

Company Number: 2983873

TRADEX INSURANCE COMPANY LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 DECEMBER 2023

	Page
Directors and Advisers	2
Strategic Report	3 – 7
Report of the Directors	8 - 9
Statement of Directors' Responsibilities	10
Independent Auditor's Report	11 - 16
Profit and Loss Account: Technical Account – General Business	17
Profit and Loss Account: Non-Technical Account	18
Statement of Comprehensive Income	19
Balance Sheet	20 - 21
Statement of Changes in Equity	22
Notes to the Financial Statements	23 – 48

Company Number	2983873
Directors	M A Summerfield (Chief Executive Officer) N A Southworth (Non-Executive Director) S M Ludlow (Non-Executive Chair) M L Leighton (Chief Financial Officer) E H Gilmour (Non-Executive Director)
Company Secretary	S J Moore
Business Address and Registered Office	7 Eastern Road Romford RM1 3NH
Auditors	Ernst & Young LLP 25 Churchill Place London E14 5EY

The Directors have pleasure in presenting their Strategic Report for the year ended 31 December 2023.

Review of the Business and Future Developments

Activities

The principal activity of Tradex Insurance Company Limited ('Tradex' and the 'Company') is underwriting UK motor insurance. The Company underwrites a diverse mix of personal and commercial line with business sourced from Markerstudy Insurance Services Limited ('MISL') and Clegg Gifford ('CG') through delegated authority arrangements. Motor lines comprise a large proportion of the portfolio mix, with substantial private motor, motor trade and taxi accounts, along with other mainly commercial motor lines of business. It also underwrites smaller liability and commercial and home property accounts.

Review of the Business and Market

On 7 July 2023, following approval by the PRA, Tradex's immediate parent, Tradex Insurance Holdings Limited ('TIHL'), was acquired by Saturn Holdings Limited ('SHL') as a wholly owned subsidiary. On 10 October 2023, SHL also acquired Soteria Financial Holdings Limited ('SFHL') and its subsidiary Soteria Insurance Limited ('SIL'). TIHL was dissolved on 9 January 2024.

On 23 August 2023 SHL injected a further £56.7m capital in return for one new share. As a result, the capital base of the Company has increased substantially which provides the capacity to write significantly more business and the additional opportunities available to the Company through the new ownership will also open opportunities for immediate and significant growth in the business written.

Tradex continued to concentrate on key lines of existing business for the first half of 2023, with the second half of 2023 seeing a significant increase of new business being written with a new MGA, MISL, in addition to the existing delegated authority arrangement with CG. A significant proportion of the new business related to Motor personal lines and Home products, increasing the diversity of the Tradex underwriting portfolio.

Alongside the new business with MISL, Tradex also took actions in the second half of 2023 to exit underperforming segments and continued actions on pricing and risk selection to improve rating adequacy, which are expected to deliver a profitable underwriting result in 2024. The emphasis going forward is on underwriting risk selection and quality through governance and development of pricing models, driving the rate required to reflect claims' inflation and achieve product targets, and continuously improving the portfolio mix.

Following the acquisition by SHL, a new management team has been appointed to Tradex who have undertaken a detailed review of legacy claims reserves to ensure that they adopt a philosophy consistent with that on the go-forward book and in line with the Company's risk appetite. This has led to a strengthening of reserves, contributing to the loss in the year. £10.0m of the increase in net reserves relates to the introduction of a management margin, in line with other group companies. The management margin is added to the 'actuarial best estimate' reserves so that, in most years, no adverse run-off deviations are envisaged.

Tradex has a number of reinsurance arrangements, including Excess of Loss, Quota Share and Catastrophe Protection for lines of business sourced through both MISL and Clegg Gifford, in order to manage income statement volatility and balance sheet exposure.

Increased inflation has led to an increase in claims costs as the cost of vehicle parts and building materials has increased. The observed impact of wage increases on bodily injury claims has been relatively low to date but is expected to continue to have an impact in 2024, particularly if current widespread industrial action leads to further wage increases in the public sector.

Results & Reserving

The Company made a loss before tax for 2023 of £20.5m compared to a profit in 2022 of £1.3m, which was mainly driven by £16.5m of large losses and strengthening of reserves on the motor portfolio. £10.0m of the losses relates to the introduction of a management margin, in line with other group companies.

The loss in 2023 was also impacted by the commutation of one of the reinsurance agreements as noted below under reinsurance arrangements, whereby adverse prior year development on large losses on the 2017 and prior underwriting years no longer being mitigated by reinsurance.

The Company has made provision for future claims payments in accordance with its own reserving philosophy and in consultation with its independent actuaries. However, it should be noted that there is inherent uncertainty in forecasting future claims and ultimate claims could be materially higher, or indeed lower, than that currently forecast. The potential sensitivity to movements in loss ratios is discussed further in note 5a(ii) to the accounts.

Capital Resources

The Company is regulated by the PRA and is subject to insurance solvency regulations which specify the minimum amounts and type of capital that may be held in addition to insurance liabilities. The Company's policy is to maintain capital in excess of these regulatory requirements.

The Company is required to meet a Solvency Capital Requirement ("SCR") which is calibrated to seek to ensure a 99.5% confidence of the ability to meet its obligations over a 12-month time horizon. The Company calculates its SCR in accordance with the standard formula prescribed in the Solvency II regulations. The assumptions underlying the standard formula are considered to be a good fit for the Company's risk profile.

On a Solvency II basis, as submitted, the Company's capital resources showed a surplus of £25.6m at 31 December 2023 (2022: £3.8m) in excess of the capital requirement. The subsequent management decision to strengthen best estimate reserves will impact the solvency coverage but it remains well in excess of the regulatory requirement.

Reinsurance Arrangements

The Company had quota share reinsurance arrangements in 2023 with one 'AA' rated reinsurer, and three 'A' rated reinsurers.

To reduce volatility arising from large losses, the Company chose to continue to purchase an excess of loss reinsurance programme for 2023.

The collateralised reinsurance arrangement that was entered into in March 2018, which was in respect of 2017 and all earlier years to a reinsurer in exchange for the payment of a premium, was commuted by agreement on 11 December 2023 and the remaining claims management for those years were transferred back in house during Q1 2024. This resulted in a year-end loss on commutation of £633,507.

The Claims Development Triangles in Note 22 now reflect the removal of this reinsurance agreement post commutation, and Tradex's exposure to the remaining claims on those earlier years.

Climate change and the business

The Company's direct immediate exposure to climate change risk is limited at present as all policies are written for a maximum period of 12 months and the major future potential detriments, as a result of climate change, would have no material impact on current results. Flood risk, which is becoming more clearly an increased risk as a result of climate change, is monitored closely and taken into account when assessing potential risks before they are written or renewed. The Board regularly reviews potential impacts and have appointed a member of the Board to take specific responsibility for such matters. The Company is not highly exposed to climate related risks at present.

The Board will continue to monitor the potential impacts of climate change on the business but there are not expected to be any material detriments in the short to medium term planning horizon. Climate risk is monitored as part of the Company's normal risk reporting structures and is factored into reporting such as the preparation of the Own Risk Solvency Assessment report ("ORSA"). Specific responsibilities have been set up within the business for planning for such changes, as discussed in the Directors' Report.

Tradex are not liable for any direct liabilities for power supply as the rent is inclusive of such costs, however, an estimate of energy usage for the purposes of Streamline Energy Carbon Reporting has been calculated. Tradex estimate that for 2023 the share of the energy used in the offices would have been less than 40Mwh for the year and there would therefore be no further disclosures to be made under the relevant legislation as Tradex would be defined as a low energy user.

The Company has continued to utilise hybrid working arrangements since returning to the office after the easing of the Government Covid-19 pandemic restrictions. This is continuing to significantly reduce staff travel to the office and the associated carbon emissions.

Key Performance Indicators

The Directors consider the following amounts and ratios to be the key performance indicators of the Company:

	2023	2022	2021
GWP (£000)	198,239	76,277	68,634
Written Policies (Number)	382,924	44,836	35,568
Claims Open (Number)	10,957	7,445	6,756
Customer Retention (%)	71%	73%	71%
Customer Complaints (Number)	698	399	400

Policies written have increased in numbers as expected, as has GWP, mainly driven by the new business written with MISL in H2 2023. The increase in the number of claims in 2023 is proportional with the growth in premium and policies.

The Company ensures all complaints are handled efficiently and effectively and in accordance with the Treating Customers Fairly (TCF) regulatory Principle for Business, the Dispute Resolution Rules (DISP) as set down by the Financial Conduct Authority (FCA) and those applied by the Financial Ombudsman Service (FOS). Complaints are seen as an opportunity to improve the customer journey.

The FCA's new rules on Consumer Duty came in force in July 2023. Tradex Board considers Consumer duty, together with relevant management information, as a standing agenda item and ensures that compliance with the duty is prioritised throughout the business.

Principal Risks and Uncertainties

The Company's business involves the acceptance and management of risk, whether financial or non-financial. The Company has developed a framework for identifying the risks it is exposed to and their impact on economic capital. The Company complies with the Solvency II regulations which establish the capital requirements required on a risk-based approach.

In common with other insurers, the Company is exposed to the following risks: -

i) Insurance risk

A major part of the Company's capital requirement is attributable to insurance risk, which may be broken down into its main categories of underwriting risk and reserving risk. Underwriting risk measures the risk that future premium rates will not be adequate to cover future claims and reserving risk measures the risk that the reserves established by the Company to pay future liabilities will prove to be inadequate.

The Company produces a business plan and forecasts, detailing expected business classes and rating levels, and any movements away from projected levels are reported to the Board on a regular basis. External actuaries are employed to advise on ultimate liabilities and the adequacy of the reserves provided are regularly monitored.

ii) Market risk

This measures the risk that returns on invested assets do not grow as anticipated and will leave a shortfall. The Company has mitigated this risk by holding the majority of its invested funds in cash, deposits with credit institutions and UK Government Gilts.

iii) Credit risk

This is the risk that third parties do not meet their obligations to the Company, including amounts due from reinsurers, bankers and brokers. The Company's quota share reinsurers are A rated and the security of cover is of paramount importance when the Company places its excess of loss reinsurance programme.

iv) Liquidity risk

As noted above, liquid funds are maintained in deposits with credit institutions. These are readily realisable and the risk that the Company may be unable to meet its obligations as they fall due because of a timing mismatch is considered very low.

v) Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or external events.

Tradex's objective is to maintain business confidence and to provide resilient business processes. Operational risk is managed through the implementation of a robust control environment which minimises the potential for loss as a result of the failure of processes, people, technology and due to external events.

Tradex can divide the operational risk into the following categories:

- Financial Reporting Risk
- Technology Risk (including Cyber)
- Third-Party Supplier Risk
- People Risk
- Financial Crime Risk
- Operational Resilience
- Model Risk

Each operational risk sub-category has its own risk appetite metrics and thresholds, approved by the Risk Framework Owner (RFO). Of the above, the most material risks are:

- Operational resilience: Tradex has a project in place to identify tolerances for each key business process, and to establish the appropriate governance and oversight to ensure that these can be met at all times. In addition, Tradex regularly tests its business continuity and disaster recovery plans.
- Third Party Risk: this risk is high given Tradex's reliance on MISL for the management of policies and claims. This is managed via the Binding Authority Agreement (BAA) and monitoring arrangements that have been put in place.
- Technology Risk: Tradex outsources the IT server infrastructure. Management information and controls are in place to monitor service levels, risk and incident monitoring.
- People Risk: Tradex has only a small number of staff; although this may mean that people risk is lower overall, it does increase key person dependency. This risk is managed individually.

