CONDUIT REINSURANCE LIMITED
Financial Statements
(With Independent Auditor's Report Thereon)

For the period from 6 October 2020 (date of incorporation) to 31 December 2020

KPMG Audit Limited
Crown House
4 Par-la-Ville Road
Hamilton
HM 08
Bermuda

Telephone +1 441 295 5063
Fax +1 441 295 9132
Internet www.kpmg.bm

INDEPENDENT AUDITOR'S REPORT

To the Shareholder and Board of Directors of Conduit Reinsurance Limited

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Conduit Reinsurance Limited (the "Company"), which comprise the Balance Sheet as at 31 December 2020, the statements of comprehensive income, changes in shareholder's equity and cash flows for the period from 6 October 2020 (date of incorporation) to 31 December 2020, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2020, and its financial performance and its cash flows for period from 6 October 2020 (date of incorporation) to 31 December 2020 in accordance with International Financial Reporting Standards (IFRS).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). 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 International Ethics Standards Board for Accountants International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Bermuda and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal control as management determines 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, management is 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 management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

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 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.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, 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 Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's 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 Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements 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 auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements 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.

KPMG Audit Limited

Chartered Professional Accountants
Hamilton, Bermuda
29 April 2021

STATEMENT OF COMPREHENSIVE INCOME

CONDUIT REINSURANCE LIMITED

FOR THE PERIOD FROM 6 OCTOBER TO 31 DECEMBER 2020

	Notes	$'000
Net investment income		51
Net foreign exchange loss		(4)
Total net revenue		47
Equity based compensation expense	4	126
Other operating expenses		2,641
Total expenses		2,767
Operating loss		(2,720)
Loss for the period		(2,720)
Other comprehensive income (loss)		-
Total comprehensive loss for the period		(2,720)

BALANCE SHEET

CONDUIT REINSURANCE LIMITED

AS AT 31 DECEMBER 2020

	Notes	$'000
Assets		
Cash and cash equivalents	6	1,041,175
Other assets		591
Right-of-use lease assets	8	11
Intangible assets	7	169
Intercompany loan	12	5,000
Total assets		1,046,946
Liabilities		
Other payables		816
Intercompany payable	12	839
Lease liabilities		11
Total liabilities		1,666
Shareholder equity		
Share capital	9	1,000
Contributed surplus	10	1,047,000
Retained loss		(2,720)
Total shareholder equity		1,045,280
Total liabilities and shareholder equity		1,046,946

The financial statements were approved by the Board of Directors on 29 April 2021 and signed on its behalf by:

Elaine Whelan (CFO)

Trevor Carvey (CEO)

STATEMENT OF CASH FLOWS

CONDUIT REINSURANCE LIMITED

FOR THE PERIOD FROM 6 OCTOBER TO 31 DECEMBER 2020

	Notes	$'000
Cash flows used in operating activities		
Loss for the period		(2,720)
Net investment income		(51)
Net foreign exchange loss		(4)
Equity based compensation expense	4	126
Change in operational assets and liabilities		942
Net cash flows used in operating activities		(1,707)
Cash flows used in investing activities		
Purchase of intangible assets	7	(169)
Interest received		51
Net cash flows used in investing activities		(118)
Cash flows from financing activities		
Capital contribution	9, 10	1,048,000
Intercompany loan	12	(5,000)
Net cash flows from financing activities		1,043,000
Net increase in cash and cash equivalents		1,041,175
Cash and cash equivalents at beginning of period		-
Effect of exchange rate fluctuations on cash and cash equivalents		-
Cash and cash equivalents at end of period	6	1,041,175

STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY

CONDUIT REINSURANCE LIMITED

FOR THE PERIOD FROM 6 OCTOBER TO 31 DECEMBER 2020

	Notes	Share capital	Contributed surplus	Retained loss	Total shareholder's equity
		$'000	**$'000**	**$'000**	**$'000**
Capital contribution	**9, 10**	1,000	1,047,000	-	1,048,000
Total comprehensive loss for the period				(2,720)	(2,720)
Balance as at 31 December 2020		**1,000**	**1,047,000**	**(2,720)**	**1,045,280**

NOTES TO THE FINANCIAL STATEMENTS

CONDUIT REINSURANCE LIMITED

FOR THE PERIOD FROM 6 OCTOBER TO 31 DECEMBER 2020

1 General information

Conduit Reinsurance Limited (the "Company") was incorporated under the laws of Bermuda on 6 October 2020 and therefore these financial statements cover the period from the date of incorporation to 31 December 2020. The Company is registered as a Class 4 insurer under The Insurance Act 1978 of Bermuda, amendments thereto and related Regulations ("The Act"). The Company is a wholly owned subsidiary of Conduit MIP Limited, the ultimate parent is Conduit Holdings Limited, a company incorporated in Bermuda and publicly traded on the London Stock exchange. The registered office is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda.

