Brit Limited
Interim Report 2023

BRIT

writing the future

Contents

Key points

A STRONG UNDERWRITING AND INVESTMENT PERFORMANCE

- Group profit after tax (including discontinued operations) of $574.1m (2022 restated $32.1m).
- Adjusted group operating profit[4] of $257.4m (2022 restated: loss of $154.1m).
- Gross written premiums[2] increased to $2,021.3m (2022 restated: $1,990.5m).
- Underwriting profit[2] (undiscounted) of $95.1m (2022 restated: $79.5m).
- Combined ratio[2] (undiscounted) of 93.3% (2022 restated: 93.6%).
- Return on invested assets[1] of $147.0m (2022 restated: $233.4m negative).
- Ki continued its success, maintaining its growth trajectory with $453.0m of GWP recognised in the first six months of 2023, an increase of $110.1m or 32.1%.
- Sale of Ambridge successfully completed, realising a gain on sale of $259.1m.
- Balance sheet remains strong: Adjusted net tangible assets[2,8] of $2,301.8m (31 December 2022 restated: $1,979.6m), after payment of dividends of $303.6m.
- Capital ratio[2,7] improved to 151.6% (31 December 2022 restated: 141.0%). Capital surplus increased by $234.0m to $943.8m (31 December 2022 restated: $709.8m).
- Adoption of IFRS 17, the new accounting standard for insurance contracts, with 2022 figures restated on this basis.

The footnotes referred to above appear on page 4.

Brit at a Glance

Brit is a market leader in global specialty insurance and reinsurance, writing a broad range of commercial insurance. Brit is a highly regarded and an influential name in the Lloyd's market and we pride ourselves on our specialist underwriting and claims expertise.

We operate globally via a combination of our own international distribution network that benefits from Lloyd's global licences, and through our broker partners. Our underwriting capabilities are underpinned by a strong financial position, our underwriting expertise and discipline and customer service, enhanced by a data led approach and strong focus on innovation.

We have a strong track record and are passionate about our business, our people and our clients and we have focused on cultivating a franchise that is built on delivering exceptional service. Our culture is centred on achievement and we have established a framework that identifies and rewards strong performance.

Brit is a member of the Fairfax Financial Holdings Limited group of companies (Fairfax). The Fairfax financial result for the six months ended 30 June 2023, published on 4 August 2023, includes the Brit financial result.

Disclaimer

Interim Management Report

Officer statements

I am pleased to report that our strategy has delivered an excellent overall performance for the first half of 2023, underpinned by a strong underwriting result, with an undiscounted combined ratio of 93.3% for the period. This primarily reflects the combination of a healthy attritional ratio and the absence of any major losses.

Market conditions remain broadly positive, and we achieved risk adjusted rate increases of 7.5% in the first half, driven by the rising cost of reinsurance and market pressure on liability lines, primarily reflecting social inflation. In total, we have seen compound increases since 1 January 2018 of 65.7%. However, while rate increases continue to accelerate in a number of classes others have seen increased competition and a reduction in the level of rate, putting pressure on premium income in some lines.

Against this backdrop we have remained highly disciplined and focused on underwriting profitability. This is reflected in our overall growth with the Group’s gross premium written of $2,021.3m (2022 restated: $1,990.5m) representing an increase of 2.5% at constant rates of exchange, mainly driven by Ki, whose premium in its third year of trading increased by $110.1m to $453.0m.

On 10 May 2023, Brit completed the sale of Ambridge, its US and European based managing general underwriter (MGU) to Amynta Group, recording a gain on sale of $259.1m. We believe it was the appropriate time to realise the value of our investment in Ambridge as we focus on our strategic priorities: our core underwriting capabilities and our investment in building out our market leading digital capabilities. In Amynta we were pleased to find the perfect owners to take Ambridge forward. Importantly, Ambridge and Amynta remain key partners for Brit, and we look forward to a long and deep underwriting relationship with them as an independent MGU.

Our ability to deliver a best-in-class claims service is an important differentiator for Brit. We continued to support our clients when they need it most, with innovation at the heart of our claims approach, as demonstrated with our response to the 2022 major loss events. We were delighted that the successful delivery of this strategy resulted in our claims team winning the ‘Claims Product Solution’ and the ‘Commercial Lines Claims Excellence’ awards at the 2023 Insurance Times Claims Excellence Awards, and ‘Best Use of Technology’ award at the 2023 British Claims Awards.

Going into the second half of 2023, the industry continues to face a complex and constantly evolving landscape, including the uncertain economic environment, ongoing inflationary pressures and an elevated number of major loss events from primary and secondary perils. While overall market conditions remain fundamentally attractive, we are also starting to experience rating pressure in certain classes, a reminder that, even in a hard market, risk selection remains paramount.

Brit is well placed to navigate these challenges, while taking advantage of the opportunities we are seeing. We have a clear strategic focus on driving performance and profitability, and this clarity will stand us in good stead. Our significant investments in data and digital are enhancing the way in which we write business and interact with our trading partners and will ensure Brit’s future success as a lead underwriter, while Ki continues to revolutionise the follow market. Finally, our unique culture underpins all of this, creating a positive environment that empowers our people and makes Brit a home for talent. We remain excited about what Brit can achieve and look forward with confidence.

Martin Thompson
Group Chief Executive Officer
14 September 2023

This Interim Report is our first following the implementation of IFRS 17 'Insurance Contracts' on 1 January 2023. This new accounting standard has not changed the way we evaluate the performance of our insurance and reinsurance operations. The company remains focused on underwriting profit on an undiscounted basis with strong reserving. We continue to use the traditional volume measure of gross written premium, and the performance measure of the combined ratio.

In the first half of 2023, Brit delivered both a strong underwriting result and a strong investment performance. Brit's profit after tax and including discontinued operations totalled $574.1m (2022 restated: 32.1m).

Underwriting profit, excluding the impact of discounting, was $95.1m (2022 restated: £79.5m), with a combined ratio of 93.3% (2022 restated: 93.6%). This performance reflected good underwriting discipline, rigorous risk selection, and healthy compound rate increases.

The Group had no major losses in the period (2022 restated: $39.6m/3.2pps impact on the combined ratio). While we have some exposure to cat events in H1 2023, we anticipate claims arising to be attritional in scale.

In the period, our overall prior year reserves were unchanged. This comprised favourable ex-cat claims experience across Programmes & Facilities, Property, Specialty and FinPro portfolios, offset by strengthening in Casualty Treaty and an overall increase in historical cat event losses.

Our return on invested assets net of fees was a strong $147.0m or 2.4% (non-annualised), with all investment classes other than derivatives contributing to this return. The result reflects market conditions, with increasing yields and positive equity market performance.

Our balance sheet remains strong, with adjusted net tangible assets of $2,301.8m (31 December 2022 restated: $1,979.6m). Our management capital surplus increased to $943.8m or 51.6% (31 December 2022 restated: $709.8m/41.0%) over our Group management capital requirement of $1,829.6m (31 December 2022 restated: $1,732.3m), reflecting the impact of the movement in interest rates on our capital requirements, and our result for the period.

Our investment portfolio remains conservatively positioned, with a large allocation to securities ($4,484.2m or 69.9%) and cash and cash equivalents ($905.0m or 14.1%). Brit's equity allocation stands at $901.9m, or 14.1%. At 30 June 2023, 79.5% of our invested assets were investment grade quality (31 December 2022: 82.2%) and the duration of the portfolio has increased to 2.5 years (31 December 2022: 1.7 years).

We continue to monitor the impact of inflation across our underwriting portfolio and reserves, with work being undertaken collaboratively across Underwriting, Actuarial, Risk and Claims. In the 2023 half-year reserving exercise the actuarial team has maintained its approach of explicitly considering the impact of our forward-looking expectations for claims inflation on the reserves.

We have continued to experience strong underwriting conditions and favourable market developments in the first half of 2023, though underwriting conditions in certain classes are becoming more challenging. In H2 2023, the world faces ongoing volatility, challenges arising from inflation, and uncertainty surrounding events in Ukraine. The insurance market also continues to evolve. However, we believe that our strategy, discipline and financial strength position us well to take advantage of opportunities as they arise.

Gavin Wilkinson
Group Chief Financial Officer
14 September 2023

Performance summary and key performance indicators

Brit's result reflects strong premium growth, a good attritional performance, no major losses and a positive return on invested assets.

	Unaudited 6 months ended 30 June 2023 $m	(Restated) Unaudited 6 months ended 30 June 2022 $m
Performance summary		
Gross written premium[2]	2,021.3	1,990.5
Net earned premium[2]	1,427.5	1,249.0
Underwriting profit[2]	95.1	79.5
Return on invested assets[1,2]	147.0	(233.4)
Other items[3]	15.3	(0.2)
Adjusted Group operating result[4]	257.4	(154.1)
Net finance income/(expense) from insurance and reinsurance contracts held	(79.9)	133.5
Discounting of losses and ceded losses on claims recorded in the period, changes in the risk adjustment, and other IFRS17 related adjustments	191.8	96.7
Finance costs	(9.3)	(10.9)
Foreign exchanges gains/(losses)[5]	(48.4)	47.4
Profit/(loss) on ordinary activities before income tax	311.6	112.6
Tax credit/(expense)	(3.7)	(75.5)
Profit from continuing operations	307.9	37.1
Profit/(loss) from discontinued operations, net of tax	266.2	(5.0)
Profit for the period	574.1	32.1
Key performance indicators		
Combined ratio[2]	93.3%	93.6%
Return on invested assets[2,6]	2.4%	(4.3)%
Capital ratio[4,7]	151.6%	141.0%

1 Inclusive of interest revenue from financial assets not measured at FVTPL, other investment return, return on investment related derivatives, return on associates and after deducting investment management expenses.
2 Reconciliations of our KPIs and alternative performance measures to the financial statements are set out on pages 55 to 58.
3 'Other items' includes gains or losses on the movement in the fair value of Fairfax shares and corporate expenses.
4 This represents the groups operating result before the impact of discounting, changes in risk adjustment and other IFRS17 adjustments, and before foreign exchange gains and losses.
5 Includes the return on FX related derivatives.
6 The figures are non-annualised.
7 The capital ratio is calculated as total available resources divided by management entity capital requirements. The management entity capital requirement is the capital required for business strategy and regulatory requirements.
8 Adjusted net tangible assets are defined as total equity, less intangible assets net of the deferred tax liability on those intangible assets, less non-controlling interest.

Overview

Following the implementation of IFRS 17 ('Insurance Contracts') on 1 January 2023, management continues to evaluate its underwriting performance on a non-discounted basis, with underwriting profit remaining a key metric. It has also retained the traditional measure of gross written premium to measure and monitor business volume.

The introduction of IFRS 17 has had no impact on our group strategy or the way we manage the business. Our KPIs are designed to replicate measures previously disclosed under IFRS 4, the previous insurance accounting standard. A reconciliation of our KPIs and alternative performance measures to the financial statements are set out on pages 55 to 58.

Our underwriting result for the period was a profit of $95.1m (30 June 2022 restated: profit of $79.5m;) and our combined ratio was 93.3% (30 June 2022 restated: 93.6%). Our adjusted group operating result was a profit of $257.4m (2022 restated: loss of $154.1m) and our profit on ordinary activities before tax was $311.6m (2022 restated: profit of $112.6m). Our full profit after tax for the period, including the gain on sale of Ambridge Group, was $574.1m (2022 restated: 32.1m).

Revenue

We have continued to grow our business in the current rating environment. Insurance revenue increased by 12.7% to $1,605.2m (2022 restated: $1,423.7m).

Gross written premium

Gross written premium, the Group's key business volume metric, for the six months ended 30 June 2023 increased by 1.5% to $2,021.3m (30 June 2022: $1,990.5m). At constant exchange rates the increase was 2.5%.

The rating environment remains broadly attractive. In the 6 months ended 30 June 2023, we achieved an overall risk adjusted rate change (RARC) of 7.7% (30 June 2022: 12.1%; 31 December 2022: 12.4%), giving total compound RARC since 1 January 2018 of 65.7%. 2023 has continued to deliver strong rate across a number of portfolios, including Property Treaty, Property and Programmes/Facilities. However, we have seen a reduction in the momentum of increases in certain classes (e.g. Specialty, Casualty Treaty, Ambridge Re) and a reduction of rate in others (e.g. Financial and Professional – primarily driven by Cyber and Ambridge Transactional).

The key drivers of the increase between the six months ended 30 June 2022 and 30 June 2023 were:

- Current year premiums increased by $112.8m, driven by Ki (increased by $110.1m to $453.0m).
- Prior year premium development, while still positive, was $71.2m lower than in H1 2022.
- An adverse exchange rate movement effect of $10.8m, reflecting the movements during 2022 of the US dollar against a number of currencies in which the Group writes business.

The Group retention rate for the period was 76.9% (30 June 2022: 82.6%; 31 December 2022: 83.7%).

Claims activity

The Group had no major losses in the period. In the 6 months to 30 June 2023, there were a number of natural and non-natural catastrophe events, including the Syrian/Turkish earthquake, New Zealand floods and the Tornadoes in the United States. While we have some exposure to such events, we anticipate claims arising from them to be attritional in scale.

In the period, our overall prior year reserves were unchanged. This reflected favourable ex-cat claims experience across Programmes and Facilities, Property, Specialty and Financial and Professional portfolios, and a reduction in net catastrophe estimates in respect of Hurricane Ian. These releases were offset by a strengthening in Casualty Treaty, and in respect of a number of prior year major losses, primarily Winter Storm Elliott, reflecting with the combination of the timing of the event and its unmodelled nature making initial estimates highly uncertain. We have also increased our Ukraine related net estimates by $9.0m to $40.3m.

Expenses

Total operating expenses recognised within the income statement were $252.0m (2022 restated: $204.2m), before deferral. This increase was largely driven by increased staff costs, reflecting headcount increases primarily to support Ki as it continues to expand.

After deferral, the amount recognised was $229.5m (2022 restated: $155.7m), allocated as follows:

	Unaudited 6 months ended 30 June 2023 $m	(Restated) Unaudited 6 months ended 30 June 2022 $m
Continuing operations		
Insurance service expense, net of deferral	131.9	69.7
Other operating expenses	74.2	48.9
	206.1	118.6
Discontinued operation		
Insurance service expense, net of deferral	15.4	18.3
Other operating expenses	8.0	18.8
	229.5	155.7

Invested assets

The aggregated return on invested assets (cash and cash equivalents, investments, investment related derivatives and associated undertakings), net of expenses, was a gain of $147.0m or 2.4% (30 June 2022: negative return of $233.4m or -4.3%).

This was driven by market condition which resulted in positive returns in equities ($39.0m), funds ($56.2m), debt securities ($51.2m), mortgages and loans ($1.8m) and cash and cash equivalents ($22.4m), partly offset by return on investment related derivatives (negative $13.4m).

Equity markets performed positively in the period, despite banking concerns centred on US regional banks emerging at the end of the first quarter of 2023, as global growth remained resilient, although inflation generally remained sticker.

Fixed income return was positive as income outweighed capital return. Over the six months the two-year yield rose from 4.43% to 4.90%, the five-year yield rose from 4.00% to 4.16%, and the ten-year yield fell from 3.88% to 3.84%. Investment grade spreads in the US narrowed from 0.90% to 0.86% and in Europe narrowed from 1.56% to 1.50%, while high yield spreads in the US narrowed from 4.68% to 3.92% and in Europe narrowed from 4.90% to 4.41%.

The comparative period experienced more turbulent market conditions which impacted most asset classes, including equities ($56.8m negative return), funds ($49.7m negative return) and debt securities ($126.3m negative return).

The Group's return on investments is analysed in the table below:

Return on invested assets	**Unaudited 6 months ended 30 June 2023 $m**	Unaudited 6 months ended 30 June 2022 $m
Income	103.1	30.0
Realised (losses)/gains	(35.5)	(36.3)
Unrealised gains/(losses)	103.0	(221.8)
Return before fees	170.6	(228.1)
Investment management expenses	(11.1)	(6.9)
Return net of fees	159.5	(235.0)
Investment related derivative return	(13.4)	0.8
Return on associated undertakings	0.9	0.8
Total return	147.0	(233.4)
Total return (non-annualised)	2.4%	(4.3)%

Invested assets (cash and cash equivalents, investments, investment related derivatives and associated undertakings) at 30 June 2023 totalled $6,418.3m (31 December 2022: $6,011.3m). The Group's asset allocation, on a look-through basis, is set out in the table below:

Invested assets	**Unaudited 6 months ended 30 June 2023 $m**	Audited 12 months ended 31 December 2022 $m
Government debt securities	3,022.7	2,674.3
Corporate debt securities	1,461.5	1,315.4
Structured products	20.3	18.7
Loan instruments	104.9	43.4
Equity securities	901.9	872.7
Cash and cash equivalents	905.0	1,084.2
Derivatives (net) (investment related)	2.0	2.6
Total invested assets	6,418.3	6,011.3

The portfolio remains consistently positioned, with a large allocation to cash and cash equivalents ($905.0m or 14.1%) and fixed income securities ($4,484.2m or 69.9%). Brit's equity allocation at 30 June 2023 was $901.9m or 14.1%.

