COMPANY NO. 5528808

REGISTERED OFFICE: 2nd Floor, 2 Minster Court, London EC3R 7BB

Advent Capital (No. 3) Limited

2021 Annual Report

Advent Capital (No. 3) Limited (Company No. 5528808)
Annual Report
For the year ended 31st December 2021

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Directors

T J Ambridge (Resigned 23rd August 2021)
A R Creed
I M Hewitt (Resigned 31st March 2021)
L R Tanzer

Company Secretaries

N Johnson

Registered Office

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2 Minster Court
London
EC3R 7BB

Independent Auditors

Deloitte LLP
1 New Street Square
London
EC4A 3HQ

Website

https://www.rsml.co.uk

Advent Capital (No. 3) Limited (Company No. 5528808)
Strategic Report
For the year ended 31st December 2021

The Directors present their Strategic Report for the year ended 31st December 2021.

On 23rd August 2021 CVC Capital Partners ("CVC") completed the acquisition of RiverStone Europe from Fairfax Financial Holdings Limited ("Fairfax") and the Ontario Municipal Employees Retirement Scheme ("OMERS"). The RiverStone Europe Group will now operate under the name RiverStone International. Pursuant to this transaction, Gatland BidCo Limited ("Bidco"), a wholly-owned subsidiary of Gatland Holdings Jersey Limited ("Gatland"), completed the acquisition of all the outstanding shares of Riverstone Barbados Limited ("RBL").

Advent Capital (No.3) Limited ("the Company") is a wholly owned subsidiary of Advent Capital (Holdings) LTD ("Advent" or "ACH") which is registered in England and Wales.

The ultimate holding company is Gatland which is registered in Jersey. The majority of the shares in Gatland are held by CVC Capital Partners Strategic Opportunities II LP

Principal Activity

The Company has historically acted as the Corporate Member underwriting at Lloyd's supporting 100% of Syndicate 780's capacity on the 2018 Year of Account ("YOA"). The Company ceased underwriting on 31st December 2020 when the 2018 year of account of Syndicate 780 closed.

On 11th July 2018, the Company's parent, ACH announced the integration of its profitable Lloyd's underwriting portfolios into other Fairfax UK affiliates, in response to the considerable strategic challenges facing Syndicate 780, in an extremely competitive market place, while placing the remaining parts of its portfolio into run-off under the management of RiverStone Managing Agency Limited ("RiverStone Managing Agency"). Syndicate 780 permanently ceased underwriting on 31st December 2018.

Effective from 1st January 2019 the Company entered into a Funds at Lloyd's ("FAL") inter-availability agreement with RiverStone Corporate Capital Limited ("Riverstone Corporate) to make its excess capital available to Syndicate 3500 to enable it to acquire additional Lloyd's run-off businesses. RiverStone Corporate is paying the Company a fee for the use of its capital and has indemnified the Company from any loss arising from the use of its excess capital. During the year the Company entered into a new loan agreement with RiverStone Corporate for $30 million, which is in addition to the existing $25 million loan agreement entered into during 2020. RiverStone Corporate is only permitted to use these funds to support its own underwriting at Lloyd's.

Business Review

Results and Performance

For the year ended 31st December 2021, the Company had a profit before tax of $17.1 million (2020: profit of $6.7 million) comprising the balance on technical account for general business of $nil million, non-technical investment gains of $12.6 million and other income of $4.5 million (2020: balance on technical account for general business of $15.0 million, non-technical investment losses of $10.9 million, other income of $2.6 million).

On 5th February 2021, the company issued 8,150,835 new $0.40 ordinary shares to ACH in exchange for an asset value loan note.

Performance Measurements and Key Performance Indicators

Total shareholders' funds is considered the key performance indicator for the Company and has increased to $38.6 million at 31st December 2021 (2020: $18.7 million) due to an increase in issued shares and profit for the year.

Strategy and Future Developments

Following the reinsurance to close of Syndicate 780, the Company's future strategy is intended to focus on providing capital to the affiliate Lloyd's corporate member capital providers, notably RiverStone Corporate, to support to the financing requirements of ongoing underwriting and acquisition activity of the wider RiverStone International group.

Principal Risks and Uncertainties

The principal risk to which the Company was exposed, including through the operations of its subsidiaries, related to its participation in Syndicate 780. Following the reinsurance to close of Syndicate 780, the Company continues to face risks arising from its provision of inter-available FAL and lending to RiverStone Corporate. The Board is responsible for ensuring that a proper internal control framework exists to manage financial risks and that controls operate effectively.

The Company's assets and liabilities continue to be exposed to market risk, including equity price fluctuations and adverse changes in exchange rates. Equity price fluctuations are limited on a net basis due to a fair value swap arrangement.

Much like 2020, 2021 has been dominated by the impact on society of the novel coronavirus, COVID-19. This disease has forced numerous economies to impose significant restrictions on free movement, with the UK requiring large numbers of workers to remain at home at various points throughout the year. AC3 directors have continued to perform business as usual activities efficiently and effectively despite these restrictions and will continue to remain fully operational while these conditions remain in force. The Company's 2021 financial results have not been impacted by this pandemic; this is consistent with the 2020 financial results.

Section 172(1) of the Companies Act 2006

The board of directors of Advent Capital (No.3) Limited ("the Board") consider, in good faith, that they have had appropriate regard to the matters set out in section 172(1)(a) to (f) when performing their duty under section 172.

Consequences of any decision in the long term – having made the decision to place Syndicate 780 into run-off during 2018, the Board concluded this activity in 2021. The Board is now focussed on generating income streams through supporting the wider RiverStone International Group's Lloyd's underwriting activities.

Business relationships – the Board recognises that a high standard of business conduct is essential for the deliver the delivery of our strategy and aspires to transparent communication with the Group's regulators primarily Lloyd's. During 2021, the Board have continued to have the opportunity to meet with Lloyd's, which continues to refresh and facilitate an understanding of their needs and expectations. Regulatory compliance is managed by a dedicated and experienced compliance team which reports to the board on a regular basis. The Board ensures that its debtholders are appropriately informed of activity through filings with the Channel Islands Stock Exchange.

Community and environment – The Board note that while it has no employees that it supports the wider RiverStone International Group's policy of matching employee charitable donations and of allowing time to be available to support others in our communities.

Business conduct – the Board recognises that a commitment to a high standard of business conduct is critical to the delivery of our strategy and aspires to complete honesty and transparency in all activity.

Shareholder Engagement - the Board is committed to an open engagement with our shareholders and has had the opportunity to regularly meet with the directors of the ultimate holding company throughout the year.

Employees - the Board acknowledges people are essential to the delivery of our strategy. While the Company has no immediate employees, the Board supports the initiatives of the wider RiverStone International Group.

Approved by the Board and signed on its behalf by:

Luke Tanzer
Chief Executive Officer
23rd September 2022

The Directors present their report and the audited financial statements of the Company for the year ended 31st December 2021.

Future Outlook

The future outlook of the Company is discussed in the Strategic Report.

Dividends

The directors do not propose the payment of a dividend (2020: $nil).

