Pallas Reinsurance Company Ltd

Annual Report and Financial Statements

For the period from 3 December 2019 (date of incorporation) to 31 December 2020

PALLAS REINSURANCE COMPANY LTD

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PALLAS REINSURANCE COMPANY LTD

DIRECTORS

William Angus Bridger
Simon Hawkins
Andrew Smith
Rhydian Williams
Nicholas John Steer
Anson Aguiar

COMPANY SECRETARY

Compass Administration Services Ltd
Hanno Tolhurst
Christine Whitestone

REGISTERED OFFICE

c/o Compass Administration Services Ltd.
Crawford House, 50 Cedar Avenue
Hamilton HM 11
Bermuda

COMPANY NUMBER

55121

AUDITORS

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

BANKERS

HSBC Bermuda
Bank of New York Mellon

PALLAS REINSURANCE COMPANY LTD

Income Statement
For the period from 3 December 2019 (date of incorporation) to 31 December 2020

	Note	2020 US $ (000s)
Gross Premiums		-
Unearned premium on acquisition of loss portfolio transfer	1	6,726
Unearned premium at the end of the period		(1,182)
Gross earned premium revenue		**5,544**
Premium ceded to reinsurers	1	(77,934)
Unearned premium (ceded) at the end of the period		946
Outward reinsurance premium expense		**(76,988)**
Net premiums		**(71,444)**
Investment income		109
Realized gains / (loss)		(11)
Fair value gains		100
Investment income	**3**	**198**
Gain on Loss portfolio transfer	1	11,227
Other operating revenue and income		(70)
Total income		**(60,089)**
Gross claims paid		(2,978)
Claims ceded to reinsurers		2,382
Gross change in the provision for claims		11,967
Change in the provision for claims ceded to reinsurers		53,852
Net (claims) / Benefits		**65,223**
Gross profit commission		(1,015)
Reinsurance profit commission		812
Net profit commission		**(203)**
Other operating and administrative expenses	4,5,6	(1,200)
Total (claims and expenses) / Benefits		**63,820**
Profit for the period		**3,731**
Attributable to:		
Owners of the parent company		**3,731**

PALLAS REINSURANCE COMPANY LTD

Statement of Comprehensive Income
For the period from 3 December 2019 (date of incorporation) to 31 December 2020

	2020 US $ (000s)
Profit for the period	3,731
Other comprehensive income	-
Total other comprehensive income for the period	**-**
Total comprehensive income for the period	**3,731**
Attributable to:	
Owners of the parent company	**3,731**

PALLAS REINSURANCE COMPANY LTD

Statement of Financial Position

As at 31 December 2020

		2020
Assets	**Note**	**US $ (000s)**
Property, Plant and equipment		3
Financial Assets at Fair value through P&L	7	119,493
Insurance Receivables	8	4,085
Reinsurance Assets	13	55,526
Prepayments, accrued income and other assets	9	515
Cash and Cash Equivalents	10	923
		180,545
Equity and Liabilities		
Capital and Reserves		
Called up share capital	11	120
Capital contribution	11	15,400
Retained earnings	12	3,731
Total Equity		**19,251**
Total equity attributable to owners of the parent company		**19,251**
Liabilities		
Technical provisions	13	68,225
Unexpired premium reserve	14	1,182
Insurance and other payables	15	90,842
Accruals and deferred income	16	945
Loans and borrowings	17	100
Total Liabilities		**161,294**
Total Equity and Liabilities		**180,545**

The notes on page 7 to 24 form part of these financial statements.

The financial statements were approved by the Board of Directors and authorized for issue on 29 April 2021 and signed on their behalf by:

DocuSigned by:
F55E1F309883442...
Simon Hawkins
Director

DocuSigned by:
5B26484106CF470...
Anson Aguiar
Director

PALLAS REINSURANCE COMPANY LTD

Statement of Changes in Equity

For the period from 3 December 2019 (date of incorporation) to 31 December 2020

	Ordinary Share Capital US $ (000s)	Contributed Surplus US $ (000s)	Retained Earnings US $ (000s)	Total equity attributable to owners of the parent company US $ (000s)	Total Equity US $ (000s)
At 3 December 2020	-	-	-	-	-
Capital contribution during the period	120	15,400	-	15,520	15,520
Total comprehensive income for the period	-	-	3,731	3,731	3,731
At 31 December 2020	**120**	**15,400**	**3,731**	**19,251**	**19,251**

The notes on page 7 to 24 form part of these financial statements.