At 30 June 2023, 79.5% of our invested assets were investment grade quality (30 June 2022: 80.6%; 31 December 2022: 82.2%) and the duration of the portfolio has increased to 2.5 years (30 June 2022: 1.8 years; 31 December 2022: 1.7 years).

Profit from discontinued operation

On 10 May 2023, Brit completed the sale of Ambridge, its US and European based managing general underwriter (MGU) to Amynta. We believe it was the appropriate time to realise the value of our investment in Ambridge as we focus on our strategic priorities of our core underwriting capabilities and our investment in building out market leading digital capabilities.

As Ambridge undertook a significant portion of the distribution activity of the Group and had a material balance sheet value, the results of the Ambridge business have been reported as a discontinued operation in the current and prior periods.

For the period, profit from discontinued operation totalled $266.2m (2022 restated: loss of $5.0m). The 2023 figure includes the gain on sale of Ambridge of $259.1m.

Foreign exchange

Brit seeks to reduce the impact on our stakeholders of the effects of movements in foreign exchange rates by matching the currencies of our liabilities and capital requirements with the assets we hold. This can import some exchange rate related volatility into the income statement.

We experienced a total foreign exchange loss of $48.4m in the six months ended 30 June 2023 (30 June 2022 restated: gain of $47.4m), reflecting the movement of the US dollar against other currencies in which we trade and hold assets, and the impact of FX related derivatives purchased by the Group.

Foreign exchange gains and (losses)	**Unaudited 6 months ended 30 June 2023 $m**	(Restated) Unaudited 6 months ended 30 June 2022 $m
Net foreign exchange (losses)/gains	(45.0)	55.5
Losses on derivative contracts - FX related instruments	(3.4)	(8.1)
Total	(48.4)	47.4

Tax

Our tax on ordinary activities for the six months to 30 June 2023 resulted in a tax charge of $3.7m (30 June 2022 restated: charge of $75.5m), based on a group profit on ordinary activities of $311.6m (30 June 2022 restated: profit of $112.6m).

The Group is liable to taxes on its corporate income in a number of jurisdictions where its companies carry on business. Therefore, the Group effective rate is sensitive to the location of taxable profits and is a composite tax rate reflecting the mix of tax rates in those jurisdictions.

Balance sheet and capital strength

Brit Syndicates 2987 and 2988 and Ki Syndicate 1618's effective rating from trading through Lloyd's are A+ (Strong) from Standard and Poor's, AA- (Very Strong) from Fitch Ratings, A (Excellent) from A.M. Best and AA- from Kroll Bond Rating Agency.

We continue to maintain a strong financial position, a factor critical to the long-term success of an insurance business.

Adjusted net tangible assets at 30 June 2023 totalled $2,301.8m (31 December 2022 restated: $1,979.6m) and our group total capital resources at 30 June 2023 totalled $2,773.4m (31 December 2022 restated: $2,442.0m). The increase primarily reflects the result for the period, less dividends paid.

At 30 June 2023, we had a management capital surplus of $943.8m or 51.6% (31 December 2022 restated: $709.8m or 41.0%) over our Group management capital requirement of $1,829.6m (31 December 2022 restated: $1,732.3m). During the period, the increase in requirements primarily reflected the movement in interest rates.

Brit has in place a $550m revolving credit facility (RCF), expiring on 31 December 2025. At 30 June 2023, drawings on the RCF were $10.0m of cash and a $10.0m uncollateralised letter of credit (LoC) (31 December 2022: $10.0m cash and $100.0m uncollateralised LoC). At the date of this report, there were no cash drawings on the RCF, while the $10.0m uncollateralised LoC remained in place.

In addition, we have in issue £135.0m of 3.6757% subordinated debt with a carrying value of £135.0m/$171.6m (31 December 2022: £135.0m/$162.4m). This instrument, which is listed on the London Stock Exchange, was issued in December 2005 and matures in 2030.

At 30 June 2023, Brit's gearing ratio was 9.0% (31 December 2022 restated: 14.4%).

Dividends

Dividends of $303.6m were paid during the period (30 June 2022: $18.7m). On 3 May 2023, dividends of $28.6m, were paid to Brit's minority shareholder, OMERS Administration Corporation, while on 25 May 2023, dividends of $275.0m were paid to Brit's majority shareholder, Fairfax Financial Holdings Limited.

Risk management and principal risks

Risk Management Framework

Brit delivers shareholder value by actively seeking and accepting risk within agreed limits. Risk management within Brit is a continuous process that links directly to the organisation's business and risk management strategies and the associated Board risk tolerances.

Brit's Risk Management Framework (RMF) applies a consistent methodology and structure to how risks are identified, measured, managed and monitored. This process enables us to protect policyholders and maximise shareholder value by ensuring the risk and capital implications of business strategy are well understood.

The RMF is fully detailed in our 2022 Annual Report (pages 34 to 37).

Principal risks

Our principal risks and uncertainties in the current environment are:

Risk category	Risk	Description of risk
Insurance	Underwriting – pricing	Emerging experience is inconsistent with the assumptions and pricing models used.
	Underwriting – natural catastrophe	Natural catastrophe events impacting Brit's (re)insureds, leading to large volumes of claims.
	Reserving	Prior year reserves are insufficient to cover claims (net of reinsurance).
Investment	Investment market risk	Invested assets adversely affected by changes in economic variables, such as interest rates, bond yields, equity returns, credit spreads and credit ratings.
Operational and group	People	Failure to attract, motivate and retain key Directors, senior underwriters, senior management and other key personnel, on whom our future success is substantially dependent.

Emerging risks

Brit undertakes a formal emerging risk review annually with the results reported to the Risk Oversight Committee and included in the Own Risk & Solvency Assessment (ORSA) report and Commercial Insurer's Solvency Self-Assessment (CISSA) reports of the underwriting entities. The review is an important part of the risk identification aspect of the RMF and includes horizon scanning of the internal and external risk environment to identify potential new or developing risks to Brit. These risks can then be included in the risk register and managed appropriately as required.

The emerging risk review has previously identified risks such as the United Kingdom's exit from the EU (Brexit) and cyber risk. These risks have been managed throughout their development and are now monitored as part of the business-as-usual risk management process.

Global economic environment

Inflation in the USA and the UK has reached 40-year highs and interest rates worldwide have risen. Recessions are expected in a number of advanced economies, which may impact the frequency and cost of claims, investment results, the likelihood of counterparty defaults and the potential for operational risk events. Brit continues to actively monitor and respond to changes in the economic environment.

Brit has considered the impact of the increased level of inflation and the economic downturn. Increased focus has been placed on ensuring Brit's pricing models adequately address current inflationary trends. Feeding into these models is an enhanced framework assessing the key drivers of claim settlement costs for each class of business. Inflationary impacts were also considered during the year end reserving process.

We remain cognisant of the impact of inflation on the underlying portfolio, with work being undertaken collaboratively across Underwriting, Actuarial, Risk and Claims to quantify the impact, mitigate the impact of inflation on profitability and to ensure it has been appropriately considered in our ongoing business. We continue to review the key drivers of claim settlement costs and frequency by class of business, which in turn will further inform any required recalibration of our pricing models. Our reserves continue to be set at a margin above the actuarial best estimate and incorporate our current view of social and economic inflation.

Geopolitical events

Geopolitical events, such as Russia's invasion of Ukraine, have the potential to cause insurance losses and disruption to financial markets. This may impact various subsidiary undertakings within the Group which could in turn impact the future income from those entities. There may also be a potential impact on the operational costs of the Group attributable to the downstream effects of high inflation. The Group continues to monitor developments closely.

Brit has direct exposures to the Russia-Ukraine conflict within the Terrorism, Casualty Treaty, Marine War, Contingency and Political and Credit Risk classes, along with potential secondary impacts on classes such as Cyber. Brit does not write Aviation business. Brit's exposures are actively monitored and managed as described in the section on principal risks on page 36. Geopolitical risk events may also impact the global economy, as discussed above.

Climate change related financial risks

Climate change has been recognised as an emerging risk in the ORSA since 2014 and has been an area of focus since having been identified as a high priority by Brit's 2018 emerging risks analysis. Its potential impact on the insurance industry is an area of focus for the wider insurance market and its regulators.

The financial risks to insurers may include the potential for increased frequency and severity of weather-related natural catastrophes, for example, hurricanes and wildfires. In line with recent years, 2022 experienced material losses from catastrophe activity globally.

The three main areas of climate risk identified for Brit are natural catastrophes, liability claims and investment losses. Scenario analysis has been performed on all three risk types to identify the most material risk types as well as the most exposed segments within each risk.

Syndicate 2987 (Brit's largest syndicate) participated in the PRA Climate Change Biennial Exploratory Stress Test (CBES) exercise in 2021-22. The exercise was designed by the PRA to assess the impact of climate change on physical and asset risks over a 30-year time horizon. It also required general insurance participants to consider the impact of seven PRA designed hypothetical litigation risk scenarios on liability classes as well as articulations of Brit's current and future risk management actions.

Further details on Brit's climate risk management are set out in our 2022 Annual Report (pages 111 to 113).

Ownership

Brit Limited's ultimate parent undertaking is Fairfax Financial Holdings Limited, a company registered in Canada. Fairfax Financial Holdings Limited is quoted on the Toronto Stock Exchange. As at the date of this report, the Fairfax Group owned 86.2% of Brit's ordinary shares while the remaining 13.8% was owned by OMERS Administration Corporation.

Auditor review

This interim financial report has not been audited or reviewed by the Company's independent auditor.

Responsibility statement of the Directors in respect of the Interim Report

We confirm that to the best of our knowledge:

- The condensed consolidated interim financial statements have been prepared in accordance with UK-adopted IAS 34 'Interim Financial Reporting'; and
- The interim management report includes a fair review of the information required by DTR 4.2.7R of the Disclosure and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed consolidated interim financial statements, and a description of the principal risks and uncertainties for the remaining six months of the year.

Martin Thompson
Group Chief Executive Officer
14 September 2023

Condensed Consolidated Income Statement
For 6 months ended 30 June 2023

	Note	Unaudited 6 months ended 30 June 2023 $m	(Restated) Unaudited 6 months ended 30 June 2022 $m
Continuing operations			
Insurance revenue	5	**1,605.2**	1,423.7
Insurance service expenses	5,11	**(1,157.0)**	(1,176.2)
Net expenses from reinsurance contracts held	5	**(89.0)**	(29.4)
Insurance service result		**359.2**	218.1
Net finance (expenses) / income from insurance contracts		**(108.7)**	200.1
Net finance income / (expenses) from reinsurance contracts held		**28.8**	(66.6)
		(79.9)	133.5
Investment return and other income			
Interest revenue from financial assets not measured at FVTPL	6	**22.4**	4.0
Other investment return	6	**137.1**	(239.0)
Return on derivative contracts	7	**(16.8)**	(7.3)
Other income	9	**26.6**	12.1
Losses on other financial liabilities		**(9.4)**	(5.3)
Net foreign exchange gains	10	**-**	55.5
		159.9	(180.0)
Other expenses			
Other operating expenses	11	**(74.2)**	(48.9)
Net foreign exchange losses	10	**(45.0)**	-
		(119.2)	(48.9)
Operating profit		**320.0**	122.7
Finance costs		**(9.3)**	(10.9)
Share of profit of associates after tax of associated undertakings		**0.9**	0.8
Profit on ordinary activities before income tax		**311.6**	112.6
Tax expense	12(a)	**(3.7)**	(75.5)
Profit from continuing operations		**307.9**	37.1
Discontinued operation			
Profit / (loss) from discontinued operation, net of tax	8	**266.2**	(5.0)
Profit for the period		**574.1**	32.1
Profit attributable to:			
Owners of the parent		**540.9**	24.7
Non-controlling interests		**33.2**	7.4
Profit for the period		**574.1**	32.1

The accompanying notes are an integral part of the condensed consolidated interim financial statements.

Condensed Consolidated Statement of Comprehensive Income

For 6 months ended 30 June 2023

	Note	**Unaudited 6 months ended 30 June 2023 $m**	(Restated) Unaudited 6 months ended 30 June 2022 $m
Profit for the period		**574.1**	32.1
Items not to be reclassified to profit or loss in subsequent periods:			
Actuarial gains on defined benefit pension scheme		**0.2**	-
Deferred tax loss relating to actuarial gains on defined benefit pension scheme		**(0.1)**	-
Items that may be reclassified to profit or loss in subsequent periods:			
Change in unrealised foreign currency translation gains / (losses) on foreign operations		**5.3**	(16.4)
Total other comprehensive income / (expense)		**5.4**	(16.4)
Total comprehensive income recognised		**579.5**	15.7
Total comprehensive income attributable to:			
Owners of the parent		**546.3**	8.3
Non-controlling interests		**33.2**	7.4
Total comprehensive income recognised		**579.5**	15.7

The accompanying notes are an integral part of the condensed consolidated interim financial statements.

Condensed Consolidated Statement of Financial Position

As at 30 June 2023

	Note	**Unaudited 30 June 2023 $m**	(Restated) Unaudited 31 December 2022 $m	(Restated) Unaudited 1 January 2022 $m
Assets				
Intangible assets		**118.7**	120.0	205.3
Property, plant and equipment		**42.1**	41.8	57.6
Investments in associated undertakings		**15.0**	15.2	15.0
Insurance contract assets	13	**1.0**	-	-
Reinsurance contract assets	13	**1,904.1**	1,771.0	1,779.7
Employee benefits		**67.3**	62.4	113.8
Deferred taxation		**-**	(10.7)	30.3
Current taxation		**13.7**	15.5	10.6
Financial investments	15	**5,503.0**	4,912.4	4,015.0
Derivative contracts	16	**10.3**	10.8	15.1
Insurance and other receivables		**713.2**	590.3	610.9
Cash and cash equivalents		**897.8**	941.3	1,510.3
Assets classified as held for sale		**-**	331.6	-
Total assets		**9,286.2**	8,801.6	8,363.6
Liabilities and Equity				
Liabilities				
Insurance contract liabilities	13	**5,546.6**	5,430.2	5,115.9
Reinsurance contract liabilities	13	**-**	5.0	7.2
Borrowings		**181.6**	172.4	227.8
Other financial liabilities		**101.4**	92.7	95.8
Provisions		**2.4**	2.2	2.4
Deferred taxation		**70.4**	51.5	10.4
Current taxation		**1.0**	0.5	3.8
Derivative contracts	16	**13.8**	10.1	12.5
Insurance and other payables		**531.4**	425.6	679.3
Liabilities directly associated with assets classified as held for sale		**-**	49.6	-
Total liabilities		**6,448.5**	6,239.8	6,155.1
Equity				
Called up share capital	17	**10.0**	10.0	10.0
Share premium		**1,432.6**	1,432.6	1,432.6
Capital redemption reserve		**1.0**	1.0	1.0
Capital contribution reserve		**32.2**	32.2	28.5
Foreign currency translation reserve		**(97.3)**	(102.6)	(85.2)
Retained earnings		**1,021.5**	784.1	583.6
Total equity attributable to owners of the parent		**2,400.0**	2,157.3	1,970.5
Non-controlling interests		**437.7**	404.5	238.0
Total liabilities and equity		**9,286.2**	8,801.6	8,363.6

The accompanying notes are an integral part of the condensed consolidated interim financial statements.

