WEST

Consolidated Report & Accounts

2023

Consolidated Accounts and Report of the Réviseur d'Entreprises Agréé

20
February
2023

Notice of Meeting

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the Members of The West of England Ship Owners Mutual Insurance Association (Luxembourg) will be held at 31, Grand-Rue, L-1661 Luxembourg on 11 July 2023 at 12:30 hours for the following purposes:

1. To approve the Report of the Directors and the Consolidated Accounts for the year ended 20 February 2023 and to grant discharge to the Directors and Auditor for the year under review.
2. To elect Directors and appoint Advisory Committee members.
3. To reappoint Deloitte Audit *Société à responsabilité limitée* as Auditor of the Association and to fix their remuneration.
4. To transact any other ordinary business of the Association.

By order of the Board

O Le Bescond
Secretary

31, Grand-Rue
L-1661 Luxembourg

10 May 2023

NOTE: A Member entitled to attend and vote is entitled to appoint a proxy to attend and, on a poll, to vote instead of him. A proxy need not be a Member of the Association. The instrument appointing a proxy shall be left with the Secretary not later than 48 hours before the holding of the Meeting.

General Information

Directors

F G Sarre (Chairman)	Antwerp
K S Rajvanshy (Vice-Chairman)	Hong Kong
B Aagaard-Svendsen	Copenhagen
A M Cameron	Singapore
A K Hazari	Hong Kong
S C Ioannou	Athens
T G Mazarakis	New York
L-M Perrella	Montreal
A M W Staring	Antwerp
A T Tokgoz	Istanbul

Advisory Committee Members

A M W Staring (Chairman)	Antwerp
V Bacolitsas	Athens
K S Bitnes	Oslo
A T Busch	Vancouver, WA
A M Cameron	Singapore
D Dandolos	Athens
R Ferrada	Santiago
G Fossion	Antwerp
A Y Kalchev	Varna
G Kalogiratos	Athens
O Lennox-King	Hong Kong
K C Moore	Bayonne, NJ
Y Niotis	Athens
M Papachristodoulou	Piraeus
P Philis	Limassol
N Veniamis	Athens

Managers

West of England Insurance Services (Luxembourg) S.A.
(UK Branch)
One Creechurch Lane
London EC3A 5AF
United Kingdom

Telephone: +(44) (0)20 7716 6000
E-mail: mail@westpandi.com

Secretary and Principal Office

O Le Bescond
31, Grand-Rue
L-1661 Luxembourg

Telephone: +(352) 4700671
Fax: +(352) 225253

Registered Number

R.C.S. Luxembourg B 8963

Auditor

Deloitte Audit *Société à responsabilité limitée*
Cabinet de révision agréé
20 Boulevard de Kockelscheuer,
L-1821 Luxembourg

Telephone: +(352) 451451

Report of the Directors

The Directors have pleasure in presenting their report together with the published audited consolidated accounts (hereafter the "consolidated accounts") of The West of England Ship Owners Mutual Insurance Association (Luxembourg) and its subsidiaries (collectively "the Association" or "the Group") for the year ended 20 February 2023.

Activities

The principal activity of the Association continues to be the insurance and reinsurance of Members' protection and indemnity risks (Class 1) and freight, demurrage and defence risks (Class 2).

In addition to its Head Office in Luxembourg, the Association has branches in London, Hong Kong and Singapore and representative offices in Piraeus and New York. Through this structure and its world-wide network of correspondent offices, the Association supports its business activities on behalf of its diversified and global Membership of ship owners and charterers.

The Association's two wholly owned subsidiaries, International Shipowners Reinsurance Company S.A. and The West of England Reinsurance (Hamilton) Limited (registered and domiciled in Luxembourg and Bermuda respectively), have continued to provide reinsurance of the Association.

West of England Insurance Services (Luxembourg) S.A., which is wholly owned by the Association, provides insurance-related management and claims handling services for the Association. West of England Insurance Services (Luxembourg) S.A. wholly owns West of England Hellas S.a.r.l. (formerly West of England (Hellas) Limited), West of England Insurance Services (North America) Inc. and West of England Claims Services (North America) Inc.

The West of England Ship Owners Insurance Services Limited, which is wholly owned by the Association, previously acted as landlord to its tenant companies until the sale of its premises in London in July 2018 and is now effectively dormant.

The Association is one of the members of the International Group of P&I Clubs (the "IG") who combine to pool risks and share reinsurance in providing cover to a majority of the world's merchant fleet. The Association, along with the other members of the IG, has established a "segregated cell" insurance company, Hydra Insurance Company Ltd. registered and domiciled in Bermuda, to reinsure certain pool and quota share risks. The Association has contributed share capital to Hydra, and share capital and contributed surplus to the Hydra West of England Cell which is wholly owned by the Association and, during the year, participated in reinsurance activities.

The Association does not perform any research and development activity.

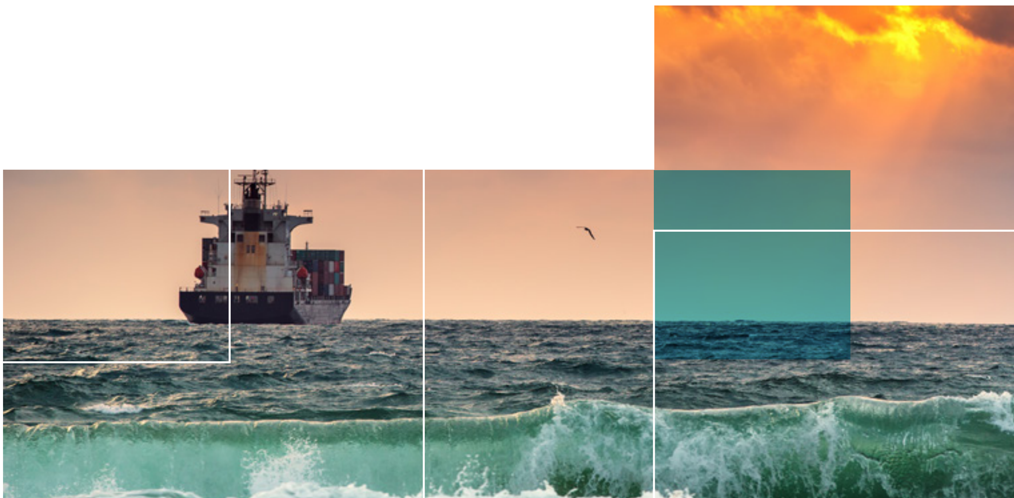
Future Developments and Events since the Balance Sheet Date

The Association will continue to maintain and develop its activities as above. There have been no significant events after the balance sheet date.

Risk Management

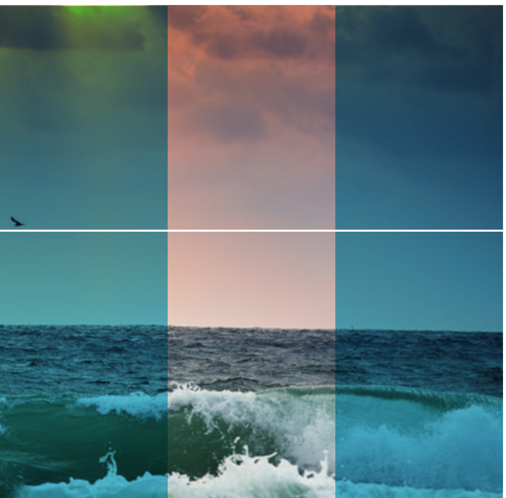
Luxembourg law requires disclosure, where material, of the risk management objectives and policy of the Association.

The Association's overall appetite for accepting and managing different types of risk is defined by the Board, which has developed a three-lines of defence governance framework with policies and procedures to identify, manage, mitigate and report risk. Key risks have been documented in a dedicated Risk Register and responsibility for each of them allocated to a responsible risk holder at senior management level under the coordination of a Risk Manager. A tolerance has been set by the Board against each risk.



This framework is designed to protect the Association's Members and other stakeholders from events that may prevent it from meeting its contractual and regulatory obligations or financial and business objectives. Risk tolerances and related risk appetites are reviewed regularly and reporting of actual exposure or performance against them is reported to the Association's Group Audit & Risk Committee. Emerging risks are identified and evaluated by senior management and reported to the Group Audit & Risk Committee. The Association annually prepares its Own Risk and Solvency Assessment ("ORSA") as part of its Business Plan, Capital Management and Risk Management processes. It includes a forward-looking assessment of the Association's capital and solvency position within the framework of the Business Plan, ensuring the on-going financial resilience of the Group.

The Board oversees the development and operational implementation of these policies and procedures. It ensures on-going compliance with them through the Group Audit & Risk Committee. The Board also relies on the Internal Audit function which operates independently under clear terms of reference and with a direct reporting line to the Group Audit & Risk Committee and a direct reporting line to the Board.



The main sources of risk to the Association's operations and its financial position are:

a) Insurance risk

Insurance risk arises from uncertainty as to the occurrence, amount and timing of insured claims and liabilities. Insurance risk is sub-divided into Underwriting, Reserving and Reinsurance risks.

i. Underwriting risk

The underwriting objective of the Association is to charge premiums that reflect the risks it insures. The principal risk for any insurer is that the frequency and value of insured losses exceed expectations.