Section 172(1) Statement

This section of the report describes how the Directors have had regard to the matters set out in Section 172(1) (a) to (f) and forms the Directors' statement required under Section 414CZA of the Companies Act 2006. The Directors are required to act in a way to promote the success of the Company for the benefits of all its stakeholders and in doing so consider the following matters:

Long-term decision making

Their commitment to long-term decision making is set out throughout the rest of this strategic report.

Interests of company employees

The Company has a small number of employees and a flat organisational structure which always allows immediate and direct access for all employees to senior management. In addition, there are regular meetings with staff, communications by email as well as more formal structures such as appraisals. These activities have continued since returning to the office with a new hybrid working arrangement. The Directors' report provides further information on staff matters.

Business relationships with suppliers, customers, and others

Whilst the Company has limited direct contact with its policy holders, as these relationships are managed by its broker and claims handling arrangements, these relationships are key parts of the Company's business and are managed through an extensive programme of formal and informal contact including monitoring of legal, contractual, and regulatory obligations. All complaints are managed by the Compliance Manager and monitored and treated with appropriate care and attention.

Impact on the environment

As noted in the Report of the Directors, the Board considers that the Company has little impact on environmental issues. Tradex have, nevertheless, set out in the strategic report above the approach to minimising the Company's environmental footprint. Tradex have also appointed a Board member to take direct responsibility for leading the efforts in this area and also for considering the impact of current and future environmental changes on the business and employees and other stakeholders.

Impact of inflation and interest rate rises

The rate of inflation has fallen significantly during the year, with CPI reducing from 10.5% at the start of the year to 4.0% in December, however this remains above the Bank of England's target rate of 2%. As a result, the Bank of England steadily increased the base rate of interest over the first part of the year, from 3.5% at the start of the year to 5.25% by early August. As at year end the rate remains at 5.25%.

Reputation for high standards of business conduct

It is the intention of the Board to behave responsibly and ensure that the business is operated in a responsible manner, within the high standards of business and regulatory conduct expected. Tradex operate within a Governance structure that also includes additional safeguards such as whistleblowing procedures which also help to deliver high standards of business conduct.

Fair treatment of shareholders

As a Board, the intention is to behave responsibly toward the shareholders, recognising the Company's obligation is to generate value for them whilst balancing the needs of all stakeholders.

By Order of the Board



Mark Summerfield
Director
19 July 2024

The Directors have pleasure in presenting their Report together with the Financial Statements for the year ended 31 December 2023.

The Report of the Directors should be read in conjunction with the Strategic Report as it contains information required to be disclosed in the Report of the Directors. This information is primarily relating to the review of the business and a description of principal risks and uncertainties, although there is more extensive disclosure of risk management in Note 5 to the Financial Statements.

Results and Dividends

The financial statements set out the results of Tradex for the year ended 31 December 2023 and are shown on pages 17 to 22. No dividends were paid during the year (2022 - £Nil).

Post balance sheet events

On 28th March 2024, Saturn Holdings Limited subscribed for 15 new shares issued by Tradex Insurance Company Limited for £37,500,000. This equates to an increase in share capital of £15 and an increase in share premium of £37,499,985 at the subscription date.

On 5 June 2024, a quota share agreement was finalised with Newpoint Re covering Motor and Home policies issued or renewed by Tradex from 1 August 2023 to 31 December 2024. On a net basis this is estimated to reduce the Company's loss for the year by £56k.

On 26 June 2024, Saturn Holdings Limited subscribed for 1 new share issued by Tradex Insurance Company Limited for £2,500,000. This equates to an increase in share capital of £1 and an increase in share premium of £2,499,999 at the subscription date.

On 28 June 2024, Tradex issued £50m tier 1 restricted (£20m) and tier 2 (£30m) debt which was wholly purchased by SHL.

Directors

The Directors who served the Company during the year were as follows:

D A Austin (retired on 23 February 2023)
G M Fearn (resigned 8 January 2024)
R L Sampson (resigned 8 January 2024)
N J Taylor (resigned 11 September 2023)
S M J Tilbury (resigned 22 April 2024)
M A Summerfield (appointed 11 September 2023)
S M Ludlow (appointed 1 January 2024)
N A Southworth (appointed 2 January 2024)
M L Leighton (appointed 15 April 2024)
E H Gilmour (appointed 1 May 2024)

Financial Instruments

Information on the use of financial instruments by the Company and its management of financial risk is disclosed in Note 5 to the financial statements. In particular, the Company's exposures to price risk, credit risk and liquidity risk are separately disclosed in that note. The Company's exposure to cash flow risk is addressed under the headings of 'Credit risk', 'Liquidity risk' and 'Market risk'.

Political Donations

No political donations were made during the year (2022: £Nil).

Corporate Governance

In accordance with best practice, the Company operates Audit & Risk, Investment and Nominations & Remuneration committees, which report to the Board.

Staff Matters

The Company considers that its employees are one of its key assets and seeks to provide a flexible and attractive working environment with opportunities for all employees. The recruitment and retention of a talented and motivated staff is one of the Company's key aims. Staff are actively encouraged to study for professional qualifications and company assistance is provided.

During 2023, staff continued to work partly from home following the adoption of hybrid working arrangements in 2022 and following the Covid-19 pandemic.

Going Concern

The Annual Report and Accounts are prepared on a going concern basis and the Directors are satisfied that Tradex has the resources to continue in business for at least the period from the date of approval of the financial statements up to 31 December 2025. In making this assessment, the Directors have performed a detailed analysis of future capital.

The going concern assessment performed takes into account the Company's projected coverage of regulatory capital requirements and its resilience to withstand foreseeable stress scenarios.

In the central forecast case, solvency projections show the Solvency Capital Requirement (SCR) coverage is set to remain above 140% throughout the forecast period, which is above the Board's risk appetite.

The Directors have considered the potential impact of various stresses, based on those which are considered to be key risks for the Company. These include risks from the inherent uncertainty in predicting loss ratios and in reliance on reinsurers. In all cases, solvency coverage remains above 100%.

The Directors have also considered reverse stress tests, in order to identify the likelihood of severe stress scenarios which would reduce SCR coverage to below 100%. These are considered highly unlikely to occur and, in each case, could at least be partially mitigated by management actions.

Environmental Matters

The Directors are of the opinion that, based on the nature of the Company's activities, the Company has little impact on environmental issues and further detail has been discussed in the Strategic Report on Page 4.

Audit Information

Each of the above Directors has confirmed that at the date of this report:

- i) As far as they are aware, there is no relevant audit information of which the Company's auditors are unaware.
- ii) They have taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Auditors

Following the acquisition of the Company by Saturn Holdings Limited during the year, Ernst & Young LLP were appointed as auditor to the Company, replacing BDO LLP. Ernst & Young LLP have expressed their willingness to continue in office.

For the year ended 31 December 2023

The Directors are responsible for preparing the Strategic Report, the Directors' Report and the Financial Statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the Financial Statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) ('UK GAAP'). 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 judgments and accounting estimates that are reasonable and prudent;
- state whether applicable United Kingdom accounting standards have been followed, subject to any material departures disclosed and explained in the Financial Statements;
- prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information; and
- provide additional disclosures when compliance with the specific requirements in United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102, The Financial Reporting Standard applicable in the UK and Republic of Ireland and FRS 103, Insurance Contracts) is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Company financial position and financial performance.

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.

Under applicable law and regulations, the Directors are also responsible for preparing a Strategic Report and a Directors' Report that comply with that law and regulations.

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

By Order of the Board



Mark Summerfield
Director
19 July 2024

Independent Auditor's report to the Members of Tradex Insurance Company Limited**Opinion**

We have audited the financial statements of Tradex Insurance Company Limited ('the Company') for the year ended 31 December 2023 which comprise the Profit and Loss Account: Technical Account – General Business, Profit and Loss Account: Non-Technical Account, Statement of Comprehensive Income, Balance Sheet, Statement of Changes in Equity and the related notes 1 to 29 including 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 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland and Financial Reporting Standard 103 Insurance Contracts (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the Company's affairs as at 31 December 2023 and of its loss 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 as applied to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the Company's ability to continue to adopt the going concern basis of accounting included:

- confirming our understanding of management's going concern assessment process and obtaining management's assessment which covers the period to 31 December 2025;
- reviewing the solvency and liquidity position of the Company understanding how severe the downside solvency and liquidity scenarios would have to be to result in the elimination of available headroom;
- reviewing the company's latest profit forecasts submitted to the regulator, and considering the impact on the company's ability to continue operating as a going concern;
- reviewing correspondence with the regulator regarding future growth plans;
- performing enquiries of management and those charged with governance to identify risks or events that may impact the company's ability to continue as a going concern. We also reviewed minutes of meetings of the Board and its committees to assess whether there were any other matters discussed that may have an impact on the company's ability to continue as a going concern; and
- assessing the appropriateness of the going concern disclosures by comparing them for consistency with management's assessment and for compliance with the relevant reporting requirements.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period to 31 December 2025.

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.

Overview of our audit approach

Key audit matter	<ul style="list-style-type: none"> Inappropriate setting of claims outstanding (specifically IBNR)
Materiality	<ul style="list-style-type: none"> Overall materiality of £1,982k which represents 1% of Gross Written Premiums.

An overview of the scope of our audit**Tailoring the scope**

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for the company. This enables us to form an opinion on the financial statements. We take into account size, risk profile, the organisation of the Company and effectiveness of controls, the potential impact of climate change and changes in the business environment when assessing the level of work to be performed. All audit work was performed directly by the audit engagement team.

Climate change

Stakeholders are increasingly interested in how climate change will impact the Company. The Company has determined that Climate change risk is limited as all policies are written for a maximum period of 12 months and the major future risks] from climate change do not currently pose a material risk to the Company. This is explained on page 4 in the strategic report, which forms part of the "Other information," rather than the audited financial statements. Our procedures on these unaudited disclosures therefore consisted solely of considering whether they are materially inconsistent with the financial statements, or our knowledge obtained in the course of the audit or otherwise appear to be materially misstated, in line with our responsibilities on "Other information".

Our audit effort in considering the impact of climate change on the financial statements was focused on evaluating management's assessment of the impact of climate risk, physical and transition risks and the resulting conclusion that there was no material impact from climate change, and the adequacy of the Company's disclosures (pages 4, 23 and 34) which explain the rationale.

Based on our work we have not identified the impact of climate change on the financial statements to be a key audit matter or to impact a key audit matter.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in our opinion thereon, and we do not provide a separate opinion on these matters.