PALLAS REINSURANCE COMPANY LTD

Statement of Cash flows

For the period from 3 December 2019 (date of incorporation) to 31 December 2020

	2020
	US $ (000s)
Cash flows from operating activities	
Profit before taxation	3,731
Unrealized gain on investments	(100)
Unrealized foreign exchange movement	(6)
Movement in:	
Insurance Receivables	(4,085)
Reinsurance Assets	(55,526)
Prepayments and accrued income	(515)
Unexpired Premium reserve	1,182
Technical provisions	68,225
Insurance and other payables	90,842
Accruals and deferred income	945
Net cash (used in)/generated from operating activities	**104,693**
Cash flows from investing activities	
Acquisition of Property, Plant and Equipment	(3)
Acquisition of financial assets	(124,876)
Receipts from disposal of financial assets	5,489
Net cash used in investing Activities	**(119,390)**
Cash flows from financing activities	
Proceeds from capital contributions	15,520
Movement in related party loans	100
Net cash generated from financing activities	**15,620**
Net movements in cash and cash equivalents	**923**
Cash and cash equivalents at the beginning of the period	-
Cash and cash equivalents at the end of the period	**923**

1. Corporate information

Pallas Reinsurance Company Ltd ("The Company") is a company limited by shares. The parent entity is Compre Bermuda Holdings Limited ("The Parent"), based in Bermuda, and the ultimate parent is Cambridge Topco Limited ("Topco" "Compre group"), based in Malta. The Company is licensed as a Class 3A reinsurer pursuant to The Insurance Act 1978 ("the Act").

The registered address of the Company is Crawford House, 50 Cedar Avenue, Hamilton HM 11, Bermuda.

The principal operation of the Company is to provide retroactive reinsurance for captives, insurance and reinsurance companies, risk retention groups and other insurance-related companies requiring economic and operational finality for their insurance and reinsurance business in run-off and is exclusively focused on underwriting legacy business in the primary markets of the United States of America ("USA") and Canada ("Canada"). During the period, the company has executed a loss portfolio transfer agreement with third party and the approval from Bermuda Monetary Authority ("the authority", "BMA") was obtained on 25 September,2020.

Loss Portfolio Transfer

The Company entered into a Loss portfolio transfer deal with a US domiciled mutual insurer for a book of New York habitational risks (general liability, slip and trips, falls, injuries with some property exposure) from August 2018 to April 2020. The transaction was completed on 28 September 2020. The Company acquired assets worth US $ 97.42 million as a consideration for the portfolio and assessed the total liability in the form of reserves assessed at US $ 79.5 million along with unexpired premium reserve of US $ 6.72 million, thereby earning a gain of US $ 11.23 million on the day the transaction was concluded. Some of the underlying contracts had policy periods extending upto May 2021. The company earned US $ 5.54 million until the end of the period and the balance of US $ 1.18 million will be earned by May 2021. The Investments, to the extent specified in loss portfolio transfer agreement, have been placed in a trust as a security towards performance obligations under the Loss portfolio transfer agreement

The Company retroceded 80% of the business acquired from US domiciled mutual insurer with an affiliate reinsurer London & Leith Insurance PCC SE ("LLSE"), based in Malta, with effect from September 30,2020. The premium ceded amounted to US $ 77.9 million.

2. Accounting policies

2.1. Basis of preparation

Statement of compliance

These financial statements have been prepared in accordance International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB).

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting

2. Accounting policies (continued)

policies. The areas involving a higher degree of judgement of complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 2.4 to the financial statements.

Basis of measurement

The financial statements have been prepared on the historical cost basis except for other financial investments which are carried at fair value. The statement of financial position is organized in order of increasing liquidity.

Amendments to Accounting policies and disclosures

2.2. Going concern

The directors have, at the time of approving the financial statements, a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Therefore, they continue to adopt the going concern basis of accounting in preparing the financial statements.

The directors have assessed the impact of COVID-19 and are comfortable that there is adequate support to continue the operations of the business. The directors of the opinion that the COVID-19 outbreak in 2020 and impact of pandemic continuing in 2021 is to be considered a non-adjusting event for the period ending 31 December 2020. The run-off books were acquired towards the end of Q3 2020. The portfolio acquired had a very low impact due to Covid 19 due to the nature of risks undertaken. The Investments and cash, acquired as settlement of the premium of the deal, were acquired towards the end of Q3 2020 when the largest impact on assets due to Covid-19 occurred pre acquisition (i.e. due to falling yields). The Company do not expect similar type falls in yields currently given the market has since stabilized.

