At 1 January 2023	259,717	2,597
Issued in the period	68,000	680
Re-designated from Preference shares of $0.01 each	3,290	33
At 30 June 2023	**331,007**	**3,310**
Preference shares of $0.01 each allotted and fully paid		
At 1 January 2023	3,290	33
Re-designated as Ordinary shares of $0.01 each	(3,290)	(33)
At 30 June 2023	**0**	**0**

During 2023, 3,289,500 Preference shares of nominal value $0.01 were re-designated and re-classified as 3,289,500 Ordinary shares of nominal value $0.01. 6,710,500 unissued Preference shares of nominal value $0.01 were re-designated as Ordinary shares of nominal value $0.01. On 26 June 2023, 68,000,000 Ordinary shares were issued for $68,000,000.

The Ordinary shares are entitled to one vote per share, discretionary dividends, and the surplus assets in the event of a winding-up or dissolution of the parent company.

The Preference shares had no voting rights except in relation to an amalgamation or merger (in which case they would carry one thousandth of a vote per share), were entitled to a cumulative preferential dividend, and were only entitled to the subscription price and any accrued but unpaid dividends in the event of a winding-up or dissolution of the parent company. Redemption of the Preference shares, as well as declaration of preferential dividends, was at the discretion of the company's directors.

The above number of shares are authorised, issued and fully paid.

10. Reconciliation of insurance balances

Technical provisions are analysed as follows:

	30 June 2023		
	Gross liabilities	Reinsurance	Net liabilities
	$000	$000	$000
Unearned premium reserve	**19,904**	**–**	**19,904**
Provision for outstanding claims	**1,352,491**	**(102,643)**	**1,249,848**
Other technical provisions	**27,605**	**(861)**	**26,744**
Total	**1,400,000**	**(103,504)**	**1,296,496**

	31 December 2022		
	Gross liabilities	Reinsurance	Net liabilities
	$000	$000	$000
Unearned premium reserve	560	–	560
Provision for outstanding claims	714,665	(115,600)	599,065
Other technical provisions	20,873	(2,589)	18,284
Total	736,098	(118,189)	617,909

Unearned premium reserve

	Gross liabilities	Reinsurance	Net liabilities
	$000	$000	$000
30 June 2023			
Opening Balance	**560**	**–**	**560**
Arising on acquisition of portfolio transfer	**19,665**	**–**	**19,665**
Earned premiums	**(327)**	**–**	**(327)**
Exchange rate changes	**6**	**–**	**6**
Closing Balance	**19,904**	**–**	**19,904**
31 December 2022			
Opening balance	–	–	–
Arising on acquisition of portfolio transfer	4,629	–	4,629
Earned premiums	(4,069)	–	(4,069)
Exchange rate changes	–	–	–
Closing Balance	560	–	560

Provision for outstanding claims including other technical provisions

	Gross liabilities	Reinsurance	Net liabilities
	$000	$000	$000
30 June 2023			
Opening Balance	**735,538**	**(118,189)**	**617,349**
Movement through the income statement	**(250,686)**	**15,094**	**(235,592)**
Liabilities acquired on portfolio transfers	**888,805**	**–**	**888,805**
Exchange rate changes	**6,439**	**(409)**	**6,030**
Closing Balance	**1,380,096**	**(103,504)**	**1,276,592**
31 December 2022			
Opening balance	772,723	(128,040)	644,683
Movement through the income statement	(251,514)	19,123	(232,391)
Liabilities acquired on portfolio transfers	210,902	(10,159)	200,743
Exchange rate changes	3,427	887	4,314
Closing Balance	735,538	(118,189)	617,349

Compre Group signed deals in H1 2023 to acquire $888.8m of new business all of which have already been completed and onboarded in the year following regulatory approval processes. These deals have increased the Group’s net (re)insurance liabilities from $617.9m at the end of 2022 to $1,296.5m as at 30th June 2023 adding significant scale and diversification to the balance sheet in the process. The increase in deposits with ceding undertakings reflects the funds withheld nature of the transactions completed in the period.

11. Financial liabilities

Financial liabilities held at amortised cost are analysed as follows:

	30 June 2023	31 December 2022
	$000	$000
Revolving credit facility	**33,286**	–
Subordinated notes	**243,231**	243,414
	276,517	243,414
Amounts falling due within 1 year	**33,286**	–
Amounts falling due between 1 and 5 years	**226,731**	–
Amounts falling due after 5 years or more	**16,500**	243,414
	276,517	243,414

The Group had the following subordinated notes outstanding during the period covered by these financial statements. The origination and maturity dates disclosed in this table provide information about the period in which these borrowings were outstanding.

Facility	Origination date	Maturity date	Rate	Principal
USD subordinated notes	27 June 2022	27 June 2028	9.25%	USD 160m
EUR subordinated notes	27 June 2022	27 June 2028	3m Euribor + 5.6%	EUR 37.5m
USD subordinated notes	24 October 2019	24 October 2029	3m USD LIBOR + 6.9%	USD 16.5m
EUR subordinated notes	1 December 2017	5 January 2028	3m Euribor + 6.9%	EUR 2.5m
EUR subordinated notes	1 December 2017	5 January 2028	3m Euribor + 6.7%	EUR 24m

Revolving credit facility

In 2023, the Group modified the terms of the agreement to expand the facility to $100m and extend the original maturity dates to June 2026. The Group pays a commitment fee based on the unutilised amount of the RCF; this fee and corresponding interest expenses are charged to the income statement as incurred, and is presented within 'Finance costs' in the Group's consolidated income statement.