2 Significant accounting policies

The basis of preparation, use of estimates and significant accounting policies adopted in the preparation of these financial statements are set out below.

Basis of preparation

The financial statements are prepared on a going concern basis in accordance with IFRS. The Directors performed an assessment of the Company's ability to continue as a going concern and have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future.

Where IFRS is silent, as it is in respect of certain aspects relating to the measurement of insurance products, the IFRS framework allows reference to another comprehensive body of accounting principles. In such instances, the Company's management determines appropriate measurement bases, to provide the most useful information to users of the financial statements, using their judgement and considering US GAAP. In the course of preparing the financial statements, no judgements have been made in the process of applying the Company's accounting policies, other than those involving estimations as noted in the 'Use of estimates' section below, that have had a significant effect on amounts recognised in the financial statements.

The balance sheet is presented in order of decreasing liquidity. All amounts, excluding share data or where otherwise stated, are in thousands of US dollars.

Future accounting changes

Standards and interpretations which are issued but not yet effective and have not been early adopted by the Company are summarised in the table below.

Standard	Amendment	Effective Date
Amendments to IFRS 9,IAS 39,IFRS 7,IFRS 4 & IFRS 16	Interest Rate Benchmark Reform - Phase 2	1 January 2021
Amendments to IAS 37	Onerous Contracts - Cost of Fulfilling a Contracts	1 January 2022
Amendments to IAS 16	Property, Plant and Equipment: Proceeds before Intended Use	1 January 2022
Amendments to IAS 1	Classification of Liabilities as Current or Non Current	1 January 2023

IFRS 17, Insurance Contracts, issued in May 2017, specifies the financial reporting for insurance contracts by an insurer. The new standard is likely to be effective for accounting periods beginning on or after 1 January 2023. The standard includes a number of significant changes regarding the measurement and disclosure of insurance contracts both in terms of liability measurement and profit recognition. The Company will assess the impact that the new standard will have on its results and its presentation and disclosure requirements.

Use of estimates

The preparation of financial statements in conformity with IFRS requires the Company to make estimates and assumptions that affect the reported and disclosed amounts at the balance sheet date and the reported and disclosed amounts of revenues and expenses during the reporting period. Actual results may differ materially from the estimates made.

The most significant estimate made by management is in relation to the estimated fair value of the MIP. This is discussed in note 4.

While not significant, estimates are also used in the valuation of intangible assets.

Foreign currency

The functional currency, which is the currency of the primary economic environment in which operations are conducted is US dollars. Items included in the financial statements are measured using the functional currency. The financial statements are presented in US dollars.

Foreign currency transactions are recorded in the functional currency for each entity using the exchange rates prevailing at the dates of the transactions, or at the average rate for the period when this is a reasonable approximation. Monetary assets and liabilities denominated in foreign currencies are revalued at period end exchange rates. The resulting exchange differences on revaluation are recorded in the statement of comprehensive income within net foreign exchange gains. Non-monetary assets and liabilities denominated in a foreign currency are carried at historic rates. Non-monetary assets and liabilities carried at estimated fair value and denominated in a foreign currency are translated at the exchange rate at the date the estimated fair value was determined.

Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at amortised cost and include cash in hand, deposits held on call with banks and other short-term highly liquid investments with a maturity of three months or less at the date of purchase. Carrying amounts approximate fair value due to the short-term nature and high liquidity of the instruments.

Interest income earned on cash and cash equivalents is recognised on the effective interest rate method. The carrying value of accrued interest income approximates estimated fair value due to its short-term nature and high liquidity.

Property, plant and equipment

Property, plant and equipment is carried at historical cost, less accumulated depreciation and any impairment in value. Depreciation is calculated to write off the cost over the estimated useful economic life on a straight-line basis as follows:

IT Equipment	3 years

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each balance sheet date.