These financial statements were approved by the Board of Directors on 14 September 2023 and were signed on its behalf by:

Martin Thompson
Group Chief Executive Officer

Gavin Wilkinson
Group Chief Financial Officer

Registered number: 08821629

Condensed Consolidated Statement of Cash Flows

For 6 months ended 30 June 2023

	Note	**Unaudited 6 months ended 30 June 2023 $m**	(Restated) Unaudited 6 months ended 30 June 2022 $m
Cash generated from operations			
Cash flows used in operating activities	19	**(99.1)**	(398.5)
Tax received / (paid)		**8.2**	(3.5)
Interest received		**82.4**	32.0
Dividends received		**4.7**	4.2
Purchase of shares for share-based payment schemes		**(0.3)**	(0.1)
Net cash outflows from operating activities		**(4.1)**	(365.9)
Cash flows from investing activities			
Purchase of intangible assets		**(3.7)**	(3.6)
Purchase of property, plant and equipment		**(0.6)**	(1.4)
Disposal of subsidiary undertakings, net of cash disposed		**128.7**	-
Dividends from associated undertakings		**1.2**	1.1
Net cash inflows / (outflows) from investing activities		**125.6**	(3.9)
Cash flows from financing activities			
Proceeds from issue of shares and other capital contributions		**-**	3.7
Repayment on revolving credit facility		**-**	(45.0)
Interest paid		**(6.6)**	(6.2)
Dividends paid to owners of the parent		**(303.6)**	(18.7)
Net cash outflows from financing activities		**(310.2)**	(66.2)
Net decrease in cash and cash equivalents		**(188.7)**	(436.0)
Cash and cash equivalents at beginning of the period	19	**1,079.4**	1,510.3
Effect of exchange rate fluctuations on cash and cash equivalents		**7.1**	(19.3)
Cash and cash equivalents at the end of the period		**897.8**	1,055.0

The accompanying notes are an integral part of the condensed consolidated interim financial statements.

Condensed Consolidated Statement of Changes in Equity

For 6 months ended 30 June 2023

	Note	Called up share capital $m	Share premium $m	Capital redemption reserve $m	Capital contribution reserve $m	Foreign currency translation reserve $m	Retained earnings $m	Total attributable to owners of the parent $m	Non-controlling interests $m	Total equity $m
At 1 January 2023, as previously reported		**10.0**	**1,432.6**	**1.0**	**32.2**	**(102.6)**	**395.1**	**1,768.3**	**374.5**	**2,142.8**
Impact of retrospective application of new accounting policies		**-**	**-**	**-**	**-**	**-**	**389.0**	**389.0**	**30.0**	**419.0**
Restated balance at 1 January 2023		**10.0**	**1,432.6**	**1.0**	**32.2**	**(102.6)**	**784.1**	**2,157.3**	**404.5**	**2,561.8**
Profit for the year		**-**	**-**	**-**	**-**	**-**	**540.9**	**540.9**	**33.2**	**574.1**
Other comprehensive income		**-**	**-**	**-**	**-**	**5.3**	**0.1**	**5.4**	**-**	**5.4**
Total comprehensive income recognised		**-**	**-**	**-**	**-**	**5.3**	**541.0**	**546.3**	**33.2**	**579.5**
Dividend	18	**-**	**-**	**-**	**-**	**-**	**(303.6)**	**(303.6)**	**-**	**(303.6)**
At 30 June 2023		**10.0**	**1,432.6**	**1.0**	**32.2**	**(97.3)**	**1,021.5**	**2,400.0**	**437.7**	**2,837.7**

Condensed Consolidated Statement of Changes in Equity (continued)

For 6 months ended 30 June 2022

	Note	Called up share capital $m	Share premium $m	Capital redemption reserve $m	Capital contribution reserve $m	Foreign currency translation reserve $m	Retained earnings $m	Total attributable to owners of the parent $m	Non-controlling interests $m	Total equity $m
At 1 January 2022, as previously reported		10.0	1,432.6	1.0	28.5	(85.2)	525.5	1,912.4	234.2	2,146.6
Impact of retrospective application of new accounting policies		-	-	-	-	-	58.1	58.1	3.8	61.9
Restated balance at 1 January 2022		10.0	1,432.6	1.0	28.5	(85.2)	583.6	1,970.5	238.0	2,208.5
Profit for the year		-	-	-	-	-	24.7	24.7	7.4	32.1
Other comprehensive expense		-	-	-	-	(16.4)	-	(16.4)	-	(16.4)
Total comprehensive (expense) / income recognised		-	-	-	-	(16.4)	24.7	8.3	7.4	15.7
Dividend	18	-	-	-	-	-	(18.7)	(18.7)	-	(18.7)
Contribution from parent in relation to the acquisition of the Riverstone pension plan		-	-	-	3.7	-	-	3.7	-	3.7
Transactions with non-controlling interests		-	-	-	-	-	0.7	0.7	(0.7)	-
At 30 June 2022		10.0	1,432.6	1.0	32.2	(101.6)	590.3	1,964.5	244.7	2,209.2

The accompanying notes are an integral part of the condensed consolidated interim financial statements.

Notes to the Condensed Consolidated Interim Financial Statements

1 General information

The condensed consolidated interim financial statements of Brit Limited and its subsidiaries (collectively, the Group) for the six months ended 30 June 2023 were authorised for issue in accordance with a resolution of the Directors on 14 September 2023. The Group's principal activity is the underwriting of general insurance and reinsurance business.

Brit Limited (the Company) is a private company limited by shares, incorporated and domiciled in England and Wales, United Kingdom. The address of the registered office is The Leadenhall Building, 122 Leadenhall Street, London, England, EC3V 4AB.

2 Accounting policies and basis of preparation

2.1 Basis of preparation

The condensed consolidated interim financial statements for the six months ended 30 June 2023 have been prepared in accordance with UK-adopted IAS 34 'Interim Financial Reporting'. The accounting policies applied in these condensed consolidated interim financial statements are consistent with those applied in the consolidated financial statements of Brit Limited (the 'Group') as at the year ended 31 December 2022 except for the adoption of IFRS 17 'Insurance Contracts' and the amendments to IFRS 9 'Financial Instruments' made by IFRS 17 described below.

This 2023 condensed consolidated interim financial information does not comprise statutory accounts within the meaning of Section 434 of the Companies Act 2006.

Statutory accounts for Brit Limited, for the year ended 31 December 2022 were prepared in accordance with UK-adopted international accounting standards and UK company law. The consolidated financial statements of the Brit Limited Group for the year ended 31 December 2022 were authorised for issue in accordance with a resolution of the Directors on 23 February 2023.

These condensed consolidated interim financial statements have been prepared in accordance with the Disclosure and Transparency Rules issued by the Financial Conduct Authority. The information presented herein does not include all the disclosures typically required for full consolidated financial statements. Consequently, these financial statements should be read in conjunction with the full consolidated financial statements of the Brit Limited Group as at, and for the year ended 31 December 2022 available from the Company's registered office or from www.britinsurance.com.

The Directors have reviewed the principal risks and uncertainties faced by the Group as summarised on pages 8 and 9 of the Interim Management Report. These principal risks and uncertainties are largely unchanged from those disclosed on pages 34 to 37 of the Group's 2022 Annual Report. Brit manages such emerging risks in line with its risk management framework.

The capital position of the Group remains strong, following its performance in 2022 and the six months to 30 June 2023. A review of the financial performance of the Group is summarised on pages 4 to 7. The financial position of the Group and borrowing facilities are summarised on pages 7 and 8.

After making enquiries, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Therefore, they consider it appropriate to continue to adopt the going concern basis for the preparation of its condensed consolidated interim financial statements.

2.2 Basis of consolidation

The consolidated financial statements include the financial statements of the Company, its subsidiaries and associates and the Group's participation in Lloyd's syndicates' assets, liabilities, revenues and expenses. Subsidiaries are those entities (including structured entities) that an investor controls, when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Non-controlling interests in the results are shown separately in the consolidated income statement, statement of comprehensive income, consolidated statement of changes in equity and statement of financial position respectively.

The financial statements of the subsidiaries are prepared up to 31 December each year. Consolidation adjustments are made to convert subsidiary financial statements from local GAAP into IFRS to remove any dissimilar accounting policies that may exist. Subsidiaries are consolidated from the date control is transferred to the Group and cease to be consolidated from the date control is transferred from the Group. All inter-company balances, profits and transactions are eliminated. The acquisition method of accounting is used to account for business combinations by the Group.

2 Accounting policies and basis of preparation (continued)

Included within the financial statements of the Group are structured entities where under the requirements of IFRS 10 Consolidated Financial Statements it has been determined that control exists. The third-party investment in these entities is recognised as a financial liability in accordance with IAS 32.

Underwriting members at Lloyd's have several but not joint liability for the transactions of the syndicates in which they participate. Therefore, for each managed syndicate on which the Group participates, only the relevant proportion of the transactions, assets and liabilities of those syndicates are reflected in the consolidated financial statements. Syndicate assets are held subject to trust deeds for the benefit of the syndicate's insurance creditors. As at 30 June 2023:

- Brit UW Limited, a subsidiary of the Group, provided 100% of the capital for Syndicate 2987 and therefore all transactions, assets and liabilities of Syndicate 2987 have been included in the Group's financial statements.
- Subsidiaries of the Group participated as members of Syndicate 2988, providing 57.67%, 67.98% and 75.86% of the capital for the 2021, 2022 and 2023 years of account respectively. Consequently, the proportionate shares of the transactions, assets and liabilities of Syndicate 2988 have been included in the Group's financial statements.
- Ki Member Limited, a subsidiary of the Group, provided 100% of the capital for Syndicate 1618 and therefore all transactions, assets and liabilities of Syndicate 1618 have been included in the Group's financial statements.

If control of a subsidiary (including a structured entity) is lost during the reporting period, the assets and liabilities of that entity will be derecognised from the consolidated statement of financial position. The revenues and expenses of the entity will no longer be consolidated following the date that control is lost. The difference between the fair value of the consideration received, if any, from the transaction resulting in a loss of control and the fair value of the subsidiary's net assets will be recognised as a gain or loss in the income statement.

Associates are those entities over which the Group has the power to exercise significant influence but not control. The Group's investments in associated undertakings are accounted for under the equity method of accounting whereby associated undertakings are carried in the statement of financial position at cost plus post-acquisition changes in the Group's share of net assets of the associate, less any impairment in value. The income statement reflects the Group's share of the post-acquisition results of operations of the associated undertaking and the statement of comprehensive income reflects the Group's share of the comprehensive income of the associated undertaking. The financial statements of associated undertakings are prepared up to 31 December each year.

The acquisition method of accounting is used for business combinations. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest (NCI) in the acquiree, where relevant. Acquisition-related costs are expensed as incurred. Where goodwill or a bargain purchase arises, this is initially measured at cost, being the excess of the fair value of the consideration transferred and the amount recognised for non-controlling interests and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase.

When the Group acquires a business, it assesses the identifiable assets acquired and liabilities assumed, measured initially at their fair values at the acquisition date, for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree. No reclassification of insurance contracts is required as part of the accounting for the business combination. Thus, insurance contracts are classified on the basis of the contractual terms and other factors at the inception of the contract or modification date.

The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

If the business combination is achieved in stages, any previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration will be recognised at fair value at the acquisition date and, where relevant, remeasured at subsequent reporting dates. Contingent consideration that is classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or liability within or outside the scope of IFRS 9 is measured at fair value through profit or loss (FVTPL).

2.3 New accounting standards adopted in the period

The Group has applied IFRS 9 and IFRS 17, including any consequential amendments to other standards, from 1 January 2023. While the impact of applying IFRS 9 on the Group's financial instruments have been insignificant, the impact of applying IFRS 17 has brought about significant changes to the accounting for the Group's insurance and reinsurance contracts. As a result, the Group has restated certain comparative amounts and presented a third statement of financial position as at 1 January 2022.

The nature and effects of the key changes in the Group's accounting policies resulting from its adoption of IFRS 9 and IFRS 17 are summarised below.

2.3.1 IFRS 9 Financial Instruments

(a) Classification

IFRS 9 includes three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVOCI) and FVTPL. The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. IFRS 9 eliminates the previous IAS 39 categories of held-to-maturity investments, loans and receivables, and available-for-sale financial assets. Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of IFRS 9 are not separated. Instead, the hybrid financial instrument, as a whole, is assessed for classification.

The classification categories for financial liabilities has remained the same under IAS 39: amortised cost and FVTPL.

For an explanation of how the Group classifies and measures financial assets and financial liabilities, see Note 2(e).

(b) Impairment of financial assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with a forward-looking 'expected credit loss' model. The new impairment model applies to financial assets measured at amortised cost, debt investments at FVOCI, contract assets, and lease receivables. Under IFRS 9, credit losses are recognised earlier than under IAS 39 (see Note 14).

(c) Hedge accounting

IFRS 9 introduces a new general hedge accounting model which requires hedging relationships to be aligned with risk management objectives and strategy, and the application of a more qualitative and forward-looking approach to assessing hedge effectiveness. The Group did not elect to adopt hedge accounting under IAS 39 and has not elected to do so under IFRS 9.

(d) Transition

The Group has complied with transition provisions of IFRS 9 where applicable. Changes in accounting policies resulting from the adoption of IFRS 9 have been applied retrospectively, except as described below:

- The Group has determined the business model within which a financial asset is held and assessed the classification of its financial assets on the basis of the facts and circumstances existing at 1 January 2023. The resulting classification has been applied retrospectively irrespective of the Group's business model in prior reporting periods.
- If a financial asset had low credit risk at 1 January 2023, then the Group determined that the credit risk on the asset had not increased significantly since initial recognition.

As permitted by IFRS 7, the Group has not disclosed information about amounts that are reported in accordance with the classification and measurement (including impairment) requirements of IFRS 9 for 2022 and those that would have been reported in accordance with the classification and measurement requirements of IAS 39 for 2023.

There was no impact on equity during 2022 and prior periods as a result of adopting IFRS 9.

(e) Effect of initial application

(i) Classification of financial assets and financial liabilities

The following table outlines the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Group's financial assets and financial liabilities as at 1 January 2023:

	Original classification under IAS 39	New classification under IFRS 9	Carrying amount under IAS 39 and under IFRS 9 $m
Financial assets			
Financial investments			
Equity securities	FVTPL (designated)	FVTPL (mandatory)	544.1
Debt securities	FVTPL (designated)	FVTPL (mandatory)	3,945.5
Mortgages and loans	FVTPL (designated)	FVTPL (mandatory)	34.6
Specialised investment funds	FVTPL (designated)	FVTPL (mandatory)	388.2
Other			
Trade and other receivables	Loans and receivables	Amortised cost	520.4
Other assets	FVTPL (designated)	FVTPL (mandatory)	89.0
Derivative contracts	FVTPL (held for trading)	FVTPL (mandatory)	10.8
Cash and cash equivalents	Loans and receivables	Amortised cost	1,079.4
Total financial assets			**6,612.0**
Financial liabilities			
Derivative contracts	FVTPL (held for trading)	FVTPL (mandatory)	10.1
Borrowings	Amortised cost	Amortised cost	172.4
Other financial liabilities	FVTPL (designated)	FVTPL (designated)	92.7
Trade and other payables	Amortised cost	Amortised cost	344.1
Total Financial Liabilities			**619.3**

The Group's accounting policies on the classification of financial instruments under IFRS 9 are set out in Note 2 (c iii). Overall, there was no significant impact on the subsequent measurement or carrying amounts of financial assets and financial liabilities as a result of applying IFRS 9.

Only financial assets that were classified as loans and receivables under IAS 39 have been reclassified to the amortised cost category as a result of the transition to IFRS 9. The fair value of such financial assets as at 30 June 2023 was $1,429.3m. Accordingly, there was no impact on profit or loss or other comprehensive income in respect of reclassifying these financial assets.

No financial assets that were classified as FVTPL under IAS 39 have been reclassified to the FVOCI category as a result of the transition to IFRS 9.

(ii) Impairment of financial assets

As at 31 December 2022, the Group reported a closing impairment allowance under IAS 39 / IFRS 7 of $8.0m, relating to items classified as loans and receivables under IAS 39. No allowance was recorded in respect of finance lease receivables or receivables from contracts with customers. As at 1 January 2023, under IFRS 9, the amount recorded within the impairment allowance is unchanged from that under IAS 39 ($8.0m).

2.3.2 IFRS 17 Insurance Contracts

During the period ended 30 June 2023 the Group adopted IFRS 17 'Insurance contracts'. IFRS 17 replaces IFRS 4 Insurance Contracts for accounting periods beginning on or after 1 January 2023, with a transition date of 1 January 2022. The Group has applied IFRS 17 fully retrospectively and therefore the comparative period has been restated. The net impact of the transition has been recorded in in equity.

2 Accounting policies and basis of preparation (continued)

The nature of the changes in accounting policies is summarised below. The new accounting policies that have been applied by the group is explained in Note 2(c).

(a) Classification and measurement

The adoption of IFRS 17 did not change the classification of the Group's insurance and reinsurance contracts.

IFRS 17 establishes principles for the recognition and measurement of insurance contracts and reinsurance contracts. It introduces a general measurement model (GMM) whereby insurance contracts are measured using current estimates remeasured at each reporting date. GMM includes an estimate of the present value of future cash flows that are expected to arise as the Group fulfils the contracts, an explicit risk adjustment for non-financial risk and a contractual service margin (CSM) which represents the unearned profit of the contract.