Subordinated loan notes

In June 2022, the Group issued two subordinated debt notes through the parent entity, Compre Group Holdings Limited. The key terms of the notes are set out below:

- $160m bearing a fixed rate of interest, maturing in June 2028, with semi-annual interest payments; and
- €37.5m bearing a floating rate of interest, maturing in June 2028, with quarterly interest payments.

The Group has an option to redeem the USD-denominated note on any date within the 6 months prior to maturity, and an option to redeem the EUR-denominated note 3 months prior to maturity. Management has determined that both options are closely related to the economic characteristics and risks of the host debt itself, and they have accordingly not been separated from the host contracts.

The subordinated notes serve the purpose of increasing the Group's Tier 2 basic own funds regulatory capital for its solvency purposes. The Group has complied with the financial covenants of its borrowing facilities during 2022 and 2023.

Letter of Credit

In June 2023 the Group entered into a Letter of Credit arrangement which provides a commitment from the provider to cover outstanding claims reserves if required. The Letter of Credit is for up to USD 50m expiring on 27 August 2024 and has been utilized to provide collateral on one of the transactions completed in the year.

12. Transition to FRS 102

This is the first financial period in which the Group has presented its results under FRS 102. Its last financial statements were for the year ended 31 December 2022, and they had been prepared under International Financial Reporting Standards ("IFRS") as issued by International Accounting Standards Board. Set out below are the changes in accounting policies which reconcile Group profit for the financial period ended 30 June 2022 and the total Group equity as at 1 January 2022 and 30 June 2022 between IFRS as previously reported and FRS 102.

Loss for the financial year

		30 June 2022
	$000	$000
IFRS - As previously reported		(51,691)
IFRS 9 Credit Losses	—	
IFRS 16 Leases	(24)	
Goodwill amortization under UK GAAP	(1,930)	
Total adjustment to loss for the financial year		(1,954)
FRS 102		(53,645)

Other comprehensive income

		30 June 2022
	$000	$000
IFRS - As previously reported		(1,608)
IFRS 9 Credit Losses	—	
IFRS 16 Leases - Exchange gains/losses	(21)	
Goodwill amortization under UK GAAP	—	
Total adjustment to loss for the financial year		(21)
FRS 102		(1,629)

Total equity

	1 January 2022	30 June 2022
	$000	$000
IFRS - As previously reported	470,661	417,362
IFRS 9 Credit Losses	35	35
IFRS 16 Leases	219	174
Goodwill amortization under UK GAAP	—	(1,930)
FRS 102	470,915	415,641

Goodwill amortization

Under IFRS, goodwill was not amortised, and was instead tested for impairment on an annual basis. Under FRS 102, goodwill needs to be amortised over its finite useful life which, for Compre Group Holdings Limited, is considered to be 20 years; impairment testing under FRS 102 is only required if there are indicators that the carrying amount of goodwill may be impaired.

IFRS 16 Leases

FRS 102 requires that leases need to be recorded separately according to whether they are operating or financing leases. Compre Group Holdings Limited only leases office premises, and these have been classified as operating leases; the rental costs are now being expensed to profit & loss on a straight line basis over the life of the lease. As a result, the right of use assets and lease liabilities that were previously recognised under IFRS 16 have been derecognized, and the amortization of the right of use assets and the interest cost on the lease liabilities have been reversed. This has also resulted in a foreign exchange gain/losses through other comprehensive income.

13. Events after the End of the Reporting Period

The Group completed its acquisition of the Irish subsidiary of Covea, Medical Insurance Company DAC ("MIC"), at the end of August 2023 post regulatory approvals. MIC provided insurance policies covering professional medical malpractice risks and entered into run-off in 2015.

On September 14, 2023, the Group signed an agreement with a European based insurer to acquire a MedMal portfolio for an undisclosed sum. The deal is structured as a Loss Portfolio Transfer together with the operational claims management and is expected to be followed by a legal transfer. The acquisition and subsequent legal transfer are subject to regulatory approval.

INDEPENDENT REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION TO COMPRE GROUP HOLDINGS LIMITED

Introduction

We have reviewed the accompanying interim condensed financial statements of Compre Group Holdings Limited (the 'company' or the 'group') as at 30 June 2023 which comprise the interim Consolidated Profit and Loss account and the related interim Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position, the Consolidated Statement of Changes in Equity, the Consolidated Statement of Cashflows for the six-month period then ended and notes 1 to 13. Management is responsible for the preparation and presentation of this interim financial information in accordance with FRS 104 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Other matter – comparative information not subject to review

The comparatives for the year ended 31 December 2022 and the six-month period ended 30 June 2022 have not been subject to review.

Conclusions

Based on our review nothing has come to our attention that causes us to believe that the accompanying interim condensed financial statements are not prepared, in all material respects, in accordance with FRS 104 "Interim Financial Reporting" (United Kingdom Generally Accepted Accounting Practice).

Use of our report

This report is made solely to the group in accordance with guidance contained in International Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the group, for our work, for this report, or for the conclusions we have formed.

Ernst & Young LLP
London
9 October 2023