The Board sets an underwriting strategy which determines the risk profile of how the Association accepts and manages new and renewing insured risks. This strategy ensures that insured risks are diversified, for example by vessel type and geographical area, to ensure a sufficiently large and diverse population and reduce the variability of the expected outcome of insured losses.

Underwriting risk is considered both at individual fleet level and from a portfolio management perspective, where insured risks are assessed in the light of historical experience and future exposure. To assist the process of pricing and managing underwriting risk the Managers routinely perform a range of activities including:

- Documenting, monitoring and reporting on the Association's strategy to manage risk;
- Monitoring legal and market developments and amending the terms of entry when necessary;
- Developing processes that take account of market or economic factors in the pricing process.

The Association's insurance contracts include terms that operate to contain losses, such as deductibles being matched to the risk profile.

The Association's pricing strategy considers the historic and future value and frequency of claims, adjusted for inflation, changes in claims patterns and external economic factors. Pricing is carried out within the Club's internal pricing framework which considers indicative rates based on internal (such as claims record and risk factors) and external (market and economic factors) data and actuarial analysis.

ii. Reserving risk

This is the risk of claims in the balance sheet being understated, i.e. the risk that reserves are inadequate due to the inherent uncertainty of knowing the ultimate cost, frequency and timing of liabilities incurred, including the provision made for claims that have not so far been notified (incurred but not reported claims).

Review and reporting controls operate so that estimates are established and maintained, reflecting the Association's current best estimate of the likely outcome for each claim. The Association has established clear and stringent estimating guidelines, backed by a programme of consistent training, to ensure they are applied uniformly. In addition, prudent reserves are held for claims that have been incurred but not yet reported, these are determined by the Association's internal actuarial team who use a variety of statistical and actuarial techniques to estimate the most likely overall outcome of liabilities and advise on an appropriate confidence level. In this way, appropriate reserves are determined to meet claims as they fall due.

Report of the Directors (continued)

iii. Reinsurance risk

Reinsurance risk is the risk that the reinsurance purchased by the Association does not respond as intended by reason, for example, of a mismatch with gross losses, counterparty risk or exhaustion of reinsured limits.

Reinsurance reduces claims volatility. As a member of the IG, the Association benefits from its pooling and reinsurance cover for individual claims. For Policy Year 2023, this reinsurance covers claims from $10 million to $3.1 billion. This programme is the Association's primary reinsurance protection, above which the IG's "overspill" arrangements apply. For retained claims outside the IG programme, the Association has appointed a leading reinsurance broker and uses modelling techniques to identify where reinsurance will be most effective and additional reinsurance protection is purchased.

b) Financial risk

The Association is exposed to a range of financial risks which can be sub-divided into the risks below.

i. Capital management

The Association seeks to maintain financial strength and capital adequacy to support its business whilst retaining financial flexibility through appropriate levels of liquidity. It assesses its risk-based capital requirements and maintains an efficient capital structure consistent with its risk profile and business requirements as well as with regulatory requirements. To do this, the Association monitors its capital position against regulatory and rating agency models.

The Association is exposed to financial risk through its financial assets and liabilities (i.e. both market and liability matching risks) and through technical assets and liabilities such as reinsurance and Members' claims. Financial assets represent a significant proportion of the Association's assets. The Association holds and invests them to fund obligations arising from its insurance activities.

The Association's key investment risk is that its financial assets together with investment returns generated by them are insufficient to fund its liabilities arising from its insurance and investment operations and do not enable it to maintain adequate operational solvency or the required solvency margin for compliance purposes. The Association's Statement of Investment Principles (SIP) and Investment Policy (IP) reflect the investment risk tolerance set by the Board and are reviewed at least once a year. They define the management of the investment portfolio within the Association's whole risk framework, covering aspects such as asset/liability matching and interest rate risks, credit default risk, equity risk, property risk, counterparty risk, currency risk and liquidity risk. The Association employs external asset managers to manage its investments and an independent custodian to monitor compliance with guidelines. ISRe, acting as the investment committee of the Board, oversees the performance of its financial assets through a regular performance, risk and compliance monitoring.

A range of tools is used to preserve the portfolio's liquidity and capital. Specific benchmarks and guidelines are set so that investments are effectively monitored and controlled, particularly in relation to the use of and exposure to derivative instruments, where applicable. The overall asset allocation is set and adjusted within ranges defined in the IP to maximise investment return within the diversification, liquidity, and risk constraints set by the Board. As part of this process, the efficiency of the asset allocation in terms of risk charges is monitored against regulatory and rating agency models.

ii. Asset/liability matching and interest rate risks

The Association continuously monitors the matching between assets and liabilities, ensuring it is not exposed to any unintended interest rate risk (to specific maturities or yield curves). It also uses interest rate risk as a source of regular income and diversification within its strategic allocation, and actively adjusts the duration of the fixed interest portfolio based on market conditions.

Fixed income investments represent the largest asset class within the Association's investment portfolio, and as a result are mainly invested in high quality, liquid, interest-bearing securities and cash equivalents.

iii. Equity risk

As part of its investment strategy, the Association also invests in equity or equity-related markets. The purpose of these investments is to generate, on average, an excess return relative to the fixed income portfolio. They are also a diversifier of the sources of performance and risk within the overall portfolio.

The maximum exposure to equities is modelled as part of the overall risk framework and the risk tolerance threshold is calculated so that a sudden market downturn would not significantly undermine the solvency position of the Association.

iv. Property risk

The Association is exposed to the volatility of market prices of real estate, through the holding of a property in Hong Kong and investments in real estate investment funds.

Property risk is mitigated by ensuring a robust diversification within the Association's real estate investments, both in terms of geographical exposure and in terms of segments within the real estate market.

v. Counterparty default and credit risks

The Association has exposure to counterparty default and credit risks, which are the risks of losses due to unexpected default or deterioration in the credit of a counterparty.

Key areas of exposure to counterparty default and credit risks include:

- Debt securities, cash and cash equivalents, and other investments including deposits and derivative transactions;
- Reinsurers' share of insurance liabilities and amounts due from reinsurers in respect of claims already paid, including amounts due from other Group Clubs through the IG Pool;
- Amounts due from Members including exposure to credit risk from the provision of Maritime Labour Convention certificates.

For its financial investments, the Association mitigates the risks by setting guidelines constraining the quality and percentage of individual counterparties it is exposed to. It also mitigates the risks by delegating the management of fixed income credit portfolios to asset managers having extensive expertise and resources in monitoring credit risk.

The Association manages the counterparty default risk with reinsurers by placing and regularly reviewing limits on its exposure to a counterparty within the overall risk tolerance framework. The creditworthiness of reinsurers is reviewed before placing (including IG processes to ensure the appropriateness of reinsurers on the IG programme) and monitored regularly thereafter. Controls exist within the IG to maintain the strength of the IG Pool; the Pool itself forms a key risk mitigation.

There is no significant concentration of credit risk related to receivables, as the Association has a large number of internationally dispersed ship owner and charterer Members. No single Member is sufficiently material to represent a high-risk credit exposure. The Association's Rules provide significant contractual rights to safeguard the Association's position and reduce its exposure to the consequences of default or partial payment.

Report of the Directors (continued)

vi. Currency risk

Currency risk is the risk that the fair value or future cash flows of an asset or a liability will fluctuate due to changes in exchange rates. Currency risk arises from items denominated in currencies other than the Association's operating currency – US dollars.

The Association maintains a benchmark currency profile for investments which approximates to the currency exposure within its claims liabilities so that currency movements are effectively hedged. By recording the currency exposure within claims reserves and monitoring historical payment patterns, the Association determines a measure of the currency risk and the effectiveness of the currency hedge.

vii. Liquidity risk

Liquidity risk is the risk that cash may not be available to pay obligations when due, at reasonable cost. The Association may have to pay claims with little or no notice, so within its risk framework the Board has set limits on the minimum level of cash and liquid funds available to meet such claims payments and on the minimum level of borrowing facilities that should be in place to cover unexpected levels of claims and other cash demands. The main part of the Association's investments is maintained in highly liquid assets which may be converted to cash at little notice or expense.

c) Operational Risk

Operational risk is the risk of loss resulting from ineffective or failed internal processes, people, systems, or external events that disrupt business operations. The Association has identified key operational risks within the risk register and the risk management function ensures that key business areas have policies and procedures in place to minimise the incidence of operational risk.

Published consolidated accounts

These published consolidated accounts conform to the Luxembourg law of 8 December 1994 (as amended) in all respects except that investments are stated at market value, land and buildings at valuation and for the presentation of subrogation and salvages. Luxembourg legislation requires that investments are stated at the lower of historic amortised cost or estimated market value and that subrogation and salvage recovery items are disclosed gross. The treatment adopted in these financial statements is consistent with the basis of accounting generally accepted by the other members of the International Group of P&I Clubs and includes additional disclosures relating to cash flows, policy year positions and average expense ratio to meet the generally accepted reporting bases or specific disclosure requirements of the International Group. The consolidated accounts are set out on pages 15 to 39 with the principal accounting policies summarised on pages 22 to 24. Consolidated accounts conforming fully to the Luxembourg legislation are filed with the Luxembourg authorities: copies are available on request from our principal office.