Risk	Our response to the risk	Key observations communicated to the Audit Committee
<p>Inappropriate setting of claims outstanding (specifically IBNR) (£92,105k, 2022: £33,311k – both on a gross of reinsurance basis)</p> <p>Refer to the accounting policy in note 3d and the further information in notes 22 of the Financial Statements.</p> <p>IBNR reserves are inherently uncertain and subjective by nature and therefore more susceptible to fraud or error than most other</p>	<p>Our audit of the claims outstanding and management's key judgements included the following:</p> <p>Supported by our Actuarial team, we performed a walkthrough of the reserving and claims processes, to confirm our understanding of the flow of transactions relating to paid claims, outstanding claims and the setting of IBNR;</p>	<p>We consider that the claims outstanding (specifically IBNR), lie within what we consider to be a reasonable range of estimates.</p> <p>In addition, we consider that the disclosures made provide information that assists in understanding the uncertainty inherent in the estimation of claims outstanding.</p>

<p>financial statement balances. There is a risk that inappropriate reserve projections are made, whether from the use of inaccurate underlying data, invalid or inappropriate statistical modelling techniques, or the use of unreasonable assumptions.</p> <p>Following the acquisition of TICL by SHL, significant new business is being underwritten, for which the company has limited claims experience upon which to base actuarial assumptions, and may therefore be reliant on benchmark data.</p> <p>This could lead to reserves falling outside a reasonable range of possible estimates and a misstatement in the financial statements. These balances, by nature, are also subject to a risk of manipulation and given the magnitude of the balance, a small manipulation of an assumption could have a great impact on the result for the year.</p> <p>Financial statement risks principally arise from:</p> <ul style="list-style-type: none"> • The quality and timeliness of source data (premiums, claims paid and claims outstanding) used to populate actuarial triangles underlying the IBNR estimates; • Sensitivity of assumptions made by Management for the purpose of applying the adopted reserving methodology; • Limitations of models and modelling techniques used for the preparation of the actuarial best estimates; and • Uncertainties around IBNR reserves due to elevated economic inflation which may drive future loss cost increases. 	<p>We evaluated management’s methodology against market practice and assessed management specialist’s assumptions and their consideration of major sensitivities, based on our market knowledge and industry data, especially as regards inflation assumptions;</p> <p>Using management’s data, we independently re-projected, gross, the significant classes of business including the more judgemental and/or material components. For the MISL sourced business (IBNR of £6,825k), our projections were largely derived using market benchmark data given the limited development history;</p> <p>We considered a variety of actuarial claims projections techniques to consider and identify if they showed contradictory conclusions;</p> <p>We assessed the appropriateness of the net discount rate used to discount the gross Period Payment Orders (PPOs) claims outstanding balance having regard to the inflation and investment return assumptions.</p> <p>We challenged the level of margin held compared to market practice, prior periods and in the context of the areas of uncertainty for which the margin is held; and</p> <p>We validated the completeness and accuracy of data used in reserving processes and checking consistency with other policyholder data used in the financial reporting processes;</p> <p>The procedures above applied to both the historic business underwritten by TICL as well as the new business sourced through MISL since July 2023.</p>	
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Our application of materiality

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

Materiality

The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

We determined materiality for the company to be £1,982k, which is 1% of Gross Written Premium. We believe that Gross Written Premium provide us with the appropriate basis that will enable us to identify misstatements that may influence the users of the financial statements.

Performance materiality

The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments, together with our assessment of the company's overall control environment, our judgement was that performance materiality was 50% of our planning materiality, namely £991k. We have set performance materiality at this lower percentage as this is our first year auditing the Company, and we typically set 50% of performance materiality for first year audits.

Reporting threshold

An amount below which identified misstatements are considered as being clearly trivial.

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of £99k, which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

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.

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 9, 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.

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 Company and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the group and determined that the most significant are company law and tax legislation, and the financial reporting framework. Our considerations of other laws and regulations that may have a material effect on the financial statements included permissions and supervisory requirements of the Prudential Regulation Authority ('PRA') and the Financial Conduct Authority ('FCA').
- 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. We also reviewed correspondence between the company and UK regulatory bodies; reviewed minutes of the Board and its committees; and gained an understanding of the company's approach to governance.
- 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 entity, or that otherwise seek to prevent, deter or detect fraud. We also performed journal entry testing, with a focus on journals indicating large or unusual transactions based on our understanding of the business. We also considered areas of significant judgment, including performance targets, external pressures and the impact these have on the control environment. The fraud risk, including management override, was considered to be higher in respect of the estimation of claims outstanding (specifically IBNR), and we performed audit procedures to address the risk as detailed in the key audit matter above and our communication to the Audit Committee.


Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved making enquiry of those charged with governance and senior management for their awareness of any non-compliance with laws or regulations, inquiring about the policies that have been established to prevent non-compliance with laws and regulations by officers and employees, inquiring about the company's methods of enforcing and monitoring compliance with such policies and inspecting significant correspondence with the PRA and FCA.

Other matters we are required to address

- Following the recommendation from the audit committee we were appointed by the Company on 25 October 2023 to audit the financial statements for the year ending 31 December 2023 and subsequent financial periods.
- The period of total uninterrupted engagement including previous renewals and reappointments is 1 year, covering the year ended 31 December 2023.
- The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Company and we remain independent of the Company in conducting the audit.
- The audit opinion is consistent with the additional report to the audit committee.

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.

Signed by:

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Vinood Ramabhai (Senior statutory auditor)
For and on behalf of Ernst & Young LLP, Statutory Auditor
London

19 July 2024

Year ended 31 December 2023

	Notes	2023 £000	2022 restated £000
Earned Premiums, net of Reinsurance:			
Gross Written Premiums	6	198,239	76,277
Outward reinsurance premiums		(108,947)	(48,897)
Net Premiums Written		89,292	27,380
Change in the Provision for Unearned Premiums			
Gross amount		(90,623)	(3,356)
Reinsurers' share		43,364	852
Net Change in the Provision for Unearned Premiums	22	(47,259)	(2,504)
Earned Premiums, net of Reinsurance		42,033	24,876
Claims Incurred, net of Reinsurance:			
Claims Paid			
Gross amount		(55,277)	(44,314)
Reinsurers' share		31,083	20,589
Net Claims Paid	22	(24,194)	(23,725)
Change in the Provision for Claims			
Gross amount		(95,220)	(18,127)
Reinsurers' share		65,743	23,517
Net Change in the Provision for Claims	22	(29,477)	5,390
Claims Incurred, net of Reinsurance		(53,671)	(18,335)
Net operating expenses	7	(12,020)	(5,945)
Balance on the Technical Account		(23,658)	596

The accompanying notes on pages 23 to 48 form an integral part of the financial statements.

Year ended 31 December 2023

	Notes	2023 £000	2022 restated £000
Balance on the Technical Account		(23,658)	596
Investment income	9	2,349	198
Unrealised gains on investments	9	616	124
Investment expenses and charges	10	(121)	(15)
Other income	11	556	929
Other charges and operating expenses	12	(260)	(500)
(Loss)/profit on ordinary activities before tax	13	<u>(20,518)</u>	<u>1,332</u>
Tax (charge)/credit on ordinary activities	14	(3,300)	500
(Loss)/profit after tax for the financial year		<u>(23,818)</u>	<u>1,832</u>

The accompanying notes on pages 23 to 48 form an integral part of the financial statements.

	Year ended 31 December 2023	
Notes	2023 £000	2022 £000
(Loss)/profit after tax for the financial year	(23,818)	1,832
Other comprehensive income:	-	-
Total comprehensive (loss)/income for the year	(23,818)	1,832

The Company's activities during the year were all derived from continuing operations.

The accompanying notes on pages 23 to 48 form an integral part of the financial statements.

Company Number: 2983873

At 31 December 2023

	Notes	2023 £000	2022 £000
Assets			
Investments			
Other financial investments	19	42,673	25,969
Deposits with credit institutions		45,874	5,972
		<hr/>	<hr/>
		88,547	31,941
		<hr/>	<hr/>
Reinsurers' share of Technical Provisions			
Provision for unearned premiums	22	68,269	24,905
Claims outstanding	22	153,440	98,774
		<hr/>	<hr/>
		221,709	123,679
		<hr/>	<hr/>
Debtors			
Debtors arising out of direct insurance operations			
- intermediaries	16	139,961	16,466
Debtors arising out arising out of reinsurance operations		10,740	1,582
Other debtors	17	3,239	10,481
		<hr/>	<hr/>
		153,940	28,529
		<hr/>	<hr/>
Other Assets			
Tangible assets	18	1,352	1,616
Cash at bank and in hand		22,734	10,173
		<hr/>	<hr/>
		24,086	11,789
		<hr/>	<hr/>
Prepayments and Accrued Income			
Deferred acquisition costs	20	19,389	6,677
Other prepayments		2,180	330
		<hr/>	<hr/>
		21,569	7,007
		<hr/>	<hr/>
Total Assets		509,851	202,945
		<hr/> <hr/>	<hr/> <hr/>

The accompanying notes on pages 23 to 48 form an integral part of the financial statements.

Company Number: 2983873

At 31 December 2023

	Notes	2023 £000	2022 £000
Equity and Liabilities			
Capital and Reserves			
Ordinary share capital	21	12,138	12,138
Share premium account	21	66,775	10,080
Retained earnings		(28,834)	(5,016)
Total Equity		50,079	17,202
Technical Provisions			
Provision for unearned premiums	22	128,893	38,270
Claims outstanding	22	228,437	132,921
		357,330	171,191
Creditors			
Creditors arising out of direct insurance operations		22,373	-
Creditors arising out of reinsurance operations		55,923	4,430
Other creditors including taxation and social security	23	17,160	2,247
		95,456	6,677
Creditors falling due after One Year			
Subordinated loan	24	-	5,000
Accruals and Deferred Income			
Accrued expenses and deferred income		900	440
Reinsurers' share of deferred acquisition costs	20	6,086	2,435
		6,986	2,875
Total Liabilities		459,772	185,743
Total Equity and Liabilities		509,851	202,945

The financial statements on pages 17 to 48 were approved by the Board of Directors on 19 July 2024 and were signed on its behalf by:



Mark Summerfield
Director



Maria Leighton
Director

The accompanying notes form on pages 23 to 48 an integral part of the financial statements

Year ended 31 December 2023				
Notes	Ordinary Share Capital	Share Premium Account	Retained Earnings	Total Equity
	£000	£000	£000	£000
At 1 January 2022	12,138	10,080	(6,848)	15,370
Total comprehensive income for the year	-	-	1,832	1,832
At 31 December 2022	12,138	10,080	(5,016)	17,202
Issued in the year	-	56,695	-	56,695
Total comprehensive income for the year	-	-	(23,818)	(23,818)
At 31 December 2023	12,138	66,775	(28,834)	50,079

The accompanying notes on pages 23 to 48 form an integral part of the financial statements.

1 General Information

Tradex Insurance Company Limited is a private company limited by shares and is incorporated in England. The address of its registered office is 7 Eastern Road, Romford, RM1 3NH.

The principal activity of the Company is that of underwriting UK motor insurance. The Company underwrites substantial motor trade and taxi accounts, along with other mainly commercial motor lines of business. It also underwrites small liability and property accounts.

2 Statement of Compliance

The Company's financial statements have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102"), Financial Reporting Standard 103, "Insurance Contracts" ("FRS 103"), the Companies Act 2006 and the provisions of Schedule 3 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 relating to insurance companies.

In preparing these financial statements the Directors have considered the impact of the physical and transition risks of climate change, but have concluded that it does not have a material impact on the recognition and measurement of the assets and liabilities in these financial statements as at 31 December 2023. This is because the financial investments are reported at fair value under UK GAAP and, as set out in note 26, therefore utilise market prices at the period end. These market prices will include the current expectations of the impact of climate change on the financial investments. Tradex issues short-term annual contracts for insurance which allows the Company to amend its pricing strategy where policies may be impacted by climate change. This reduces any exposure to Tradex relating to changes in claims ratios. However, we recognise that government and societal responses to climate change risks are still developing and the future impact cannot be predicted. Future valuations of assets may therefore differ as the market responds to these changing impacts or assesses the impact of current requirements differently.

The Company's direct immediate exposure to climate change risk is limited at present as all policies are written for a maximum period of 12 months and the major future potential detriments, as a result of climate change, would have no material impact on current results. Flood risk, which is becoming more clearly an increased risk as a result of climate change, is monitored closely and taken into account when assessing potential risks before they are written or renewed. The Board regularly reviews potential impacts and have appointed a member of the Board to take specific responsibility for such matters. The Company is not highly exposed to climate related risks at present.