2.3. Functional and presentational currency

Items included in the financial statements the company are measured using the currency of the primary economic environment in which the entity operates (functional currency).The Company’s functional currency is United States Dollar (“US$”), as this is the currency of the primary economic environment in which the Company operates. The financial statements are presented in United States Dollar.

2.4. Use of estimates and judgements

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

Information about significant areas of estimation uncertainties and critical judgements in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements are described in Note 2.17.

2. Accounting policies (continued)

2.5. Foreign currency

Transactions in foreign currencies are translated into the functional currency at the spot exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at each reporting date are translated into the functional currency at the closing exchange rates as at that date.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Foreign currency differences arising on translation are recognized in profit or loss for the period.

2.6. Income tax

Under current Bermuda law, the Company is not required to pay any taxes in Bermuda on either income or capital gains. The Company has received an undertaking from the Bermuda government exempting it from all local income, withholding and capital gains taxes until March 31, 2035. At the present time no such taxes are levied in Bermuda.

2.7. Financial instruments

Financial assets

Financial assets are recognized on the balance sheet when, and only when, the Company becomes a party to the contractual provisions of the instrument.

Financial assets are initially recognized at fair value plus directly attributable transaction costs.

All financial assets, other than cash and loans and receivables, are currently designated as fair value through profit and loss upon recognition because they are managed, and their 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 management.

A financial asset is derecognized when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred.

Impairment

The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the assets ("a loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

If there is objective evidence that there is an impairment loss on loans and receivables, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed

Financial liabilities

These financial liabilities include insurance and other payables. Financial liabilities are initially recognized on the trade date, which is the date the Company becomes a party to the contractual provisions of the instruments.

Financial liabilities are initially recognized at fair value adjusted for any directly attributable transaction costs.

2. Accounting policies (continued)

After initial recognition, financial liabilities are measured at amortized cost using the effective interest method, with interest-related charges recognized as an expense in finance costs. Discounting is omitted where the effect of discounting is immaterial.

A financial liability is derecognized only when the contractual obligation is extinguished, that is, when the obligation is discharged, cancelled or expires.

2.8. Insurance contracts

The company issues insurance contracts which are contracts that transfer significant insurance risk. As a general guideline, the company defines ‘significant insurance risk’ as the possibility of having to compensate the policy holder if a specified uncertain event (the insured event) adversely affects the policyholder.

Recognition and measurement

Premiums

Premiums are earned proportionally over the period of cover. The portion of premium received on in-force contracts that relates to unexpired risks at the statement of financial position date is reported as a provision for unearned premium.

The Company’s policy agreement covers the period from the date of the agreement and remain in full force and effect until no further obligation exist for the ceding company.

Reinsurance

The Company cedes insurance risk in the normal course of business. Reinsurance assets represent balances due from reinsurance company. Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision or settled claims associated with the reinsurer policies and are in accordance with the related reinsurance contract.

Reinsurance assets are viewed for impairment at each reporting date, or more frequently, when an indication of impairment arises during the reporting period. Impairment occurs when there is objective evidence as a result of an event that occurred after initial recognition of the reinsurance asset that the company will receive from the reinsurer. The impairment loss is recorded in profit or loss.
Gains or losses on buying reinsurance are recognized in profit or loss immediately at the date of purchase and not amortized.

Ceded reinsurance arrangements do not relieve the company from its obligations to policyholders.

Claims paid

Gross claims paid recognizes both claims approved for payment in the year and paid claims incorporated into the company by way of a portfolio transfer. Claims available for payment are recognized as paid when payment has been approved and claims arising via a portfolio transfer are recognized when a legal agreement is reached between the original risk carrier and the third party transferring the risk.