These consolidated accounts show a deficit for the year of $20.3 million (2022 $40.1 million deficit). Total reserves at 20 February 2023 are $230.8 million (2022 $251.2 million).

Evaluation of the Russia / Ukraine Conflict

The ongoing Russia / Ukraine conflict, rising interest rates and inflationary pressures continue to have repercussions on the entire economy, particularly on financial markets. At the date of approval of the consolidated annual accounts, no element has been identified by the Directors that compromise the going concern ability and continuity of the Association's operations. Due to the high level of uncertainty linked to the current economic environment, the Directors will continue to closely monitor the potential impact on the Association's activities.

Directors

The present Directors of the Association, who are listed on page 5, held office throughout the year under review with the exception of Mr P G De Brabandere who retired with effect from 12 July 2022 and Mr A T Tokgoz who was appointed with effect from 12 July 2022.

The listed Advisory Committee Members held office throughout the year under review.

In accordance with the Constitution of the Association all Directors will retire at the forthcoming Annual General Meeting but, being eligible, may offer themselves for re-election.

Directors and Officers Liability Insurance

During the year, the Association maintained insurance cover for Directors and Officers against legal liabilities relating to the Association's activities.

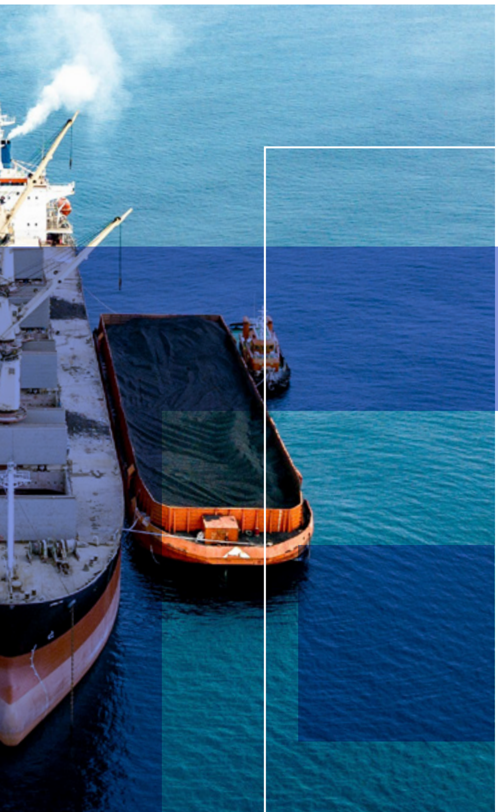
Auditor

At the Annual General Meeting on 11 July 2023 the Directors will propose a resolution for the re-appointment of Deloitte Audit *Société à responsabilité limitée* for the year commencing 20 February 2023.

By order of the Board

O Le Bescond
Secretary

10 May 2023



Deloitte Audit
Société à responsabilité limitée
20 Boulevard de Kockelscheuer
L-1821 Luxembourg

Tel: +352 451 451
www.deloitte.lu

To the Members of The West of England Ship Owners Mutual Insurance Association (Luxembourg)

31, Grand-Rue L-1661 Luxembourg

Report of the Reviseur d'Entreprises Agree

Report on the Audit of the Consolidated Annual Accounts

Opinion

We have audited the consolidated annual accounts of The West of England Ship Owners Mutual Insurance Association (Luxembourg) and its subsidiaries (the "Association") which comprise the consolidated balance sheet as at 20 February 2023, the consolidated income and expenditure account for the year then ended and notes to the consolidated annual accounts, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated accounts present fairly, in all material respects, the financial position of the Association as at 20 February 2023, and the results of its operations for the year then ended in accordance with the significant accounting policies set out in Notes 2 and 3 to the consolidated accounts.

Basis for Opinion

We conducted our audit in accordance with the EU Regulation N° 537/2014, the Law of 23 July 2016 on the audit profession (Law of 23 July 2016) and with International Standards on Auditing (ISAs) as adopted for Luxembourg by the "Commission de Surveillance du Secteur Financier" (CSSF). Our responsibilities under the EU Regulation No 537/2014, the Law of 23 July 2016 and ISAs as adopted for Luxembourg by the CSSF are further described in the "Responsibilities of the *"réviseur d'entreprises agréé"* for the Audit of the consolidated Annual accounts" section of our report.

We are also independent of the Association in accordance with the International Code of Ethics for Professional Accountants, including International Independence Standards, issued by the International Ethics Standards Board for Accountants (IESBA Code) as adopted for Luxembourg by the CSSF together with the ethical requirements that are relevant to our audit of the consolidated Annual accounts and have fulfilled our other ethical responsibilities under those ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter - Basis of Accounting

We draw attention to Notes 2 and 3 to the consolidated annual accounts, which describe the basis of accounting. The consolidated annual accounts are prepared to assist The West of England Ship Owners Mutual Insurance Association (Luxembourg) to meet its financial information requirements to its Members and to be consistent with the basis adopted by the other members of the International Group of P&I Clubs. As a result, the consolidated annual accounts may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

Deloitte.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated annual accounts of the current period. These matters were addressed in the context of the audit of the consolidated annual accounts as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

- **Valuation of incurred but not reported ("IBNR") claims reserves:**

Risk description:

Gross claims outstanding include incurred but not reported ("IBNR") claims reserves which are typically recognised to reflect the uncertainty around the ultimate losses that will be incurred arising from claims due to the long-term nature of the Association's exposure. The judgements that are made by management in determining the valuation of incurred but not reported ("IBNR") claims reserves, as mentioned in Note 3 to the consolidated annual accounts, are significant to the Association's financial position. Determining these incurred but not reported ("IBNR") claims reserves requires subjectivity and alterations in underlying assumptions may have a material impact on the financial position of the Association and on the results of its operations. In this context, the valuation of incurred but not reported ("IBNR") claims reserves in respect of management's selection of methodology and assumptions underlying the valuation of incurred but not reported ("IBNR") claims reserves has been assessed as a key audit matter.

Audit responses:

We have assessed the design and implementation of key controls which management performs in relation to insurance reserving. This included assessing the design and implementation of controls over the valuation of incurred but not reported ("IBNR") claims reserves and the appropriate governance oversight in determining the key assumptions underpinning the valuation of incurred but not reported ("IBNR") claims reserves.

We completed the procedures to assess the competence and objectivity of management's actuarial experts and involved our own actuarial specialists to assess the appropriateness of the methodology applied and the suitability of the key assumptions and judgements taken in determining the incurred but not reported ("IBNR") claims reserves.

Other matter

The West of England Ship Owners Mutual Insurance Association (Luxembourg) has prepared a separate set of consolidated accounts as at 20 February 2023 in accordance with Luxembourg legal and regulatory requirements relating to the preparation of the consolidated accounts on which we issued a separate auditor's report to the Members of The West of England Ship Owners Mutual Insurance Association (Luxembourg) dated May 25, 2023.

Other information

The Board of Directors is responsible for the other information. The other information comprises the information stated in the consolidated annual report including the consolidated Report of Directors but does not include the consolidated annual accounts and our report of the *"réviseur d'entreprises agréé"* thereon.

Our opinion on the consolidated annual accounts does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated annual accounts our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated annual accounts, or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report this fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors for the Consolidated Annual Accounts

The Board of Directors is responsible for the preparation and fair presentation of these consolidated annual accounts in accordance with Luxembourg legal and regulatory requirements relating to the preparation and presentation of the consolidated annual accounts and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated annual accounts that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated annual accounts, the Board of Directors is responsible for assessing the Association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Association or to cease operations, or has no realistic alternative but to do so.

Deloitte.

Responsibilities of the *“réviseur d’entreprises agréé”* for the Audit of the Consolidated Annual Accounts

The objectives of our audit are to obtain reasonable assurance about whether the consolidated annual accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue a report of the *“réviseur d’entreprises agréé”* that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the EU Regulation N° 537/2014, the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated annual accounts.

As part of an audit in accordance with the EU Regulation N° 537/2014, the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated annual accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Association’s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- Conclude on the appropriateness of Board of Directors’ use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Association’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report of the *“réviseur d’entreprises agréé”* to the related disclosures in the consolidated accounts or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our report of the *“réviseur d’entreprises agréé”*. However, future events or conditions may cause the Association to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated annual accounts, including the disclosures, and whether the consolidated accounts represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated annual accounts of the current period and are therefore the key audit matters. We describe these matters in our report unless law or regulation precludes public disclosure about the matter.

Report on Other Legal and Regulatory Requirements

We have been appointed as *“réviseur d’entreprises agréé”* by the General Meeting of the Members on 12 July 2022 and the duration of our uninterrupted engagement, including previous renewals and reappointments, is 8 years.

The consolidated Report of the Directors is consistent with the consolidated annual accounts and has been prepared in accordance with applicable legal requirements.

We confirm that the audit opinion is consistent with the additional report to the Group Audit and Risk Committee.