IFRS 17 permits the application of an alternative, simplified approach to the measurement of contracts, the Premium Allocation Approach (PAA), when certain criteria are met. Most of the Group's contracts are eligible to be recorded under the PAA. The measurement of the liability for remaining coverage (LRC) under the PAA, is similar to the Group's previous accounting treatment, the most significant difference being that under IFRS 4 the Group deferred brokers commission costs and premium taxes, whereas under IFRS 17 the Group defers these costs as well as an allocation of general overheads expenses directly attributable to acquiring groups of insurance contracts.

The differences under IFRS 17 compared to IFRS 4 are more significant when measuring the liability for incurred claims (LIC), where the Group now discounts the future cash flows and includes an explicit risk adjustment for non-financial risk and no longer applies a risk margin to the liability.

(b) Transition

At the transition date, the Group recognised and measured all groups of insurance and reinsurance contracts as if IFRS 17 had always applied, and derecognised any balances that are no longer appropriate to be recorded under IFRS 17. The Group recognised the net impact of the transition to IFRS 17 in shareholder's equity.

A summary of differences that have resulted in an impact to equity as at the transition date has been illustrated in the below table:

	$m
At 1 January 2022, as previously reported	**2,146.6**
Impact of discounting	**183.2**
Impact of risk adjustment and best estimate changes	**(135.5)**
Impact of deferring more acquisition expenses	**45.0**
Recognition of CSM on opening balance	**(20.0)**
Other adjustments	**4.3**
Deferred tax impact	**(15.1)**
Restated balance at 1 January 2022	**2,208.5**

The Group has applied the transition provisions in IFRS 17 and has not disclosed the impact of the adoption of IFRS 17 on each financial statement line item.

(c) Presentation

IFRS 17 has also given rise to a number of changes to the way insurance-related items are presented in the consolidated statement of financial position and consolidated income statement.

Consolidated statement of financial position
Under IFRS 17 the liability for incurred claims is equivalent to the balance for claims reported and loss adjustment expenses and claims incurred but not reported under IFRS 4 and the liability for remaining coverage under IFRS 17 is equivalent to the sum of the liability for unearned premiums, deferred acquisition costs and premiums receivable.

Consolidated income statement
The presentation of the consolidated income statement changes, with premiums and claims figures being replaced with insurance revenue, insurance service expense and insurance finance income and expenses. Reinsurance premiums and claims are now presented in one line being net expenses from reinsurance contracts held.

2.4 Accounting policies

2.4.1 Insurance contracts

IFRS 17 has resulted in a significant change in the accounting policies applied to insurance contracts. The new accounting policies outlined below relate to both insurance contracts issued, and reinsurance contracts held unless stated otherwise.

(a) Classification

Contracts under which the Group accepts significant insurance risk are classified as insurance contracts. Contracts held by the Group under which it transfers significant insurance risk related to underlying insurance contracts are classified as reinsurance contracts.

Insurance and reinsurance contracts that expose the Group to financial risk but do not transfer significant insurance risk are accounted for as financial instruments under IFRS 9.

Insurance contracts may be issued and reinsurance contracts may be initiated by the Group, or they may be acquired in a business combination or in a transfer of contracts that do not form a business. All references in these accounting policies to 'insurance contracts' and 'reinsurance contracts' include contracts issued, initiated or acquired by the Group, unless otherwise stated.

(b) Separating components from insurance and reinsurance contracts

The Group assesses its insurance contracts to determine if they contain distinct components which must be accounted for under another IFRS other than IFRS 17. After separating any distinct components, the Group applies IFRS 17 to all remaining components of the (host). Currently, the Group's contracts issued and held do not include distinct components that require separation.

Some insurance contracts include an investment component which is not distinct from the insurance component. The non-distinct investment component of a contract is determined by the amount that is required to be repaid to a policyholder in all circumstances, regardless of whether an insured event occurs. The receipts and payments of these investment components are excluded from profit and loss.

(c) Level of aggregation

Insurance contract issued
Insurance contracts are aggregated into groups for measurement purposes. Groups of insurance contracts are determined by:

- Identifying portfolios of insurance contracts;
- Dividing a portfolio into a minimum of three groups (those that are onerous on initial recognition; those that on initial recognition, have no significant possibility of becoming onerous subsequently; and those contracts remaining in the portfolio);
- Dividing these into groups of contracts into annual cohorts (i.e. by year of issue).

Portfolios comprise contracts subject to similar risks and managed together. Contracts within a portfolio that would fall into different groups only because law or regulation specifically constrains the Group's practical ability to set a different price or level of benefits for policyholders with different characteristics are included in the same group.

Reinsurance contracts held
Portfolios of reinsurance contracts held are assessed for aggregation separately from portfolios of insurance contracts issued. Applying the group requirement, contracts held within annual cohorts are aggregated into the below groups:

- A group of contracts for which there is a net gain at initial recognition;
- A group of contracts for which, on initial recognition, have no significant possibility of a net gain arising subsequently; and
- Any remaining groups of contracts in the annual cohort.

2 Accounting policies and basis of preparation (continued)

(d) Initial recognition

The Group recognises insurance contracts it issues from the earliest of the following:

- The beginning of the coverage period of the group of contracts;
- The date when the first payment from a policyholder in the group becomes due; and
- For a group of onerous contracts, when the group becomes onerous.

Groups of reinsurance contracts held are initially recognised from the earlier of the following:

- The beginning of the coverage period of the group of reinsurance contracts held; and
- The date the Group recognises an onerous group of underlying insurance contracts, if the Group entered into the related reinsurance contract held in the group of reinsurance contracts held at or before that date.

Notwithstanding the above, the Group delays the recognition of a group of reinsurance contracts held that provide proportional coverage until the date that any underlying insurance contracts is initially recognised, if that date is later than the beginning of the coverage period of the group of reinsurance contracts held.

(e) Derecognition

The Group derecognises an insurance contract when:

- It is extinguished, i.e. when the obligation specified in the insurance contract expires, is discharged or is cancelled; or
- If the terms of the contract are modified in a way that would have changed the accounting for the contract significantly had the new terms always existed, in which case a new contract based on the modified terms is recognised.

(f) Contract boundary

Cash flows are within the boundary of an insurance contract if they arise from substantive rights and obligations that exist during the reporting period in which the Group can compel the policyholder to pay the premiums or in which the entity has a substantive obligation to provide the policyholder with insurance contract services. A substantive obligation to provide insurance contract services ends when:

- The Group has the practical ability to reassess the risks of the particular policyholder and, as a result, can set a price or level of benefits that fully reflects those risks; or
- Both of the following criteria are satisfied:
  - the Group has the practical ability to reassess the risks of the portfolio of insurance contracts that contains the contract and, as a result, can set a price or level of benefits that fully reflects the risk of that portfolio; and
  - the pricing of the premiums up to the date when the risks are reassessed does not take into account the risks that relate to periods after the reassessment date.

(g) PAA eligibility

The Group applies the PAA model to all groups of insurance contract when one of the following criteria are met:

- The Group reasonably expects that such simplification would produce a measurement of the LRC for the group that would not differ materially from the one that would be produced under GMM, or
- The coverage period of each contract in the Group is one year or less.

Most insurance contracts are measured under the PAA measurement model. All other insurance contracts are measured under GMM.

(h) Measurement of the LRC applying the PAA measurement model

Using the PAA model, the Group measures the LRC as follows:

- On initial recognition, the carrying amount of the LRC is measured as:
  - The premiums, if any, received at initial recognition;
  - Minus any insurance acquisition cash flows at that date; and
  - Plus or minus any amounts arising from the derecognition at that date of any asset of insurance acquisition cash flows and any other asset or liability previously recognised for cash flows related to the group of contracts.
- At the end of each subsequent reporting period, the carrying amount of the LRC is measured as:
  - The carrying amount at the start of the reporting period;
  - Plus the premiums received in the period;
  - Minus insurance acquisition cash flows;
  - Plus any amounts relating to the amortisation of insurance acquisition cash flows recognised as an expense in the reporting period;
  - Minus the amount recognised as insurance revenue for services provided in that period; and
  - Minus any investment component paid or transferred to the LIC.

If at any time during the coverage period, facts and circumstances indicate that a group of insurance contracts is onerous, the Group calculates the difference between the carrying amount of the LRC and the fulfilment cash flows that relate to remaining coverage of the group. To the extent that the fulfilment cash flows exceed the carrying amount of the LRC, the Group recognises a loss in profit or loss and increases the LRC.

As at 30 June 2023, none of the Groups insurance contracts have been assessed as onerous.

(i) Measurement of the LIC

The Group measures the LIC as the fulfilment cash flows relating to incurred claims. The fulfilment cash flows comprise:

- Estimates of future cash flows;
- An adjustment to reflect the time value of money and the financial risks related to the future cash flows, to the extent that the financial risks are not included in the estimates of the future cash flows; and
- A risk adjustment for non-financial risk.

The Group includes in the measurement of a group of insurance contracts all the future cash flows within the boundary of each contract in the group. The estimates of future cash flows incorporate, in an unbiased way, all reasonable and supportable information available without undue cost or effort about the amount, timing and uncertainty of those future cash flows. To do this, the Group estimates the expected value (i.e. the probability-weighted mean) of the full range of possible outcomes. The Group estimates the adjustment for non-financial risk separately from the other estimates. Additionally, the Group estimates the cash flows separately from the adjustment for the time value of money and financial risk, unless the most appropriate measurement technique combines these estimates.

The Group then adjusts the estimate of the present value of the future cash flows to reflect the compensation that it requires for bearing the uncertainty about the amount and timing of the cash flows that arises from non-financial risk.

The Group adjust the estimates of future cash flows to reflect the time value of money and the financial risks related to those cash flows, to the extent that the financial risks are not included in the estimates of cash flows. The discount rates applied to the estimates of the future cash flows:

- Reflect the time value of money, the characteristics of the cash flows and the liquidity characteristics of the insurance contracts;

- Are consistent with observable current market prices (if any) for financial instruments with cash flows whose characteristics are consistent with those of the insurance contracts, in terms of, for example, timing, currency and liquidity; and
- Exclude the effect of factors that influence such observable market prices but do not affect the future cash flows of the insurance contracts.

(j) Reinsurance contracts

In applying the measurement requirements to reinsurance contracts held, to the extent that the underlying contracts are also measured applying those paragraphs, the Group uses consistent assumptions to measure the estimates of the present value of the future cash flows for the group of reinsurance contracts held and the estimates of the present value of the future cash flows for the group(s) of underlying insurance contracts. In addition, the Group includes in the estimates of the present value of the future cash flows for the group of reinsurance contracts held the effect of any risk of non-performance by the issuer of the reinsurance contract, including the effects of collateral and losses from disputes.

The Group determines the risk adjustment for non-financial risk so that it represents the amount of risk being transferred by the holder of the group of reinsurance contracts to the issuer of those contracts.

(k) Insurance revenue

Insurance revenue for the period is the amount of expected premium receipts (excluding any investment component and adjusted to reflect the time value of money and the effect of financial risk, if applicable,) allocated to the period.

The Group allocates expected premium receipts to each period of insurance contract services on the basis of the passage of time. However, if the expected pattern of release of risk during the coverage period differs significantly from the passage of time, expected premium receipts are then allocated on the basis of the expected timing of incurred insurance service expenses.

(l) Insurance service expense

Insurance service expenses arising from insurance contracts are recognised in profit or loss generally as they are incurred and exclude repayments of investment components. These expenses comprise the following items:

- Incurred claims and other insurance service expenses;
- Amortisation of insurance acquisition cash flows: For contracts not measured under the PAA, this is equal to the amount of insurance revenue recognised in the year that relates to recovering insurance acquisition cash flows. For contracts measured under the PAA, the Group amortises insurance acquisition cash flows on a straight-line basis over the coverage period of the group of contracts;
- Losses on onerous contracts and reversals of such losses;
- Adjustments to the liabilities for incurred claims that do not arise from the effects of the time value of money, financial risk and changes therein; and
- Impairment losses on assets for insurance acquisition cash flows and reversals of such impairment losses.

(m) Net expenses from reinsurance contracts

Net expenses from reinsurance contracts comprise an allocation of reinsurance premiums paid less amounts recovered from reinsurers. The allocation of reinsurance premiums paid for each period is the amount of expected premium payments for receiving services in the period.

(n) Insurance finance income and expenses

Insurance finance income or expenses comprises the changes in the carrying amount of the group of insurance contracts arising from the effect of the time value of money and changes in the time value of money.

2.4.2 Financial instruments

(a) Investment return

Investment income comprises realised and unrealised gains and losses on its financial assets held for investment purposes (investments) that have been measured at fair value through profit or loss (FVTPL), less investment management fees. Any interest and dividends are recognised as part of realised gains and losses, and the dividends are only recognised when the shareholders' right to receive the payment is established.

Realised gains and losses on investments are calculated as the difference between net sales proceeds and cost and are recognised when the sale transaction occurs. Unrealised gains and losses on investments are calculated as the difference between the valuation at the date of the statement of financial position and the valuation at the last statement of financial position or purchase price, if acquired during the year. Unrealised investment gains and losses include adjustments in respect of unrealised gains and losses recorded in prior years which have been realised during the year and are reported as realised gains and losses in the current year's income statement.

(b) Interest revenue calculated using the effective interest method

Interest revenue is calculated using the effective interest method and is calculated by the applying the effective interest rate (EIR) to the gross carrying amount of financial assets recognised at amortised cost. Where there is objective evidence of impairment, the EIR is applied to the net carrying amount of financial assets recognised at amortised cost.

(c) Financial assets and financial liabilities

(i) Summary of measurement categories

The Group classifies it financial assets and liabilities in the following categories under IFRS 9:

Financial Assets	**Classification**	**Reason**
Investments – equity securities	FVTPL	Mandatory
Investments – debt securities	FVTPL	Mandatory
Investments – mortgages and loans	FVTPL	Mandatory
Investments – specialised investment funds	FVTPL	Mandatory
Trade and other receivables	Amortised cost	Cash flow characteristics (solely payments of principal and interest), hold to collect business model
Other assets (Fairfax shares purchased for LTIP awards)	FVTPL	Mandatory
Derivative contracts	FVTPL	Mandatory
Cash and cash equivalents	Amortised cost	Cash flow characteristics (solely payments of principal and interest), hold to collect business model

Financial Liabilities	**Classification**	**Reason**
Derivative contracts	FVTPL	Mandatory
Borrowings	Amortised cost	Mandatory
Other financial liabilities	FVTPL	Designated
Trade and other payables	Amortised cost	Mandatory

Trade and other receivables refer to the 'insurance and other receivables' line item on the Group's statement of financial position, excluding 'prepayments', 'accrued income', and 'other assets'.

Other assets refer to the investment in Fairfax shares held by the Group in order to settle long-term incentive performance (LTIP) awards.

Other financial liabilities refer to financial liabilities in respect of third-party investments in consolidated structured entities and investment funds.

2 Accounting policies and basis of preparation (continued)

Trade and other payables refer to the 'insurance and other payables' line item on the Group's statement of financial position, excluding 'deferred income', 'lease liabilities' and share-based payment liabilities recorded within 'other creditors'.

The Group does not apply hedge accounting.

ii) Initial recognition and measurement

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. All 'regular way purchases and sales' of financial assets are recognised on the trade date, i.e. the date that the Group commits to purchase or sell the asset. Regular way purchases and sales are purchases and sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the marketplace.

At initial recognition, the Group measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at FVTPL, transaction costs that are incremental and directly attributable to the acquisition or issue of the financial asset or financial liability, such as fees and commissions. Transaction costs of financial assets and financial liabilities carried at FVTPL are expensed in profit or loss. Immediately after initial recognition, an expected credit loss (ECL) allowance is recognised for financial assets measured at amortised cost.

Trade and other receivables are recognised initially at the amount of consideration that is unconditional, unless they contain significant financing components when they are recognised at fair value. Fair value of borrowings on initial recognition is normally determined by reference to the fair value of the proceeds received.

(iii) Amortised cost and effective interest rate

Amortised cost is the amount at which the financial asset or financial liability is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method for any difference between the initial amount and the maturity amount and, for financial assets, adjusted for any loss allowance. The effective interest rate (EIR) is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset (i.e. its amortised cost before any impairment allowance) or to the amortised cost of a financial liability. The calculation does not consider the ECL and includes transaction costs, premiums or discounts and fees and points paid or received that are integral to the EIR. When the Group revises the estimates of future cash flows, the carrying amount of the respective financial asset or financial liability is adjusted to reflect the new estimate discounted using the original EIR. Any changes are recognised in the income statement.

The recognition of interest revenue is outlined in the Note 2(e).