An item of property, plant or equipment is derecognised on disposal or when no future economic benefits are expected to arise from the continued use of the asset.

Gains and losses on the disposal of property, plant and equipment are determined by comparing proceeds with the carrying amount of the asset, and are included in the statement of comprehensive income. Costs for repairs and maintenance are charged to profit or loss as incurred.

Intangible assets

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring into use the specific software. An intangible asset with a finite useful life is amortised on a straight line basis over the useful life. An intangible asset with an indefinite useful life is not amortised, but is tested annually for impairment. When an intangible asset is disposed of, the gain or loss on disposal is included in profit or loss.

Leases

At the inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial measurement of the corresponding lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of any costs to be incurred at expiration of the lease agreement.

Right-of-use assets are subsequently measured at cost less accumulated depreciation and any impairment losses. Straight-line depreciation is calculated from the commencement date of the lease to the earlier of either the end date of the lease term or the useful life of the underlying asset.

The lease liability is initially measured at the present value of the future lease payments at the lease commencement date. Lease payments are discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date

The lease liability is subsequently measured by increasing the lease carrying amount to reflect the interest due on the lease liability using the effective interest rate method and reducing the carrying amount to reflect the lease payments made. The Company re-measures the lease liability and the related right-of-use asset whenever there is a change in future lease payments arising from a change in index or rate, if the Company changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in substance fixed lease payment.

The Company presents right-of-use assets and lease liabilities as a separate financial statement line item on the balance sheet.

Employee benefits

Equity Compensation Plans

CHL, CRL's parent, currently operates a MIP under which shares are subscribed for or nil cost options will be granted. The fair value of the instruments granted is estimated on the date of grant. The estimated fair value is recognised as an expense pro-rata over the vesting period of the instrument, adjusted for the impact of any non-market vesting conditions. No adjustment to vesting assumptions is made in respect of market vesting conditions.

At each balance sheet date, CHL revises its estimate of the number of instruments that are expected to become exercisable. The Company recognises the impact of the revision of original estimates, if any, as equity based compensation expense in the statement of comprehensive income, and a corresponding adjustment is made to other liabilities over the remaining vesting period.

On exercise, the differences between the expense charged to the statement of comprehensive income and the actual cost to the Company, if any, is transferred to other liabilities.

Share capital and issuance costs

Shares are classified as shareholder's equity if there is no obligation to transfer cash or other financial assets.

3 Risk disclosures: Introduction

For the period ending 31 December 2020, the Company was not engaged in any active business and was therefore exposed to limited risks, being market risk, operational risk and strategic risk.

From 1 January 2021, the Company will be exposed to risks from several sources, classified into six primary risk categories. These are insurance risk, market risk, liquidity risk, credit risk, operational risk and strategic risk. The primary risk to the Company will be insurance risk. These risks will be discussed, along with the appropriate disclosure, within the Company's audited 2021 year-end financial statements.

The Board is responsible for determining the nature and extent of the principal risks the Company is willing to take in achieving its strategic objectives and should maintain sound risk management and internal control systems. To this end, for the period ending 31 December 2020, the Board established initial governance arrangements and delegated certain limited authorities to officers of CRL to facilitate the establishment of operating capabilities ahead of the 1 January 2021 reinsurance renewal period. Baseline risk appetites were defined and these remain under review as the Company develops. Initially certain non-underwriting activities were outsourced to, or supported by, specialist providers with the intent of reducing short-term execution risk.

The risk function is responsible for supporting the Board, with the day-to-day oversight of the risks that the Company seeks or is exposed to in pursuit of its strategic objectives, and the satisfaction of certain regulatory risk management expectations relevant to CRL. The framework under which risks are managed contemplates risk appetite and tolerance constraints, prescribed by the Board and reviewed at least annually, with consideration of the financial and operational capacity of the Company. The use of financial capacity in this context relates to calculated or modelled capital requirements, based on residual unmitigated risk exposures. Current capital requirements are determined by reference to rating agency and regulatory capital requirements, with an internal capital model to be developed in due course.