Political and charitable donations

The Company did not donate to any political party or charities in the year to 31st December 2021 (2020: $nil).

Directors

The names of the current directors are listed on page 3.

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law).

Under company law, directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102 have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006.

The directors are responsible for the maintenance and integrity of the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' confirmations

In the case of each director in office at the date the Directors' Report is approved:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Independent Auditors

During 2021, in accordance with Section 485 of the Companies Act 2006, Deloitte LLP ("Deloitte") were appointed, and expressed their willingness to continue, as the company's registered auditor.

Approved by the Board and signed on its behalf by:

Luke Tanzer
Chief Executive Officer
23rd September 2022

Independent auditor's report to the members of Advent Capital (No.3) Limited

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Advent Capital (No.3) Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31st December 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the profit and loss account;
- the balance sheet;
- the statement of changes in equity; and
- the related notes 1 to 16.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information
The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

Responsibilities of directors
As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Extent to which the audit was considered capable of detecting irregularities, including fraud
Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We considered the nature of the company's industry and its control environment, and reviewed the company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of managementabout their own identification and assessment of the risks of irregularities

We obtained an understanding of the legal and regulatory frameworks that the company operates in, and identified the key laws and regulations that:
- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included UK Companies Act and tax legislation; and,

- do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty.

We discussed among the audit engagement team including relevant internal specialists such as IT regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management and in-house legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance and reviewing internal audit reports.

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006
In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report has been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report and the directors' report.

Matters on which we are required to report by exception
Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

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

We have nothing to report in respect of these matters.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Adam Ely FCA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom
23rd September 2022

Advent Capital (No. 3) Limited (Company No. 5528808)
Profit and Loss Account
For the year ended 31st December 2021

	Note	2021 $'000	2020 $'000
Net premiums earned			
Gross premiums written	6	-	8,309
Reinsurance premiums ceded		-	(4,085)
Net premiums written		-	4,224
Change in the provision for unearned premiums			
- gross amount		-	5,873
- reinsurers' share		-	(2,957)
Change in the net provision for unearned premiums		-	2,916
Net premiums earned		-	**7,140**
Other technical income, net of reinsurance		-	649
Allocated investment return transferred from the non-technical account		-	1,058
Total technical income		$ -	$ **8,847**
Claims incurred, net of reinsurance			
Claims paid			
- gross amount	6	-	(51,808)
- reinsurers' share	6	-	32,451
Net claims paid		-	(19,357)
Change in the provision for claims			
- gross amount	6	-	70,140
- reinsurers' share	6	-	(38,798)
Change in the net provision for claims		-	31,342
Claims incurred, net of reinsurance		-	**11,985**
Net operating expenses	10	-	(5,788)
Total technical charges		-	**6,197**
Balance on the technical account for general business		$ -	$ **15,044**
Non-Technical account			
Investment Income	9	150	3,588
Unrealised gains on investments	9	12,533	1,083
Unrealised losses on investments	9	-	(12,267)
Investment expenses and charges	9	(61)	(2,281)
Allocated investment return transferred to the general business technical account		-	(1,058)
Other income	11	4,470	2,590
Profit before tax		**17,092**	**6,699**
Tax	13	(553)	(5,792)
Profit for the year		$ **16,539**	$ **907**

Advent Capital (No. 3) Limited (Company No. 5528808)
Balance Sheet
As at 31st December 2021

	Note	2021 $'000	2020 $'000
Assets			
Financial investments	7	**80,569**	**228,465**
Reinsurers' share of technical provisions			
Outstanding claims	6	-	64,951
		$ -	**$ 64,951**
Debtors			
Debtors arising out of direct insurance operations	6	-	508
Debtors arising out of reinsurance operations	6	-	12,128
Deferred taxation	13	-	1,742
Current taxation		2,587	1,293
Other assets	7	-	23,445
		2,587	**39,116**
Cash and equivalents		**55,739**	**29,435**
Prepayments and accrued income			
Accrued interest		-	86
Total Assets		**$ 138,895**	**$ 362,053**
Liabilities and reserves			
Capital and reserves			
Called up share capital	15	3,340	80
Share premium account		131,400	131,400
Accumulated losses		(96,154)	(112,693)
Total shareholder's funds		**$ 38,586**	**$ 18,787**
Technical provisions			
Outstanding claims	6	-	180,641
		$ -	**180,641**
Creditors			
Creditors arising out of (re)insurance operations		-	2,138
Amounts owed to group undertakings		95,382	136,745
Derivative financial instruments	7	4,927	-
Other creditors	14	-	23,742
		100,309	**162,625**
Accruals and deferred income		**-**	**2,277**
Total liabilities and total shareholder's funds		**$ 138,895**	**$ 362,053**

The financial statements on pages 13 to 38 were approved by the Board of Directors on 23rd September 2022 and were signed on its behalf by:

A. R. Creed
Chief Financial Officer

Advent Capital (No. 3) Limited (Company No. 5528808)
Statement of Changes in Equity
For the year ended 31st December 2021

	Ordinary Share Capital $'000	Share Premium $'000	Accumulated Deficit $'000	Total $'000
Balance at 1st January 2020	**80**	**131,400**	**(113,600)**	**17,880**
Profit for the financial year	-	-	907	907
Balance at 31st December 2020	**$ 80**	**$ 131,400**	**$ (112,693)**	**$ 18,787**
Share Capital Issued	3,260	-	-	3,260
Profit for the year	-	-	16,539	16,539
Balance at 31st December 2021	**$ 3,340**	**$ 131,400**	**$ (96,154)**	**$ 38,586**

Share premium account is the excess of proceeds from issue of shares over the par value of the ordinary shares.

The notes on pages 16 to 38 form an integral part of these financial statements.

1. General Information

The Company participated in insurance business as an underwriting member at Lloyd's until 31st December 2018 at which time Syndicate 780 ceased underwriting. The assets and liabilities arising as a result of the underwriting activities are held under various Lloyd's trust deeds for the benefit of policyholders. The management of Syndicate 780 novated from Advent Underwriting Limited ("AUL") to RiverStone Managing Agency Limited on 1st January 2019. The Company is a private company limited by shares and is incorporated in England. The Company registration number is 5528808. The address of its registered office is 2nd Floor, 2 Minster Court, London, EC3R 7BB.

2. Statement of Compliance

The financial statements of the Company have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102"), Financial Reporting Standard 103, Insurance Contracts and the Companies Act 2006, under the provision of The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (SI2008/410). The Company has also adopted Technical Release 1/99 "Accounting by Lloyd's Corporate Capital Vehicles" issued by the Institute of Chartered Accountants in England and Wales.

3. Summary of Significant Accounting Policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The Company has adopted FRS 102 and FRS 103 in these financial statements.

(a) Basis of Preparation

The preparation of financial statements in conformity with FRS102 and FRS103 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the accounting policies of the Company. The areas involving a higher degree of judgement or complexity or areas where assumptions and estimates are significant to the financial statements, are disclosed further below.

These financial statements are prepared on a going concern basis, under the historical cost convention.