2. Accounting policies (continued)

Non-life insurance contract liabilities comprise the outstanding claims provision, the provision for unearned premium and the provision for premium deficiency. The outstanding claims provision is based on the estimated ultimate cost of all claims incurred but not settled at the reporting date, whether reported or not, together with claims related costs and reduction for the expected value of salvage and other recoveries. Delays can be experienced in the notification and settlement of certain types of claims, therefore, the ultimate cost of these cannot be known with certainty at the reporting date. The liability is calculated at the reporting date using standard actuarial claim projection techniques, based on empirical data and current assumptions that may include a margin for adverse deviation. The liability is not discounted for the time value of money. No provision for equalization or catastrophe reserve is recognized. The liabilities are derecognized when the obligation to pay a claim expires, is discharged or is cancelled.

The above method of provisioning satisfies the minimum liability adequacy test as required by IFRS 4: Insurance Contracts.

The level of the provisioning is based on the information, which is currently available, including potential loss claims which have been intimated to the company, experience of the development of similar claims, and case law. Whilst the directors consider that the provision for these claims is fairly stated on the basis of the information currently available to them, the ultimate liability may vary as a result of subsequent information and events and may result in significant adjustments to the amount provided. Adjustments to the amount provided are reflected in the financial statements in the accounting period in which the adjustments arise.

The provision for unearned premiums represents that portion of premiums received or receivable that relates to risks that have not yet expired at the reporting date. The provision is recognized when contracts are entered into and premiums are charged and is brought to account as premium income over the term of the contract in accordance with the pattern of insurance service provided under the contract.

Retroactive Reinsurance

Under retroactive reinsurance, the Group assumes liabilities incurred as a result of past insurable events. An insurance contract liability is established along with other liabilities transferred, in addition to the consideration received or receivable and other assets transferred. Subsequent changes to the estimated timing and amount of loss payments are reflected in profit or loss in the year in which the changes are made.

2.9. Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Company expects some or all of a provision to be reimbursed, the reimbursement is recognized as a separate asset, but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of comprehensive income net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

2.10. Impairment

The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that have occurred after

2. Accounting policies (continued)

the initial recognition of the assets ("a loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

If there is objective evidence that there is an impairment loss on loans and receivables, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced either directly or through use of an allowance account. The amount of the loss is recognized in the profit or loss account.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognized in the profit or loss account.

Investment income

Interest income is recognized in the income statement as it accrues.

2.11. Equity and reserves

Share capital represents the nominal value of shares that have been issued.

Share premium represents the value of shares issued in excess of the nominal value of those shares less a deduction for allowable costs.

Retained earnings includes all current profits as it is the first year of operations.

2.12. Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits and short-term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

2.13. Financial investments

The Company's investments are classified as financial assets at fair value through profit or loss. Financial assets at fair value through profit or loss are those that are held for trading purposes or those financial assets that are so designated by the company upon initial recognition. After initial recognition, financial assets at fair value through profit or loss are measured at their fair value. Gains and losses arising from a change in fair value are recognized in profit or loss in the period in which they arise.

Where applicable, dividend income on financial assets at fair value through profit or loss is recognized with other dividend income, if any, arising on other financial assets. Where applicable, interest income on financial assets at fair value through profit or loss is disclosed within the line item investment income. Fair value gains and losses are recognized within the line items investment income and investment losses respectively.

2.14. Plant and equipment

Plant and equipment is initially recorded at historical cost. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and that cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance costs are charged to the profit or loss account during the financial period in which they are incurred.

2. Accounting policies (continued)

Depreciation on plant and equipment is calculated when the assets are first available for use. Depreciation is provided at rates calculated to write down the cost of assets, less estimated residual value, over their expected useful lives on the following basis:

Computer equipment	25% per annum
Fixtures and fittings	20% per annum

Gains and losses on disposals are determined by comparing proceeds with carrying amounts and are included in the profit and loss account.

2.15. Significant management judgements in applying accounting policies and estimation uncertainty

The Company makes estimates and assumptions that affect the reported amounts of assets and liabilities at the end of the reporting period. Estimates and judgements are continually evaluated and based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognized in the periods in which the estimates are revised if the revision affects only those periods or in the periods of the revision and future periods if applicable.

Estimation uncertainty

Information about estimates and assumptions that have the most significant effect on the recognition of assets, liabilities, income and expenses is provided below.

Technical provisions for outstanding claims

Provisions for outstanding claims are established based on actuarial and statistical projections and other estimates of the ultimate cost of settlement. Traditional actuarial techniques are used to estimate future liabilities for each major class of liabilities and other estimates of the ultimate cost of settlement.