The Board will continue to monitor the potential impacts of climate change on the business but there are not expected to be any material detriments in the short to medium term planning horizon.

3 Summary of Significant Accounting Policies

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

a Basis of Preparation

The financial statements have been prepared under the historical cost convention, except for certain financial instruments which are measured at fair value.

The preparation of financial statements in conformity with FRS 102 and FRS 103 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the 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.

Exemptions applied by the Company

Tradex has taken advantage of the exemption from preparing a statement of cash flows, on the basis that it is a qualifying entity and the Company's cash flows are included in the consolidated statement of cash flows presented in the publicly available group annual report and accounts of its parent company, Saturn Holdings Limited.

Prior period restatement

In the prior period 'Other charges and operating expenses' within the non-technical account included £2,095k of salaries and other related overheads that should have been disclosed as Administrative expenses within Net Operating expenses disclosed in the technical account. These line items in the comparative balances presented have been corrected to reclassify these expenses. The restatement has no impact on the prior period profit before or after tax, and has no impact to any balance sheet line items.

b Going Concern

The Annual Report and Accounts are prepared on a going concern basis and the Directors are satisfied that Tradex has the resources to continue in business for at least the period from the date of approval of the financial statements up to 31 December 2025. In making this assessment, the Directors have performed a detailed analysis of future capital.

The going concern assessment performed takes into account the Company's projected coverage of regulatory capital requirements and its resilience to withstand foreseeable stress scenarios.

In the central forecast case, solvency projections show the Solvency Capital Requirement (SCR) coverage is set to remain above 140% throughout the forecast period, which is above the Board's risk appetite.

The Directors have considered the potential impact of various stresses, based on those which are considered to be key risks for the Company. These include risks from the inherent uncertainty in predicting loss ratios and in reliance on reinsurers. In all cases, solvency coverage remains above 100%.

The Directors have also considered reverse stress tests, in order to identify the likelihood of severe stress scenarios which would reduce SCR coverage to below 100%. These are considered highly unlikely to occur and, in each case, could at least be partially mitigated by management actions.

c Foreign Currency: Functional and Presentational Currency

The functional and presentational currency of the Company is Pounds Sterling. All amounts presented are stated in pound sterling and thousands, unless stated otherwise.

The functional currency is the currency of the primary economic environment in which the Company operates.

Tradex holds some investments denominated in US Dollars and Polish Zloty which are translated to the Company's functional currency at the exchange rate at the reporting date. Transactions in foreign currencies are recorded at their respective functional currency spot rates at the date the transaction first qualifies for recognition. Foreign exchange gains and losses resulting from the settlement of transactions and the translation of investments at the financial reporting date are recognised in the non-technical profit and loss account.

d Insurance Contracts**Classification of Insurance Contracts**

The Company issues contracts that transfer insurance risk. Insurance contracts are those contracts that transfer significant insurance risk. All the Company's insurance products are classified as insurance contracts.

Insurance Contracts

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

i Premiums

Written premiums comprise the total premiums receivable for the whole period of cover provided by policies incepting during the financial year, together with adjustments to premiums arising in the financial year in respect of business written in previous financial years.

All premiums are shown gross of commissions payable to intermediaries.

Written premiums exclude Insurance Premium Tax. Tax unpaid at the year-end has been included in the Balance Sheet as a liability under the heading "Other Creditors including taxation and social security".

ii Unearned Premiums

The proportion of written premiums, including where relevant those of prior accounting periods, attributable to the risks borne during the year is accounted for as earned premium. The proportion of the premiums written in the year attributable to periods after 31 December is carried forward as provision for unearned premiums. The provision is calculated on the 365ths method.

iii Reinsurance Premiums

Outwards reinsurance premiums and related commissions are accounted for in the same accounting period as the earned premiums for the related direct business being reinsured.

iv Unexpired Risks

Provision is made for any deficiencies arising when unearned premiums, net of associated acquisition costs, are insufficient to meet expected claims and claims administration expenses and future investment income likely to arise after the end of the year from policies incepted before that date. Management do not consider that any unexpired risk provision is required.

Such provisions seek to ensure that the carrying amount of unearned premiums provision less related deferred acquisition costs is sufficient to cover the current estimated future cash flows, including claims handling expenses, and therefore meets the requirements of the liability adequacy test as set out in FRS 103 (Insurance Contracts).

v Acquisition Costs

Acquisition costs, which represent commission and other related expenses incurred in writing the business, are deferred and amortised over the period in which the related premiums are earned. The reinsurers' share of acquisition costs is calculated on a consistent basis to this, except that any clawback commission amounts have been calculated in accordance with the claims loss ratios arising from the technical reserves adopted in these financial statements, and are separately included in the Balance Sheet as a liability. The reinsurers' share of acquisition costs (including deferred acquisition costs) are incorporated in net operating expenses within the technical account. (Note 7). Commission payable is initially recognised when the underlying policies are written

vi Claims Incurred, Technical Provisions and Reinsurers' Share

Claims incurred comprise claims and related expenses paid in the year and changes in the provision for outstanding claims including provisions for claims incurred but not yet reported ("IBNR").

Outstanding claims include the estimated cost of claims notified but not settled, assessed on an individual basis, and the provision for claims incurred but not reported, assessed on a statistical basis based upon the history of past claims development patterns and taking into account current expectations and developments.

The provision for outstanding claims is based upon realistic assumptions in the light of all relevant currently available information. This includes provision for expenses to be incurred in the future in administering these claims as well as a management margin above the actuarial best estimate, with the intention of setting provisions at a level such that no adverse run off deviations are expected. Whilst management believes that the provisions for claims are fairly stated, the uncertainties which are inherent in the process may be such that subsequent events and information may show that the ultimate liability is significantly less than or in excess of the amounts provided.

The methods used and estimates made are continually reviewed and any resulting adjustments or differences between provisions and subsequent settlements are recognised in the Technical Account of later years. Deductions are made for salvage recoveries and proportions attributable to reinsurers. The

provisions, with the exception of PPOs, are not discounted for investment earnings that may arise in the future on funds held to meet future liabilities.

The Reinsurers' Share of technical provisions and claims paid represent the share of those amounts that are recoverable from excess of loss and quota share reinsurers.

vii Reinsurance

Contracts entered into by the Company with reinsurers, under which the Company is compensated for losses on one or more contracts issued by the Company and that meet the classification requirements for insurance contracts, are classified as reinsurance contracts.

The amounts that will be recoverable from reinsurers are estimated based upon the gross provisions, having due regard to collectability. Reinsurance recoveries in respect of estimated claims incurred but not reported are assumed to be consistent with the historical pattern of such recoveries, adjusted to reflect changes in the nature and extent of the Company's reinsurance programme over time. The recoverability of reinsurance recoveries is assessed having regard to market data on the financial strength of each of the reinsurance companies. The reinsurers' share of claims incurred, in the profit and loss account, reflects the amounts received or receivable from reinsurers in respect of those claims incurred during the period. Reinsurance liabilities are primarily premiums payable for reinsurance contracts and are recognised in the Profit and Loss Account as "outward reinsurance premiums", when due.

On commutation of reinsurance contracts, the reinsurer is discharged from all obligations relating to the contract. Reinsurance assets and liabilities relating to the commuted contracts are settled in the period in which the commutation agreement is signed.

viii Coinsurance

Contracts entered into by the Company with other insurers, where the Company shares the risks for losses on insurance policies issued by the Company.

The coinsurance operations are administered in the same way, but the Company includes only its own proportion of the amounts arising out of coinsurance operations in amounts arising out of reinsurance operations.

ix Insurance receivables and payables

Insurance receivables represents the premiums due from brokers, less commissions payable. Premiums are considered to be due when the policy is written. Initial measurement is at fair value. Subsequent measurement is at amortised cost, using the effective interest rate method. The carrying value of insurance receivables is reviewed for impairment where events indicate that the carrying value may not be recoverable. Any impairment loss is recognised in the income statement. Amounts are derecognised when the derecognition criteria for financial assets have been met.

Insurance payables are recognised when they become due. Initial measurement is at fair value less directly attributable transaction costs. Subsequent measurement is at amortised cost, using the effective interest rate method. Amounts are derecognised when the obligation is settled, cancelled or expired.

e Reinsurance Commission and Other Income

Reinsurance Commission

Reinsurance commission, netted off within the net operating expenses in the Technical Account, represents commission income relating to the underwriting of policies. Minimum commission income is initially recognised when the underlying policies are written, based upon the deposit terms of the reinsurance contract.

Investment income

Interest income on loans and receivables is recognised within investment income on an effective interest rate (EIR) basis, inclusive of directly attributable incremental transaction costs and fees, and discounts and premiums where appropriate.

The EIR basis spreads the interest income over the EIR expected life of the instrument. The EIR is the rate that, at inception of the instrument, exactly discounts expected future cash payments and receipts through the expected life of the instrument back to the initial carrying amount. When calculating EIR, Tradex estimates cash flows

considering all contractual terms of the instrument (for example prepayment options) but does not consider future credit losses.

Interest income on investment assets accounted for at fair value through income or expense is recognised within investment income in the income statement as it accrues on an effective interest rate basis.

Other Income

Finance income is recognised on the acceptance by the insured of the terms of business offered.

f Operating Leases

Rentals applicable to operating leases where substantially all the benefits and risks of ownership remain with the lessor, are charged to the Profit and Loss Account as incurred.

g 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 tax

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

Deferred tax

Deferred tax is provided in full on material timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law.

Deferred tax assets are recognised to the extent that it is regarded as probable that they will be recovered.

h Financial Assets and Financial Liabilities

Financial Assets:

Tradex holds a portfolio of investments, being holdings in government bonds, equities and real-estate. Investments are denominated in sterling, US dollars and Polish zloty. There is relatively modest exposure to currency risk.

Tradex has elected to apply the provisions of Section 11 "Basic Financial Instruments" and Section 12 "Other Financial Instruments Issues" of FRS 102 to all of its financial instruments.

Basic Financial Instruments

Government bonds

Government bonds are held in a portfolio managed at fair value. Initial measurement is at fair value, being purchase price upon the date on which the Company commits to purchase plus directly attributable transaction costs. Subsequent valuation is at fair value. Fair value measurements are those derived from inputs that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Equities

Initial measurement is at fair value, being purchase price on the date on which Tradex commits to purchase. Directly attributable transaction costs are expensed immediately on recognition. Subsequent valuation is at fair value with changes in fair value being recognised in gains less losses within the income statement in the period in which they arise.

Cash at bank and deposits

Cash at bank and deposits with credit institutions are classified as held at amortised cost. They are initially measured at their transaction price, including any transaction costs.

Other Financial Instruments

Some of Tradex's collective investment undertakings and the real-estate backed lending cannot be valued at prices derived from inputs that are observable for the asset, as disclosed in note 26. Where this is the case, these are valued initially at fair value, being purchase price on the date on which Tradex commits to purchase. Directly attributable transaction costs are expensed immediately on recognition.

Managers may use the following valuation techniques to calculate the fair value of credit assets:

- Contractual cashflows from the credit asset are projected forwards to their expected payment date;
- The probability of default, loss given default and exposure at default are used to project expected credit losses; and
- The cash flows, net of expected credit losses, discounted back to their present value using the appropriate market discount rate at the reporting date.