(b) Going concern

Following the successful reinsurance to close of Syndicate 780 the Company has lost its primary source of day-to-day working capital requirements which were through the underwriting activities of Syndicate 780. However, the Company's forecasts and projections show that the Company should be able to operate and have the resources available to meet requirements through the income generated from the FAL inter-availability agreement with Riverstone Corporate Capital Limited ("RCCL") which is in place until the end of 2022 and on the $55 million loan to RCCL which accrues interest at 4.5% + 1 Year USD EIOPA risk free rate per annum. The company has the appetite to enter into further transactions of this type once the FAL pledged at Lloyd's supporting Syndicate 780 is released. Finally, if the decision is made to stop pledging assets to support the underwriting of RCCL the company has the resources to repay outstanding liabilities. After making enquiries, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence and to meet its liabilities as they come due, for the foreseeable future. Having addressed the principal risks, the directors consider it appropriate to adopt the going concern basis of accounting in preparing these financial statements.

(c) Exemptions for qualifying entities under FRS 102

FRS102 allows a qualifying entity certain disclosure exemptions, subject to certain conditions, which have been complied with, including notification of, and no objection to the use of exemptions by Advent Capital No.3's shareholders.

The Company has taken advantage of the following exemptions:

i) from preparing a statement of cash flows, on the basis that it is a qualifying entity and the consolidated statement of cash flows, included in the financial statements of Gatland Holdings Jersey Limited ("Gatland") includes the companies cash flows.

ii) from disclosing key management personnel compensation, as required by FRS102 paragraph 33.7.

iii) from the requirement to disclose transactions with related parties within the same group as provided by FRS 102, Section 33.1A.

(d) Foreign currency

(i) Functional and presentation currency

The Company's functional and presentational currency is US dollars.

(ii) Transactions and balances

The financial statements are presented in United States Dollars and, unless otherwise stated, are rounded to thousands. Items included in the Company's financial statements are measured using the currency of the primary economic environment in which it operates. The Company's functional currency is the United States Dollar.

Foreign currency transactions are translated into the functional currency using the average rate of exchange during the year. At each year end foreign currency monetary items are translated using the year end rate of exchange. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss account for the year.

Foreign exchange differences on non-syndicate transactions are reported in other charges in the non-technical account.

The Company uses forward exchange trades contracts to mitigate the exchange risk associated with claims in currencies other than its principle settlement currencies and to manage its currency balance sheet. Gains or losses are recorded within profit on exchange. The fair value of the forward exchange contracts is determined by reference to quoted period end exchange rates.

(e) General insurance business

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

i) Premiums written relate to business incepted during the year, together with any differences between booked premiums for prior years and those previously accrued and include estimates of premiums due but not yet receivable or notified to the Company, less an allowance for cancellations. Premiums are shown net of premium taxes and other levies on premiums.

ii) Premiums are accreted to the income statement on a pro-rata basis over the term of the related policy, except for those contracts where the period of risk differs significantly from the contract period. In these cases, premiums are recognised over the period of risk in proportion to the amount of insurance protection provided.

iii) Unearned premiums represent the proportion of premiums written that relate to unexpired terms of policies in force at the balance sheet date. The unearned premium reserve is translated at closing rates of exchange.

iv) Acquisition costs, which represent commission and other related expenses, are allocated over the period in which the related premiums are earned.

v) Reinsurance premium costs of "losses occurring during" policies are charged over the period for which coverage is provided. Other reinsurance premium costs are deferred over the period in which the premiums relating to business written are earned.

vi) Claims incurred comprise claims and related expenses paid in the year and changes in the provisions for outstanding claims, including provisions for claims incurred but not reported (IBNR) and related expenses, together with any other adjustments to claims from previous years. Where applicable, deductions are made for salvage and other recoveries.

vii) Outstanding claims represent the ultimate cost of settling all claims (including direct and indirect claims settlement costs) arising from events which have occurred up to the balance sheet date, including provision for IBNR, less any amounts paid in respect of those claims. Outstanding claims are reduced by anticipated salvage and other recoveries.

viii) Provision is made at the year-end for the estimated costs of claims incurred but not settled at the balance sheet date, including the cost of IBNR to the Company. The estimated cost of claims includes expenses to be incurred in settling claims and a deduction for the value of salvage and other recoveries. The Company takes all reasonable steps to ensure that it has appropriate information regarding its claims exposures. However, given the uncertainty in establishing claims provisions, it is likely that the final outcome will prove to be different from the original liability established.

ix) Reinsurance assets include amounts recoverable from reinsurance companies for paid and unpaid losses and loss adjustment expenses and ceded unearned premiums. Amounts receivable from reinsurers are calculated with reference to the claims liability associated with the reinsured risks. Any impairment to a reinsurance asset is immediately recognised in the Profit and Loss Account.

(f) Investment Return

Investment return comprises all investment income, realised investment gains and losses and movements in unrealised gains and losses, net of investment expenses, charges and interest.

Dividends are recorded on the date on which the shares are quoted ex-dividend. Interest income is recognized using the effective interest rate method.

Realised gains and losses on investments carried at current value are calculated as the difference between net sales proceeds and purchase price. Movements in unrealised gains and losses on investment represent the difference between the valuation at the balance sheet date and their purchase price or, if they have been previously valued, their valuation at the last balance sheet date, together with the reversal of unrealised gains and losses recognised in earlier accounting periods in respect of investment disposals in the current period.

Investment return is initially recorded in the non-technical account. A transfer is made from the non-technical account to the technical account of the investment return on investments supporting the insurance technical provisions and related shareholder's funds.

(f) Taxation

Taxation expense for the year comprises current and deferred tax recognised in the reporting period. Tax is recognised in the income statement.

Current or deferred tax liabilities are not discounted.

(i) Current tax

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

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(ii) Deferred tax

Deferred tax arises from timing differences that are differences between taxable profits and total comprehensive income as stated in the financial statements. These timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements.

Deferred tax is recognised on all timing differences at the reporting date except for certain exceptions. Unrelieved tax losses and other deferred tax assets are only recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the period end and that are expected to apply to the reversal of the timing difference.

(g) Impairment of non-financial assets

At each balance sheet date, non-financial assets not carried at fair value are assessed to determine whether there is an indication that the asset may be impaired. If there is such an indication the recoverable amount of the asset is compared to the carrying amount of the asset.

The recoverable amount of the asset is the higher of the fair value less costs to sell and value in use. Value in use is defined as the present value of the future pre-tax and interest cash flows obtainable as a result of the asset's continued use. The pre-tax and interest cash flows are discounted using a pre-tax discount rate that represents the current market risk-free rate and the risks inherent in the asset.

If the recoverable amount of the asset is estimated to be lower than the carrying amount, the carrying amount is reduced to its recoverable amount. An impairment loss is recognised in the income statement, unless the asset has been revalued when the amount is recognised in other comprehensive income to the extent of any previously recognised revaluation. Thereafter any excess is recognised in income.

If an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the revised carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised in prior periods. A reversal of an impairment loss is recognised in the income statement.