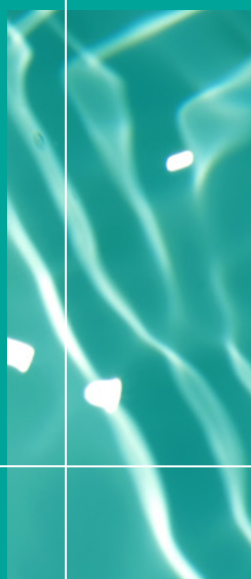
We confirm that the prohibited non-audit services referred to in the EU Regulation N° 537/2014 were not provided and that we remained independent of the Association in conducting the audit.

For Deloitte Audit, *Cabinet de révision agréé*

Ludovic Bardon, *Réviseur d’entreprises agréé*
Partner, Luxembourg

May 25, 2023

Consolidated Accounts



Consolidated Balance Sheet
at 20 February 2023

	Note(s)	2023 $'000	2022 $'000
Assets			
Intangible assets			
Goodwill	4	**2,780**	3,707
		2,780	3,707
Investments			
Land and buildings	5	**10,709**	11,038
Investments in affiliated undertakings and participating interests	6		
Participating interests		**1,380**	1,437
Affiliated undertakings		**25**	25
Debt securities issued by, and loans to, undertakings with which an insurance undertaking is linked by virtue of a participating interest		**1,087**	1,087
Other financial investments	7	**667,625**	637,467
		680,826	651,054
Reinsurers' share of technical provisions			
Provision for unearned premiums		**1,599**	1,388
Claims outstanding	15	**161,944**	162,085
		163,543	163,473
Debtors			
Member debtors	10	**48,650**	44,356
Reinsurance debtors	9	**10,508**	4,609
Other debtors	11	**2,500**	2,421
		61,658	51,386
Other assets			
Tangible assets	12	**1,187**	1,486
Cash at bank and in hand		**107,582**	148,750
		108,769	150,236
Prepayments and accrued income			
Accrued interest		**3,584**	2,958
Deferred acquisition costs		**1,531**	1,123
Other prepayments and accrued income		**1,077**	1,215
		6,192	5,296
Total Assets		**1,023,768**	1,025,152

The accompanying notes are an integral part of these consolidated accounts.

	Note(s)	**2023 $'000**	2022 $'000
Liabilities			
Capital and reserves			
Revaluation Reserve	5, 21	**8,768**	8,884
Income and Expenditure Account	21	**221,984**	242,301
		230,752	251,185
Technical provisions			
Provision for unearned premiums		**10,256**	7,629
Claims outstanding	15	**727,797**	686,834
		738,053	694,463
Creditors			
Member creditors		**34,631**	62,148
Reinsurance creditors		**6,461**	5,281
Other creditors	13	**13,871**	12,075
		54,963	79,504
Total Liabilities		**1,023,768**	1,025,152

F G Sarre
Chairman

B Aagaard-Svendsen
Director

10 May 2023

The accompanying notes are an integral part of these consolidated accounts.

Consolidated Income and Expenditure Account

for the year ended 20 February 2023

	Note(s)	2023 $'000	2023 $'000	2022 $'000	2022 $'000
Technical Account					
Earned premiums, net of reinsurance					
Gross premiums written		295,797		268,644	
Change in provision for unearned premiums		(2,627)		(2,187)	
Gross premium earned	14	293,170		266,457	
Outward reinsurance premiums		(48,698)		(43,942)	
Change in provision for unearned premiums, reinsurers' share		211		324	
Reinsurance premium ceded	14	(48,487)		(43,618)	
Earned premiums, net of reinsurance			244,683		222,839
Allocated investment return transferred from the non-technical account			(28,566)		(7,140)
Claims incurred, net of reinsurance					
Claims paid					
Gross amount		(163,996)		(207,723)	
Reinsurers' share		17,413		14,100	
Net claims paid	15	(146,583)		(193,623)	
Change in the provision for claims					
Gross amount		(40,963)		70,631	
Reinsurers' share		(141)		(87,073)	
Change in the net provision for claims	15	(41,104)		(16,442)	
Claims incurred, net of reinsurance			(187,687)		(210,065)
Net operating expenses					
Administrative expenses		(12,147)		(11,346)	
Acquisition costs		(37,280)		(33,783)	
Change in deferred acquisition costs		408		262	
Net operating expenses	16		(49,019)		(44,867)
Balance on the technical account			(20,589)		(39,233)
Non-Technical Account					
Balance on the technical account			(20,589)		(39,233)
Investment income	18		31,605		22,630
Investment charges	18		(60,171)		(29,770)
Allocated investment return transferred to the technical account			28,566		7,140
Deficit on ordinary activities before tax			(20,589)		(39,233)
Tax on ordinary activities	19		273		(859)
Deficit on ordinary activities after tax			(20,316)		(40,092)

The accompanying notes are an integral part of these consolidated accounts.

Consolidated Statement of Cash Flows

for the year ended 20 February 2023

	Note(s)	**2023 $'000**	2022 $'000
Cash flows from operating activities			
Gross premiums received from Members		**291,504**	264,190
Reinsurance premiums paid		**(45,997)**	(43,586)
Gross claims paid		**(193,032)**	(202,792)
Reinsurance recoveries received		**11,513**	13,685
Operating expenses paid		**(49,172)**	(44,468)
Tax on ordinary activities paid		**256**	(1,437)
Net cash generated from / (used in) operating activities		**15,072**	(14,408)
Cash flows from investing activities			
Proceeds from sale of property and equipment		**25**	64
Interest income received		**12,690**	12,151
Dividend income received		**2,627**	2,648
Investment management expenses paid		**(952)**	(1,007)
Net cash flows from investments in affiliated undertakings and participating interests		**(712)**	(1,475)
Net cash flows from shares and other variable yield securities and units in unit trusts		**(6,535)**	4,401
Net cash flows from debt securities and other fixed interest securities		**(60,923)**	12,967
Net cash (used in) / generated from investing activities		**(53,780)**	29,749
Net (decrease) / increase in cash at bank and in hand		**(38,708)**	15,341
Cash at bank and in hand as at beginning of year		**148,750**	134,643
Exchange losses on cash at bank and in hand		**(2,460)**	(1,234)
Cash at bank and in hand as at end of year		**107,582**	148,750

The accompanying notes are an integral part of these consolidated accounts.

Note to the Consolidated Statement of Cash Flows

Reconciliation of deficit on ordinary activities after tax to net cash generated from operating activities

	Note(s)	2023 $'000	2022 $'000
Deficit on ordinary activities after tax		**(20,316)**	(40,092)
Depreciation	16	**510**	536
Gain on fixed asset disposal	16	**(25)**	(56)
Exchange gain on miscellaneous items		**(912)**	(221)
Increase in net insurance liabilities	15	**41,104**	16,442
Increase in provision for unearned premiums		**2,416**	1,863
Increase in insurance and other debtors		**(10,574)**	(5,658)
(Decrease) / increase in insurance and other creditors		**(25,697)**	5,638
Investment income	18	**(31,605)**	(22,630)
Investment charges	18	**60,171**	29,770
Net cash generated from / (used in) operating activities		**15,072**	(14,408)

The accompanying notes are an integral part of these consolidated accounts.

Notes to the Consolidated Accounts

Notes to the Consolidated Accounts

for the year ended 20 February 2023

1 General

The West of England Ship Owners Mutual Insurance Association (Luxembourg) (the "Association") is established in the Grand-Duchy of Luxembourg as a mutual insurance association and provides marine insurance and reinsurance of Members' protection and indemnity risks (Class 1) and freight, demurrage and defence risks (Class 2). As a mutual association under Luxembourg law, the Association has no share capital or subscribed capital.

2 Presentation of the consolidated accounts

These published consolidated accounts (hereafter "consolidated accounts") have been prepared in accordance with the significant accounting policies set out in Note 3 to meet the financial information requirements of its Members and include information and disclosures consistent with those adopted by the other members of the International Group of P&I Clubs.

These accounting policies and disclosures are consistent with those required by the amended law of 8 December 1994 on the consolidated annual accounts of insurance and reinsurance undertakings in Luxembourg, except for the following:

- Land and buildings and other financial investments are stated at estimated market value;
- Subrogation and salvages are presented on a net basis within the consolidated balance sheet;
- Additional disclosures are included relating to consolidated cash flows, policy year positions and average expense ratio.

The Association also prepares statutory consolidated accounts (the "statutory consolidated accounts") in accordance with the legal and regulatory requirements applicable in Luxembourg, including the requirements of the amended law of 8 December 1994 on the annual accounts of insurance and reinsurance undertakings. These statutory consolidated accounts are filed with the Registre de Commerce in Luxembourg and are available at the registered office of the Association.

The impact on the valuation of land and buildings and other financial investments in the consolidated balance sheet resulting from the change in accounting policies described above between these and the statutory consolidated accounts is as follows:

	Land and buildings $'000	Other financial investments $'000
Presented herein – Estimated market value	10,709	667,625
Statutory consolidated accounts – Net book value	2,754	646,705

The preparation of consolidated accounts requires the use of certain critical accounting estimates. It also requires the Board of Directors to exercise its judgement in the process of applying the accounting policies. Changes in assumptions may have a significant impact on the consolidated accounts in the period in which the assumption changed. The Board of Directors believes that the underlying assumptions are appropriate and that the consolidated accounts therefore present the financial position and results fairly.