The discount rate can depend on the following factors:

- Risk free interest rates and other similar benchmark interest rates;
- Prevailing credit spreads for the given type of asset;
- Currency; and
- Duration

The selection of discount rate needs to be considered carefully because some of the above items are easily observable (e.g. the risk free rate) and others are unobservable (e.g. prevailing credit spreads). In some case the observable and unobservable factors are inversely correlated so as one increases the other reduces. Managers may generally calculate the implied discount rate at initial recognition and make adjustment to this for known changes at the reporting date. A Valuation Committee at each of the sub-fund managers holding the investments is responsible for approving the appropriate discount rate to use in the fair value calculations and will take into consideration the above requirements along with any changes in reference rates that are deemed material. The valuations are subject to regular independent review.

Impairment of financial assets not measured at fair value

Assessment

At the statement of financial position date, Tradex assesses its financial assets for objective evidence that an impairment loss has occurred.

Objective evidence that financial assets are impaired can include default by a borrower or issuer, indications that a borrower or issuer will enter bankruptcy or the disappearance of an active market for that financial asset because of financial difficulties.

Measurement

Any impairment losses on assets are recognised immediately through the income statement. The amount of the loss is the difference between:

- the asset's carrying amount; and
- the present value of estimated future cash flows (discounted at the asset's original or variable effective interest rate).

The amount of the impairment loss on assets is recognised immediately through the income statement and a corresponding reduction in the value of the financial asset is recognised through the use of an allowance account.

A write off is made when all or part of an asset is deemed uncollectable or forgiven after all the possible collection procedures have been completed and the amount of loss has been determined. Write offs are charged against previously established provisions for impairment or directly to the income statement.

Any additional recoveries from borrowers, counterparties or other third parties made in future periods are offset against the write off charge in the income statement once they are received.

Provisions are released at the point when it is deemed that following a subsequent event the risk of loss has reduced to the extent that a provision is no longer required.

Financial Liabilities:

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost, any difference between the proceeds, net of transaction costs, and the redemption value is recognised in the profit and loss account over the period of the borrowings using the effective interest rate method.

Subordinated debt is treated as a financial liability unless it is repayable only at the Company's sole discretion.

Creditors are also financial liabilities and are recognised initially at fair value, net of attributable transaction costs. Creditors are subsequently stated at amortised cost using the effective interest rate method.

i Cash and Cash Equivalents

Cash and cash equivalents include cash in hand and deposits with credit institutions, with original maturity of three months or less.

j Tangible Assets and Depreciation

Tangible assets are stated at cost less depreciation.

Depreciation is provided on all tangible assets at rates calculated to write off the cost, less estimated residual value, of each asset over its expected useful life on a straight-line basis. The expected useful lives of the principal categories of assets are:

Computer equipment and software	3 to 5 years
Leasehold improvements	6 years

k Pensions

The Company operates defined contribution pension schemes for staff and Directors. The pension charge represents the amount payable by the Company to the funds in respect of the year. The Company's liability is limited to the amounts of the contributions. The funds are held separately from the Company.

l Share Capital and Share Premium

Ordinary shares are classified as equity.

Share premium represents the excess of share issue proceeds over the nominal value of shares issued and is included within equity.

m Dividends

Dividends and other distributions to the Company's shareholder are recognised as a liability in the financial statements in the period in which the dividends and other distributions are approved by the shareholder.

These amounts are recognised in the statement of changes in equity.

4 Critical Accounting Judgements and Estimation Uncertainty

Of the various accounting judgements, assumptions and estimates made in the preparation of these financial statements those relating to the determination of the technical provisions are considered to be those most critical to understanding the Company's results and financial position.

Ultimate Liability arising from Claims made under Insurance Contracts

The accounting policy for technical provisions is described at Note 3d (vi) and the related risks are described at Note 5a. The estimation of the ultimate liability arising from claims made under insurance contracts is the Company's most critical accounting estimate. The net technical provision shown in Note 22 after the reinsurers' share is £74,997k (2022: £34,443k).

The most uncertain element within these technical provisions is the amount for the IBNR element of claims outstanding which covers amounts where either the claim has not yet been notified to the Company or where there has been a notification but there is insufficient information to date to be certain regarding its ultimate cost. As described in the risk note there is a thorough review process of claims notifications and reserving estimates, including detailed actuarial evaluation of past claims development. 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. There is however a risk that past performance may not be a good indicator of the future developments. The uncertainty within technical provisions is mitigated by the element that reinsurers share.

Claims reserves are undiscounted with the exception of those in respect of settled periodic payment orders (PPOs). The reserve held for PPOs, before allowance for reinsurance, is £60.5m.

Movement in insurance liabilities

The gross insurance provision of £228,437k (2022: £132,921k) for claims and claims handling costs includes an increase in reserves of £95,516k (2022: £17,196k). This movement is mainly as a result of the increase in business being written during the year as per the table below:

	2023	2022
	£000	£000
Gross		
Motor increase of reserves	93,085	17,653
Liability increase of reserves	(549)	443
Premises increase of reserves	45	(192)
Home increase of reserves	2,449	-
Increase in claims handling reserves	190	223
Other movements	296	(931)
	<hr/>	<hr/>
Gross movement in insurance liabilities	95,516	17,196
	<hr/>	<hr/>
Movement in reinsurance	(54,666)	(6,444)
	<hr/>	<hr/>
Net movement in insurance liabilities	40,850	10,752

Prior year reserves have increased by £34,506k during the year on a gross basis (£16,665k net). This movement is mainly as a result of large losses and strengthening of reserves on the motor portfolio. £10.0m of the increase in net reserves relates to the introduction of a management margin, in line with other group companies. The management margin is added to the 'actuarial best estimate' reserves so that, in most years, no adverse run-off deviations are envisaged.

5 Management of Insurance and Financial Risk

The Company's activities expose it to a variety of financial and non-financial risks, all of which are set out in the SHL wide Risk Management Framework. It manages the exposure to these risks and where possible introduces controls and procedures to mitigate the effects of the exposure to these risks.

This section summarises the financial risks; Insurance, Market, Credit and Liquidity risks, and the way the Company manages them.

a Insurance Risk

Insurance risk comprises the risk of loss resulting from adverse change in the value of insurance liabilities and can relate to both unearned exposure (Premium risks) and earned exposure (Reserve risks).

The nature of insurance contracts is that the obligations of the insurer are uncertain as to the timing or quantum of liabilities arising from contracts. Given the uncertainty in estimating future loss ratios and establishing claims provisions, it is likely that the outcome will prove to be different from the original liability anticipated.

Tradex purchases reinsurance to mitigate insurance risks. The Company has excess of loss cover in place to cover large motor losses (typically where the insured event results in severe personal injury) and catastrophe claims (usually an extreme weather event). In addition, quota share arrangements are in place to cede parts of the portfolio.

i Premium Risk

The Company produces an annual business plan, which includes anticipated rating levels for each risk of business that it writes. Premium risk is primarily measure by monitoring performance against the plan through a system of underwriting and executive committees, as well as regular review by the Board. If market conditions change significantly after the plan is produced, a revised forecast is prepared and authorised by the Board. In addition, Tradex manages premiums risks by monitoring compliance with its pricing and underwriting policies.

The Company writes a spread of business primarily within the motor and home sectors and monitors its exposure to each category separately. These sectors provide diversity and are not highly correlated with regard to premium rates. Thus, if premium rates are below plan in one sector it may be possible to increase them in another sector to compensate. Risks are written throughout the UK with a wide geographical spread which helps to reduce concentration of risk in a particular area.

The effect of rating levels being lower than planned is, all other things being equal, to reduce income levels in respect of the risks underwritten, and hence increase both the claims ratio and the expenses ratio. If rating reductions cause the volume of business to reduce there is likely to be a significant impact upon the results. The impact, net of reinsurance premiums and after taking into account reinsurance commission arrangements, is as follows:

	2023	2022
	£000	£000
Net Earned Premiums	42,033	24,876
1% rating price reduction in profit per £1 of earned premium	(371)	(250)

ii Reserving Risk

The Company utilises an external, independent qualified actuary to assess the ultimate gross claims liabilities, including the provision for IBNR, for the business introduced via Clegg Gifford. For all new MISL introduced business, the Group Chief Actuary is responsible for setting reserves. Going forwards, the Group Chief Actuary will have responsibility for all reserves.

In arriving at the ultimate liability, multiple techniques are used. This provides a greater understanding of the trends inherent in the experience being projected. The projections given by the various methodologies also assist in estimating the range of possible outcomes. The most appropriate estimation technique is selected taking into account the characteristics of the business segment and the extent of the development of each accident year.

The assessment of these provisions is usually the most subjective aspect of an insurer's accounts and may result in greater uncertainty within an insurer's accounts than within those of many other businesses. The Directors consider that the provisions for gross claims and related reinsurance recoveries are fairly stated on the basis of the information currently available to them. However, the ultimate liability will vary as a result of subsequent information and events, and this may result in significant adjustments to the amounts provided.

Adjustments to the amounts of claims provisions established in prior years are reflected in the financial statements for the period in which the adjustments are made. The provisions, with the exception of PPOs,

are not discounted for the investment earnings that may be expected to arise in the future on the funds retained to meet the future liabilities. The methods used, and the estimates made, are reviewed regularly.

A significant proportion of the insurance risk is mitigated through extensive use of reinsurance arrangements. In addition to the excess of loss protection, the Company also utilised quota share reinsurance. A feature of reinsurance arrangements is that the reinsurance protection limits the impact to profitability from any further reserve deteriorations in the proportion reinsured.

The Company has applied a similar approach to establishing the technical provision for claims outstanding and the reinsurers' share thereof to that established at the previous year-end.

	2023 £000	2022 £000
Gross Outstanding Claims Provision	228,437	132,921
Net Outstanding Claims Provision	74,997	34,443
Net Unearned Premium Provision	60,624	13,365

The above assumes that the reinsurers share pro-rata in any deterioration in outstanding claims, which may not be the case, as excess of loss reinsurance will mitigate deteriorations in large losses more significantly than for attritional losses. Unearned premiums should not be affected by such movements in outstanding claims, however larger movements in loss ratios could trigger a need for an Unexpired Risk Provision if future expected claims rose above the level of the unearned premiums.

Claims liabilities are sensitive to changes in key assumptions. The following analysis considers movements in key assumptions, with all other assumptions held constant.

	Impact on gross reserves £000	Impact on net reserves £000	Impact on profit before tax £000	Impact on equity £000
Inflation 2% higher than expected over the next 2 years	2,661	555	(555)	(555)
Cost of claims (repairs/ total loss/ home) average 5% higher than expected	2,773	669	(669)	(669)
Bodily injury average costs 5% higher than expected	2,397	468	(468)	(468)

b Strategic and Business Risk

Strategic & Business risk is the risk of not meeting strategic and business objectives caused by poor or sub-optimal strategy implementation, deployment of resources, decision making, strategic change programmes, economic, regulatory or other environmental factors resulting in lost earnings and capital. The Company's financial objective in managing these risks is to maintain capital adequacy.

Objectives when managing capital

Tradex's strategy in respect of capital management is to ensure that the following objectives are met:

- It has sufficient capital to meet all regulatory requirements.
- It has sufficient additional capital above the regulatory requirements to make any breach of the regulatory requirement unlikely, ensuring that policyholders are protected.

Required capital

Under the Solvency II regulatory framework, the Prudential Regulation Authority (PRA) requires Tradex to calculate a capital requirement and to hold sufficient capital to meet it.

The Solvency II regulatory regime came into force as at 1 January 2016. Under this solvency framework, Tradex is required to hold capital at the greater of two measures, namely the Solvency Capital Requirement (SCR) and the Minimum Capital Requirement (MCR). These measures are described below.