Traditional actuarial models are used to derive IBNR reserves for the Company’s exposure. The models are designed explicitly to reflect the features of the risks and all information currently available in the market.

Whilst management believe that the provisions for outstanding claims are fairly stated, these estimates inevitably contain inherent uncertainties, because a significant period of time may elapse between the occurrence of an incurred loss, the reporting of that loss to the Company and the Company’s payment of the loss and the receipt of reinsurance recoveries. These uncertainties are inherent in much of the business underwritten by the Company.

2.17 Adoption of new and revised standards

While a number of amended IFRS have become effective during the period ended 31 December 2020, the application of these amendments did not have a material effect on the company’s financial statements

2. Accounting policies (continued)

Standards, interpretations and amendments to published IFRS but not yet effective for financial periods beginning on 1 January 2020:

Amendments to IFRS 4 Insurance Contracts – deferral of IFRS 9 (issued on 25 June 2020) effective 1 January 2021

At its meeting on 17 March 2020, the International Accounting Standards Board (IASB) agreed to defer the effective date of IFRS 17 Insurance Contracts (IFRS 17), including the amendments, to annual reporting periods beginning on or after 1 January 2023.

The IASB also agreed to extend the fixed expiry date of the temporary exemption from applying IFRS 9 Financial Instruments (IFRS 9) for qualifying insurers (as contained in IFRS 4), so that all entities must apply IFRS 9 for annual reporting periods beginning on or after 1 January 2023. Early adoption of IFRS 17 is permitted, provided an entity also applies IFRS 9.

Temporary Deferral of IFRS 9

The temporary exemption is only available to companies that, considering their activities as a whole (at the reporting entity level), meet the following criteria:

i) They have not previously applied IFRS 9; and
ii) They have activities that are predominantly connected with insurance.

Each company has to assess whether it is eligible for the temporary exemption. A company that qualifies for the temporary exemption from IFRS 9 and chooses to use it will apply IAS 39 rather than IFRS 9 to all, rather than some, of its financial assets. These companies will continue to apply IAS 39 during this period and will be required to make additional disclosures to enable users of financial statements to make comparisons with companies applying IFRS 9.

The predominance test was carried out and it was concluded that the Company can adopt the deferral approach. Over 80% of the Companies liabilities arise from insurance contracts within the scope of this IFRS. Furthermore, the company is part of a group that their activities are predominantly connected with insurance.

The directors are of the opinion that these amendments will not have a material impact on the financial statements of the company.

3. Investment income

	2020
	US $ (000's)
Investment income from cash at bank and financial assets	**209**
Realized loss	**(11)**
Total Investment income	**198**

Effective interest rates for fixed income securities are 0.03% to 2.57%.

4. Net operating expenses

	2020 US $ (000's)
Expenses by nature:	
Exchange losses	**6**
Audit fees	**29**
Professional fees	**431**
Salaries and wages	**116**
Office costs	**1**
Recharge of costs	**553**
Directors' remuneration	**50**
Investment Charges	**12**
Other expenses	**2**
Total administrative expenses	**1,200**

The above includes fees payable to the auditors, details of which have been disclosed below.

	2020 US $ (000's)
Fees payable to the Company's auditors for the audit of the statutory accounts	**29**
Other services	**20**
	49

5. Employees

	2020 Number
Number of employees	
The average number of employees (including directors) during the period was:	**1**
Directors	**1**
Staff	**-**
	1

	2020 US $ (000's)
Employment costs	
Wages and salaries	**115**
Social security costs	**1**
	116

6. Directors' remuneration

	2020
	US $ (000's)
Directors' emoluments	50

7. Financial investments

	2020
	US $ (000's)
At 3 December 2019	-
Additions	**124,640**
Disposals	**(5,501)**
Fair value movement	**354**
At 31 December 2020	**119,493**

					Amount (000's)
Investment type	**AAA to AA-**	**A+ to A-**	**BBB+ to BBB-**	**BB to BB-**	**Grand Total**
Corporate bonds	9,934	25,089	19,651	6,170	60,844
US Government bonds	48,923	-	-	-	48,923
Mortgage bonds	9,726	-	-	-	9,726
Grand Total	**68,583**	**25,089**	**19,651**	**6,170**	**119,493**

The Company invests in Corporate bonds, US Government bonds and mortgage bonds. The carrying amount of the investments in different types of bonds held by the Company is $119,493k. All investments are fair valued through profit and loss account.