(iv) Classification and subsequent measurement of debt instrument assets

Debt instruments are those instruments that meet the definition of a financial liability from the issuer's perspective. The classification and subsequent measurement of debt instruments depend on:

- The Group's business model for managing the asset; and
- The cash flow characteristics of the asset (represented by SPPI (solely payments of principal and interest)).

Based on these factors, the Group classifies its debt instruments into one of the following three measurement categories:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent SPPI, and that are not designated at FVTPL, are measured at AC. The carrying amount of these assets is adjusted by any ECL allowance recognised. Interest revenue from these financial assets is included in 'interest revenue from financial assets not measured at FVTPL' using the EIR method.
- Fair value through Other Comprehensive Income (FVOCI): Financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets' cash flows represent SPPI, and that are not designated at FVTPL, are measured at FVOCI. The Group does not hold any financial assets that would meet these criteria.

2 Accounting policies and basis of preparation (continued)

- FVTPL: Assets that do not meet the criteria for AC or FVOCI are measured at FVTPL. A gain or loss, other than those relating to foreign exchange movements, on a debt investment that is subsequently measured at FVTPL is recognised and presented in the consolidated statement of profit or loss within net gains on FVTPL investments in the period in which it arises. Foreign exchange gains or losses are recognised in 'net foreign exchange gains/(losses)' in the period in which they arise.

(v) Business Model

The business model reflects how the Group manages assets in order to generate cash flows. That is, it reflects whether the Group's objective is solely to collect the contractual cash flows from assets or to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of the other business model and measured at FVTPL.

Factors considered by the Group in determining the business model for a group of assets include past experience on how the cash flows for these assets were collected, how the asset's performance is evaluated and reported to key management personnel, how risks are assessed and managed and how managers are compensated.

The Group's debt instruments held for investment purposes are mandatorily classified as fair value through profit or loss (FVTPL) in accordance with the Group's business model for managing investments on a fair value basis. There is a documented investment strategy to manage investments on a fair value basis, as opposed to primarily collecting contractual cash flows or primarily selling assets, and this is consistent with investment risk being assessed on a portfolio basis. Information relating to investments is provided internally to the Group's Directors and key managers on a fair value basis.

(vi) SPPI

Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Group assesses whether the financial instruments' cash flows represent SPPI (the SPPI test). In making this assessment, the Group considers whether the contractual cash flows are consistent with a basic lending arrangement (i.e. interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement). Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at FVTPL.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are SPPI.

The Group reclassifies debt investments when and only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change.

The Group may also irrevocably designate financial assets at FVTPL if doing so significantly reduces or eliminates a mismatch created by assets and liabilities being measured on different bases. The Group has not designated any such financial assets during the current period.

(vii) Classification and subsequent measurement of equity instrument assets

Equity instruments are instruments that meet the definition of equity from the issuer's perspective (i.e. instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer's net assets). The Group subsequently measures all equity investments at FVTPL. Gains and losses on equity investments at FVTPL, other than those relating to foreign exchange, are included in the line 'investment return' in the income statement. Foreign exchange gains or losses are recognised in 'net foreign exchange gains/(losses)' in the period in which they arise.

The Group chooses not to apply the FVOCI option for equity instruments that are not held for trading.

(viii) Impairment of financial assets

The Group assesses on a forward-looking basis the ECL associated with its debt instrument assets carried at AC. The Group recognises a loss allowance for such losses at each reporting date. The measurement of the ECL reflects:

- An unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The Group applies the simplified approach for impairment of trade and other receivables and recognises the lifetime ECL at initial recognition of such financial assets.

Individual receivables are written off by the Group when there is no reasonable expectation of recovering the asset or a portion thereof.

(ix) Derecognition of financial assets

Financial assets, or a portion thereof, are derecognised when the contractual rights to receive the cash flows from the assets have expired, or when they have been transferred and either (i) the Group transfers substantially all the risks and rewards of ownership; or (ii) the Group neither transfers nor retains substantially all the risks and rewards of ownership and the Group has not retained control.

(x) Classification and subsequent measurement of financial liabilities

In both the current and prior period, financial liabilities are classified and subsequently measured at AC, except for derivatives and other financial liabilities, which are measured at FVTPL. Other financial liabilities are recognised in respect of third-party investments in consolidated structured entities and investment funds. The fair value of the investments by independent third parties is determined by reference to the net assets of those entities, which may also require reference to the underlying net assets of other vehicles or investment funds in which those entities have invested. Gains or losses in respect of changes in fair value is recognised through the income statement.

(xi) Derecognition of financial liabilities

A financial liability is derecognised when it is extinguished which is when the obligation in the contract is discharged, cancelled or expired.

(xii) Derivative contracts

Derivative financial instruments include foreign exchange contracts, forward rate agreements, interest rate futures, currency and interest rate swaps and other financial instruments that derive their value mainly from underlying interest rates, foreign exchange rates, credit indices, commodity values or equity instruments.

Derivatives are initially recognised at fair value on the date on which the derivative contract is entered into and are subsequently remeasured at FVTPL. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

Derivative contracts may be traded on an exchange or over-the-counter (OTC). Exchange-traded derivatives are standardised and include certain futures and option contracts. OTC derivative contracts are individually negotiated between contracting parties and include forwards and swaps.

Derivatives are subject to various risks including market, liquidity and credit risk, similar to those related to the underlying financial instruments. Many OTC transactions are contracted and documented under International Swaps and Derivatives Association (ISDA) master agreements or their equivalent, which are designed to provide legally enforceable set-off in the event of default, reducing the Group's exposure to credit risk. The notional or contractual amounts associated with derivative financial instruments are not recorded as assets or liabilities on the statement of financial position as they do not represent the fair value of these transactions.

(xiii) Fair value measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value of financial assets and liabilities traded in active markets (which are the principal markets or the most advantageous markets that maximise the amount that would be received to sell the asset or minimise the amount that would be paid to transfer the liability) are based on quoted market bid and ask price for both financial assets and financial liabilities respectively.

The fair value of financial assets and liabilities that are not traded in an active market, including over-the-counter derivatives, is determined using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each reporting date. Valuation techniques include the use of comparable recent arm's-length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, option pricing models and others commonly used by market participants and which make the maximum use of observable inputs.

2.4.3 IAS 12 Income Taxes

On 23 May 2023, the International Accounting Standards Board issued amendments to IAS 12 Income Taxes which include a mandatory temporary exception to the accounting and disclosure for deferred taxes arising from the implementation of the Pillar Two Model Rules. The amendments were endorsed for adoption in the United Kingdom on 19 July 2023, following which the relief is effective immediately and applies retrospectively in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. Brit Limited has therefore applied deferred tax exception for the purpose of its condensed consolidated interim financial statements for the six months ended 30 June 2023.

Note 2.5.11 per the Group's 2022 Annual Report has been reviewed and updated to reflect the amendment to IAS 12.

2.5 Critical accounting estimates and judgements in applying accounting policies

Certain Critical accounting estimates and judgements in applying accounting policies (Notes 3.2 and 3.3) per the Group's 2022 Annual Report have been reviewed and updated to reflect the adoption of IFRS 17.

Management is required to make various judgements, estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses. The critical accounting estimates and judgements that are made when reporting are in relation to measurement of Insurance Contracts and Financial Instruments and have been summarised below:

2.5.1 Insurance contracts

(a) Premium Allocation Approach (PAA) eligibility assessment

The Group applies the simplified measurement model to all insurance contracts when the eligibility criteria are met. For contracts with coverage periods more than 12 months, management must assess if the simplification would produce a measurement of the liability for remaining coverage (LRC) for the group that would not differ materially from the one that would be produced under the General Measurement Model (GMM).

The criterion is not met if at the inception of the group of contracts the Group expects significant variability in the fulfilment cash flows that would affect the measurement of the LRC during the period before a claim is incurred. In making this assessment, the Group must assess what scenarios may reasonably be expected that would create significant variability in the fulfilment cash flows. Additionally, the Group must assess the quantum of variability in fulfilment cash flows that would be considered material.

(b) Measurement of liability for incurred claims (LIC)

The Group measures the LIC as the fulfilment cash flows relating to incurred claims. There is significant accounting estimation and judgement required in the measurement of the fulfilment cash flows.

The fulfilment cash flows, comprise:

- Estimates of future cash flows;
- An adjustment to reflect the time value of money and the financial risks related to the future cash flows, to the extent that the financial risks are not included in the estimates of the future cash flows; and
- A risk adjustment for non-financial risk.

(i) Future cash flows

There are several sources of uncertainty that need to be considered in the estimate of the future cash flows that the Group will ultimately pay to settle such claims. Significant areas requiring estimation and judgement include:

- Estimates of the amount of any liability in respect of claims notified but not settled and incurred but not reported claims (IBNR) to be included within liability for inwards insurance and reinsurance contracts;
- The corresponding estimate of the amount of outwards reinsurance recoveries which will become due as a result of the estimated claims on inwards business;
- The effect of any risk of non-performance by the reinsurer; and
- Estimates of the proportion of exposure which has expired in the period.

The assumptions used and the manner in which these estimates and judgements are made are set out below, including the reserving process for the estimation of gross, and net of reinsurance, ultimate premiums and claims:

- Quarterly statistical data is produced in respect of gross and net premiums and claims (paid and incurred);
- Projections of ultimate premiums, reinstatement premiums and claims are produced by the internal actuarial department using standard actuarial projection techniques (e.g. Basic Chain Ladder, Bornhuetter-Ferguson, Initial Expected Loss Ratio). The Basic Chain Ladder and Bornhuetter-Ferguson projection methods are based on the key assumption that historical development of premiums and claims is representative of future development. Claims inflation is taken into account in the Initial Expected Loss Ratio selections but is otherwise assumed to be in line with historical inflation trends, unless explicit adjustments for other drivers of inflation such as legislative developments are deemed appropriate;
- Some classes of business have characteristics which do not necessarily lend themselves easily to statistical estimation techniques, e.g. due to low data volumes. In such cases, for example, a policy-by-policy review may also be carried out to supplement statistical estimates;
- In the event of catastrophe losses, prior to detailed claims information becoming available, claims provision estimates are compiled using a combination of output from specific recognised modelling software and detailed reviews of contracts exposed to the event in question;
- The initial ultimate selections derived by the actuarial department, along with the underlying key assumptions and methodology, are discussed with class underwriters, divisional underwriting directors and the claims team at ‘pre-committee’ meetings. The actuarial department may make adjustments to the initial ultimates following these meetings;
- Following the completion of the ‘pre-committee’ meetings and peer review process within the actuarial department, the ultimate selections (actuarial estimate), assumptions, methodology and uncertainties are presented to the Reserving Committee for discussion and debate; and
- Following review of the actuarial estimate, the Reserving Committee recommends the committee estimates to be adopted in the financial statements.

(ii) Adjustment for the time value of money

The discount rate is determined by adjusting a liquid risk-free yield curve to reflect the differences between the liquidity characteristics of the financial instruments that underlie the rates observed in the market and the liquidity characteristics of the insurance contracts (i.e. bottom-up approach).

2 Accounting policies and basis of preparation (continued)

The following discount rates were applied for the currencies and periods presented below:

	6m ended 30 June 2023		
	1 Year	**2 Years**	**3 Years**
	%	**%**	**%**
USD	**5.62**	**5.07**	**4.81**
GBP	**6.13**	**5.98**	**5.76**
EUR	**3.73**	**3.44**	**3.24**
CAD	**5.49**	**5.41**	**5.18**

	Year ended 31 December 2022		
	1 Year	2 Years	3 Years
	%	%	%
USD	5.57	4.99	4.40
GBP	5.37	5.35	4.74
EUR	3.48	3.51	3.16
CAD	5.37	4.04	3.85

(c) Risk adjustment

Risk adjustment for non-financial risk is determined to reflect the compensation that an insurer would require for bearing non-financial risk. The Group has calculated the risk adjustment via a confidence level approach, with a distribution estimated using a Bootstrap method. The risk adjustment is calculated gross and net of reinsurance contracts, and the risk adjustment allocated to reinsurance contracts is calculated as the difference between the two results.

The chosen confidence level of the risk adjustment is set and reviewed annually. At 30 June 2023, the risk adjustment in respect of the LIC net of reinsurance is set at a confidence level of 75% (31 December 2022: 75%).

(d) Measurement of Insurance Revenue for PAA contracts

Insurance revenue for contracts measured under the PAA is based on estimates of the ultimate premiums expected to be received. See above disclosure on judgements involved in determining future cash flows for methodology on determining estimated ultimate premiums.

3 Risk management policies

The Group's financial, insurance and other risk management objectives and policies are consistent with those disclosed in Note 4 to the Group's consolidated financial statements as at and for the year ended 31 December 2022. The principal risks and uncertainties are unchanged and may be summarised as insurance risk, underwriting risk, reinsurance risk, reserving risk, investment risk, market risk, credit risk, liquidity risk, operational risk, emerging risk, capital management risk, Sussex: Governance Structure risk and Ki: Governance and Risk Management Framework risk.

Further details are provided on pages 8 and 9 of the Interim Management Report.

The below table presents information on how a 1% movement in yield curves would impact profit before tax for the year:

	30 June 2023 $m	30 June 2022 $m
1% increase		
Impact from change in reinsurance contracts assets	**(52.2)**	(53.9)
Impact from change in insurance contract liabilities	**165.1**	154.0
Net impact	**112.9**	100.1

3 Risk management policies (continued)

	30 June 2023 $m	30 June 2022 $m
1% decrease		
Impact from change in reinsurance contracts assets	**52.2**	53.9
Impact from change in insurance contract liabilities	**(165.1)**	(154.0)
Net impact	**(112.9)**	(100.1)

Subject to taxation, the effect on shareholder's equity would be the same as the effect on profit.

4 Seasonality of operations

The Group underwrites a wide range of risks, some of which are subject to potential seasonal variation. The most material of these is the Group's exposure to North Atlantic hurricanes which are largely concentrated into the second half of a calendar year. The Group actively participates in many regions and if any catastrophe events do occur, it is likely that the Group will share some of the market's losses. Consequently, the potential for significantly greater volatility in expected returns remains during the second half of the year.

5 Segmental information

As at 30 June 2023, the reportable segments identified were as follows:

- 'Core Underwriting' is Syndicate 2987, Brit's share of Syndicate 2988 and Brit Reinsurance (Bermuda) Limited, with trading between the two syndicates eliminated. It includes both direct and reinsurance business:
  - Direct business represents the Group's international and US business predominantly transacted with wholesale buyers of insurance, rather than individuals. Risks are large and usually syndicated by several underwriters by means of the subscription market; and
  - Reinsurance business (essentially the insurance of insurance and reinsurance companies) and includes writing non-proportional cover for major events such as earthquakes or hurricanes. These insurance and reinsurance companies calculate how much risk they want to retain and then pass on their remaining exposure to reinsurers in return for a premium.
- 'Other Underwriting', includes:
  - The Group's special purpose vehicles, net of trading with the 'Core Underwriting' segment;
  - Fee income received from Ki by other group companies, less expenses incurred on Ki's behalf;
- 'Ki Syndicate' represents the underwriting activities of Ki Syndicate 1618. This information has been prepared for the purposes of Brit Limited segmental reporting and does not constitute stand-alone financials for Ki Syndicate 1618 or the Ki Financial Limited sub-group in whole or part.

As permitted by IAS 34, the Group has presented a condensed segmental profit and loss, disaggregating line items up to and including the 'Insurance service result'.

The segmental analysis also includes an analysis between 'continuing business' and 'discontinued business', thereby reconciling to the Consolidated Income Statement. The segments for the six months ended 30 June 2023 and the six months ended 30 June 2022 have been re-presented on this basis.