- i) SCR: The SCR is a risk-responsive capital measure, calibrated to ensure that an insurer will be able to meet its obligations over the next 12 months with a probability of at least 99.5%. Tradex currently calculates its SCR using the Standard Formula (SF). The Standard Formula is calibrated based on market wide data and not on a specific firm's data, so the PRA must approve the SF SCR as being appropriate for a particular firm.
- ii) MCR: The calculation of the MCR is prescribed under the Solvency II guidance and is set at a lower level than the SCR. Initially, the MCR is calculated by applying set factors to net technical provisions and the previous 12 months' net written premiums and is then subject to a cap of 45% and a floor of 25% of the SCR.

Tradex has maintained capital above its regulatory requirements throughout 2023. Tradex reviews solvency continuously through monthly or, when appropriate, more frequent monitoring. Monthly updates and quarterly reports are provided to the Investments, Finance and Capital Committee and to the Board.

In the event that Tradex falls below its risk appetite, it would be possible to reduce capital requirements by executing actions that reduce risk, albeit often resulting in reduced returns. Potential actions are routinely assessed at least once a year so that contingent management actions are available.

Capital composition

The policies and processes employed by Tradex are designed to benefit policyholder protection by giving the business an accurate understanding of the amount and quality of capital and resources. This helps the business ensure that sufficient capital is held to absorb unexpected losses and maintain solvency.

Under the Solvency II regime capital resources are referred to as own funds. Own funds correspond to capital and reserves which can serve as a buffer against risks and absorb financial losses. Each type of own funds is classified within a tier, with tier 1 being the highest quality capital.

All of Tradex's excess of assets over liabilities, which comprises share capital and retained profits calculated on a Solvency II basis, is classified as tier 1 capital. Any deferred tax assets are classified as tier 3 capital. 100% of own funds held at the end of the reporting period were eligible to meet the SCR and MCR. The amounts noted in this paragraph are unaudited.

Further information, including an explanation of the valuation of assets and liabilities on a Solvency II basis, is included in the Company's Solvency & Financial Condition Report published annually.

c Market Risk

Market risk is the risk of loss or of adverse change in the financial situation resulting, directly or indirectly, from fluctuations in the level and in the volatility of market risk drivers such as interest rates, foreign exchange rates and market prices of assets and liabilities.

Following the acquisition by SHL, Tradex are implementing a new investment strategy, with the investment portfolio being managed by Hundle & Partners Limited. The Company is currently investing in high-quality fixed interest bonds issued by the UK government ("gilts") and a limited amount of real-estate backed lending. The value of the gilts held is subject to volatility from changes in both market interest rates and additional spreads related to the specific credit-worthiness of the issuer ("credit-spreads"). Proceeds from maturing investments are also subject to risk over the future return on reinvestment.

Tradex is also exposed to market interest rates through the discounted present value placed upon future claims. All future claims are discounted for assessing solvency on both an economic and regulatory basis. However, short term insurance reserves (normally less than five years) are not directly affected by market interest rates as they are undiscounted.

In addition to the risks listed above, the real-estate backed lending is subject to risks associated with property values. This is mitigated by restricting the loan to value ratio on real-estate backed lending as well as limiting the duration of these investments. Tradex is also exposed to the risk of changes in values in equities, due to its exposure to equity holdings. This is mitigated due to the relatively small holding in equities within the investment portfolio.

Tradex writes contracts of insurance in the United Kingdom and insurance liabilities and borrowings are denominated in sterling. Funds include investments denominated in Polish Zloty and US Dollars as well as sterling, and consequently there is an exposure to currency risk. The Company holds £10,772k investments

in currencies other than GBP. A 25% change in exchange rates of both Polish Zloty and US Dollars would impact the valuation of these assets by £2,693k.

Tradex is not exposed to any pensions risk.

In summary, the key market risks that Tradex is exposed to are:

- Fluctuations in interest rates, allowing for the impact on both asset and liability values, and investment income.
- Movements in credit-spreads which impact the market value of corporate bonds.
- Changes in the relationship between interest rates which have similar but not identical characteristics.
- Fluctuations in the market value of assets.

Tradex's objective is to achieve acceptable returns through the use of highly rated bonds while managing volatility by limiting and diversifying exposure to equities and other volatile instruments. This investment strategy is currently being implemented and progress is being made towards an investment portfolio that meets this objective.

Market risk – sensitivity analysis

The most significant aspects of market risk to which Tradex is exposed are the effect of changes in the value of investments, in particular the risk of changes in the valuation of real-estate, and the effect of changes in foreign exchange rates. These directly impact the profits reported under UK GAAP and affect Tradex's solvency.

A decrease of 10% in the valuation of real-estate would reduce losses, equity and the value of Tradex's assets at the end of the financial year by approximately £1,136k and would reduce the solvency requirement by approximately £213k net of tax. The impact of a 10% increase in the valuation of real-estate would have similar but opposite effects.

A strengthening of 10% of GBP compared to US Dollars and Polish Zloty would reduce losses, equity and the value of Tradex's assets at the end of the financial year by approximately £1,136k and would reduce the solvency requirement by approximately £213k net of tax.

A decrease of 10% in the valuation of equities would reduce losses, equity and the value of Tradex's assets at the end of the financial year by approximately £363k and would reduce the solvency requirement by approximately £44k net of tax. The impact of a 10% increase in the valuation of equities would have similar but opposite effects.

An increase in the discount rate of 100 basis points would decrease the value of gross PPO reserves by £7.7m and the value of net PPO reserves by £0.7m. A decrease in the discount rate of 100 basis points would increase the value of PPO reserves by £10.4m and the value of net PPO reserves by £1.0m.

Climate change

As part of the implementation of the new investment strategy, Tradex is considering the potential risks associated with climate change. These include the risk of reductions in the value of corporate bonds in carbon intensive companies due to stranded assets or legislation to deal with climate change. Furthermore, as more investors move to sustainable investment strategies there is the risk that investments that fall outside these criteria fall in price as a result. The investment mandate will include limits on these investments to ensure that exposure remains within Board approved limits.

A review of Tradex's current investment portfolio has concluded that there is not an undue level of risk. Most of Tradex's investment portfolio is held in gilts and real-estate backed lending, which are expected to have minimal impact from climate change risk. In addition, the real-estate backed lending is of relatively short duration, which decreases the risk even further.

It is incumbent on Tradex management, Board and investment partners to ensure that the longer term investment strategy is managed effectively and minimises the risk of exposure to climate affected sectors.

d Credit Risk

Credit risk arises where counterparties fail to meet their financial obligations in full as they fall due. The primary sources of credit risk for the Company are: -

- Reinsurers: Whereby reinsurers may fail to pay their share of valid claims against a reinsurance contract held by the Company. In addition, credit risk arises on the recoverability of reinsurers' share of claims outstanding.
- Brokers and Intermediaries: Whereby counterparties fail to pass on premiums collected or claims paid on behalf of the Company.
- Investments: Whereby issuer default results in the Company losing all or part of the value of a financial instrument.

With the exception of insurance debtors, the Company manages the levels of credit risk it accepts by placing limits on its exposure to a single counterparty, or groups of counterparties. Such risks are subject to regular review. In certain situations, the Company may seek collateralisation of balances to reduce or remove the credit risk. The risk relating to insurance debtors is accepted by the Company, however this relates to two counterparties who are both related parties.

Reinsurance is used to manage insurance risk. This does not, however, discharge the Company's liability as primary insurer. If a reinsurer fails to pay a claim, the Company remains liable for the payment to the policyholder. The creditworthiness of reinsurers is considered on an annual basis by reviewing their financial strength prior to finalisation of any contract. In addition, management assesses the creditworthiness of all reinsurers by reviewing credit grades provided by rating agencies and other publicly available financial information.

The table below provides analysis of the credit rating of those assets subject to credit risk with AAA being the highest.

As at 31 December 2023	AA £000	A £000	B £000	Unrated £000	Total £000
Insurance Debtors	-	-	-	139,961	139,961
Other Debtors	-	-	-	3,239	3,239
Reinsurers' share of claims outstanding	51,545	101,834	64	(3)	153,440
Reinsurance Debtors	309	9,535	-	896	10,740
Financial Investments	17,682	10,000	-	11,358	39,040
Deposits with credit institutions	-	45,874	-	-	45,874
Cash at bank and in hand	-	22,734	-	-	22,734
Total credit risk	69,536	189,977	64	155,451	415,028

As at 31 December 2022	AA £000	A £000	B £000	Unrated £000	Total £000
Insurance Debtors	-	-	-	16,466	16,466
Other Debtors	-	-	-	7,181	7,181
Reinsurers' share of claims outstanding	41,280	48,583	-	8,911	98,774
Reinsurance Debtors	-	1,539	-	43	1,582
Financial Investments	25,969	-	-	-	25,969
Deposits with credit institutions	-	5,972	-	-	5,972
Cash at bank and in hand	-	10,173	-	-	10,173
Total credit risk	67,249	66,267	-	32,601	166,117

Assets are classified as past due when the contractual payment is in arrears. No assets held at the end of year are past due.

An assessment is performed on all assets, which may result in an impairment charge being recorded in the profit and loss account if the Company considers this to be appropriate.

The maximum exposure to credit risk is represented by the carrying value of each financial asset in the table.

e Liquidity Risk

Liquidity risk is the current and prospective risk to earnings or solvency arising from the Company's inability to meet its obligations when they come due without incurring unacceptable losses. Tradex is exposed to liquidity risk as it needs liquid assets to meet its outgoings, this is largely offset by the incoming premiums, particularly as Tradex is in a period of growth.

The Company's objective is to maintain adequate liquidity at all times. This means the Company needs resources which are adequate to meet all policyholder and other funding obligations as they fall due and achieves this primarily through the use of cash, and will during 2024 use highly liquid UK government and corporate bonds.

The level of cash and other assets held are monitored regularly and managed through Investments, Finance and Capital Committee, with oversight by the BRC and Board.

This includes monthly monitoring of liquid investments and stressed investments against risk appetite limits including forecasts for 2024 and beyond.

The table below analyses the expected maturity of the Company's financial liabilities and outstanding claims. All liabilities are presented on a contractual cash flow basis except for the insurance liabilities, which are presented with their expected cash flows.

The amounts disclosed in the table represent undiscounted cash flows.

As at 31 December 2023	Less than 1 year £000	1 to 3 years £000	3 to 5 years £000	More than 5 years £000	Total £000	Total discounted £000
Creditors	95,456	-	-	-	95,456	95,456
Claims outstanding	32,120	151,204	33,231	56,579	273,134	228,437
Accrued expenses and deferred income	900	-	-	-	900	900
Financial liabilities and outstanding claims	128,476	151,204	33,231	56,579	369,490	324,793
As at 31 December 2022						
Subordinated loan	-	-	-	5,000	5,000	5,000
Creditors	6,677	-	-	-	6,677	6,677
Claims outstanding	10,146	48,357	70,275	4,143	132,921	132,921
Accrued expenses and deferred income	440	-	-	-	440	440
Financial liabilities and outstanding claims	17,263	48,357	70,275	9,143	145,038	145,038

f Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or external events.

Tradex's objective is to maintain business confidence and to provide resilient business processes. Operational risk is managed through the implementation of a robust control environment which minimises the potential for loss as a result of the failure of processes, people, technology and due to external events.