(h) Other assets and creditors

Other assets and creditors comprise inter-group receivables and other receivables and payables valued at cost.

(i) Cash and cash equivalents

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

(j) Financial Instruments

The Company has chosen to apply the recognition and measurement provisions of IAS 39 (as adopted for use in the EU) and the disclosure requirements of FRS 102 in respect of the financial statements. The Company classifies all its investments as financial assets at fair value through profit and loss. Management determines the classification of its investments at initial recognition and re-evaluates this at every reporting date.

i) Financial assets

A financial asset is classified as fair value through profit and loss at inception if it is acquired principally for the purpose of selling in the short term, if it forms part of a portfolio of financial assets in which there is evidence of short-term profit-taking, or if so designated by management to minimise any measurement or recognition inconsistency with the associated liabilities. All derivatives are classified as at fair value through profit and loss.

Financial assets designated as at fair value through profit and loss at inception are those that are managed and whose performance is evaluated on a fair value basis. Information about these financial assets is provided internally on a fair value basis to The Company's key management personnel. The Company's investment strategy is to invest in interest rate debt securities and derivatives designated upon initial recognition at fair value through profit and loss.

The fair values of listed investments are based on current bid prices on the balance sheet date. Unlisted investments for which a market exists are also stated at the current bid price on the balance sheet date or the last trading day before that date.

Net gains or losses arising from changes in the fair value of financial assets at fair value through profit and loss are presented in the Profit and Loss Account within 'Unrealised gains on investments' or 'Unrealised losses on investments' in the year in which they arise.

The Company discloses its investments in accordance with a fair value hierarchy with the following levels:

(i) Level 1 – the unadjusted quoted price in an active market for identical assets or liabilities that the entity can access at the measurement date;

(ii) Level 2 – inputs other than quoted prices included within Level 1 that are observable (i.e. developed using market data) for the asset or liability, either directly or indirectly

(iii) Level 3 – inputs are unobservable (i.e. for which market data is unavailable) for the asset or liability

ii) *Financial liabilities*

Basic financial liabilities, including trade and other payables are initially recognised at transaction price.

Creditors arising out of reinsurance operations, amounts owed to other group companies and other creditors are obligations to pay for services that have been acquired in the ordinary course of business. These obligations are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

Derivative financial instruments comprise a fair value swap. Derivatives are initially and subsequently measured at their fair value with movements in the fair value being immediately recognised in the profit and loss account. Fair values are obtained from quoted market prices, discounted cash flow models, risk models and option pricing models as appropriate.

The Company does not currently apply hedge accounting for interest rate and foreign exchange derivatives.

Financial liabilities are derecognized when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

iii) *Offsetting*

Financial assets and liabilities are offset, and the net amounts presented in the financial statements when there is an enforceable right to set off the recognized amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

(l) Share capital

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

(m) Distributions to equity holders

Dividends and other distributions to the Company's shareholder are recognised as a liability in the period in which the dividends are approved. These amounts are recognised in the statement of changes in equity.

(n) Related party transactions

The Company discloses transactions with related parties which are not wholly owned with the same group. It does not disclose transactions with members of the same group that are wholly owned.

(o) Affiliate Loans

Loans to affiliate companies are initially and subsequently recognised at cost. All loans can be demanded for repayment within 12 months. Interest accreted is recognised through other income in the profit and loss account.

4. Critical accounting judgements and estimation uncertainty

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

i) Claims reserves

The establishment of claims reserves represents the area of greatest uncertainty in preparing insurance Company financial statements. Reserves for future anticipated claims are made based on information available at the time of preparation of the financial statements. Any "best estimate" of ultimate claims needs to be viewed as a point value within a likely range of outcomes. The nature of each insurer's business, and the reinsurance arrangements in place, influence how wide that likely range of outcomes will be.

Significant areas requiring estimation and judgment 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 provisions for inward 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 recoverability of amounts due from reinsurers.

The estimation of claims incurred but not reported (IBNR) is generally subject to a greater degree of uncertainty than the estimation of the cost of settling claims already notified to the Company, where more information about the claim event is generally available. Claims IBNR may often not be apparent to the insured until many years after the event giving rise to the claims has happened. Classes of business where the IBNR proportion of the total reserve is high, such as casualty, will typically display greater variations between initial estimates and final outcomes because of the greater degree of difficulty of estimating these reserves. Classes where claims are typically reported relatively quickly after the claim event tend to display lower levels of volatility. In calculating the estimated cost of unpaid claims the Company uses a variety of estimation techniques, generally based upon statistical analyses of historical experience, which assumes that the development pattern of the current claims will be consistent with past experience.

Allowance is made, however, for changes or uncertainties which may create distortions in the underlying statistics or which might cause the cost of unsettled claims to increase or reduce when compared with the cost of previously settled claims including:

- changes in the Company's underwriting and claims processes which might accelerate or slow down the development and/or recording of paid or incurred claims compared with the statistics from previous years
- changes in the legal environment
- the effects of inflation
- changes in mix of business
- the impact of large losses
- movements in industry benchmarks

A component of these estimation techniques is usually the estimation of the cost of notified but not paid claims. In estimating the cost of these claims the Company has regard to the claim circumstance as reported, any information available from cedants and information on the cost of settling claims with similar characteristics in previous years.

i) *Claims reserves (continued)*

Large claims impacting each relevant business class are generally assessed separately, being measured on a case-by-case basis or projected separately in order to allow for the possible distortive effect of the development and incidence of these large claims.

For major natural catastrophe events, the original loss estimate for all 'on risk' exposures is analysed using computer simulation to ascertain those accounts likely to be impacted. From the initial output, modelled loss estimates, per account, are generated.

An underwriting review of the account, by cedant, is then conducted to validate the individual loss estimates and, where applicable, amend the model driven estimates with underwriter input relevant to the particular features of the loss and its anticipated impact on an account. Where accounts cannot be analysed, using catastrophe-modelling software, benchmark analysis is conducted, again on an account-by-account basis, to generate loss estimates. As more specific client information becomes available the ultimate loss estimates are updated from the initial forecast to reflect the client specific data.

Where possible, the Company adopts multiple techniques to estimate the required level of provisions. This assists in giving greater understanding of the trends inherent in the data being projected. The projections resulting from the various methodologies also assist in setting the range of possible outcomes. The most appropriate estimation technique is selected taking into account the characteristics of the business class and the extent of the development of each accident year.

Provisions are calculated gross of any reinsurance recoveries. A separate estimate is made of the amounts that will be recoverable from reinsurers based upon the gross provisions and having due regard to collectability.

Actual claims experience will always differ from projected estimates. Such differences in relation to risks previously earned are recognised in the income statement in the accounting period during which the difference is identified.