Day-to-day management of risk is the responsibility of management, operating within the defined appetite and tolerances, and the Board approved delegations of authority. The risk framework prescribes a standardised approach to the management of risk, oversight and challenge by the risk function and independent assurance provided by the internal audit function. The risk framework also addresses the reporting of risks, risk events and compliance with risk appetite and tolerance statements to executive management and the Board, and relevant board sub-committees. To ensure transparency and accountability of the business, three independent non-executive directors from the CHL Board have been appointed to the board of CRL.

Market risk

The Company is at risk of loss due to movements in market factors. The main risks include:

(I) Insurance risk;

(II) Investment risk

(III) Debt risk and;

(IV) Currency risk.

As the Company was not engaged in any active business for the reporting period, these risks were not relevant for the period under consideration.

Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, personnel, systems or external events. During the reporting period, which primarily involved the establishment of operations, various operational risks were identified and steps were taken to manage or mitigate these risks.

The risk framework addresses the identification, assessment and management of operational risks. This process involves the use of risk registers to identify inherent risk and residual risk after the application of controls. The management of individual risks is the responsibility of management, with independent challenge and oversight provided by the risk function. The results of compliance reviews and independent internal audits provide an additional level of review and verification. The Audit Committee has selected a reputable provider to serve as outsourced internal auditors.

Strategic risk

The Company has identified several strategic risks. These include:

- The risks that either the poor execution of the business plan or an inappropriate business plan in itself results in a strategy that fails to reflect adequately the trading environment, resulting in an inability to optimise performance, including reputational risk;
- The risks of the failure to maintain adequate capital, accessing capital at an inflated cost or the inability to access capital. This includes unanticipated changes in vendor, regulatory and/or rating agency models that could result in an increase in capital requirements or a change in the type of capital required; and
- The risks of succession planning, staff retention and key man risks.

Business plan risk

The Company's business plan was evaluated and approved by the CRL Board. Actual versus planned results will be monitored regularly.

Capital management risk

The total tangible capital of the Company is as follows:

As at 31 December 2020	**$'000**
Shareholder's equity	1,045,280
Intangible assets	(169)
Total tangible capital	**1,045,111**

Risks associated with the effectiveness of the Company's capital management are mitigated as follows:

- Regular monitoring of current and prospective regulatory and rating agency capital requirements;
- Oversight of capital requirements by the Board;
- Ability to purchase sufficient, cost-effective reinsurance;
- Maintaining contact with vendors, regulators and rating agencies in order to stay abreast of upcoming developments and;
- Future participation in industry groups such as the Association of Bermuda Insurers and Reinsurers.

The Board reviews the level and composition of capital on an ongoing basis with a view of:

- Maintaining sufficient capital for underwriting opportunities and to meet obligations to policyholders;
- Maximising the risk-adjusted return to its shareholder within the context of the defined risk appetite;
- Maintaining adequate financial strength rating and;
- Meeting relevant capital requirements.

Capital is increased or returned as appropriate. The retention of earnings generated leads to an increase in capital. Capital raising can include debt or equity and returns of capital may be made through dividends. Other capital management tools and products available to the Company may also be utilised. All capital actions require approval by the Board.

CRL is regulated by the BMA and is required to monitor the ECR under the BMA's regulatory framework, which has been assessed as equivalent to the EU's Solvency II regime. CRL's regulatory capital requirement is calculated using the BSCR standard formula. For the period ended 31 December 2020, CRL was more than adequately capitalised on this basis.

The Company is prohibited from declaring or paying a dividend if its Class 4 statutory capital and surplus is less than its ECR, or if it is in breach of its solvency margin or minimum liquidity ratio, or if the declaration or payment of such dividend would cause such breach. Further, the Company, as a Class 4 insurer, is prohibited from declaring or paying in any year dividends of more than 25% of its total statutory capital and surplus as shown on its previous year’s statutory Statement of Financial Position unless it files (at least seven days before payment of such dividends) with the Authority an affidavit stating that it will continue to meet its solvency margin and minimum liquidity ratio.

Retention risk

Risks associated with succession planning, staff retention and key man risks are mitigated through a combination of resource planning processes and controls, including:

- The identification of key personnel with appropriate succession plans;
- The identification of key team profit generators and function holders with targeted retention packages;
- Documented recruitment procedures, position descriptions and employment contracts;
- Resource monitoring and the provision of appropriate compensation, including equity based compensation which vests over a defined time horizon, subject to achieving certain performance criteria; and
- Training schemes.