The Association makes estimates and assumptions that affect the reported amounts of assets and liabilities in the next financial year. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Basis of consolidation

The consolidated accounts have been prepared in US dollars and incorporate the assets and liabilities of the Association and its group undertakings, listed below, at 20 February 2023 and the results of the year ended on that date.

Group undertakings	Ownership %	Incorporated
Hydra Insurance Company Ltd. – The West of England Hydra Cell	100%	Bermuda
International Shipowners Reinsurance Company S.A.	100%	Luxembourg
The West of England Reinsurance (Hamilton) Limited	100%	Bermuda
The West of England Ship Owners' Insurance Services Limited	100%	United Kingdom
West of England Hellas S.a.r.l.	100%	Luxembourg
West of England Insurance Services (North America) Inc.	100%	United States
West of England Claims Services (North America) Inc.	100%	United States
West of England Insurance Services (Luxembourg) S.A.	100%	Luxembourg
Nordisk Marinforskaring AB (Nordic Marine Insurance)	44.48%	Sweden
Astaara Company Limited	42.66%	Guernsey
Qwest Maritime Limited	50%	United Kingdom

All group undertakings are fully consolidated with the exception of Nordisk Marinforskaring AB (Nordic Marine Insurance) and Astaara Company Limited which are consolidated using the equity method. The 50% share of the Association's participation in Qwest Maritime Limited has not been consolidated due to its immaterial value at 20 February 2023.

Classes and policy years

Members are insured in accordance with the Rules of the Association. Separate records are maintained for all Classes of insurance. Mutual policy balance accounts are maintained, individual accounts being held for all open policy years for each Class. The accumulated balance for all policy years is available, if required, for any exceptional future charges.

Calls and reinsurance premiums are credited or charged to the policy year to which cover relates. Claims are included in policy years by reference to the date of the incident and reinsurance recoveries are matched accordingly. General and management expenditure is allocated to Classes on the basis of calls and premium income and is charged to the policy year in which it is incurred. Investment income is allocated to policy years as determined by the Directors.

Activities relating to specific Classes, Class 1 and Class 2, and the activity relating to The West of England Reinsurance (Hamilton) Limited and Nordic Marine Insurance, which is not attributable to any Class of business, are disclosed separately in Note 20.

3 Summary of significant accounting policies

Foreign currencies

Revenue and expense transactions are converted at the rate ruling at the date of the relevant transactions. Assets and liabilities in currencies other than US dollars are converted to US dollars at the rate prevailing at the balance sheet date. Exchange differences are analysed between realised and unrealised, and taken to the consolidated Income and Expenditure Account. Exchange movements arising from the retranslation of brought forward reserve balances are taken directly to capital and reserves. Unsettled forward exchange transactions are translated into US dollars at the forward rate prevailing on the balance sheet date for the remaining term of the contracts. Unrealised profit or loss on hedging transactions is charged in the consolidated Income and Expenditure Account and disclosed as an asset or a liability in the consolidated balance sheet.

Intangible assets

Intangible assets are amortised on a straight-line basis at a rate of 20% per year commencing from the first full year after acquisition.

Investments in affiliated undertakings and participating interests

Affiliated undertakings are considered to be the undertakings over which the Club exercises a dominant influence either directly or indirectly. Participating interests refer to rights contained in the capital of other undertakings which, when creating a durable link with those undertakings, are intended to contribute to the Club's activities.

The shares held in affiliated undertakings and participating interests over which the Club exercises a significant influence over the operating and financial policies of the undertaking are valued using the equity method, at their initial cost adjusted by the proportional share of the undertaking's net profit or loss. Debt securities issued by, and loans to, undertakings with which an insurance undertaking is linked by virtue of a participating interest are stated at nominal value. Value adjustments are made if it is expected that recoverability is impaired and that reduction in value is of permanent nature.

3 Summary of significant accounting policies Classes and policy years (continued)

Land and buildings

Land and buildings are stated at estimated market value, based on periodic valuations by independent valuers. Buildings are amortised over their useful life on a straight-line basis, taking into account their residual value. The residual value and economic useful life of buildings are reassessed by the Directors on a periodic basis. Leasehold properties are written down over the period of the lease.

Other financial investments

Shares and other variable yield transferable securities and units in unit trusts, and Debt securities and other fixed income transferable securities are valued at market value. The market value of securities traded on established exchanges is determined using the latest official close of business price available provided by selected vendors. The market value of investment funds is calculated using the last available net asset value reported by those funds, or the last available capital statement for funds which are not unitised.

Debtors

Full provision is made for amounts owing which are more than one year in arrears and in respect of other balances considered to be doubtful.

Claims outstanding

Statistical projections are calculated for claims outstanding at the balance sheet date based upon paid claims and estimates of notified outstanding claims. Provision is made for future claims handling expenses. Significant delays may occur before claims are settled and, accordingly, a substantial measure of experience and judgement is required in assessing the ultimate cost of outstanding and unnotified claims, which cannot be known with certainty at the balance sheet date.

The reinsurers' share in claims outstanding represents the part of the gross claims outstanding that the Association is entitled to recover from reinsurers under contractual reinsurance arrangements.

Tangible fixed assets

Tangible fixed assets are valued at purchase price including any acquisition expenses. Tangible fixed assets are depreciated over their useful economic life which has been determined as ten years for fixtures and fittings and four years for motor vehicles.

Gross premiums written

Gross premiums written consist of calls, premiums, releases and other fees less return premiums and provisions for bad and doubtful debts. Premium is recognised on an accruals basis in the period in which the contract is related. Reinsurance premiums are charged to the consolidated Income and Expenditure Account on an accruals basis.

Provision for unearned premiums

Provision for unearned premiums represents the part of gross premiums written that is estimated to be earned after the balance sheet date. The unearned premium reserve is calculated on a daily pro-rata basis.

Claims incurred

Claims incurred comprises claims and related costs, including claims handling expenses, advances made on account of claims during the year, including the Association's share of claims under pooling agreements, and changes in provisions for outstanding claims, including provisions for claims incurred but not reported and related expenses, together with any other adjustments to claims from previous years. Credit is taken for reinsurance recoveries due in respect of claims accounted for at the balance sheet date.

Investment income and charges

Income and charges from investments are included, together with the related tax credit, in the non-technical account on an accruals basis. Account is taken of dividend income when the related investment is declared "ex-dividend".

The amortisation of the positive differences and the accretion of negative differences between the acquisition cost and the redemption value are released to investment expenses and investment income respectively, in instalments over the period remaining to repayment.

Transfer of investment return

A transfer of investment return, including unrealised exchange gains and losses, expenses and charges, is made from the non-technical account to the technical account to reflect the return made on those assets directly attributable to the insurance business.

Expenses

General and management expenditure is charged to the consolidated Income and Expenditure Account on an accruals basis.

Acquisition costs and Deferred acquisition costs

Acquisition costs represent the brokerage and commissions attributable to the processing of proposals and the issuing of policies. Acquisition costs are deferred and amortised over the periods in which the premiums are earned.

Pension costs

Defined benefit pension costs are charged to the consolidated Income and Expenditure Account in accordance with the advice of qualified actuaries and a plan approved by the UK pensions regulator. Pension obligations relating to defined final salary benefits are determined on a projected unit method. Contributions to both the defined benefit pension and defined contribution pension schemes are charged as an expense in the year to which they relate.

4 Intangible assets	2023 Goodwill $'000	2022 Goodwill $'000
Cost		
At beginning of year	4,634	4,634
Additions	-	-
Disposals	-	-
At end of year	**4,634**	**4,634**
Accumulated depreciation		
At beginning of year	(927)	-
Provided during year	(927)	(927)
Disposals	-	-
At end of year	**(1,854)**	**(927)**
Net Book Value	**2,780**	**3,707**

5 Land and buildings

Land and buildings comprise a property in Hong Kong which is fully occupied by the Association. The property was revalued at 20 February 2023 by Jones Lang LaSalle Ltd at HK$83.9 million ($10.7 million) (2022 HK$86.1 million / $11.0 million) and the resultant revaluation was taken to the Revaluation Reserve.