The Company's claims reserves are calculated by the Company's Head of Reserving with input from the Head of Claims. These reserves are reviewed and approved monthly by the Reserve Group and quarterly by the Board. Annually, the reserves of the Syndicate are reviewed by external actuaries who issue a valuation opinion on the adequacy of reserves.

ii) *Pipeline premiums*

Written premiums include pipeline premiums which represent future premiums receivable on in-force insurance contracts. Pipeline premium estimates are typically based on underwriter knowledge and experience of the contracts being written and are updated regularly based on actual cash received versus estimate.

iii) *Valuation of the deferred tax asset*

In determining the recoverability of deferred tax assets, the Company primarily considers current and expected profitability of applicable operating companies and their ability to utilize any recorded tax assets. The Company reviews its deferred income tax assets on a regular basis, taking into consideration the underlying operations' performance as compared to plan, the outlook for the business going forward, the impact of enacted and proposed changes to tax law and the availability of tax planning strategies, including Consortium Relief with other UK affiliates of Fairfax Financial Holdings Limited (Fairfax).

4. Foreign exchange risk management

The Company's operations are conducted in a number of currencies, the principal ones of which are US $, GBP £, AUD $, Euro € and AUD $. The Company's policy is that it is not in the business of taking or speculating on foreign currency risk.

The Company manages its foreign exchange risk against its functional currency, which is the US Dollar. The Company has a proportion of its assets and liabilities denominated in currencies other that the US Dollar, the most significant being the Euro and Pound Sterling.

The principal exchange rates used in translating foreign currency assets, liabilities, income and expenditure in the preparation of these financial statements were:

	2021		2020	
	Year average rate	**Year end rate**	**Year average rate**	**Year end rate**
	$	**$**	**$**	**$**
Sterling	0.7268	0.7383	0.7792	0.7316
Euro	0.8454	0.8794	0.8757	0.8173
Australian Dollar	1.3308	1.3754	1.4475	1.2959
Canadian dollar	1.2533	1.2631	1.3404	1.2740

The Company's gross premiums were written in the following currencies:

	2021		2020	
	$'000	**%**	**$'000**	**%**
US dollar	-	-	6,976	84.0
£ sterling	-	-	347	4.2
Australian dollar	-	-	1,059	12.7
Canadian dollar	-	-	397	4.8
Euro	-	-	(470)	(5.7)
	-	-	**8,309**	**100.0**

The Company's asset and liability positions in its major foreign currencies in local currency were as follows:

	US$	**£**	**CAD$**	**€**	**AU$**
31st December 2021					
Total assets	138,215	7,015	-	242	-
Total liabilities	(109,301)	(140)	-	-	-
Net assets (net liabilities)	**28,914**	**6,875**	-	**242**	-
31st December 2020					
Total assets	199,654	10,584	20,259	3,908	5,639
Total liabilities	(145,455)	(14,329)	(7,342)	(4,562)	(1,529)
Net assets (net liabilities)	**54,199**	**(3,745)**	**12,917**	**(654)**	**4,110**

The effect on profit before tax of a 5% increase or decrease in the closing exchange rates on the foreign currency balance sheet at 31 December 2021 is approximately $0.5 million (2020: $(0.4) million.

5. Insurance Risk Management

The risk under any one insurance contract is the possibility that the insured event occurs and the uncertainty over the amount of the resulting ultimate claim. By the very nature of an insurance contract, this risk is unpredictable at the outset.

The principal risk that the Company faced under its insurance contracts is that the actual claims and benefit payments exceed the carrying amount of the insurance liabilities. This could occur because the frequency or severity of claims and benefits are greater than estimated. The actual number and amount of claims and benefits arising from insurance contracts will vary from year to year from the level established using statistical techniques.

Experience showed that the larger the portfolio of similar insurance contracts, the smaller the relative variability about the expected outcome will be. In addition, a more diversified portfolio is less likely to be materially affected by a change in any subset of the portfolio. The Company has a diversified portfolio of insurance risks.

The Company mitigated insurance risk through the use of reinsurance, both in the form of third-party reinsurance associated with the business originally written and reinsurance with affiliated reinsurers

The Company reported its underwriting activities on a line of business basis with the six segments having the following insurance risk characteristics:

a) The Reinsurance segment consisted of the Company's property and casualty treaty reinsurance classes. The casualty treaty class provided excess of loss coverage for general casualty classes such as auto liability, medical malpractice, workers compensation and associated exposures, with an emphasis on clash business. The majority of the account was written in the United States and no business was written on an unlimited basis. The property treaty class offered property catastrophe and individual risk cover for insurance and reinsurance contracts written predominantly on a "losses occurring during policy period" basis with generally no risks in excess of 12 months and with a large proportion of risks expiring at 31 December each year.

b) The Specialty segment included a broad range of products including terrorism, marine, offshore energy portfolios with coverage provided for individual risk and catastrophe accumulations and specie, marine hull & machinery, liability and cargo insurance. Most risks were written on an excess or limited conditions basis with the objective of avoiding exposure to attritional losses.

c) The Consumer Products segment consisted of the accident & health (A&H) insurance and bespoke products classes. The A&H account provided a wide range of medical and accident coverage, primarily through binding authorities, whilst the bespoke products class offered a wide-ranging portfolio from trucking physical damage to credit card enhancement schemes.

d) The Property segment consisted of the Property D&F and Property Binders classes and includes commercial property, personal lines and commercial automobile physical damage insurance written in the open market and through biding authorities on both a lead and following basis, either through underwriting facilities or on an individual risk basis.

e) The Discontinued segment included classes of business written prior to 2015.

f) The Affiliate Reinsurance segment shows the outward reinsurance transaction on a line by line basis.

i) Segmental analysis

The tables below detail the Company's underwriting performance by segment. Acquisition costs, consisting of direct brokerage commissions, are allocated to each segment on a direct basis while operating costs, including underwriting costs, where they cannot be specifically attributed, are either allocated based on gross premiums written or gross premiums earned. The Company does not prepare a segmented balance sheet by line of business and accordingly, has presented key insurance account balances only.

31st December 2021	Consumer Products $'000	Speciality $'000	Property $'000	Reinsurance $'000	Discontinued $'000	Affiliate Reinsurance & Other $'000	Total $'000
Balance sheet accounts							
Reinsurers' share of outstanding claims	-	-	-	-	-	-	-
Reinsurers' share of unearned premium	-	-	-	-	-	-	-
Deferred acquisition costs	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	2,587	2,587
Total assets	-	-	-	-	-	**2,587**	**2,587**
Outstanding claims	-	-	-	-	-	-	-
Unearned premium	-	-	-	-	-	-	-
RI deferred acquisition costs	-	-	-	-	-	-	-
Other liabilities	-	-	-	-	-	100,309	100,309
Total liabilities	-	-	-	-	-	**100,309**	**100,309**