4 Employee benefits

The aggregate remuneration comprised:

	$'000
Wages and salaries	**1,516**
Total cash compensation	**1,516**
Total equity based compensation	**126**
Total employee benefits	**1,642**

Equity based compensation

CHL, CRL’s ultimate parent’s equity based incentive scheme is its MIP. The incentive is based around shares in CML, which will be automatically exchanged for ordinary shares of CHL for an aggregate value equivalent to up to 15% of the excess of the market value of CHL over and above the Invested Equity, subject to the satisfaction of the vesting conditions. All outstanding and future grants have an exercise period of four to seven years from the grant date. The fair value is estimated using a stochastic Monte Carlo model.

100,000 A1 shares and 100,000 A2 shares were issued by CML to employees in the CHL Group during the period at a subscription price of £1.72 and $2.26 respectively. There have been no exercises during the period. CRL as the receiving entity has accounted for its portion of this transaction as equity-settled.

The following table lists the assumptions used in the stochastic model for the MIP awards granted during the period ended 31 December 2020:

Assumptions

Dividend Yield	0%
Expected Volatility [1]	range from 17.6% - 18.1%
Risk-free interest rate[2]	range from 0.29% - 0.61%
Expected life of instruments	range from 4 to 7 years

1. The expected volatility was calculated based on a comparator group of companies.

2. The risk-free interest rate is based on the yield on a U.S. government bond on the date of grant.

The instruments were granted prior to the IPO of CHL and therefore discounts for business viability and lack of marketability were also applied. There are significant risks associated with an IPO and the instruments are also illiquid until the tranche vesting dates. CHL's management therefore selected their best estimates at the time for these discounts. These assumptions are highly judgmental and input from advisors was sought. CHL's management also considered alternative assumptions and concluded there was not a material impact on the estimated valuation selected.

The calculation of the equity based compensation expense assumes no forfeitures due to employee turnover, with subsequent adjustments to reflect actual experience.

Conditions of the MIP are as follows:

The MIP instruments vest over a four to seven year period with specific measurement dates of 7 December 2024, 7 December 2025, 7 December 2026 and 7 December 2027. The instruments will vest only after an IRR of 10% is achieved. As noted above, a maximum of 15% of the growth in market value will be available to each tranche at the vesting date. If the hurdle is not achieved at the first vesting date, the instruments will roll over until the final vesting date.

The incentives are to be equity-settled by CHL and have therefore been accounted for in accordance with IFRS 2.

The value of the services received in exchange for the share based incentives is measured by reference to the estimated fair value of the incentives at their grant date. The estimated fair value is recognised in the statement of comprehensive income, together with a corresponding increase in other liabilities, on a straight line basis over the vesting period, based on an estimate of the number of shares that will ultimately vest.

Vesting conditions, other than market conditions, are not taken into account when estimating the fair value. Market conditions are those conditions that are linked to the share price of CHL.

At the end of each reporting period the Company revises its estimates of the number of shares that are expected to vest due to non-market conditions. It recognises the impact of the revision to original estimates, if any, in the statement of comprehensive income, with a corresponding adjustment to other liabilities.

During the year $126 thousand has been recognised in the statement of comprehensive income as a charge in relation to the share based incentives.

5 Tax

CRL has received an undertaking from the Bermuda government exempting it from all Bermuda local income, withholding and capital gains taxes until 31 March 2035. At the present time no such taxes are levied in Bermuda.

6 Cash and cash equivalents

	$'000
Cash at bank and in hand	41,175
Cash equivalents	1,000,000
	1,041,175

Cash equivalents have an original maturity of three months or less. The carrying amount of these assets approximates their fair value.

7 Intangible assets

	Software $'000
Cost	
Additions	169
Net book value as at 31 December 2020	**169**

There was no amortisation or impairment recognised for the period ended 31 December 2020 on the basis that the asset is not yet ready for use.

8 Right-of-use lease assets

	$'000
Cost	
Additions	11
Balance and net book value as at 31 December 2020	**11**

9 Share capital

	Number	$'000
Authorised share capital as at 31 December 2020		
Authorised common shares of $1 each	1,000,000	1,000
As at 31 December 2020	**1,000,000**	**1,000**
Allotted, called-up and fully-paid as at 31 December 2020		
Common shares issued during the period	1,000,000	1,000
As at 31 December 2020	**1,000,000**	**1,000**

The number of common shares in issue with voting rights as at 31 December 2020 was 1,000,000.