6 Investments in affiliated undertakings and participating interests

The movements during the financial year in respect of investments in affiliated undertakings and participating interests are as follows:

	Participating interests and affiliated undertakings	Debt securities issued by, and loans to, undertakings with which an insurance undertaking is linked by virtue of a participating interest	2023 $'000 Total
Gross book value as at 20.02.2022	5,611	1,087	6,698
Additions during the year	578	77	655
Gross book value as at 20.02.2023	**6,189**	**1,164**	**7,353**
Accumulated profits / (losses) as at 20.02.2022	(4,149)	-	(4,149)
Allocation under the Equity Method during the year	(57)	-	(57)
Impairment in Astaara Company Limited	(578)	(77)	(655)
Accumulated profits / (losses) as at 20.02.2023	**(4,784)**	**(77)**	**(4,861)**
Net book value 20.02.2023	**1,405**	**1,087**	**2,492**
Net book value 20.02.2022	1,462	1,087	2,549

Participating interests at 20 February 2023, with details of the cost and book value held by the Association, are:

	2023 $'000 Book Value	2023 $'000 Cost	2022 $'000 Book Value	2022 $'000 Cost
Nordic Marine Insurance	1,380	1,580	1,437	1,580
Astaara Company Limited	-	4,584	-	4,006
	1,380	**6,164**	1,437	5,586

Affiliated undertakings at 20 February 2023, with details of the cost and market value held by the Association, are:

	2023 $'000 Book Value	**2023 $'000 Cost**	2022 $'000 Book Value	2022 $'000 Cost
Qwest Maritime Limited	25	25	25	25
	25	**25**	25	25

7 Other financial investments	**2023 $'000 Market Value**	**2023 $'000 Cost**	2022 $'000 Market Value	2022 $'000 Cost
Shares and other variable yield transferable securities and units in unit trusts	**125,101**	**105,475**	124,621	93,601
Debt securities and other fixed income transferable securities	**542,524**	**567,696**	512,846	511,597
	667,625	**673,171**	637,467	605,198

Derivatives can be broken down as follows:

	2023 $'000 Contract/ notional amount	**2023 $'000 Fair value asset**	**2023 $'000 Fair value liability**	2022 $'000 Contract/ notional amount	2022 $'000 Fair value asset	2022 $'000 Fair value liability
Forward foreign exchange contracts	**43,554**	**265**	**331**	42,097	200	299

The use of derivatives for leveraging purposes is not permitted although certain of the Association's investment managers have authority to invest in derivative financial instruments for hedging purposes and as a substitute for cash securities only. At 20 February 2023 forward foreign exchange positions comprise long US dollar positions in 17 currencies for a total value of $35.7 million (2022 $36.2 million) and short US dollar positions in 6 currencies for a total value of $7.9 million (2022 $5.9 million).

8 Financial commitments and guarantees

The Association itself and through its subsidiaries, International Shipowners Reinsurance Company S.A. and The West of England Reinsurance (Hamilton) Limited, has pledged certain investments as security for bank guarantees and letters of credit issued on behalf of the Association. At 20 February 2023, the secured facilities for guarantees on behalf of Members, including an agreed margin where appropriate, amounted to $68.3 million (2022 $68.3 million) and guarantees issued against those facilities totalled $26.2 million (2022 $30.6 million).

Total bank guarantees and letters of credit issued on behalf of the Association at 20 February 2023 were:

	2023 $ million	2022 $ million
On behalf of Members	**26.2**	30.6
Letters of credit and other guarantees	**5.6**	5.8

For guarantees issued on behalf of Members for claims, appropriate balance sheet provision has been made within claims outstanding.

As at 20 February 2023, the Association has outstanding commitments to subscribe shares in two investment funds for a value of $6.9 million (2022 $9.3 million) and has committed to the future use of office space for a value of $8.0 million (2022 $11.2 million).

9 Reinsurance debtors	**2023 $'000**	2022 $'000
Recoveries from other members of the International Group of P&I Clubs	**1,657**	2,104
Recoveries from the Group Excess Loss reinsurance	**252**	271
Other reinsurances	**8,599**	2,234
	10,508	4,609

10 Member debtors	**2023 $'000**	2022 $'000
Member debtors	**48,650**	44,356
	48,650	44,356

Ageing analysis

The following is an ageing analysis of member debtors, net of allowance for doubtful debts:

	2023 $'000	2022 $'000
Neither past due nor impaired	**39,935**	34,832
Overdue for up to 3 months	**6,822**	6,310
Overdue for over 3 months	**1,893**	3,214
	48,650	44,356

11 Other debtors	**2023 $'000**	2022 $'000
Investment debtors	**480**	513
Hong Kong Profits Tax	**28**	732
UK Corporation Tax	**1,018**	117
Other debtors	**974**	1,059
	2,500	2,421

12 Tangible assets

12 Tangible assets	2023 Motor Vehicles $'000	2023 Fixtures and Fittings $'000	2023 Total $'000
Cost			
At beginning of year	146	3,102	3,248
Additions	-	-	-
Disposals	(37)	-	(37)
At end of year	**109**	**3,102**	**3,211**
Accumulated depreciation			
At beginning of year	132	1,630	1,762
Provided during year	14	285	299
Disposals	(37)	-	(37)
At end of year	**109**	**1,915**	**2,024**
Net Book Value	**-**	**1,187**	**1,187**

	2022 Motor Vehicles $'000	2022 Fixtures and Fittings $'000	2022 Total $'000
Cost			
At beginning of year	260	3,102	3,362
Additions	-	-	-
Disposals	(114)	-	(114)
At end of year	146	3,102	3,248
Accumulated depreciation			
At beginning of year	197	1,345	1,542
Provided during year	42	285	327
Disposals	(107)	-	(107)
At end of year	132	1,630	1,762
Net Book Value	14	1,472	1,486

13 Other creditors	**2023 $'000**	2022 $'000
Luxembourg municipal and state taxes	**450**	508
Accrued expenses	**2,083**	1,824
Investment creditors	**1,954**	798
Other creditors	**9,384**	8,945
	13,871	12,075

Other creditors include $611,800 (2022 $723,200) becoming due and payable after one year. All other creditors are payable within one year.

14 Earned premiums, net of reinsurance				**2023 $'000**
	Class 1	Class 2	Other	**Total**
Gross premiums by policy year				
Policy year 2022/23	269,352	15,741	1,526	**286,619**
Policy year 2021/22	4,734	1,071	(27)	**5,778**
Policy year 2020/21	775	48	1	**824**
Other	(93)	42	-	**(51)**
Total gross premiums	274,768	16,902	1,500	**293,170**
Reinsurance premiums	(47,142)	(1,345)	-	**(48,487)**
Earned premiums, net of reinsurance	**227,626**	**15,557**	**1,500**	**244,683**

				2022 $'000
	Class 1	Class 2	Other	Total
Gross premiums by policy year				
Policy year 2021/22	248,710	13,893	868	263,471
Policy year 2020/21	1,477	508	5	1,990
Policy year 2019/20	380	4	-	384
Other	534	78	-	612
Total gross premiums	251,101	14,483	873	266,457
Reinsurance premiums	(42,245)	(1,373)	-	(43,618)
Earned premiums, net of reinsurance	208,856	13,110	873	222,839

15 Insurance claims and loss adjustment expenses	2023 $'000	2023 $'000	2023 $'000	2023 $'000
	Class 1	Class 2	Other	Total
Gross claims paid and loss adjustment expenses				
- Members' claims	129,397	7,880	638	**137,915**
- International Group of P&I Clubs	26,081	-	-	**26,081**
	155,478	7,880	638	**163,996**
Reinsurance recoveries on claims paid				
- Recoveries from other members of the International Group of P&I Clubs	188	-	-	**188**
- Recoveries from the Group Excess Loss reinsurance programme	(409)	-	-	**(409)**
- Recoveries from other reinsurances	(16,553)	(639)	-	**(17,192)**
Reinsurance recoveries on claims paid	(16,774)	(639)	-	**(17,413)**
Net claims paid and loss adjustment expenses	**138,704**	**7,241**	**638**	**146,583**
Insurance liabilities, gross	**713,684**	**13,788**	**325**	**727,797**
Reinsurers' share of insurance liabilities				
- Recoveries from other members of the International Group of P&I Clubs	(84,849)	-	-	**(84,849)**
- Recoveries from the Group Excess Loss reinsurance programme	(16,146)	-	-	**(16,146)**
- Recoveries from other reinsurances	(61,341)	392	-	**(60,949)**
Reinsurers' share of insurance liabilities	(162,336)	392	-	**(161,944)**
Net insurance liabilities carried forward	**551,348**	**14,180**	**325**	**565,853**
Net insurance liabilities brought forward	509,964	14,569	216	524,749
Change in the net provision for insurance liabilities	**41,384**	**(389)**	**109**	**41,104**
Net insurance claims and loss adjustment expenses	**180,088**	**6,852**	**747**	**187,687**

	2023 $'000 Gross	2023 $'000 Reinsurance	2023 $'000 Net
Current year claims and loss adjustment expenses	215,980	(21,864)	**194,116**
Movement in cost of prior year claims and loss adjustment expenses	(11,021)	4,592	**(6,429)**
Total insurance claims and loss adjustment expenses	**204,959**	**(17,272)**	**187,687**
Claims paid and loss adjustment expenses	163,996	(17,413)	**146,583**
Change in the provision for insurance liabilities	40,963	141	**41,104**
Total insurance claims and loss adjustment expenses	**204,959**	**(17,272)**	**187,687**

Claims outstanding includes $147.3 million (2022 $132.4 million) in respect of other clubs' claims through the International Group Pool, including appropriate provision for claims incurred but not reported. Recoveries shown include amounts statistically projected as recoverable against claims incurred but not reported.