31st December 2020	Consumer Products $'000	Speciality $'000	Property $'000	Reinsurance $'000	Discontinued $'000	Affiliate Reinsurance & Other $'000	Total $'000
Gross premiums written	1,674	3,203	2,530	1,090	(188)	-	8,309
Net premiums written	1,105	2,714	2,421	752	(188)	(2,580)	4,224
Net premiums earned	3,982	2,948	3,925	1,791	(188)	(5,318)	7,140
Net claims incurred	(6,045)	720	(2,181)	20,531	1,016	(2,056)	11,985
Acquisition (costs) / income	(1,110)	(932)	(1,104)	(279)	-	1,333	(2,092)
Operating (expenses) / income	(1,762)	(1,338)	(1,720)	(785)	-	1,910	(3,695)
Underwriting (loss) / profit	**(4,935)**	**1,398**	**(1,080)**	**21,258**	**828**	**(4,131)**	**13,338**
Claims ratio	151.8%	(24.4%)	55.6%	(1146.5%)	-	-	(167.9%)
Acquisition cost ratio	27.8%	31.6%	28.1%	15.6%	-	-	29.3%
Operating cost ratio	44.2%	45.4%	43.8%	43.8%	-	-	51.8%
Combined ratio	**223.8%**	**52.6%**	**127.5%**	**(1087.1%)**	-	-	**(86.8%)**

Balance sheet accounts

Reinsurers' share of outstanding claims	1,839	1,756	8,921	4,953	3,579	43,903	64,951
Reinsurers' share of unearned premium	-	-	-	-	-	-	-
Deferred acquisition costs	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	297,557	297,557
Total assets	**1,839**	**1,756**	**8,921**	**4,953**	**3,579**	**341,460**	**362,508**
Outstanding claims	(5,640)	(27,220)	(20,078)	(120,092)	(7,611)	-	(180,641)
Unearned premium	-	-	-	-	-	-	-
RI deferred acquisition costs	-	-	-	-	-	-	-
Other liabilities	-	-	-	-	-	(181,867)	(181,867)
Total liabilities	**(5,640)**	**(27,220)**	**(20,078)**	**(120,092)**	**(7,611)**	**(181,867)**	**(362,508)**

All premiums are concluded in the United Kingdom

The geographical analysis of gross premiums written by location is as follows:

	2021 **$'000**	**2020** **$'000**
US and Canada	-	284
UK	-	1,922
Other	-	4,564
Other EU	-	1,539
	-	**8,309**

ii) Outstanding claims

The movement in the Company's claims reserves for the year ended 31 December 2021 is set out below:

31st December 2021	**Provision for unearned premiums $'000**	**Outstanding claims $'000**	**Total $'000**
Gross			
At 1st January 2020	-	180,641	180,641
Exchange adjustments	-	-	-
Transfer to reinsuring syndicate	-	(180,641)	(180,641)
Movements in provisions			
- Current year	-	-	-
- Prior years	-	-	-
- Paid claims	-	-	-
At 31st December 2021	-	-	-
Reinsurers' share			
At 1st January 2021	-	64,951	64,951
Exchange adjustments	-	-	-
Transfer to reinsuring syndicate		(64,951)	(64,951)
Movements in provisions	-	-	-
- Current year	-	-	-
- Prior years	-	-	-
- Paid recoveries	-	-	-
At 31st December 2021	-	-	-
Net at 31st December 2021	-	-	-

31st December 2020	**Provision for unearned premiums $'000**	**Outstanding claims $'000**	**Total $'000**
Gross			
At 1st January 2019	5,985	250,154	256,139
Exchange adjustments	(112)	627	515
Transfer to reinsuring syndicate			
Movements in provisions			
- Current year	(5,873)	3,269	(2,604)
- Prior years	-	(21,601)	(21,601)
- Paid claims	-	(51,808)	(51,808)
At 31st December 2020	-	**180,641**	**180,641**
Reinsurers' share			
At 1 January 2019	2,957	102,935	105,892
Exchange adjustments	-	414	414
Transfer to reinsuring syndicate			
Movements in provisions			
- Current year	(2,957)	761	(2,196)
- Prior years	-	(6,708)	(6,708)
- Paid recoveries	-	(32,451)	(32,451)
At 31st December 2020	-	**64,951**	**64,951**
Net at 31st December 2020	-	**115,690**	**115,690**

ii) Outstanding claims (continued)

The claims balance is further analysed between notified outstanding claims and IBNR below:

	2021		2020	
	Gross $'000	Net $'000	Gross $'000	Net $'000
Notified outstanding claims	-	-	102,203	64,432
IBNR	-	-	78,438	51,258
Outstanding claims	-	-	**180,641**	**115,690**
Percentage of IBNR to notified outstanding claims	-%	-%	110.4%	117.9%

The concentration of insurance risk before and after reinsurance by the most material classes of business is summarised below, with reference to the carrying amount of outstanding claims (gross and net of reinsurance) arising from insurance contracts:

	2021		2020	
	Gross $'000	Net $'000	Gross $'000	Net $'000
Property Binder	-	-	21,430	5,497
Accident and Health	-	-	1,838	-
Casualty	-	-	62,882	46,222
Marine	-	-	18,868	12,938
Terrorism	-	-	1,487	932
Other Liability	-	-	15,842	11,645
Property Reinsurance	-	-	15,030	6,041
Casualty Treaty	-	-	28,095	21,043
Other	-	-	15,169	11,372
Total technical provisions	-	-	**180,641**	**115,690**

The following table shows the adverse or favourable development of claims, on a gross and net basis, determined on an accident year basis, from the amounts originally estimated at the end of the preceding year. Claims in currencies other than US dollars have been reconverted at 31st December 2021 exchange rates for all accident years.

Earned gross claims

Accident year	2010 and prior $'000	2011 $'000	2012 $'000	2013 $'000	2014 $'000	2015 $'000	2016 $'000	2017 $'000	2018 $'000	2019 $'000	2020 $'000	Total $'000
At the end of accident year	2,905,000	360,000	128,000	119,443	112,918	132,437	152,266	252,736	200,818	60,066	6,781	
One year later	2,915,000	365,000	136,673	119,078	109,264	143,964	174,471	253,417	204,493	49,043		
Two years later	2,893,000	349,234	131,292	111,850	105,416	149,684	166,960	255,207	207,151			
Three years later	2,867,931	327,676	128,983	102,554	97,535	124,730	169,598	261,540				
Four years later	2,820,121	369,451	126,914	95,448	98,621	125,978	162,299					
Five years later	2,813,173	361,418	126,426	95,879	95,291	123,295						
Six years later	2,810,240	366,145	130,166	95,086	95,584							
Seven years later	2,885,158	348,754	129,626	88,790								
Eight years later	2,872,862	355,691	135,657									
Nine years later	2,831,123	354,049										
Ten Years later	2,836,639											
Estimate of cumulative claims	2,836,639	354,049	135,657	88,790	95,584	123,295	162,299	261,540	207,151	49,043	6,781	4,320,828
Cumulative paid claims	2,824,570	346,187	117,990	83,052	84,526	109,602	144,965	233,680	162,253	29,858	3,503	4,140,186
Gross claims liability	12,069	7,862	17,667	5,738	11,058	13,693	17,334	27,860	44,898	19,186	3,279	180,641