5 Segmental information (continued)

Statement of profit or loss by segment

6 months ended 30 June 2023 Unaudited

$m	Core Underwriting	Other Underwriting	Total Brit (excl. Ki)	Ki Syndicate	Total Group Continuing operations
Insurance revenue	**1,203.1**	**5.7**	**1,208.8**	**396.4**	**1,605.2**
Acquisition costs	(213.5)	(14.2)	**(227.7)**	(93.4)	**(321.1)**
Incurred claims and changes to liabilities for incurred claims	(604.1)	6.0	**(598.1)**	(181.1)	**(779.2)**
Other attributable expenses	(50.1)	1.8	**(48.3)**	(8.4)	**(56.7)**
Insurance service expenses	(867.7)	(6.4)	**(874.1)**	(282.9)	**(1,157.0)**
Allocation of reinsurance premiums	(292.0)	-	**(292.0)**	(45.6)	**(337.6)**
Amount recoverable from reinsurers for incurred claims	221.6	-	**221.6**	27.0	**248.6**
Net expenses from reinsurance contracts held	(70.4)	-	**(70.4)**	(18.6)	**(89.0)**
Insurance service result	**265.0**	**(0.7)**	**264.3**	**94.9**	**359.2**
Combined ratio					**93.3%**

6 months ended 30 June 2022 Unaudited (restated)

$m	Core Underwriting	Other Underwriting	Total Brit (excl. Ki)	Ki Syndicate	Total Group Continuing operations
Insurance revenue	1,188.7	4.5	1,193.2	230.5	1,423.7
Acquisition costs	(219.3)	(16.7)	(236.0)	(59.3)	(295.3)
Incurred claims and changes to liabilities for incurred claims	(699.1)	(4.4)	(703.5)	(118.5)	(822.0)
Other attributable expenses	(53.8)	1.1	(52.7)	(6.2)	(58.9)
Insurance service expenses	(972.2)	(20.0)	(992.2)	(184.0)	(1,176.2)
Allocation of reinsurance premiums	(256.1)	-	(256.1)	(23.3)	(279.4)
Amount recoverable from reinsurers for incurred claims	236.6	-	236.6	13.4	250.0
Net expenses from reinsurance contracts held	(19.5)	-	(19.5)	(9.9)	(29.4)
Insurance service result	197.0	(15.5)	181.5	36.6	218.1
Combined ratio					93.6%

5 Segmental information (continued)

Reconciliation between segmental information and profit after tax

	Unaudited 6 months ended 30 June 2023 $m	(Restated) Unaudited 6 months ended 30 June 2022 $m
Insurance service result – Total Group Continuing operations	**359.2**	218.1
Net finance (expenses) / income from insurance contracts	(108.7)	200.1
Net finance income / (expenses) from reinsurance contracts held	28.8	(66.6)
Interest revenue from financial assets not measured at FVTPL	22.4	4.0
Other investment return	137.1	(239.0)
Return on derivative contracts	(16.8)	(7.3)
Other income	26.6	12.1
Losses on other financial liabilities	(9.4)	(5.3)
Net foreign exchange (losses) / gains	(45.0)	55.5
Other operating expenses	(74.2)	(48.9)
Finance costs	(9.3)	(10.9)
Share of profit of associates after tax of associated undertakings	0.9	0.8
Profit on ordinary activities before income tax	**311.6**	112.6
Tax expense	**(3.7)**	(75.5)
Profit from continuing operations	**307.9**	37.1
Profit / (loss) from discontinued operation, net of tax	266.2	(5.0)
Profit for the period	**574.1**	32.1

6 Investment return

6 months ended 30 June 2023

	Investment income $m	**Net realised gains/ (losses) $m**	**Net unrealised (losses)/gains $m**	**Total investment return $m**
Measured at FVTPL				
Equity securities	**4.4**	**45.9**	**(11.3)**	**39.0**
Debt securities	**74.1**	**(80.8)**	**57.9**	**51.2**
Mortgages and loans	**1.8**	**-**	**-**	**1.8**
Specialised investment funds	**0.4**	**(0.6)**	**56.4**	**56.2**
Other investment return before expenses	**80.7**	**(35.5)**	**103.0**	**148.2**
Investment management expenses	**(11.1)**	**-**	**-**	**(11.1)**
Other investment return	**69.6**	**(35.5)**	**103.0**	**137.1**
Not measured at FVTPL				
Cash and cash equivalents	**22.4**	**-**	**-**	**22.4**
Trade and other receivables	**0.6**	**-**	**-**	**0.6**
Interest revenue from financial assets not measured at FVTPL	**23.0**	**-**	**-**	**23.0**
Total investment return	**92.6**	**(35.5)**	**103.0**	**160.1**

During the six-month period ending 30 June 2023, investment return in respect of the discontinued operation solely relates to investment income from cash and cash equivalents of $0.6m (2022: nil).

6 Investment return (continued)

6 months ended 30 June 2022 (Restated)

	Investment income $m	Net realised (losses)/gains $m	Net unrealised (losses)/gains $m	Total investment return $m
Measured at FVTPL				
Equity securities	4.2	(19.6)	(41.4)	(56.8)
Debt securities	21.0	(17.2)	(130.1)	(126.3)
Mortgages and loans	0.7	-	-	0.7
Specialised investment funds	0.1	0.5	(50.3)	(49.7)
Other investment return before expenses	26.0	(36.3)	(221.8)	(232.1)
Investment management expenses	(6.9)	-	-	(6.9)
Other investment return	19.1	(36.3)	(221.8)	(239.0)
Not measured at FVTPL				
Cash and cash equivalents	3.7	-	-	3.7
Trade and other receivables	0.3	-	-	0.3
Interest revenue from financial assets not measured at FVTPL	4.0	-	-	4.0
Total investment return	23.1	(36.3)	(221.8)	(235.0)

7 Return on derivative contracts

	6 months ended 30 June 2023 $m	6 months ended 30 June 2022 $m
Measured at FVTPL		
Investment-related non-currency options	**(13.4)**	0.8
Currency forwards	**(3.4)**	(8.1)
Total return on derivative contracts	**(16.8)**	(7.3)

8 Discontinued operation

(a) Summary

In December 2022, management committed to a plan to collectively sell a number of the Group's subsidiaries (collectively termed 'Ambridge'). The subsidiaries included in the plan are as follows:

- Brit Insurance USA Holdings Inc.
- Brit Insurance Services USA, LLC (formerly Brit Insurance Services USA Inc.)
- Ambridge US Service Company, Inc.
- Ambridge Partners LLC
- Ambridge Diligence Services LLC (formerly Ambridge Due Diligence Services LLC)
- Ambridge Europe Limited
- Ambridge European Holdings Limited
- Ambridge Europe GmbH & Co. KG
- Ambridge German Holdings GmbH

Accordingly, the Ambridge business was presented as a disposal group held for sale in the 2022 financial statements.

8 Discontinued operation (continued)

Ambridge was sold to Amynta on 10 May 2023. Ambridge undertakes a significant portion of the distribution activity of the Group and had a material balance sheet value. As such, the results of the Ambridge business have been reported as a discontinued operation in the current and prior periods. The discontinued operation includes the elimination of intragroup transactions with continuing operations, along with adjustments to reflect how transactions between continuing operations and the discontinued operation will be reflected in continuing operations going forward.

(b) Financial performance and cash flow information

The financial performance of Ambridge in the current and prior period was as follows:

	6 months ended 30 June 2023 $m	6 months ended 30 June 2022 $m
Operating Activities		
Revenue[1]	**17.4**	12.0
Expenses[2]	**(9.8)**	(13.0)
Profit / (loss) before income tax	**7.6**	(1.0)
Income tax expense	**(0.5)**	(4.0)
Profit / (loss) after income tax of discontinued operation	**7.1**	(5.0)
Gain on sale after income tax and reclassification of foreign currency translation reserve (see (c) below)	259.1	-
Profit / (loss) from discontinued operation, net of tax	**266.2**	(5.0)
Exchange differences on translation of discontinued operation	**0.5**	(2.5)
Reclassification of foreign currency translation reserve on disposal of foreign operation	**1.9**	-
Other comprehensive income / (expense) from discontinued operation	**2.4**	(2.5)
Total comprehensive income / (expense) from discontinued operation	**268.6**	(7.5)

1. Revenue includes $16.8m (2021: $10.5m) fee and commission-related income and $0.6m of interest income (2022: nil). The caption also includes net foreign exchange gains.
2. $1.1m (2022: ($5.7)m) of insurance service expenses and $8.0m (2022: $18.8m) of other operating expenses are included within the expenses caption. The caption also includes other expenses such as finance costs and net foreign exchange losses.

No gains or losses arose in respect of the remeasurement of asset or liabilities as held for sale.

All profits and losses, and other comprehensive income, from the discontinued operation are attributable to the owners of the parent in both the current and prior period.

The cash flow information for Ambridge in the current and prior period was as follows:

	6 months ended 30 June 2023 $m	6 months ended 30 June 2022 $m
Net cash inflow from operating activities	**31.6**	20.8
Net cash inflow from investing activities	**-**	0.1
Net cash outflow from financing activities	**(32.6)**	-
Net (decrease) / increase in cash generated by the discontinued operation	**(1.0)**	20.9

In addition, cash proceeds from the sale of Ambridge totalled $265.8m, with group cash balance incorporated within the sale totalling $137.1m. As a result, net cash inflow from the sale of Ambridge totalled $128.7m.

8 Discontinued operation (continued)

(c) Details of the sale of the subsidiary

	10 May 2023 $m
Consideration received or receivable:	
Cash	**265.8**
Fair value of bond	**113.2**
Total disposal consideration	**379.0**
Carrying amount of net assets sold	**(118.0)**
Gain on sale before and after income tax	**261.0**
Reclassification of foreign currency translation reserve	**(1.9)**
Gain on sale after income tax and reclassification of foreign currency translation reserve (see (a) above)	**259.1**

The gain on sale after income tax has been presented in the 'Profit / (loss) from discontinued operation, net of tax' line of the consolidated income statement.

As part of the sale, Brit Group were issued a 5-year bond with a nominal value of $125.0m. The bond is due for repayment on 10 May 2028, and as at the date of disposal, it was deemed to have a fair value of $113.2m. It has been recognised as a financial asset at fair value through profit or loss. At 30 June 2023, there was no change to the fair value of the bond recognised at initial recognition.

Separately, in the event the operations of Ambridge achieve certain performance criteria during the period 1 January 2023 to 31 December 2023, as specified in the sale agreement, additional cash consideration of up to $100.0m will be receivable. If this were to materialise, Brit Group would expect to receive this additional consideration in the second quarter of 2024. At the point of disposal, the fair value of the contingent consideration was determined to be nil.

The carrying amounts of assets and liabilities, including those relating to the unwind of Ambridge-related consolidation adjustments, as at the date of sale (10 May 2023) were as follows:

	10 May 2023 $m
Goodwill	**45.9**
Distribution channels	**32.0**
Other intangibles	**0.6**
Property, plant and equipment	**3.4**
Current taxation	**2.0**
Deferred taxation	**19.2**
Trade and other receivables	**108.6**
Cash and cash equivalents	**137.1**
Total assets	**348.8**
Insurance contract liabilities	**(18.4)**
Current taxation	**(3.3)**
Deferred taxation	**(9.6)**
Trade and other payables	**(199.5)**
Total liabilities	**(230.8)**
Net assets	**118.0**

8 Discontinued operation (continued)

(d) Assets and liabilities of disposal group classified as held for sale

The following assets and liabilities were reclassified as held for sale in relation to the discontinued operation as at 31 December 2022:

	Ambridge $m	Consolidation Adjustment $m	31 December 2022 $m
Assets classified as held for sale:			
Goodwill	45.9	-	45.9
Distribution channels	32.1	-	32.1
Other intangibles	0.5	-	0.5
Property, plant and equipment	3.6	-	3.6
Current taxation	4.5	-	4.5
Deferred taxation	6.2	4.5	10.7
Trade and other receivables	133.9	(37.7)	96.2
Cash and cash equivalents	67.8	70.3	138.1
Total assets of disposal group held for sale	**294.5**	**37.1**	**331.6**
Liabilities directly associated with assets classified as held for sale:			
Current taxation	4.3	**-**	4.3
Trade and other payables	166.8	(121.5)	45.3
Total liabilities of disposal group held for sale	**171.1**	**(121.5)**	**49.6**

The cumulative foreign exchange losses recognised in other comprehensive income in relation to the discontinued operation as at 31 December 2022 were $2.4m.

9 Other income (including losses on other financial liabilities)

	6 months ended 30 June 2023 $m	6 months ended 30 June 2022 $m
Fees and commission from non-aligned syndicate	**2.3**	3.0
Change in value of ultimate parent company shares held by Brit	**21.2**	7.2
Net commission fee income from intermediary activities	**16.8**	11.4
Consortium income	**2.3**	2.6
Other	**0.8**	(1.6)
Other income	**43.4**	22.6
Change in value of other financial liabilities*	**(9.4)**	(5.3)
Total	**34.0**	17.3
Attributable to:		
Continuing operations	**17.2**	6.8
Discontinued operation	**16.8**	10.5
	34.0	17.3

*Other financial liabilities are investments by third parties in structured insurance and investment entities consolidated by the Group

10 Net foreign exchange (losses)/gains

The Group recognised foreign exchange losses of $46.0m (30 June 2022: gains of $57.0m) in the consolidated income statement in the period.

Foreign exchange gains and losses result from the translation of the consolidated balance sheet to closing exchange rates and the consolidated income statement to average exchange rates.

	6 months ended 30 June 2023 $m	(Restated) 6 months ended 30 June 2022 $m
(Losses)/gains on foreign exchange arising from:		
Translation of the statement of financial position and income statement	**(46.0)**	57.0
Net foreign exchange (losses)/gains	**(46.0)**	57.0
Attributable to:		
Continuing operations	**(45.0)**	55.5
Discontinued operation	**(1.0)**	1.5
	(46.0)	57.0

Principal exchange rates applied are set out in the table below.

	6 months ended 30 June 2023		6 months ended 30 June 2022	
	Average	**Closing**	Average	Closing
Sterling	0.811	0.787	0.771	0.823
Canadian dollar	1.348	1.323	1.272	1.290
Euro	0.925	0.917	0.915	0.957
Australian dollar	1.480	1.502	1.391	1.454
South African rand	18.204	18.891	15.400	16.383

In accordance with IAS 1 'Presentation of Financial Statements', exchange gains and losses are presented on a net basis. They are reported within revenue where they result in a net gain and within expenses where they result in a net loss.

11 Insurance service expenses and other operating expenses

	6 months ended 30 June 2023 $m	(Restated) 6 months ended 30 June 2022 $m
Claims	**779.2**	822.0
Commission costs	**245.3**	272.7
Salary, pension and social security costs	**134.1**	106.1
Other staff related costs	**27.7**	14.9
Accommodation costs	**3.6**	3.5
Legal and professional charges	**13.4**	10.1
IT costs	**16.3**	15.0
Travel and entertaining	**3.0**	2.6
Marketing and communications	**1.1**	1.2
Amortisation and impairment of intangible assets	**4.4**	5.7
Depreciation and impairment of property, plant and equipment	**3.3**	4.4
Regulatory levies and charges	**40.6**	35.5
Other	**4.5**	5.2
Reclassification of expenses relating to paid unallocated loss adjustment expenses	**(13.7)**	(12.2)
Expenses before deferrals	**1,262.8**	1,286.7
Deferral of insurance acquisition cash flows	**(22.5)**	(48.5)
Total Insurance service expenses and other operating expenses	**1,240.3**	1,238.2
Insurance service expenses attributable to:		
Continuing operations	**1,157.0**	1,176.2
Discontinued operation	**1.1**	(5.7)
	1,158.1	1,170.5
Other operating expenses attributable to:		
Continuing operations	**74.2**	48.9
Discontinued operation	**8.0**	18.8
	82.2	67.7
Total Insurance service expenses and other operating expenses	**1,240.3**	1,238.2

12 Tax expense

(a) Tax charged to income statement

	6 months ended 30 June 2023 $m	(Restated) 6 months ended 30 June 2022 $m
Current tax:		
Overseas tax on income for the period	**(4.0)**	(2.0)
	(4.0)	(2.0)
Adjustments in respect of prior years	**9.7**	(4.5)
Total current tax	**5.7**	(6.5)
Deferred tax:		
Relating to the origination and reversal of temporary differences	**(1.3)**	(74.3)
Adjustments in respect of prior years	**(8.6)**	1.3
Total deferred tax	**(9.9)**	(73.0)
Total tax charged to income statement	**(4.2)**	(79.5)
Tax charged to the income statement is attributable to:		
Profit or loss from continuing operations	**(3.7)**	(75.5)
Profit or loss from discontinued operation	**(0.5)**	(4.0)
	(4.2)	(79.5)

Overseas taxes arise in respect of the Group's subsidiaries in the US, Germany, and South Africa and as a result of the Group's operations at Lloyd's. Double tax relief principally arises from taxes suffered as a result of the Group's operations at Lloyd's. Double tax relief is effectively limited to an amount equal to the tax due at the UK tax rate on the same source of income. The double tax relief amount is included within deferred tax on the basis that the amount will be recovered against future liabilities within the Group.

(b) Tax charged to other comprehensive income

	6 months ended 30 June 2023 $m	6 months ended 30 June 2022 $m
Deferred tax loss on actuarial gains on defined benefit pension schemes	**(0.1)**	-

(c) OECD 'Pillar Two' rules

Brit Limited and its subsidiaries are expected to fall within the scope of the Organisation for Economic Co-operation and Development's new global minimum tax framework known as the Pillar Two Model Rules.