	2022 $'000 Class 1	2022 $'000 Class 2	2022 $'000 Other	2022 $'000 Total
Gross claims paid and loss adjustment expenses				
- Members' claims	155,275	9,469	269	165,013
- International Group of P&I Clubs	42,710	-	-	42,710
	197,985	9,469	269	207,723
Reinsurance recoveries on claims paid				
- Recoveries from other members of the International Group of P&I Clubs	(7,633)	-	-	(7,633)
- Recoveries from the Group Excess Loss reinsurance programme	(485)	-	-	(485)
- Recoveries from other reinsurances	(4,901)	(1,081)	-	(5,982)
Reinsurance recoveries on claims paid	(13,019)	(1,081)	-	(14,100)
Net claims paid and loss adjustment expenses	184,966	8,388	269	193,623
Insurance liabilities, gross	671,329	15,289	216	686,834
Reinsurers' share of insurance liabilities				
- Recoveries from other members of the International Group of P&I Clubs	(104,864)	-	-	(104,864)
- Recoveries from the Group Excess Loss reinsurance programme	(16,827)	-	-	(16,827)
- Recoveries from other reinsurances	(39,674)	(720)	-	(40,394)
Reinsurers' share of insurance liabilities	(161,365)	(720)	-	(162,085)
Net insurance liabilities carried forward	509,964	14,569	216	524,749
Net insurance liabilities brought forward	496,131	12,149	27	508,307
Change in the net provision for insurance liabilities	13,833	2,420	189	16,442
Net insurance claims and loss adjustment expenses	198,799	10,808	458	210,065

	2022 $'000 Gross	2022 $'000 Reinsurance	2022 $'000 Net
Current year claims and loss adjustment expenses	243,259	(18)	243,241
Movement in cost of prior year claims and loss adjustment expenses	(106,167)	72,991	(33,176)
Total insurance claims and loss adjustment expenses	137,092	72,973	210,065
Claims paid and loss adjustment expenses	207,723	(14,100)	193,623
Change in the provision for insurance liabilities	(70,631)	87,073	16,442
Total insurance claims and loss adjustment expenses	137,092	72,973	210,065

16 Operating expenses	2023 $'000	2022 $'000
Directors' fees	**391**	452
Auditor's remuneration	**375**	370
Other expenses	**10,896**	10,044
Depreciation	**510**	536
Profit on disposal of fixed assets	**(25)**	(56)
Administrative expenses	**12,147**	11,346
Acquisition costs	**37,280**	33,783
Change in deferred acquisition costs	**(408)**	(262)
	49,019	44,867

Remuneration granted to the Directors in respect of their duties and responsibilities during the financial year amounted to $391,389 (2022: $452,280). No loans or advances were granted to the Directors during the year and no commitments were entered into on their behalf.

The fees of the auditor in relation to the audit of the annual accounts in 2023 amount to $378,681 (2022: $366,301); the fees related to other assurance services provided including tax services and a report prepared in accordance with the International Standards on Related Services to agreed upon procedures ("ISRS") 4400 amount to a credit of $3,846 (2022: $3,846 charge).

Included within acquisition costs is $25.9 million (2022: $21.9 million) in respect of commission.

In accordance with Schedule 3 of the International Group Agreement 2022, all members of the International Group of P&I Clubs are required to prepare and disclose an "average expense ratio" which expresses expenses as a percentage of total income, calculated as a five year moving average. The figure for the year ended 20 February 2023 is 15.89% (2022: 15.06%).

17 Staff costs	2023 $'000	2022 $'000
Wages and salaries	**17,743**	19,364
Other staff related costs	**2,430**	2,543
Social security costs	**1,708**	1,785
Other pension costs	**1,971**	2,483
	23,852	26,175

The average weekly number of employees during the year, by department, was:

	2023 Number	2022 Number
Claims	**64**	63
Underwriting	**46**	47
Administration	**42**	41
	152	151

Certain employees have accrued benefits under a defined benefit pension scheme, The West of England Ship Owners' Insurance Services Limited Retirement Benefits Scheme (the "Scheme").

From 30 June 2004, the Scheme was changed from one where benefits provided were based on final salaries to a cash contribution scheme with benefits based on contributions linked to annual salaries and inflation. The Scheme was closed to new entrants on 1 September 2016 and then was closed to future benefit accrual on 31 December 2020. The latter change was enacted in such a way as to have no impact on the accrued benefits in the Scheme. Employees commencing employment after 1 September 2016 are automatically enrolled in a new defined contribution scheme under which no future liability accrues to the Association.

The assets of the Scheme are held in a separate fund, administered by trustees, and are invested independently of the Association's assets. Funding requirements are assessed by an independent professionally qualified actuary triennially. The scheme is currently assessed to be in a surplus position and consequentially no funding is required by the Association however, should this position change, the Directors intend to maintain the funding rate necessary to meet the requirements of the plan.

The trustees' have a strategy to de-risk the Scheme and a bulk annuity "buy-in" policy was entered into in April 2014 in respect of pensioners within the final salaries section of the Scheme, representing the majority of Scheme pensioners. This policy is valued in the Scheme assets and liabilities at 20 February 2023, as shown below, at GBP 31.3 million (USD 37.6 million), (2022 GBP 42.0 million (USD 57.1 million)).

On an IAS 19 basis the pension scheme is valued at:

	2023 $'000	2022 $'000
Present value of Scheme liabilities	**(85,554)**	(127,078)
Market value of Scheme assets	**93,002**	142,313
Surplus in the Scheme	**7,448**	15,235

The principal assumptions underlying these valuations were:

	2023 % per annum	2022 % per annum
Discount rate	**4.7**	2.5
RPI inflation assumption	**3.3**	3.8
CPI inflation assumption (pre-2030)	**2.3**	2.8
CPI inflation assumption (2030 and onwards)	**3.2**	3.7
Limited price indexation pension increases	**3.1**	3.5

The average duration of the Scheme's liabilities is approximately 12 years (2022 14 years).

18 Investment income and charges	2023 $'000	2022 $'000
Investment income	**18,494**	16,078
Gains on realisation of investments	**7,224**	3,698
Gains from forwards and exchange	**5,887**	2,854
Total investment income	**31,605**	22,630
Investment expenses (including management expenses)	**(2,822)**	(2,903)
Losses on realisation of investments	**(9,007)**	(158)
Losses from investments consolidated under equity value	**(57)**	(78)
Impairment of goodwill and investments	**(1,582)**	(4,267)
Net value adjustments on investments	**(37,814)**	(17,817)
Losses from forwards and exchange	**(8,889)**	(4,547)
Total investment charges	**(60,171)**	(29,770)
Total investment return	**(28,566)**	(7,140)

The investment return has been attributed as follows:

	2023 $'000	2022 $'000
Class 1	**(24,316)**	(6,530)
Class 2	**(1,496)**	(377)
The West of England Reinsurance (Hamilton) Limited	**(2,754)**	(233)
	(28,566)	(7,140)

19 Tax on ordinary activities	2023 $'000	2023 $'000	2022 $'000	2022 $'000
Luxembourg municipal and state taxes		**(230)**		(577)
Hong Kong Profits Tax		**-**		-
Singapore Income Tax		**-**		-
UK Corporation Tax:				
Current tax on income for the year	**887**		(46)	
Adjustment in respect of prior years	**13**		15	
		900		(31)
Other taxes		**(397)**		(251)
		273		(859)

20 Summarised Income and Expenditure Account by Class

2023 $'000

	Class 1	Class 2	Non-Class	Total
Earned premiums, net of reinsurance (Note 14)	227,626	15,557	1,500	**244,683**
Claims incurred, net of reinsurance (Note 15)	(180,088)	(6,852)	(747)	**(187,687)**
Net operating expenses (Note 16)	(45,512)	(3,372)	(135)	**(49,019)**
	2,026	5,333	618	**7,977**
Investment return, net of tax (Notes 18 and 19)	(24,059)	(1,480)	(2,754)	**(28,293)**
(Deficit) / surplus for the financial year	**(22,033)**	**3,853**	**(2,136)**	**(20,316)**

2022 $'000

	Class 1	Class 2	Non-Class	Total
Earned premiums, net of reinsurance (Note 14)	208,856	13,110	873	222,839
Claims incurred, net of reinsurance (Note 15)	(198,799)	(10,808)	(458)	(210,065)
Net operating expenses (Note 16)	(41,683)	(3,087)	(97)	(44,867)
	(31,626)	(785)	318	(32,093)
Investment return, net of tax (Notes 18 and 19)	(7,341)	(425)	(233)	(7,999)
(Deficit) / surplus for the financial year	(38,967)	(1,210)	85	(40,092)

21 Reserves

2023 ($'000)	Revaluation Reserve	Income and Expenditure Account	Total reserves
As at 20 February 2022	8,884	242,301	**251,185**
Revaluation	(116)	-	**(116)**
Exchange	-	(1)	**(1)**
Deficit for financial year (Note 20)	-	(20,316)	**(20,316)**
At 20 February 2023	**8,768**	**221,984**	**230,752**

2022 ($'000)	Revaluation Reserve	Income and Expenditure Account	Total reserves
As at 20 February 2021	8,741	282,393	291,134
Revaluation	143	-	143
Exchange	-	-	-
Deficit for financial year (Note 20)	-	(40,092)	(40,092)
At 20 February 2022	8,884	242,301	251,185

Revaluation Reserve by Class

The balance on the Revaluation Reserve is attributed to Classes as follows:

	2023 $'000	2022 $'000
Class 1	**8,392**	8,501
Class 2	**376**	383
	8,768	8,884

Total Reserves by Class	**2023 $'000**	2022 $'000
Class 1	**138,352**	160,497
Class 2	**49,916**	46,069
Other reserves	**42,484**	44,619
Total reserves at 20 February	**230,752**	251,185

At 20 February 2023 other reserves consisted of reserves not specific to Class including The West of England Reinsurance (Hamilton) Limited and Nordic Marine Insurance.