Earned net claims

Accident year	2010 and prior $'000	2011 $'000	2012 $'000	2013 $'000	2014 $'000	2015 $'000	2016 $'000	2017 $'000	2018 $'000	2019 $'000	2020 $'000	Total $'000
At the end of accident year	2,194,961	232,615	117,974	117,974	96,681	107,776	131,558	151,247	123,306	50,163	6,781	
One year later	2,211,017	237,926	120,008	120,008	92,610	111,185	145,356	151,108	143,174	39,066		
Two years later	2,192,766	243,237	114,923	114,923	89,318	115,056	123,630	162,228	136,672			
Three years later	2,185,536	226,242	112,889	112,889	82,648	99,299	132,525	167,864				
Four years later	2,194,603	220,931	110,654	110,654	77,178	107,172	124,948					
Five years later	2,186,561	211,365	111,761	111,761	78,972	104,348						
Six years later	2,188,425	216,903	106,458	106,458	79,142							
Seven years later	2,167,608	192,037	111,602	77,880								
Eight years later	2,146,420	199,118	117,498									
Nine years later	2,047,856	196,303										
Ten Years later	2,050,502											
Estimate of cumulative claims	2,050,502	196,303	117,498	77,880	79,142	104,348	124,948	167,864	136,672	39,066	6,781	3,101,005
Cumulative paid claims	2,045,388	192,414	99,971	72,231	68,195	90,964	109,402	156,466	124,397	22,385	3,503	2,985,315
Net claims liability	5,114	3,889	17,527	5,649	10,948	13,385	15,546	11,398	12,275	16,681	3,279	115,690

iii) Debtors arising from insurance and reinsurance operations

The table below sets out the analysis of the debtors arising from insurance and reinsurance operations, at cost and fair value.

	2021 $'000	2020 $'000
Insurance and reinsurance premiums due	-	508
Pipeline premium	-	8,189
Reinsurance recoveries on paid claims	-	3,939
	-	**12,636**

Pipeline premium represents amounts receivable in respect of premiums incepted on binder business for which notification from the broker has not yet been received, together with reinstatement premiums on claims. The estimate of the likely settlement date for reinstatement premiums due is intrinsically related to the estimate of the likely settlement dates for the major losses.

Of the total balance, $nil million (2020: $6.8 million) is due within one year, with the balance due after one year.

The reinsurance recoveries accrued on paid claims is further analysed below:

	2021 $'000	2020 $'000
Fully performing	-	3,544
Past due	-	395
	-	**3,939**

Other than reinsurance recoveries as noted above all of these debtors are fully performing.

i) **Financial Instruments**
Financial Assets

	Market value		Cost	
	2021 $'000	**2020 $'000**	**2021 $'000**	**2020 $'000**
Debt securities and other fixed income securities	-	161,050	-	156,747
Equity Fund	80,569	59,849	78,771	78,771
Other investments	-	653	-	259
Overseas deposits	-	6,913	-	6,913
	80,569	**228,465**	**78,771**	**242,690**

Financial liabilities

	Market value		Cost	
	2021 $'000	**2020 $'000**	**2021 $'000**	**2020 $'000**
Fair value Swap	4,927	-	-	-
	4,927	**-**	**-**	**-**

Overseas deposits are lodged as a condition of conducting underwriting business in certain countries.

At 31st December 2021, investments of $nil million (2020: $96.6 million) were held in US situs and other regulatory deposits available for the payment of claims in those jurisdictions and are not available for the payment of other claims and obligations.

At 31st December 2021, the Company had made excess capital of $135.2 million (2020: $106.1 million) inter-available with RCCL. RCCL pays the Company a fee for its use of the Company's excess capital and has indemnified the Company from loss from its use of the excess capital.

Other Assets

	2021 $'000	2020 $'000
Other assets at cost and fair value comprise:		
Prepayments	-	551
Coupon Income	-	191
Receivable for closed FX trades	-	94
Federal Income Tax	-	94
Receivable for securities sold	-	21,850
Other	-	665
	-	**23,445**

ii) Fair value estimation

FRS 102 requires the Company to categorise its investment portfolio in terms of the quality of the pricing information used to value the individual assets. The different levels have been defined as follows:

Level 3 contains investments where fair values are measured using valuation techniques for which significant inputs are not based on market observable data. Valuation techniques include comparisons with similar instruments where observable market prices exist, discounted cash flow analysis, option pricing models, and other valuation techniques commonly used by market participants.

The remainder of the portfolio is considered to be Level 2, as these assets are valued based upon prices quoted in markets that are less active, have fewer sources or are derived from prices quoted in an active market

The following table presents the Company's assets that are measured at fair value, together with an analysis of when they mature.

At 31st December 2021	Total $'000	Less than 1 year $'000	1 to 2 years $'000	2 to 3 years $'000	More than 3 years $'000	No Maturity $'000
Level 1						
Debt securities and other fixed income securities	-	-	-	-	-	-
Equity Fund	-	-	-	-	-	-
Overseas deposits	-	-	-	-	-	-
	-	-	-	-	-	-
Level 2						
Debt securities and other fixed income securities	-	-	-	-	-	-
Equity Fund	80,569	3,921	-	-	-	76,648
Derivatives	-	-	-	-	-	-
Overseas deposits	-	-	-	-	-	-
	80,569	3,921	-	-	-	76,648
Level 3						
Derivatives	(4,927)	-	(4,927)	-	-	-
	(4,927)	-	(4,927)	-	-	-
	75,642	**3,921**	**(4,927)**	-	-	**76,648**

At 31st December 2020	Total $'000	Less than 1 year $'000	1 to 2 years $'000	2 to 3 years $'000	More than 3 years $'000	No Maturity $'000
Level 1						
Debt securities and other fixed income securities	133,379	133,379	-	-	-	-
Equity Fund	60,490	1,965	-	-	-	58,525
Overseas deposits	2,255	1,465	790	-	-	-
	196,124	136,809	790	-	-	58,795
Level 2						
Debt securities and other fixed income securities	27,671	15,972	-	-	11,699	-
Equity Fund	(641)	(641)	-	-	-	-
Derivatives	641	641	-	-	-	-
Overseas deposits	4,658	-	1,820	1,053	1,785	-
	32,329	15,972	1,820	1,053	13,484	
Level 3						
Derivatives	12	12	-	-	-	-
	12	12	-	-	-	-
	228,465	**152,793**	**2,610**	**1,053**	**13,484**	**58,525**

Level 3 investment movements are summarised as follows:

	2021 $'000	2020 $'000
Balance at 1st January	12	27
Sales of investments	-	-
Loss recognised in the income statement	(4,939)	(15)
Balance at 31st December	**(4,927)**	**12**

iii) Interest rate risk

The table below sets out the sensitivity of the Company's fixed income portfolio to unexpected changes in interest rates.

Change in Interest rates (Basis points)	$'000
+200	-
+100	-
-100	-
-200	-

iv) Liquidity risk

Liquidity risk is the risk that cash may not be available to pay obligations when due. The Company monitors its liquidity needs through daily monitoring and monthly cash flow forecasts. The following table presents the Syndicate's liabilities that are measured at fair value, together with an analysis of when they fall due.