Canada stated in its 2023 Federal Budget that it intends to release draft legislation in 2023, which will be effective from 1 January 2024. The UK legislation governing the Income Inclusion Rule and the UK's Qualifying Domestic Minimum Top-Up Tax were substantively enacted in June 2023. A Bermudian governmental working group is currently considering how to implement the Pillar Two Model Rules, but no commitment has been made regarding when these will come into effect.

13 Insurance and reinsurance contracts

Movement in net insurance contract balances

	6 months to 30 June 2023		
Analysis by remaining coverage and incurred claims	**Remaining coverage $m**	**Incurred claims $m**	**Total $m**
Insurance contracts issued	**123.0**	**5,325.8**	**5,448.8**
Reinsurance contracts held	**(210.0)**	**(1,556.0)**	**(1,766.0)**
Net opening balance	**(87.0)**	**3,769.8**	**3,682.8**
Change in the consolidated statement of earnings			
Insurance revenue, net of allocation of reinsurance premiums	**(1,267.6)**	**-**	**(1,267.6)**
Insurance service expenses, net of amounts recoverable from reinsurers			
Losses on claims and other insurance service expenses	**-**	**624.2**	**624.2**
Amortisation of insurance acquisition cash flows	**285.3**	**-**	**285.3**
Insurance service expenses, net of amounts recoverable from reinsurers	**285.3**	**624.2**	**909.5**
Insurance service result[1]	**(982.3)**	**624.2**	**(358.1)**
Net finance (income) / expense from insurance and reinsurance contracts	**(18.6)**	**98.5**	**79.9**
Net effect of movements in exchange rates	**23.1**	**(36.9)**	**(13.8)**
Total changes in the consolidated income statement	**(977.8)**	**685.8**	**(292.0)**
Investment components	**2.3**	**(2.3)**	**-**
Cash flows			
Net premiums received	**1,155.7**	**-**	**1,155.7**
Net claims and other insurance service expenses paid	**(312.2)**	**(575.8)**	**(888.0)**
Changes in funds withheld account	**(7.0)**	**-**	**(7.0)**
Total cash flows	**836.5**	**(575.8)**	**260.7**
Net closing balance	**(226.0)**	**3,877.5**	**3,651.5**
Insurance contracts issued	**64.3**	**5,491.3**	**5,555.6**
Reinsurance contracts held	**(290.3)**	**(1,613.8)**	**(1,904.1)**
Net closing balance	**(226.0)**	**3,877.5**	**3,651.5**

[1]Of which ($1.1m) relates to operations that have been presented in discontinued operations.

Presented in the Condensed Consolidated Statement of Financial Position as follows:

	30 June 2023	31 December 2022
Insurance contracts issued	**5,555.6**	5,448.8
Assets for insurance acquisition cash flows	**(10.0)**	(18.6)
Insurance contract net liability	**5,545.6**	5,430.2
Reinsurance contract net asset	**(1,904.1)**	(1,766.0)

13 Insurance and reinsurance contracts (continued)

Movement in net insurance contract balances

	6 months to 30 June 2022		
Analysis by remaining coverage and incurred claims	**Remaining coverage $m**	**Incurred claims $m**	**Total $m**
Insurance contracts issued	144.8	4,991.4	5,136.2
Reinsurance contracts held	(354.7)	(1,417.8)	(1,772.5)
Net opening balance	(209.9)	3,573.6	3,363.7
Change in the consolidated statement of earnings			
Insurance revenue, net of allocation of reinsurance premiums	(1,144.3)	-	(1,144.3)
Insurance service expenses, net of amounts recoverable from reinsurers			
Losses on claims and other insurance service expenses	-	647.5	647.5
Amortisation of insurance acquisition cash flows	290.2	-	290.2
Prior year development	-	(17.2)	(17.2)
Insurance service expenses, net of amounts recoverable from reinsurers	290.2	630.3	920.5
Insurance service result[1]	(854.1)	630.3	(223.8)
Net finance expense / (income) from insurance and reinsurance contracts	18.7	(152.2)	(133.5)
Net effect of movements in exchange rates	(60.3)	13.8	(46.5)
Total changes in the consolidated income statement	(895.7)	491.9	(403.8)
Investment components	1.4	(1.4)	-
Cash flows			
Net premiums received	1,147.7	0.5	1,148.2
Net claims and other insurance service expenses paid	(324.2)	(573.3)	(897.5)
Changes in funds withheld account	(96.3)	-	(96.3)
Total cash flows	727.2	(572.8)	154.4
Net closing balance	(377.0)	3,491.3	3,114.3
Insurance contracts issued	121.1	4,899.9	5,021.0
Reinsurance contracts held	(498.1)	(1,408.6)	(1,906.7)
Net closing balance	(377.0)	3,491.3	3,114.3

Presented in the Condensed Consolidated Statement of Financial Position as follows:

	30 June 2022	31 December 2021
Insurance contracts issued	5,021.0	5,136.2
Assets for insurance acquisition cash flows	(9.4)	(20.3)
Insurance contract net liability	5,011.6	5,115.9
Reinsurance contract net asset	(1,906.7)	(1,772.5)

14 Financial assets and financial liabilities

The fair values and carrying amounts of the Group's financial assets and financial liabilities, apart from lease liabilities, has been disclosed below:

		Note	30 June 2023 Fair value $m	30 June 2023 Carrying amount $m	31 December 2022 Fair value $m	31 December 2022 Carrying amount $m
Financial assets						
Investments – equity securities	FVTPL	15	483.9	483.9	544.1	544.1
Investments – debt securities	FVTPL	15	4,463.2	4,463.2	3,945.5	3,945.5
Investments – mortgages and loans	FVTPL	15	96.0	96.0	34.6	34.6
Investments – specialised investment funds	FVTPL	15	459.9	459.9	388.2	388.2
Other assets	FVTPL		112.6	112.6	89.0	89.0
Derivative contracts	FVTPL	16	10.3	10.3	10.8	10.8
Total financial assets			**5,625.9**	**5,625.9**	**5,012.2**	**5,012.2**
Financial liabilities						
Derivative contracts	FVTPL	16	13.8	13.8	10.1	10.1
Other financial liabilities	FVTPL		101.4	101.4	92.7	92.7
Borrowings	Amortised Cost		135.3	181.6	130.6	172.4
Total financial liabilities			**250.5**	**296.8**	**233.4**	**275.2**

Other financial instruments have not been disclosed in the table above as they are either short-term receivables or payables where carrying amounts are deemed a reasonable approximation of fair value.

15 Financial investments

The note summarises the total value of the financial assets of the Group and shows how much has been invested in each class of asset. It also explains how each asset is categorised under three different levels of hierarchy, the methods used to value assets within each level and assets transferred between level.

	30 June 2023 $m	31 December 2022 $m
Equity securities	**483.9**	544.1
Debt securities	**4,463.2**	3,945.5
Mortgages and loans	**96.0**	34.6
Specialised investment funds	**459.9**	388.2
	5,503.0	4,912.4

All financial investments have been measured at fair value through profit or loss.

Basis for determining the fair value hierarchy of financial instruments

The Group has classified the fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making those measurements. The fair value hierarchy comprises the following levels:

(a) Level one – Valuations based on quoted prices (unadjusted) in active markets for identical assets;

(b) Level two - Valuations based on inputs other than quoted prices included within level one that are observable for the asset, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

(c) Level three - Valuations based on inputs for the assets that are not based on observable market data (unobservable inputs).

15 Financial investments (continued)

Assets are categorised as level one where fair values determined in whole directly by reference to an active market relate to prices which are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's-length basis, i.e. the market is still active.

For assets and liabilities that are recognised at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level of input that is significant to the fair value measurement as a whole) at the end of each reporting period. Fair values for level two and level three assets include:

- Values provided at the request of the Group by pricing services and which are not publicly available or values provided by external parties which are readily available but relate to assets for which the market is not always active; and
- Assets measured on the basis of valuation techniques including a varying degree of assumptions supported by market transactions and observable data.

For all assets not quoted in an active market or for which there is no active market, the availability of financial data can vary and is affected by a wide variety of factors, including the type of financial instrument, whether it is new and not yet established in the marketplace, and other characteristics specific to each transaction. To the extent that valuation is based on the models or inputs that are unobservable in the market, the determination of fair value requires more judgement. Accordingly, the degree of judgement exercised is higher for instruments classified in level three and the classification between level two and level three depends highly on the proportion of assumptions used, supported by market transactions and observable data.

Valuation techniques

Level one
Inputs represent unadjusted quoted prices for identical instruments exchanged in active markets (where transactions occur with sufficient frequency and volume). The fair values of securities sold short and the majority of the Group's equities are based on published quotes in active markets. These also include government bonds and treasury bills issued in the US and in the UK.

Level two
Inputs include directly or indirectly observable inputs (other than level one inputs) such as quoted prices for similar financial instruments exchanged in active markets, quoted prices for identical or similar financial instruments exchanged in inactive markets and other market observable inputs.

Level two securities contain certain investments in US and non-US government agency securities, US and non-US corporate debt securities and specialised investment funds. US government agency securities are priced using valuations from independent pricing vendors who use discounted cash flow models supplemented with market and credit research to gather specific information. Market observable inputs for these investments may include broker-dealer quotes, reported trades, issuer spreads and available bids. Non-US government agency securities are priced with OTC quotes or broker-dealer quotes. Other market observable inputs include benchmark yields and reported trades. Issuer spreads are also available for these types of investments.

Level two common stocks are priced using a combination of independent pricing service providers and internal valuation models that rely on directly or indirectly observable inputs.

Level three
Level three equities include investments in limited partnerships where the fund's underlying investments are not traded/quoted in an active market. In some instances, limited partnerships are classified as level three because they may require at least three months' notice to liquidate. This requirement results in an adjustment to the reported value for illiquidity which is unobservable.

Level three debt instruments include corporate loans with unobservable inputs used in the measurement of financial instruments. Management is required to use its own assumptions regarding unobservable inputs as there is little, if any, market activity in these instruments or related observable inputs that can be corroborated at the measurement date.

Level three specialised investment funds include securities that are valued using techniques appropriate to each specific investment. The valuation techniques include fair value by reference to net asset values (NAVs) adjusted and issued by fund managers based on their knowledge of underlying investments and credit spreads of counterparties. In some instances, certain investment funds are classified as level three because they may require at least three months' notice to liquidate. This requirement results in an adjustment to the reported value for illiquidity which is unobservable.

15 Financial investments (continued)

Disclosures of fair values in accordance with the fair value hierarchy

	30 June 2023			
	Level one $m	Level two $m	Level three $m	Total $m
Equity securities	**267.1**	**-**	**216.8**	**483.9**
Debt securities	**2,515.4**	**1,802.8**	**145.0**	**4,463.2**
Mortgages and loans	**-**	**-**	**96.0**	**96.0**
Specialised investment funds	**-**	**407.4**	**52.5**	**459.9**
	2,782.5	**2,210.2**	**510.3**	**5,503.0**

	31 December 2022			
	Level one $m	Level two $m	Level three $m	Total $m
Equity securities	351.5	-	192.6	544.1
Debt securities	2,210.2	1,702.9	32.4	3,945.5
Mortgages and loans	-	-	34.6	34.6
Specialised investment funds	-	328.3	59.9	388.2
	2,561.7	2,031.2	319.5	4,912.4

All unrealised losses of $103.0m (30 June 2022: losses of $221.8m) and realised losses of $35.5m (30 June 2022: losses of $36.3m) on financial investments held during the period, are presented in the 'Other investment return' line item in the consolidated income statement.

Transfers between fair value levels

Fair values are classified as level one when the financial instrument or derivative is actively traded and a quoted price is available. In accordance with the Group's policy, if an instrument classified as level one subsequently ceases to be actively traded, it is immediately transferred out of level one. In such cases, instruments are classified into level two, unless the measurement of its fair value requires the use of significant unobservable inputs, in which case it is classified as level three. All fair value measurements above are recurring as they are required to be measured and recognised at the end of each reporting period.

Transfer from level two to level three

There were no transfers from fair value hierarchy level two to level three (31 December 2022: nil).

There were no other transfers between hierarchy levels in the period or in the comparative periods.

Reconciliation of movements in level three financial investments measured at fair value

	Equity securities $m	**Debt securities $m**	**Mortgages and loans $m**	**Specialised investment funds $m**	**Total $m**
At 1 January 2022	134.6	36.5	38.3	60.5	269.9
Total gains/(losses) recognised in the income statement	37.7	(8.9)	-	1.6	30.4
Purchases	36.8	6.0	-	2.5	45.3
Sales	(15.4)	-	-	-	(15.4)
Foreign exchange losses	(1.1)	(1.2)	(3.7)	(4.7)	(10.7)
At 31 December 2022	192.6	32.4	34.6	59.9	319.5
Total gains/(losses) recognised in the income statement	**1.3**	**(4.6)**	**0.2**	**(9.5)**	**(12.6)**
Purchases	**22.9**	**116.6**	**59.6**	**-**	**199.1**
Sales	**(1.0)**	**-**	**-**	**-**	**(1.0)**
Foreign exchange gains	**1.0**	**0.6**	**1.6**	**2.1**	**5.3**
At 30 June 2023	**216.8**	**145.0**	**96.0**	**52.5**	**510.3**

15 Financial investments (continued)

Total net losses recognised in the income statement under 'Investment return' in respect of level three financial investments for the period amounted to $12.6m (31 December 2022: gains of $30.4m). Included in this balance are $11.6m of unrealised losses (31 December 2022: gains of $32.2m) attributable to assets still held at the end of the period.

Sensitivity of level three financial investments measured at fair value to changes in key assumptions

The following table shows the sensitivity of the fair value of level three financial investments to changes in key assumptions.

	30 June 2023		31 December 2022	
	Carrying amount $m	**Effect of possible alternative assumptions (+/-) $m**	Carrying amount $m	Effect of possible alternative assumptions (+/-) $m
Equity securities	**216.8**	**2.6**	192.6	7.0
Debt securities	**145.0**	**9.3**	32.4	0.5
Mortgages and loans	**96.0**	**1.2**	34.6	0.1
Specialised investment funds	**52.5**	**1.0**	59.9	0.5
	510.3		319.5	

In order to determine reasonably possible alternative assumptions, the Group has monitored the price movements of the securities invested on a month-by-month basis during 2023, or since acquisition if acquired during the year. This has resulted in an average expected percentage change in the securities pricing, which forms the basis of this analysis.

16 Derivative contracts

This note summarises the total value of the derivative contracts of the Group. It also explains how each derivative contract is categorised under three different levels of hierarchy, the valuation methods used to value derivative contracts and amounts transferred between levels. At 30 June 2023 and 31 December 2022, the options formed part of the investment management strategy, while the currency forwards formed part of the foreign exchange management policy.

Derivative contract assets	**30 June 2023 $m**	31 December 2022 $m
Currency forwards	**0.4**	6.5
Contingent consideration receivable	**2.5**	-
Industry loss warranty contracts	**0.9**	0.1
Sutton forward contract	**1.6**	1.5
Credit default swaps	**0.3**	-
Interest rate swaps	**0.3**	-
Equity warrants	**4.3**	2.7
	10.3	10.8

Derivative contract liabilities	**30 June 2023 $m**	31 December 2022 $m
Currency forwards	**(6.4)**	(10.1)
US Government bond forwards	**(3.4)**	-
Total return swap	**(4.0)**	-
	(13.8)	(10.1)

16 Derivative contracts (continued)

Disclosures of fair values in accordance with the fair value hierarchy

	30 June 2023 Level two $m	Level three $m	Total $m
Derivative contract assets	**1.0**	**9.3**	**10.3**
Derivative contract liabilities	**(13.8)**	**-**	**(13.8)**

	31 December 2022 Level two $m	Level three $m	Total $m
Derivative contract assets	6.5	4.3	10.8
Derivative contract liabilities	(10.1)	-	(10.1)

Valuation techniques

Level two
The fair value of the vast majority of the Group's derivative contracts are based primarily on non-binding third-party broker-dealer quotes that are prepared using level two inputs. Where third-party broker-dealer quotes are used, typically one quote is obtained from a broker-dealer with particular expertise in the instrument being priced.

The valuation technique used to determine the fair value of currency forwards is derived from observable inputs such as active foreign-exchange and interest-rate markets that may require adjustments for certain unobservable inputs.