22 Subsequent events

The Association has evaluated the period after the balance sheet date up to and including 10 May 2023, the date the consolidated accounts were approved by the Board, and determined that there were no subsequent events or transactions that required recognition or disclosure in the consolidated accounts.

23 Class 1 policy year position at 20 February 2023 $'000	2020/21	2021/22	2022/23	Unallocated investment income	Total
Calls & premiums:					
- Year to 20 February 2023	774	4,734	269,352	-	274,860
- Prior years	229,365	248,710	-	-	478,075
Gross premiums	**230,139**	**253,444**	**269,352**	**-**	**752,935**
Reinsurance premiums	(39,421)	(43,304)	(46,986)	-	(129,711)
Acquisition costs	(28,801)	(31,820)	(34,365)	-	(94,986)
Net premiums	**161,917**	**178,320**	**188,001**	**-**	**528,238**
Investment income	15,830	-	-	5,809	21,639
Net income	**177,747**	**178,320**	**188,001**	**5,809**	**549,877**
Net claims paid – Members	(102,613)	(74,852)	(27,132)	-	(204,597)
Net claims outstanding – Members	(63,462)	(99,588)	(139,585)	-	(302,635)
Net claims incurred – Members	**(166,075)**	**(174,440)**	**(166,717)**	**-**	**(507,232)**
Net claims paid – Pool	(20,974)	(27,793)	-	-	(48,767)
Net claims outstanding – Pool	(39,445)	(35,448)	(17,202)	-	(92,095)
Net claims incurred – Pool	**(60,419)**	**(63,241)**	**(17,202)**	**-**	**(140,862)**
Net claims paid	(123,587)	(102,645)	(27,132)	-	(253,364)
Net claims outstanding	(102,907)	(135,036)	(156,787)	-	(394,730)
Net claims incurred	**(226,494)**	**(237,681)**	**(183,919)**	**-**	**(648,094)**
Operating expenses	(10,868)	(9,978)	(10,650)	-	(31,496)
Net expenditure	**(237,362)**	**(247,659)**	**(194,569)**	**-**	**(679,590)**
Forecast balance on open years	**(59,615)**	**(69,339)**	**(6,568)**	**5,809**	**(129,713)**
Forecast balance on closed years					**268,065**
Forecast balance on Class 1 at 20 February 2023					**138,352**

Based on the position at 20 February 2023 a resolution was put to the Board of Directors at their meeting on 10 May 2023 to allocate investment return of minus $24.316 million to the 2020/21 policy year and thereafter close the year and transfer the closing deficit to the forecast balance on closed years.

Release calls as a percentage of the estimated total mutual call have been set at 10% for 2020/21, and 15% for policy years 2021/22 and 2022/23. The estimated yields of these releases, if charged, would be $18.8 million, $30.8 million and $33.0 million respectively. No account of these releases has been taken in the policy year figures above.

Under the resolution referred to above, the Board of Directors were asked to review these releases for the remaining open years and decided to reduce policy year 2021/22 to 10% and to maintain policy year 2022/23 at 15%.

23 Class 1 policy year position at 20 February 2023 (continued)

The following disclosure is in conformity with the agreed accounting standards of the International Group of P&I Clubs:

(a) Disclosure relating to calls	2020/21 $'000	2021/22 $'000	2022/23 $'000
Estimated product of a 10% supplementary call	18,709	20,485	22,004

The supplementary call products shown take account of calls already charged, and Members released, at 20 February 2023 and therefore do not represent 10% of the original mutual call for each year.

(b) Disclosure relating to claims paid	2020/21 $'000	2021/22 $'000	2022/23 $'000
Claims paid - own business	(102,613)	(74,852)	(38,000)
Claims paid – other clubs' Pool claims	(20,974)	(27,793)	-
Gross claims paid	(123,587)	(102,645)	(38,000)
Recoveries from the Pool	-	-	-
Recoveries from the Group Excess Loss reinsurance programme	-	-	-
Recoveries from other reinsurances	-	-	10,868
Reinsurance recoveries on claims paid	-	-	10,868
Net claims paid	**(123,587)**	**(102,645)**	**(27,132)**

(c) Disclosure relating to claims outstanding	Closed Years $'000	2020/21 $'000	2021/22 $'000	2022/23 $'000	**Total $'000**
Outstanding claims – own business	(154,865)	(158,080)	(102,326)	(150,580)	**(565,851)**
Outstanding claims – other clubs' Pool claims	(55,738)	(39,445)	(35,448)	(17,202)	**(147,833)**
Gross outstanding claims (Note 15)	(210,603)	(197,525)	(137,774)	(167,782)	**(713,684)**
Recoveries from the Pool	18,102	66,747	-	-	**84,849**
Recoveries from the Group Excess Loss reinsurance programme	16,146	-	-	-	**16,146**
Recoveries from other reinsurances	19,737	27,871	2,738	10,995	**61,341**
Reinsurance recoveries on outstanding claims (Note 15)	53,985	94,618	2,738	10,995	**162,336**
Net claims outstanding	(156,618)	(102,907)	(135,036)	(156,787)	**(551,348)**

The figure for outstanding claims includes appropriate provision for claims incurred but not reported and future claims handling expenses. Recoveries include amounts statistically projected as recoverable against claims incurred but not reported. Recoveries from the Pool include the International Group's retained share of the Excess of Loss programme.

24 Class 2 policy year position at 20 February 2023 $'000	2019/20	2020/21	2021/22	2022/23	Unallocated investment income	Total
Calls & premiums						
- Year to 20 February 2023	34	48	1,071	15,741	-	16,894
- Prior years	12,689	12,723	13,893	-	-	39,305
Gross premiums	**12,723**	**12,771**	**14,964**	**15,741**	**-**	**56,199**
Reinsurance premiums	(1,149)	(1,333)	(1,373)	(1,345)	-	(5,200)
Acquisition costs	(1,557)	(1,640)	(1,851)	(1,924)	-	(6,972)
Net premiums	**10,017**	**9,798**	**11,740**	**12,472**	**-**	**44,027**
Investment income	-	-	-	-	11,078	11,078
Net income	**10,017**	**9,798**	**11,740**	**12,472**	**11,078**	**55,105**
Net claims paid	(7,320)	(6,474)	(5,337)	(1,393)	-	(20,524)
Net claims outstanding	(987)	(1,404)	(2,999)	(8,221)	-	(13,611)
Net claims incurred	**(8,307)**	**(7,878)**	**(8,336)**	**(9,614)**	**-**	**(34,135)**
Administration expenses	(1,150)	(1,396)	(1,271)	(1,362)	-	(5,179)
Net expenditure	**(9,457)**	**(9,274)**	**(9,607)**	**(10,976)**	**-**	**(39,314)**
Forecast balance on open years	**560**	**524**	**2,133**	**1,496**	**11,078**	**15,791**
Forecast balance on closed years						**34,125**
Forecast balance on Class 2 at 20 February 2023						**49,916**

Investment income includes all amounts earned up to 20 February 2023. Based on the position at 20 February 2023 a resolution was put to the Board of Directors at their meeting on 10 May 2023 to close policy year 2019/20 in surplus without allocation of investment income.

Release calls as a percentage of estimated mutual call have been set at zero for 2019/20, at 10% for 2020/21 and at 15% for 2021/22 and 2022/23. No account of these releases has been taken in the policy year figures above. Under the resolution referred to above, the Board of Directors will be asked to review these releases for the remaining open years and to reduce policy year 2020/21 to zero, reduce 2021/22 to 10% and to maintain 2022/23 at 15%.

Global Coverage

Providing localised services to the world-wide membership.

1. Registered office

31 Grand-Rue
L-1661 Luxembourg
G.D. Luxembourg
T +352 4700 671

2. UK (London)

One Creechurch Place
Creechurch Lane
London EC3A 5AF
T +44 20 7716 6000

3. Greece (Piraeus)

Akti Miaouli 95
1st Floor
185 38 Piraeus
T +30 210 4531969

4. Hong Kong

1302 China Evergrande Centre
38 Gloucester Road
Wanchai, Hong Kong
T +852 2529 5724

5. Singapore

77 Robinson Road
Level 15-01, Robinson 77
Singapore 068896
T +65 6416 4890

6. USA (New York)

1350 Avenue of the Americas
3rd Floor, New York
NY 10019
T +1 917 733 2584

Contacts

Full contact details for the relevant underwriting teams can be found on the corresponding product page of our website at **www.westpandi.com**

Follow us on

WEST
The West of England Ship Owners Mutual Insurance Association (Luxembourg)
UK office One Creechurch Place, Creechurch Lane, London EC3A 5AF
Tel +44 20 7716 6000 **Email** mail@westpandi.com www.westpandi.com
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