At 31st December 2021	Total $'000	Less than 1 year $'000	1 to 2 Years $'000	2 to 3 Years $'000	More than 3 years $'000
Derivatives	4,927	-	4,927	-	-
Outstanding Claims	-	-	-	-	-
Creditors	-	-	-	-	-
Other	95,382	-	-	-	95,382
	100,309	-	**4,927**	-	**95,382**

At 31st December 2020	Total $'000	Less than 1 year $'000	1 to 2 Years $'000	2 to 3 Years $'000	More than 3 years $'000
Derivatives	447	447	-	-	-
Outstanding Claims	180,641	53,344	59,236	39,639	28,422
Creditors	25,879	24,373	701	469	336
Other	136,745	-	-	-	136,745
	343,918	**78,370**	**59,937**	**40,108**	**165,503**

v) Held for sale investments

Included within other financial investments are $80.6 million of investments that as at 31st December 2021 have a contractually binding agreement for sale within the next 12 months. The assets held for sale relate to certain equity investments under which the Group has entered into fair value swaps, these swaps include a condition of sale of the underlying asset within 12 months from the balance sheet date.

vi) Credit risk

Credit risk is the risk that a counterparty will be unable to pay amounts in full when due. Key areas where the Company is exposed to credit risk are:

- counterparty risk with financial institutions
- amounts due from affiliates

The tables below summarise the assets subject to credit risk by Standard & Poor (S&P) credit rating or equivalent where no S&P rating is available.

At 31st December 2021	**AAA $'000**	**AA $'000**	**A $'000**	**BBB $'000**	**Below BBB $'000**	**Not Rated $'000**	**Total $'000**
Debt securities and other fixed income securities	-	-	-	-	-	-	-
Equity Fund		3,921				76,648	80,569
Overseas deposits	-	-	-	-	-	-	-
Other investments	-	-	-	-	-	-	-
Reinsurers' share of outstanding claims	-	-	-	-	-	-	-
Other debtors	-	-	-	-	-	2,587	2,587
Cash at bank, deposit institutions and in hand	-	-	55,739	-	-	-	55,739
Total	**-**	**3,921**	**55,739**	**-**	**-**	**79,235**	**138,895**

At 31st December 2020	**AAA $'000**	**AA $'000**	**A $'000**	**BBB $'000**	**Below BBB $'000**	**Not Rated $'000**	**Total $'000**
Debt securities and other fixed income securities	144,993	4,209	149	11,699	-	-	161,050
Equity Fund	-	1,965	-	-	-	57,884	59,849
Overseas deposits	2,648	535	611	436	1,218	1,465	6,913
Other investments	-	653	-	-	-	-	653
Reinsurers' share of outstanding claims	-	-	62,600	892	-	1,459	64,951
Other debtors	-	-	-	-	-	39,657	39,657
Cash at bank, deposit institutions and in hand	-	1,159	28,276	-	-	-	29,435
Total	**147,641**	**8,521**	**91,636**	**13,027**	**1,218**	**100,465**	**362,508**

Collateral is provided to the Company as security over reinsurance recoverable balances due from some reinsurers. At 31 December 2021, $nil million (2020: $20.0 million) was available to the Company.

8. Profit before tax

Profit is stated after charging:

	2021 $'000	**2020 $'000**
Audit fees payable to the Company's auditors	12	20

9. Investment income

	2021 $'000	2020 $'000
Investment Income		
Income from financial investments	150	3,392
Gains on the realisation of investments	-	196
	150	3,588
Investment expenses and charges		
Losses on the realisation of investments	-	(1,731)
Investment management expenses	(61)	(550)
	(61)	(2,281)
Unrealised gains on investments	12,533	1,083
Unrealised losses on investments	-	(12,267)
	12,533	(11,184)
Total investment return	**12,622**	**(9,877)**

10. Net Operating Expenses

	2021 $'000	2020 $'000
Acquisition costs	-	1,475
Change in deferred acquisition costs	-	617
Administrative expenses	-	3,696
	-	**5,788**

11. Other Income

	2021 $'000	2020 $'000
FAL fee from RiverStone Corporate	2,672	1,571
Interest on Affiliate loans	1,919	-
Profit /(loss) on exchange	(121)	1,019
	4,470	**2,590**

12. Employees and Directors

The Company does not have any employees (2020: nil).

No emoluments were paid by the company to any Directors or other key management personnel during the year (2020: nil). The emoluments of the Directors and other key management personnel are paid by an associated company, RiverStone Management Limited. The services of the Directors and other key management personnel to the company are incidental and their emoluments are deemed to be wholly attributable to their services to other group companies. Accordingly, no disclosure of emoluments has been made in these financial statements.

13. Income Tax Charge

Charge in the year		**2021** **$'000**		**2020** **$'000**
Current Tax				
Current tax – current year		(2,295)		(1,278)
Deferred Tax:				
Origination and reversal of timing differences		1,742		7,070
Tax on profit on ordinary activities	**$**	**553**	**$**	**5,792**
Factors affecting tax charge for the year				
Profit on ordinary activities before tax		17,092		6,699
Tax charge at the average standard rate of UK corporation tax of 19% (2020: 19%)		3,248		1,273
Effects of:				
Rate changes		-		(1,110)
Prior year adjustments		(1,261)		84
Transfer Pricing		(785)		
Group relief not charged		3,793		-
Permanent differences		-		(796)
Foreign Tax credits		(336)		-
DTA not provided for		(4,106)		6,341
		553		**5,792**

Factors that may affect future tax charges

The Group transferred losses of $21.3 million (2020: $2.2 million) to fellow UK affiliates. The UK corporation tax rate applicable for the year is 19%.

Deferred Tax

	2021 **$'000**	**2020** **$'000**
Deferred tax asset in respect of underwriting results to be declared:	-	1,742
Deferred tax asset in respect of:		
Other timing differences	-	-
	-	**1,742**
Deferred tax asset at 1st January	1,742	8,812
Deferred tax charge in the income statement		
Origination and reversal of timing differences	(1,742)	(7,070)
Deferred tax asset at 31st December	-	**1,742**

Factors that may affect future tax charges

The Group transferred losses of $21.3 million (2020: $2.2 million) to fellow UK affiliates. The UK corporation tax rate applicable for the year is 19%.

14. Other creditors

	2021 $'000	2020 $'000
Trade and other payables at cost and fair value		
LCA Creditors	-	1,398
Payable for closed FX forwards	-	8
Derivative Liabilities	-	447
Payable for securities purchased	-	21,842
Other	-	47
	-	**23,742**

15. Called up share capital

	2021 $'000	2020 $'000
Allotted and fully paid		
8,350,836 (2020: 200,001) Ordinary shares of $0.40 each	3,340	80

16. Related parties and parent Company

The Company is a wholly owned subsidiary of Advent Capital (Holdings) Limited which is registered in England and Wales. The ultimate holding company is Gatland Holdings Jersey Limited ("Gatland") which is registered in Jersey. The majority of the shares in Gatland are held by CVC Capital Partners Strategic Opportunities II LP. Exemption has been taken under FRS102 section 33.1A to not disclose group related balances.