Tradex can divide the operational risk into the following categories:

- Financial Reporting Risk
- Technology Risk (including Cyber)
- Third-Party Supplier Risk

- People Risk
- Financial Crime Risk
- Operational Resilience
- Model Risk

Each operational risk sub-category has its own risk appetite metrics and thresholds, approved by the Risk Framework Owner (RFO). Of the above, the most material risks are:

- Operational resilience: Tradex has a project in place to identify tolerances for each key business process, and to establish the appropriate governance and oversight to ensure that these can be met at all times. In addition, Tradex regularly tests its business continuity and disaster recovery plans.
- Third Party Risk: this risk is high given SIL's reliance on MISL for the management of policies and claims. This is managed via the Binding Authority Agreement (BAA) and monitoring arrangements that have been put in place.
- Technology Risk: Tradex outsources the IT server infrastructure. Management information and controls are in place to monitor service levels, risk and incident monitoring.
- People Risk: Tradex has only a small number of staff; although this may mean that people risk is lower overall, it does increase key person dependency. This risk is managed individually.

6 Class of Business

These results include items directly attributable to a class of business as well as those that can be allocated on a reasonable basis. The accounting policies of the groups of classes are the same as those described in the summary of significant accounting policies.

Business segments

Tradex comprises the following groups of classes:

Motor	Private motor car, fleet and commercial vehicles.
Liability	Employers and public liability insurance relating to commercial lines
Property	Commercial property cover
Home	Domestic buildings, contents and personal possessions.

	£000	£000	£000	£000	£000
	Motor	Liability	Property	Home	Total
2023					
Direct insurance:					
Gross written premium	183,481	712	958	13,088	198,239
Gross premium earned	102,876	735	1,007	2,998	107,616
Gross claims incurred	(147,958)	458	(155)	(2,842)	(150,497)
Gross operating expenses	(22,154)	(158)	(217)	(646)	(23,175)
Reinsurance balance	42,520	(160)	5	33	42,398
Balance on the technical account	(24,716)	875	640	(457)	(23,658)
2022 (restated)					
Direct insurance:					
Gross written premium	74,487	744	1,046	-	76,277
Gross premium earned	71,130	740	1,052	-	72,922
Gross claims incurred	(61,893)	(565)	17	-	(62,441)
Gross operating expenses (restated)	(14,694)	(131)	(186)	-	(15,011)
Reinsurance balance	5,214	(76)	(12)	-	5,126
Balance on the technical account	(243)	(32)	871	-	596

Salaries and other related overheads of £2,095k that had previously been disclosed as other charges and operating expenses have been restated and are now disclosed within Net operating expenses within the technical account.

The whole of the underwriting results, turnover and pre-tax profit arise in the United Kingdom.

7 Net Operating Expenses in the Technical Account	2023	2022
	£000	restated £000
Acquisition costs	(28,794)	(9,235)
Change in deferred acquisition costs	12,712	(985)
Administrative expenses	(7,093)	(3,950)
Reinsurance commissions	14,806	7,402
Reinsurance share of change in deferred acquisition costs	(3,651)	823
	<u>(12,020)</u>	<u>(5,945)</u>

Acquisition costs above relate to commissions paid to brokers. Administrative expenses for the prior period have been restated to include salaries and other related overheads that had previously been disclosed within 'Other charges and operating expenses' within the non-technical account.

8 Staff Costs (including Directors)	2023	2022
	£000	£000
Wages and salaries	2,419	2,121
Social security costs	283	263
Other pension costs	70	72
	<u>2,772</u>	<u>2,456</u>

Key management compensation is disclosed in note 27.

Average number of employees (including Directors) during the year	2023	2022
	No.	No.
Underwriting	7	6
Claims	4	4
Administration	23	23
	<u>34</u>	<u>33</u>

9 Investment Income	2023	2022
	£000	£000
Income from loans with related party	178	78
Income from loan related to deferred wholesale business sale	-	21
Interest income from investments held at fair value		
- from UK Government Gilts	558	99
- from deposits with credit institutions	1,613	-
	<u>2,349</u>	<u>198</u>
Unrealised gains/ (losses) on investments held at fair value		
- on UK Government Gilts	43	124
- on real-estate backed lending	573	-
	<u>616</u>	<u>124</u>

Unrealised gains includes a loss of £12k (2022: nil) relating to foreign exchange movements on investments denominated in currencies other than GBP.

10 Investment Expenses & Charges	2023	2022
	£000	£000
Investment charges	(121)	(15)
	<u>(121)</u>	<u>(15)</u>
11 Other Income / (Expense)	2023	2022
	£000	£000
Finance income	381	820
Other Income	175	109
	<u>556</u>	<u>929</u>
12 Other charges and operating expenses	2023	2022
	£000	restated £000
Operating Expenses	260	500
	<u>260</u>	<u>500</u>

Operating expenses consists of interest paid on an intercompany loan. Salaries and other related overheads of £2,095k that had previously been disclosed as Other charges and operating expenses have been restated and are now disclosed within Net operating expenses within the technical account.

13 Profit / (Loss) on Ordinary Activities before Tax	2023	2022
	£000	£000
This is stated after charging:		
Company auditor's fees	543	219
Company predecessor auditor's fees	55	
	<u>384</u>	<u>863</u>
Depreciation	384	863
Operating lease contracts	49	49
	4	4

The Company operates a defined contribution pension scheme for its employees. The cost of the contributions made for the year on behalf of employees (excluding directors) was £53k (2022 - £43k) and there were no outstanding or prepaid contributions at the end of this year or the previous year.

14 Taxation

	2023	2022
	£000	£000
Tax on Ordinary Activities		
Total current tax	-	-
Prior period	-	-
Total current tax	-	-
Deferred tax		
Timing differences	3,300	(500)
Total deferred tax charge / (credit)	3,300	(500)
Total Tax on Ordinary Activities	3,300	(500)
Factors affecting tax charge for period		
	2023	2022
	£000	£000
Non-Technical Account:		
(Loss)/profit on ordinary activities before tax	(20,518)	1,332
(Loss)/profit on ordinary activities multiplied by 23.52% (2022 – 19.0%)	(4,826)	253
Effects of:		
Disallowed items	-	2
Movement in deferred tax not recognised	8,126	(635)
Remeasurement of deferred tax for changes in tax rate	-	(120)
Current Tax charge / (credit) for period	3,300	(500)

On 1 April 2023, in line with the UK Government announcement on 3 March 2021, the main UK corporation tax rate increased from 19% to 25%.

15 Deferred Tax

	Deferred Asset on Tax Losses £000
At 1 January 2022	2,800
Increase in deferred tax asset relating to tax losses	500
At 31 December 2022	3,300
At 1 January 2023	3,300
Decrease in deferred tax asset relating to tax losses	(3,300)
At 31 December 2023	-

Deferred tax assets of £10,785k, relating to losses of £43,138k, and £185k relating to timing differences of £738k between depreciation and capital allowances on fixed assets have not been recognised. Although the Directors believe that these deferred tax assets will be recovered within the forecast period, they recognise that the business is undergoing a large period of change and growth, and so have taken a prudent approach of not recognising any asset at this point in time. A further deferred tax asset of £404k, relating to timing differences of £1,618k between depreciation and capital allowances on fixed assets has also not been recognised on the basis that this will unwind outside of the forecast period.

Deferred tax has been calculated at 25%, which is the Corporation Tax rate applicable for tax periods after 1 April 2023, which received Royal Assent on 30 November 2021.

16 Debtors Arising out of Direct Insurance Operations	2023	2022
	£000	£000
Due from intermediaries	139,961	16,466
	<u>139,961</u>	<u>16,466</u>

The amount due from intermediaries includes balances receivable from two related parties amounting to £139,923k (2022: £16,422k).

17 Other Debtors	2023	2022
	£000	£000
Other debtors	3,239	7,181
Deferred corporation tax (Note 15)	-	3,300
	<u>3,239</u>	<u>10,481</u>

Other Debtors above include related party balances of £3,230k (2022, £7,178k).

18 Tangible Assets

	Leasehold Improvements £000	Computer Equipment and Software £000	Total £000
Cost			
At 1 January 2023	7	7,403	7,410
Additions	-	120	120
	<u>7</u>	<u>7,523</u>	<u>7,530</u>
At 31 December 2023			
Depreciation			
At 1 January 2023	6	5,788	5,794
Charge for the year	1	383	384
	<u>7</u>	<u>6,171</u>	<u>6,178</u>
At 31 December 2023			
Net Book Value			
At 31 December 2023	-	1,352	1,352
	<u>1</u>	<u>1,615</u>	<u>1,616</u>
At 31 December 2022			

19 Other financial investments

	2023 £000	2022 £000	2023 £000	2022 £000
	Carrying value	Carrying value	Cost	Cost
Financial investments measured at fair value				
Listed debt securities	17,682	25,969	17,638	25,814
Equities	3,633	-	3,615	-
Real-estate backed lending	11,358	-	10,812	-
	<u>32,673</u>	<u>25,969</u>	<u>32,065</u>	<u>25,814</u>
Financial investments measured at amortised cost				
Cash	10,000	-	10,000	-
	<u>42,673</u>	<u>25,969</u>	<u>42,065</u>	<u>25,814</u>

At 31 December 2023 listed debt securities of £17,682k are expected to be recovered more than 12 months after the reporting date. All other amounts have no maturity date.

20 Deferred acquisition costs

	2023 £000 Gross	2023 £000 Reinsurance	2022 £000 Gross	2022 £000 Reinsurance
On insurance contracts	19,389	6,086	6,677	2,435

	2023 £000 Gross	2023 £000 Reinsurance	2023 £000 Net	2022 £000 Gross	2022 £000 Reinsurance	2022 £000 Net
At 1 January	6,677	2,435	4,242	5,801	2,641	3,160
Expenses for the acquisition of insurance contracts deferred during the year	12,712	3,651	9,061	876	(206)	1,082
At 31 December	<u>19,389</u>	<u>6,086</u>	<u>13,303</u>	<u>6,677</u>	<u>2,435</u>	<u>4,242</u>

21 Called-up Share Capital and Share Premium

	2023 £000	2022 £000
Allotted, called-up and fully paid Ordinary Shares		
12,137,608 (2022: 12,137,607) Ordinary Shares of £1 each	12,138	12,138
Share Premium	66,775	10,080

On 7 July 2023 the entire share capital of Tradex Insurance Holdings Limited was sold to Saturn Holdings Limited.

On 21 August 2023 Tradex Insurance Company Limited entire share capital was transferred by Tradex Insurance Holdings Limited to Saturn Holdings Limited as a dividend in specie.

On 23 August 2023 Saturn Holdings Limited subscribed for 1 new share issued by Tradex Insurance Company Limited for £56,695,091.29, settled in cash.

22 Reconciliation of insurance balances

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

Unearned premiums	Gross	Reinsurance	Net	Gross	Reinsurance	Net
	2023 £000	2023 £000	2023 £000	2022 £000	2022 £000	2022 £000
At 1 January	38,270	24,905	13,365	34,914	24,053	10,861
Increase/(decrease) in provision	90,623	43,364	47,259	3,356	852	2,504
At 31 December	128,893	68,269	60,624	38,270	24,905	13,365

The reconciliation of opening and closing provisions for claims is as follows:

Claims outstanding	Gross	Reinsurance	Net	Gross	Reinsurance	Net
	2023 £000	2023 £000	2023 £000	2022 £000	2022 £000	2022 £000
At 1 January						
Notified outstanding claims	99,177	79,805	19,372	85,852	72,041	13,811
Provision for claims incurred but not reported	33,311	18,969	14,342	29,663	20,289	9,374
Provision for claims handling costs	433	-	433	210	-	210
	132,921	98,774	34,147	115,725	92,330	23,395
Increase/(decrease) in provision						
Claims paid during the year	(55,277)	(31,083)	(24,194)	(44,314)	(20,589)	(23,725)
Provision for outstanding claims	150,307	96,826	53,481	62,218	44,106	18,112
Provision for claims handling costs	190	-	190	223	-	223
	95,220	65,743	29,477	18,127	23,517	(5,390)
Other movement in gross provisions	296	-	296	(931)	-	(931)
Movement in quota share and reinsurance commutations	-	(11,077)	11,077	-	(17,073)	17,073
	95,516	54,666	40,850	17,196	6,444	10,752
At 31 December						
Notified outstanding claims	135,709	106,047	29,662	99,177	79,805	19,372
Provision for claims incurred but not reported	92,105	47,393	44,712	33,311	18,969	14,342
Provision for claims handling costs	623	-	623	433	-	433
At 31 December	228,437	153,440	74,997	132,921	98,774	34,147

There is no provision at the end of the current year or the prior year for unexpired risks.