8. Insurance receivables

	2020
	US $ (000's)
Amounts due from London & Leith Insurance PCC SE	**3,195**
Deposits with cedants	**890**
	4,085

Amounts due from group companies are unsecured and interest free.

9. Prepayments, accrued income and other assets

	2020
	US $ (000's)
Prepayments	4
Accrued income on investments	482
Amounts due to Compre Services Germany	(3)
Amounts due from London & Leith Insurance PCC SE	32
	515

10. Cash and cash equivalents

	2020
	US $ (000's)
Cash at bank	923

11. Capital and reserves

	2020
	US $ (000's)
Authorized Share Capital	
120,000 Ordinary shares of $1	120
Allotted, called up and fully paid share capital	
120,000 Ordinary shares of $1	120

Capital Contribution

The capital contribution is distributable subject to the provisions of Insurance act 1978. During the period, the shareholders contributed US $ 15,400k to the Company.

12. Retained earnings

Retained earnings as at 31 December 2020 include unrealized gains amounting to US $95k. These unrealized amounts relate to unrealized losses/gains on fair value movements on investments and unrealized gains/losses on foreign exchange.

PALLAS REINSURANCE COMPANY LTD

13. Technical provisions

	Gross Liabilities	Reinsurance	Net
	2020	**2020**	**2020**
	US $ (000's)	**US $ (000's)**	**US $ (000's)**
Notified claims	35,959	28,767	7,192
Incurred but not reported	31,356	25,085	6,271
ULAE provision	910	728	182
Technical provisions for claims outstanding	**68,225**	**54,580**	**13,645**
Settlement period for claims outstanding:			
Less than 12 months	**27,431**	21,945	5,486
Greater than 12 months	**40,794**	32,635	8,159
	68,225	**54,580**	**13,645**

The technical provisions are largely based on case by case estimates supplemented with additional provision for IBNR in those instances where the ultimate cost determined by estimation techniques is higher. The process used to calculate the 'ultimate cost' is described in Note 2.16 and is based on statistical analysis of historical experience and estimates calculated by Actuaries on an annual basis.

The movement in technical provisions for claims outstanding is disclosed below:

	Gross Liabilities	Reinsurance	Net
	US $ (000's)	**US $ (000's)**	**US $ (000's)**
Balance as at 3 December 2019	-	-	-
Portfolio transfer	79,464	(53,852)	25,612
Claims paid	(2,978)	2,382	(596)
Movement during the period	(8,261)	(3,110)	(11,371)
Balance as at 31 December 2020	**68,225**	**(54,580)**	**13,645**

Unearned premium receivable, corresponding to the unearned premium liability as described in Note 14, amounting to US $ 946k is a part of Reinsurance assets. It is expected to be expensed completely in FY 2021.

14. Unearned Premium

The unearned premium as at the end of period was US $1,182k. It is expected to be earned completely in FY 2021.

15. Insurance and other payables

	2020
	US $ (000's)
Funds withheld with London & Leith Insurance PCC SE	**89,759**
Creditors arising out of reinsurance operations	**1,083**
	90,842

Settlement period for other creditors:

Less than 12 months	**1,083**
Greater than 12 months	**89,759**
	90,842

16. Accruals and deferred income

	2020
	US $ (000's)
Accrued expenses	**340**
Accrued expenses due to Compre Service (UK) Limited	**556**
Accrued expenses due to Compre Bermuda Holdings	**49**
	945

17. Loan and Borrowings

	2020
	US $ (000's)
Loan from Cambridge Holdco Limited	**100**
	100

The Company secured the loan on 23 January 2020 from Cambridge Holdco Limited ("Lender") for US $ 100. The loan is interest free and is repayable within 10 days from the date of written demand from the Lender.

18. Financial risk management

Financial risk

The company is exposed to financial risk through its financial assets, financial liabilities and insurance and reinsurance assets and liabilities. The key financial risk is that the proceeds from its financial assets are not sufficient to fund the obligations arising from its insurance risk. The most important components of this financial risk are interest rate risk, currency risk, credit risk, market price risk and liquidity risk. The risk management policies employed by the company to manage these risks are discussed below.