10 Contributed surplus

Other reserves consist of the following:

	Contributed Surplus $'000
Capital contribution by the shareholder during the period	1,047,000
As at 31 December 2020	**1,047,000**

11 Contingencies and commitments

During the period ended 31 December 2020, the Company entered into contracts to purchase software licenses. These commitments are expected to be settled in the ordinary course of business.

Legal proceedings and regulations

The Group operates in the re/insurance industry and is subject to legal proceedings in the normal course of business. While it is not practicable to estimate or determine the final results of all pending or threatened legal proceedings, management does not believe that such proceedings (including litigation) will have a material effect on its results and financial position.

12 Related party disclosures

The Company is a subsidiary undertaking of CML and the ultimate parent company of the group is CHL. The CHL Group consists of the below entities:

Subsidiary undertakings	Domicile	Principal business
CHL	Bermuda	Holding company, ultimate parent
CRL	Bermuda	General insurance business
CRSL	England & Wales	Support services
CML[1]	Bermuda	Support services
CSL	Bermuda	Support services

Unless otherwise stated, the Group owns 100% of the share capital and voting rights in its subsidiaries listed.

[1]CML is part-owned by members of management. Management's share ownership in CML exists solely for the purposes of the Group's management share incentive scheme for attracting and retaining talent. Management's shares in CML have no voting power or control in respect of CHL's ownership of CRL via CML's ownership of CRL

Transactions with affiliates

CHL's equity based compensation incentive scheme is its MIP. CML has issued shares to certain CRL employees. CHL charges the Company for the equity based compensation granted. Charges are based on the underlying estimated fair values and vesting conditions. Refer to note 4 for the equity based compensation expense included in the statement of comprehensive income.

Key management compensation

Remuneration for key management, the Company's Executive and Non-Executive Directors, was as follows:

Cash compensation	**713**
Total	**713**

Other related party transactions

Intercompany loan receivable	**5,000**
Intercompany payable	**(839)**

The Company entered into a loan agreement with CHL, in which CRL extended a loan to CHL for an amount of $5,000 thousand. The loan is interest-free and repayable on demand. In the event of a default, interest of 1.5% per annum is charged on the outstanding principal amount.

13 Subsequent events

For the period ending 31 December 2020, the Company was not engaged in any active business. Underwriting commenced on 1 January 2021.

GLOSSARY

The following definitions apply throughout the financial statements unless the context otherwise requires:

BMA	Bermuda Monetary Authority
Board of Directors; Board	Unless otherwise stated refers to the CRL Board of Directors
Book Value	Generally calculated as the total assets of a company, minus any intangible assets such as goodwill, patents, and trademarks, less all liabilities and the par value of preferred stock
BSCR	Bermuda Solvency Capital Requirement
CHL	Conduit Holdings Limited
CML	Conduit MIP Limited
CRL	Conduit Reinsurance Limited
CRSL	Conduit Reinsurance Services Limited (the new name for Conduit Marketing Limited – change currently in progress).
CSL	Conduit Services Limited
ECR	Enhanced capital requirement. Under the BSCR Model, the reinsurer's minimum required statutory capital and surplus is referred to as the enhanced capital requirement ("ECR"). The ECR is the greater of the calculated BSCR and the minimum solvency margin ("MSM").
European Union or EU	The European Union is made up of 27 Member States: Austria, Belgium, Bulgaria, Croatia, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, and Sweden.
FVTPL	Fair value through profit or loss
The Group	CHL and its subsidiaries
IFRS	International Financial Reporting Standard(s)
International Accounting Standard(s) (IAS)	Standards created by the IASB for the preparation and presentation of financial statements
International Accounting Standards Board (IASB)	An international panel of accounting experts responsible for developing IAS and IFRS
Invested Equity	the aggregate of initial equity invested in CHL on Admission and equity invested pursuant to any future equity raises by CHL, with the US dollar value of Invested Equity for the USD MIP Shares being calculated at the spot rate at the time the relevant proceeds of the equity raise were received by CHL.
IPO	Initial public offering
IRR	Internal rate of return
MIP	Management incentive plan
UK	United Kingdom
US	United States of America
US GAAP	Accounting principles generally accepted in the United States