Claims Development Tables															
Claims Ultimates (Gross)															
Underwriting Year	2010	2011 and Prior	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Estimate of ultimate claims costs:															
At end of reporting year		31,044	30,854	30,879	33,815	36,459	33,644	28,763	19,329	17,660	17,138	20,867	24,612	71,157	
One year later		61,881	61,039	61,995	63,585	64,760	64,241	59,353	35,591	33,271	39,152	40,620	56,965		
Two years later		67,134	60,790	60,049	61,909	64,122	69,205	61,462	36,889	33,245	39,963	44,201			
Three years later		73,892	63,432	66,472	61,018	68,609	83,056	60,570	41,652	32,824	40,750				
Four years later		78,535	68,500	71,016	65,369	69,518	85,405	61,561	40,071	42,390					
Five years later		80,615	71,776	78,615	63,594	70,660	92,035	76,109	43,545						
Six years later		80,796	74,142	75,770	69,458	72,175	94,161	75,157							
Seven years later		81,032	73,578	75,706	70,351	72,474	118,583								
Eight years later		81,639	73,960	77,626	70,740	72,772									
Nine years later		81,568	74,016	78,252	71,711										
Ten years later		81,554	74,010	79,047											
Eleven years later		81,558	73,925												
Twelve years later		81,639													
Current estimate of cumulative claims		81,639	73,925	79,047	71,711	72,772	118,583	75,157	43,545	42,390	40,750	44,201	56,965	71,157	
Cumulative payments to date		(81,280)	(73,839)	(76,126)	(70,009)	(71,975)	(82,624)	(59,835)	(30,095)	(25,216)	(26,991)	(23,198)	(22,318)	(10,442)	
Liability recognised in the Balance sheet	10,543	359	86	2,921	1,702	797	35,959	15,322	13,450	17,174	13,759	21,003	34,647	60,715	228,437

Claims Development Tables															
Claims Ultimates (Net)															
Underwriting Year	2010	2011 and Prior	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Estimate of ultimate claims costs:															
At end of reporting year		9,070	9,679	9,843	7,903	8,758	8,465	7,571	5,418	6,920	6,277	9,230	10,030	27,816	
One year later		15,432	17,800	18,245	12,602	9,429	11,556	11,240	9,311	12,397	14,371	15,547	21,033		
Two years later		17,563	18,492	18,273	10,361	10,895	14,063	11,411	9,354	12,418	14,793	17,637			
Three years later		15,762	16,435	17,043	10,442	13,950	14,968	11,184	10,026	12,127	19,612				
Four years later		18,317	18,970	17,515	12,966	13,863	15,394	11,263	32,498	17,174					
Five years later		19,745	19,803	21,265	12,980	14,015	15,976	46,314	35,735						
Six years later		20,023	21,799	20,767	13,655	14,341	16,339	47,055							
Seven years later		20,494	21,599	20,722	13,820	14,426	17,252								
Eight years later		20,541	21,707	20,632	13,903	14,517									
Nine years later		20,527	21,724	20,711	14,082										
Ten years later		20,527	21,720	20,776											
Eleven years later		20,526	21,698												
Twelve years later		20,554													
Current estimate of cumulative claims		20,554	21,698	20,776	14,082	14,517	17,252	47,055	35,735	17,174	19,612	17,637	21,033	27,816	
Cumulative payments to date		(20,454)	(21,669)	(20,633)	(13,770)	(14,338)	(16,025)	(43,113)	(26,858)	(12,845)	(12,593)	(8,232)	(6,919)	(3,926)	
Liability recognised in the Balance sheet	1,431	100	29	143	312	179	1,227	3,942	8,877	4,329	7,019	9,405	14,114	23,890	74,997

Included in the analysis above is £60.5m of gross discounted reserves relating to PPOs (including non-PPO related estimates). PPO reserves are discounted at 3.0%, reflecting the assumed inflation of 3.0% leading to a net discount rate of 0%. Gross undiscounted reserves relating to PPOs are £105.2m.

23 Other Creditors including Taxation and Social Security	2023	2022
	£000	£000
Taxes and Social Security	13,928	2,241
Other creditors	3,232	6
	<hr/>	<hr/>
	17,160	2,247
	<hr/> <hr/>	<hr/> <hr/>
24 Creditors falling due after more than One Year	2023	2022
	£000	£000
Subordinated Loan Note: Amount repayable in more than 10 years	-	5,000
	<hr/>	<hr/>
	-	5,000
	<hr/> <hr/>	<hr/> <hr/>

The £5m subordinated loan note from Clegg Gifford and Co Limited was drawn in December 2016, was unsecured and bore interest at 10% per annum. It was subject to a minimum of 10 years' notice of repayment. The subordinated loan notes were settled as part of the transaction relating to the sale of the Company during the year.

25 Obligations under Operating Leases

The minimum lease payments to which the Company was committed under non-cancellable operating leases for the coming year at the year-end were as follows:

	2023	2022
	£000	£000
	Land and Buildings	
On lease expiring:		
Within one year	49	49
Between 2-5 years	195	195
After five years	-	49
	<hr/>	<hr/>
	244	293
	<hr/> <hr/>	<hr/> <hr/>

Amounts paid under operating leases during the year were £49k (2022: £49k).

26 Fair Value Estimation

In accordance with FRS 102, Section 2A.1, financial instruments carried at fair value have been classified by valuation method into three levels to estimate their fair values, with Level 1 being the most reliable. The definitions of these hierarchy levels are as follows:

- Level 1: The unadjusted quoted price in an active market for identical assets or liabilities that the entity can access at the measurement date.
- Level 2: Inputs other than quoted prices included within Level 1 that are either observable (i.e. developed using market data) for the asset or liability, either directly or indirectly.
- Level 3: Inputs are unobservable (i.e. for which market data is unavailable) for the asset or liability.

The following table presents the Company's financial investments measured at fair value classified by these levels.

Level 3 investments are valued using valuation techniques described in note 3h Other financial instruments on page 28.

As at 31 December 2023	Level 1	Level 2	Level 3	Total
	£000	£000	£000	£000
Financial investments	-	21,315	11,358	32,673
<hr/>				
As at 31 December 2022	Level 1	Level 2	Level 3	Total
	£000	£000	£000	£000
Financial investments	25,969	-	-	25,969
<hr/> <hr/>				

27 Related Party Transactions

Balances at the end of the year	2023	2022
	£000	£000
Amounts due from entities with significant influence over the Company:		
SHL intercompany loan	3,230	-
Amounts due from other related parties:		
Markerstudy Insurance Services Limited	115,781	-
Clegg Gifford & Co Limited	23,899	20,547
RWC Investments Limited	-	3,053
Amounts due to other related parties:		
Clegg Gifford & Co Limited	-	(5,000)
Transactions during the year	2023	2022
	£000	£000
Income from transactions with entities with significant influence over the Company:		
Interest on SHL intercompany loan	106	-
Income from transactions with other related parties:		
Clegg Gifford & Co Limited	639	1,333
RWC Investments Limited	72	78
Expenditure from transactions with other related parties:		
Markerstudy Insurance Services Limited	(7,448)	-
Clegg Gifford & Co Limited	(22,023)	(15,087)

The figures shown above include balances and transactions with companies that were related to Tradex during the year.

Since the acquisition of Tradex by SHL, Markerstudy Insurance Services Limited ('MISL') and Clegg Gifford & Co Limited ('CG') have been related parties on the basis that they share the same ultimate controlling party (being funds managed or advised by Pollen Street Capital Limited).

Prior to the acquisition of Tradex by SHL, both Tradex and Clegg Gifford & Co Limited were under the control of R W Clegg, who also controlled RWC Investments Limited.

Related party transactions consist of:

- Transactions with SHL relating to a perpetual loan from Tradex to SHL on which interest is charged at 7% p.a.
- Gross brokerage and commissions paid to MISL relating to policies for which MISL acts as a broker. £99,666k premiums were written by MISL during the year (2022: nil).
- Gross brokerage and commissions paid to CG relating to policies for which CG acts as a broker. £98,224k premiums were written by CG during the year (2022: £76,038k).
- Income from CG relating to premium finance facilities, less net expenses.
- Rent paid to CG for office premises.

- In the prior year, a loan from CG, which bore interest at 10% p.a. This was settled in 2023.
- In the prior year, a loan to RWC Investments Limited, a company owned by R W Clegg, which bore interest at 2 % points above the Bank of England Base Rate. This was repaid in 2023.

Key management compensation

Key management is considered to include the members of the Tradex Board and Executive committee members.

Details of transactions and balances with Key Management during the financial period are provided below.

	2023	2022
	£000	£000
Remuneration	1,258	1,158
Contributions to defined contribution scheme	63	53
	<hr/>	<hr/>
	1,321	1,211
	<hr/> <hr/>	<hr/> <hr/>

In respect of Executive and Non-Executive Directors

	2023	2022
	£000	£000
Remuneration	683	878
Contributions to defined contribution scheme (3 qualifying Directors; 2022: 3)	35	39
	<hr/>	<hr/>
	718	917
	<hr/> <hr/>	<hr/> <hr/>

In respect of the highest paid director:

	2023	2022
	£000	£000
Remuneration and Fees	346	332
Contributions to defined contribution scheme	7	10
	<hr/>	<hr/>
	353	342
	<hr/> <hr/>	<hr/> <hr/>

28 Control

On 7 July 2023 Ultimate Control of the Company passed from R W Clegg to Saturn Holdings Limited which at 31 December 2023 owned 100% of the Company's issued share capital. SHL's ultimate controlling party is funds managed or advised by Pollen Street Capital Limited, a subsidiary of Pollen Street Group Limited, a UK listed asset manager (LON:POLN).

The results of Tradex are consolidated into the results of the group headed by SHL. This is both the smallest and the largest group of undertakings for which group accounts are drawn up and of which the Company is a member. The financial statements of the parent organisation are available from www.soteriainsurance.co.uk.

29 Post balance sheet events

On 28 March 2024, Saturn Holdings Limited subscribed for 15 new shares issued by Tradex Insurance Company Limited for £37,500,000. This equates to an increase in share capital of £15 and an increase in share premium of £37,499,985 at the subscription date.

On 5 June 2024, a quota share agreement was finalised with Newpoint Re covering Motor and Home policies issued or renewed by Tradex from 1 August 2023 to 31 December 2024. Had this agreement existed on 31 December 2023, this would have reduced the Company's loss for the year by an estimated £56k.

On 26 June 2024, Saturn Holdings Limited subscribed for 1 new share issued by Tradex Insurance Company Limited for £2,500,000. This equates to an increase in share capital of £1 and an increase in share premium of £2,499,999 at the subscription date.

On 28 June 2024, Tradex issued £50m tier 1 restricted (£20m) and tier 2 (£30m) debt which was wholly purchased by SHL.