PALLAS REINSURANCE COMPANY LTD

Credit risk

Credit risk arises where counterparties fail to meet their financial obligations as they fall due. The most significant area where it arises for the Group is where insurers fail to meet their obligations in full as they fall due. The maximum exposure for the Company's assets bearing credit risk is summarized below:

	2020 (carrying value) US $ (000's)
Financial investments	**119,493**
Cash at bank in hand	**923**
	120,416

The Company's cash is placed with quality financial institutions. Credit risk in respect of concentration of investments is mitigated through investment diversification achieved by limiting exposure on the basis of limiting the quantum of investments by credit rating band, fixing the limit of allocation and average duration, defining the permitted sectors and counterparty limits.

Credit risk analyzed by credit rating has been presented below:

					Amount (000's)
Investment type	**AAA to AA-**	**A+ to A-**	**BBB+ to BBB-**	**BB to BB-**	**Grand Total**
Corporate bonds	9,934	25,089	19,651	6,170	60,844
US Government bonds	48,923	-	-	-	48,923
Mortgage bonds	9,726	-	-	-	9,726
Grand Total	**68,583**	**25,089**	**19,651**	**6,170**	**119,493**

Foreign currency risk

Currency risk is the risk that fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign rates.

The Company's principal transactions are carried out in United States Dollar and its exposure to foreign exchange risk arises primarily with respect of intercompany cross charges in Great Britain Pound. Any exposure is settled within the immediate next quarter.

Interest rate risk

In general, the Company is exposed to risk associated with the effect of fluctuations in the prevailing level of market rates. Assets carrying variables rates expose the Company to cash flow interest rate risk. Assets carrying fixed rates expose the Company to fair value interest rate risk. The company manages this risk by selection of a well-diversified fund that tracks the market rate, through the appointment of specialist investment managers, and by implementing detailed investment guidelines restricting the level of investment in any one instrument, and the maturity date of investments. Investment performance is regularly monitored against market-based benchmarks.

The company's cash and cash equivalents as at 31 December 2020 are exposed to interest rate risk associated with the effects of fluctuations in the prevailing levels of market interest rates.

Liabilities are not directly sensitive to the level of the market interest rates, as they are not discounted and contractually non-interest bearing. In those instances where interest is payable (e.g. in the case of damages awarded by Courts), interest is included in the claims cost.

Liquidity risk

The Company is exposed to daily calls on its available cash resources mainly from claims arising from insurance contracts. Liquidity risk is the risk that cash may not be available to pay obligations when due at a reasonable cost. The cash position of the Company as a whole is monitored on a regular basis to ensure that sufficient funds are available to meet liabilities as they fall due. Furthermore, the company invests the majority of its assets in highly liquid listed investments that can be readily disposed of, thus liquidity risk is not considered to be significant.

Fair values

The Company is required to categorize fair values into different levels of the fair value hierarchy, by reference to the observability and significance of the inputs to the fair value measurement.

Level 1 – quoted prices (unadjusted) in active markets for identical assets;

Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and

Level 3 – inputs for the asset not based on observable market data

As at 31 December 2020, the Company's financial assets designated at fair value through profit or loss are categorized as below -

				US $ (000's)
Investment type	**Level 1**	**Level 2**	**Level 3**	**Grand Total**
Corporate bonds	-	60,844	-	**60,844**
US Government bonds	48,923	-	-	**48,923**
Mortgage bonds	-	9,726	-	**9,726**
Grand Total	**48,923**	**70,570**	**-**	**119,493**

The principal risk under any one insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the very nature of an insurance contract, this risk is random and therefore unpredictable. The terms and conditions of the contracts set out the bases for the determination of the company's liability should the insured event occur.

In addition, the company faces the risk that the actual claims are significantly different to the amounts included within technical provisions. This could occur because the frequency or severity of claims is greater or lower than estimated. Insurance events are fortuitous and the actual number and amount of claims and benefits may vary from year to year from the estimate established using statistical techniques.

The table below sets out the concentration of insurance contract liabilities by type of contract:

	2020 (US $ 000's)		
	Gross Liabilities	**Reinsurance Liabilities**	**Net Liabilities**
Non-Proportional	68,225	54,580	**13,645**

Key assumptions

The principal assumption underlying the liability estimates is that the Company's future claims development will follow a similar pattern to past claims development experience. This includes assumptions in respect of average claim costs, claim handling costs, claim inflation factors and claim numbers for each accident year. Additional qualitative judgements are used to assess the extent to which past trends may not apply in the future, for example; once–off occurrence; changes in market factors such as public attitude to claiming; economic conditions; as well as internal factors such as portfolio mix, policy conditions and claims handling procedures. Judgement is further used to assess the extent to which external factors such as judicial decisions and government legislation affect the estimates.