Level three
CPI-linked derivatives are classified as level three and valued using broker-dealer quotes which management has determined utilise market observable inputs except for the inflation volatility input which is not market observable. The reasonableness of the fair values of CPI-linked derivative contracts are assessed by comparing the fair values received from third-party broker-dealers to recent market transactions where available and values determined using third-party pricing software based on the Black-Scholes option pricing model for European-style options that incorporates market observable and unobservable inputs such as the current value of the relevant CPI underlying the derivative, the inflation swap rate, nominal swap rate and inflation volatility. The fair values of CPI-linked derivative contracts are sensitive to assumptions such as market expectations of future rates of inflation and related inflation volatilities.

The forward contract that the Group has in respect of its associated undertaking has been classified as level three as the valuation of that derivative is derived from unobservable inputs which is linked to EBITDA calculations.

Reconciliation of movements in level three derivative contracts measured at fair value

	Level three derivatives $m
At 1 January 2022	6.2
Purchases	4.7
Total losses recognised in the income statement	(0.1)
Sales	(5.0)
Foreign exchange losses	(1.5)
At 31 December 2022	4.3
Purchases	**6.4**
Sales	**(2.0)**
Total gains recognised in the income statement	**0.2**
Foreign exchange gains	**0.4**
At 30 June 2023	**9.3**

16 Derivative contracts (continued)

Sensitivity of level three derivatives measured at fair value to changes in key assumptions

The following table shows the sensitivity of the fair value of level three derivatives to changes in key assumptions.

	30 June 2023		31 December 2022	
	Carrying amount $m	**Effect of possible alternative assumptions (+/-) $m**	Carrying amount $m	Effect of possible alternative assumptions (+/-) $m
Industry loss warranty contracts	**0.9**	**0.4**	0.1	-
Sutton forward contract	**1.6**	**0.5**	1.5	0.4
Equity warrants	**4.3**	**0.3**	2.7	0.1
Contingent consideration receivable	**2.5**	**-**	-	-
	9.3		4.3	

In order to determine reasonably possible alternative assumptions, the Group adjusted key unobservable model inputs, including inflation volatility inputs and credit risk inputs.

17 Share Capital

	30 June 2023 $m	31 December 2022 $m	**30 June 2023 1p each Number**	31 December 2022 1p each Number
Ordinary shares:				
Allotted, Issued and fully paid	10.0	10.0	669,502,094	669,502,094

As at 30 June 2023, 92,364,532 shares are class A shares and the remainder are class B shares. The class A and B shares rank pari-passu except that on a distribution of profits by the Company, the class A shareholders are entitled to a cumulative annual dividend which must be settled ahead of any equivalent distribution to class B shareholders.

The number of shares reported is for Brit Limited, the immediate parent of the Group.

As at the reporting date, Fairfax owns 86.2% of Brit Limited while the remaining 13.8% is owned by OMERS.

18 Dividends

In the six-month period ending 30 June 2023, a total dividend of $303.6m was paid (31 December 2022: $18.7m). Dividends of $28.6m, an amount equal to $0.31 per share (31 December 2022: $0.20 per share) were paid to the class A shareholders on 03 May 2023 and dividends of $275.0m, an amount equal to $0.48 per share (31 December 2022: nil) were paid to the class B shareholders on 25 May 2023, in accordance with the Brit Limited shareholders' agreement.

19 Cash flows provided by operating activities

	6 months ended 30 June 2023 $m	(Restated) 6 months ended 30 June 2022 $m
Profit on ordinary activities before tax	**578.3**	111.6
Adjustments for non-cash movements:		
Realised and unrealised (gains)/losses on investments	**(67.5)**	258.1
Realised and unrealised losses on derivatives	**16.8**	7.3
Amortisation of intangible assets	**3.6**	2.3
Depreciation and impairment of property, plant and equipment	**5.4**	(1.2)
Foreign exchange (gains)/losses on cash and cash equivalents	**(6.3)**	15.0
Share of profit after tax of associated undertakings	**(0.8)**	(0.8)
Loss on disposal of property, plant and equipment	**0.1**	-
Profit on disposal of subsidiaries	**(259.1)**	-
Unrealised gains on shares held for share based payments	**(23.7)**	(5.5)
Charges in respect of share-based payment schemes	**22.4**	8.6
Interest income	**(98.9)**	(25.7)
Dividend income	**(4.8)**	(4.2)
Finance costs on borrowing	**9.1**	10.9
Movement in operating assets and liabilities:		
Insurance and other receivables excluding accrued income	**(94.0)**	71.1
Insurance and reinsurance contracts	**(4.3)**	(238.5)
Financial investments	**(409.2)**	(426.9)
Derivative contracts	**(12.6)**	(12.5)
Other financial liabilities	**8.7**	5.0
Insurance and other payables	**239.6**	(181.9)
Employee benefits	**(2.1)**	9.0
Provisions	**0.2**	(0.2)
Cash flows used in operating activities	**(99.1)**	(398.5)

Profit on ordinary activities before tax includes profits and losses arising from both continuing and discontinued operations:

Profit / (loss) on ordinary activities before tax	**Continuing operations $m**	**Discontinued operation $m**	**Total $m**
Six months ended 30 June 2023	**311.6**	**266.7**	**578.3**
Six months ended 30 June 2022	112.6	(1.0)	111.6

As at 31 December 2022, the Group's total cash and cash equivalents balance could be analysed as follows:

	31 December 2022 $m
Cash and cash equivalents	
'Cash and cash equivalents' as presented on the consolidated statement of position	**941.3**
Cash reclassified as 'held for sale'	**138.1**
Total	**1,079.4**

20 Related party transactions

(a) Ultimate Parent Company

The ultimate parent company and controlling entity, and the largest group of which the Group is a member, is Fairfax Financial Holdings Limited (FFHL) which is registered in Canada and listed on the Toronto Stock Exchange. The consolidated financial statements for Fairfax are publicly available and can be obtained from the Corporate Secretary, 95 Wellington Street West, Suite 800, Toronto, Ontario, Canada, M5J 2N7 or from the website at www.fairfax.ca.

(b) Fairfax Financial Holdings Limited

In June 2015, Hamblin Watsa Investment Counsel Limited (HWIC), an affiliate of FFHL, was appointed as an investment manager to a number of Group companies. The Group incurred and paid investment management fees to HWIC of $5.9m (30 June 2022: $5.8m).

The Group has historically entered into various reinsurance arrangements with affiliates of Fairfax.

The amounts included in the income statement relating to trading with Fairfax Financial Holdings Limited and its affiliates for the period were as follows:

	6 months to 30 June 2023 $m	6 months to 30 June 2022 $m
Insurance revenue	**12.4**	**7.3**
Insurance service expenses (exclusive of commissions costs below)	**(5.3)**	**(1.5)**
Ceded reinsurance revenue (gross of ceding commissions below)	**(8.5)**	**(8.7)**
Reinsurance recoveries	**4.8**	**2.2**
Net finance expenses	**-**	**0.3**
Commission income	**0.2**	**0.5**
Commission expense	**(3.1)**	**(2.4)**

The amounts included in the statement of financial position outstanding with Fairfax Financial holdings Limited and its affiliates as at the period end were as follows:

	30 June 2023 $m	31 December 2022 $m
Insurance and reinsurance balances		
Insurance contract liabilities	**(44.5)**	**(42.6)**
Reinsurance contract assets	**24.4**	**21.7**
Reinsurance contract liabilities	**(3.2)**	**(3.4)**

(c) Associated undertakings

Sutton Special Risk Inc.

On 2 January 2019, Brit Insurance Holdings Limited acquired 49% of the issued shares of Sutton Special Risk Inc (Sutton) for a total purchase consideration of CAD$17.2m and entered into a forward contract to purchase the remaining 51% in 2024. Sutton is a US MGU, specialising in Accident and Health business.

Trading with Sutton is undertaken on an arm's-length basis and is settled in cash. The amounts in the income statement relating to trading with Sutton for the period ended 30 June 2023 were $4.0m (30 June 2022: $2.5m). Amounts recorded in the statement of financial position in respect of premium net of commissions due from, and fees payable to Sutton as at 30 June 2023 and 31 December 2022 were not material.

20 Related party transactions (continued)

(d) Bryte Insurance Limited agreement

Prior to the acquisition of Camargue Underwriting Managers Proprietary Limited (Camargue) on 4 October 2021, the entity had already entered into an agreement with Bryte Insurance Limited (Bryte), another subsidiary of the Fairfax group. Camargue acts as an underwriting managing agent for Bryte, administering insurance policies on their behalf and providing risk management services over the lifetime of those policies.

The amounts in the income statement related to trading with Bryte for the period ended 30 June 2023 were $0.5m (30 June 2022: $0.5m) in respect of administration fees and risk management fees. $0.4m was outstanding as at 30 June 2023 (31 December 2022: $0.3m).

Reconciliation of Key Performance Indicators and Alternative Performance Measures to the Financial Statements

(i) Gross premiums written, net earned premium and underwriting profit

The company presents information on gross premiums written and net earned premiums. Gross premiums written represents the total premiums on policies issued by the company during a specified period, irrespective of the portion ceded or earned, and is an indicator of the volume of new business generated. Net premiums written represents gross premiums written less amounts ceded to reinsurers and is considered a measure of the new business volume and insurance risk that the company has chosen to retain from new business generated. These measures are used in the insurance industry and by the company primarily to evaluate business volumes, including related trends, and the management of insurance risk.

Gross premiums written: Reconciliation of Insurance revenue to gross written premium:

	Comment/financial statements reference	**Unaudited 6 months ended 30 June 2023 $m**	(Restated) Unaudited 6 months ended 30 June 2022 $m
Insurance revenue	Consolidated Income Statement	**1,605.2**	**1,423.7**
Changes to revenue due to IFRS 17 reinsurance assumed ceding commission		165.2	127.5
Changes to revenue for reinstatement premiums		16.0	23.7
Impact of GMM accounting		34.2	-
Other adjustments		(15.0)	2.6
		200.4	153.8
Gross premiums earned	Sub-total of above	1,805.6	1,581.6
Gross amount of change in provision for unearned premiums		215.7	408.9
Gross premiums written		**2,021.3**	**1,990.5**

Net earned premium: Reconciliation of insurance revenue to net earned premium:

	Comment/financial statements reference	**Unaudited 6 months ended 30 June 2023 $m**	(Restated) Unaudited 6 months ended 30 June 2022 $m
Insurance revenue	Consolidated Income Statement	**1,605.2**	**1,423.7**
Cost of reinsurance		(337.6)	(279.4)
Net insurance revenue		1,267.6	1,144.3
Total changes in relation to Insurance Revenue as per note above	Reconciliation of Insurance revenue to gross written premium above	200.4	153.8
Adjust. for net ceding commissions on RI assumed and other		(53.0)	(36.9)
Changes to ceded revenue for ceded reinstatement premiums		(17.7)	(4.9)
Changes to ceded revenue for ceded profit commissions		7.4	(8.9)
Changes to ceded revenue for ceded investment components		(2.7)	(1.0)
Impact of GMM accounting		40.3	8.4
Other adjustments		(14.8)	(5.8)
Net earned premium		**1,427.5**	**1,249.0**

Reconciliation of Key Performance Indicators and Alternative Performance Measures to the Financial Statements (continued)

Underwriting profit: Reconciliation of insurance service result and underwriting profit:

	Comment/financial statements reference	Unaudited 6 months ended 30 June 2023 $m	(Restated) Unaudited 6 months ended 30 June 2022 $m
Insurance service result	Consolidated Income Statement	**359.2**	**218.1**
Discounting of losses and ceded losses on claims recorded in the period		(176.4)	(68.9)
Changes in the risk adjustment		13.6	0.8
Other operating expenses	Consolidated Income Statement	(74.2)	(48.9)
Less: corporate expenses		1.1	2.9
Other income	Consolidated Income Statement	26.6	12.1
Less: gain on Fairfax shares		(21.2)	(7.2)
Gains/(losses) on other financial liabilities	Consolidated Income Statement	(9.4)	(5.3)
Removal of the movement in the deferral of IFRS17 acquisition costs deemed non-acquisition under IFRS4		(18.4)	(2.9)
Impact of GMM accounting		(2.1)	(2.7)
Other adjustments		(3.7)	(18.5)
Underwriting profit		**95.1**	**79.5**

(ii) Underwriting ratios

The combined ratio is our key underwriting metric and measures the profitability of our underwriting. It shows how much of every $1 of premium is spent in the total costs of sourcing and underwriting the business and settling claims. A combined ratio under 100% indicates underwriting profitability. The component parts of the combined ratio are the claims ratio (consisting of the attritional claims ratio, the major loss ratio and the reserve release ratio) and the expense ratio (consisting of the commission expense ratio and the operating expense ratio).

The ratios described are derived from information disclosed in note 5 (Segmented Information) to the interim consolidated financial statements and adjusted principally to remove the effects of discounting for net claims incurred in the current period, the change in the risk adjustment and other insurance operating expenses.

Ratio calculations:

	Comment/financial statements reference	Unaudited 6 months ended 30 June 2023 $m	(Restated) Unaudited 6 months ended 30 June 2022 $m
Net earned premium (NEP)	See reconciliation above	1,427.5	1,249.0
Claims, commissions and expenses	Derived from NEP and Underwriting profit.	(1,332.4)	(1,169.5)
Underwriting profit	See reconciliation above	95.1	79.5
		%	%
Combined ratio	'Claims, commissions and expenses' divided by 'net earned premium'.	**93.3**	**93.6**

Reconciliation of Key Performance Indicators and Alternative Performance Measures to the Financial Statements (continued)

(iii) Return on invested assets

We assess the performance of our investment portfolio by comparing the return generated by our invested assets, net of external investment related expenses, against the value of those invested assets.

	Comment / financial statements reference	Unaudited 6 months ended 30 June 2023 $m	Unaudited 6 months ended 30 June 2022[1] $m
Share of net profit/(loss) of associates	Consolidated Income Statement	0.9	0.8
Total investment return	Note 6: Investment return	160.1	(235.0)
Return on investment related derivatives	Note 7: Return on derivative contracts	(13.4)	0.8
Return on invested assets ($)		**147.6**	**(233.4)**
Investment in associated undertakings	Consolidated statement of financial position	15.0	14.7
Financial investments	Note 15: Financial investments	5,503.0	4,173.9
Derivative contracts (investment related)	Note 16: Derivative contracts	2.5	5.6
Cash and cash equivalents	Consolidated statement of financial position	897.8	1,055.0
Invested assets		6,418.3	5,249.2
Opening invested assets		6,011.3	5,546.2
Closing invested assets		6,418.3	5,249.2
Average invested assets		6,214.8	5,397.7
Return on invested assets (%)	Return on invested assets / Average invested assets	**2.4%**	**(4.3)%**

1 As presented in the Brit Limited 2022 Interim Report

Reconciliation of Key Performance Indicators and Alternative Performance Measures to the Financial Statements (continued)

(iv) Capital ratio

The capital ratio measures the strength of our balance sheet by comparing our available capital resources to the capital we need to hold to meet our management entity capital requirements. It is calculated as follows:

	Comment / financial statements reference	**Unaudited 6 months ended 30 June 2023 $m**	(Restated) Unaudited Year ended 31 December 2022 $m
Total equity attributable to owners of the parent	Consolidated statement of financial position	2,400.0	2,157.3
Less: Intangible assets	Consolidated statement of financial position	(118.7)	(120.0)
Less: Intangible assets within disposal group	Per 2022 Annual Report	-	(78.5)
Net tangible assets		**2,281.3**	**1,958.8**
Add: Deferred tax liability on intangible assets	Per 2022 Annual Report	20.5	20.8
Adjusted net tangible assets		**2,301.8**	**1,979.6**
Subordinated debt		171.6	162.4
Letters of credit / contingent funding	Under our capital policy we have identified a maximum of $300.0m of our revolving credit facility to form part of our capital resources.	300.0	300.0
Total available capital resources		**2,773.4**	**2,442.0**
Management entity capital requirements	The capital required by an entity for business strategy and regulatory requirements.	**(1,829.6)**	**(1,732.2)**
Excess of capital resources over management entity capital requirements		**943.8**	**709.8**
Capital ratio	Total available capital resources divided by management entity capital requirements.	**151.6%**	**141.0%**

Company information

Directors

Mr Gordon Campbell	- Chair
Mr Martin Thompson	- Group Chief Executive Officer
Mr Gavin Wilkinson	- Group Chief Financial Officer
Mr Mark Allan	- Executive Director
Mr Andrew Barnard	- Non-executive Director
Mr Ken Miner	- Non-executive Director
Ms Andrea Welsch	- Non-executive Director
Mr Simon Lee (appointed 08 May 2023)	- Non-executive Director

Group Company Secretary

Mr Tim Harmer

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The Company website provides information about Brit Limited including information on the business, annual reports, half yearly reports and announcements to the London Stock Exchange.

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