Sensitivities

The principal risk the Company faces under insurance and reinsurance contracts is that the actual amounts of claims and benefit payments, or the timing thereof, differ from expectations. The frequency of claims, their severity, actual benefits paid, subsequent development of long-tail claims and external factors beyond the Company's control, especially inflation, legal and regulatory developments, and others, have an influence on the principal risk faced by the Company. Additionally, the Company is subject to the underwriting of cedents for certain reinsurance treaties and to claims management by companies and other data provided by them. In spite of these uncertainties, the Company seeks to ensure that sufficient reserves are available to cover its liabilities.

Due to the unique claims profile, inherent in the run-off of insurance and reinsurance legacy accounts, the directors of the Company believe that to present quantitative data relating to the claims profile of the run-off book would not provide any further meaningful information to the user of these financial statements. Accordingly, no sensitivity is presented in this context.

Capital management

The company's policy is to maintain a strong capital base to support its business plans and comply with all regulatory requirements on an ongoing basis whilst assessing the impact of shareholder returns on its capital employed. The company defines capital as shareholders' equity.

The company's objectives when managing capital are to:

- comply with the obligations to hold Eligible Own Funds to cover the Bermuda Solvency Capital Requirement and Enhanced Capital Requirement in terms of the Insurance Act 1978 ('Insurance Act') by the Bermuda Monetary Authority ('BMA');
- safeguard the company's ability to continue as a going concern and provide returns for shareholders and benefits for other stakeholders; and

- to provide an adequate return to shareholders by pricing insurance contracts commensurately with the level of risk.

In order to maintain or adjust the capital structure, the company may issue new shares or capitalize contributions received from its shareholders. The company is required to hold regulatory capital for its general insurance business in compliance with the Insurance Rules issued by the BMA. These capital requirements must be maintained at all times throughout the period. The company monitors the level of own funds on a regular basis. Any transaction that may potentially affect the company's own funds and solvency position are immediately reported to its directors and shareholders for resolution.

As a registered insurance company under the Bermuda 'Insurance Act 1978 amendments thereto and related regulations' ('the Act') the Company is required to prepare Statutory Financial Statements and to file a Statutory Financial Return annually. The Act also requires the Subsidiary to meet certain defined measures of solvency and liquidity. The statutory capital and surplus amounted to $19.42 Million as of December 31, 2020. The minimum statutory capital and surplus required by the Act for the Company's operations amounted to US $6.2 million at December 31, 2020. The principal difference between the Company's statutory capital and surplus and shareholders' equity as reported in conformity with generally accepted accounting principles relate to prepaid expenses which are non-admitted assets under the Act.

Based on management calculations to date, the company is sufficiently capitalized and was compliant at all times with the regulatory capital requirements as stipulated by the BMA.

20. Contingencies and commitments

There were no outstanding capital commitments, contingent assets, or contingent liabilities at 31 December 2020.

21. Related party relationships and transactions

Expenditure

	2020
	US $ (000's)
Reinsurance premium ceded to LLSE	77,933
Recharge of operating expenses from group subsidiaries	553

Period-end balances owed by or to group undertakings are disclosed in note 7, note 9, note 10, note 15, note 16 and note 17 to these financial statements respectively.

Directors' renumeration, has been disclosed in note 6 to these financial statements.

22. Ultimate controlling party

The Company's ultimate parent undertaking as at 31 December 2020 was Cambridge Topco Limited.

Cambridge Topco Limited is the parent undertaking of the largest and smallest group of which the Company is a member, and which prepares group accounts incorporating the results and state of the Company. Copies of group accounts are available from The Registry of Companies Malta.

23. Events after the reporting period

It was announced on 30 November 2020, that international private equity firm Cinven and British Columbia Investment Management Corporation had agreed to acquire the Group from existing shareholders CBPE Capital LLP, Hudson Structured Capital Management Limited and Compre's management. This transaction received the approval of the relevant regulators on April 28,2021.

The Company has evaluated the effects of events subsequent to December 31, 2020, for recognition and disclosure, through to April 29, 2021, which is the date the financial statements were made available to be issued. There were no other material events that occurred subsequent to December 31, 2020.