ELBOW RE LTD.

Consolidated Financial Statements and
Independent Auditors' Report for the year ended December 31, 2020 and 2019

ELBOW RE LTD.
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December 31, 2020 and 2019

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REPORT OF INDEPENDENT AUDITORS

To the Board of Directors of Elbow Re Ltd.

We have audited the accompanying consolidated financial statements of Elbow Re Ltd. (the "Company"), which comprise the consolidated balance sheets as of December 31, 2020 and 2019, and the related consolidated statements of operations and comprehensive income, shareholders' equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the consolidated financial statements 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. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Elbow Re Ltd as of December 31, 2020 and 2019, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Accounting principles generally accepted in the United States of America require that the disclosure of short-duration contracts be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Financial Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Deloitte Ltd.

April 29, 2021

ELBOW RE LTD.
CONSOLIDATED BALANCE SHEETS
As at December 31, 2020 and 2019
(expressed in GB Pounds)

(In thousands)		2020		2019
ASSETS				
Cash and cash equivalents (Note 2)	£	37,094	£	29,934
Investments, at fair value (Notes 7)		756,406		762,924
Derivative assets, at fair value (Note 8)		21,069		19,125
Accrued investment income		8,665		9,912
Reinsurance receivables		13,459		12,751
Funds held by ceding reinsurer (Note 2)		10,000		10,000
Prepaid expenses		1,608		1,608
Due from brokers and counterparties (Note 2)		1,280		1,430
Total Assets	£	849,581	£	847,684
LIABILITIES				
Losses and loss adjustment expenses (Note 9)	£	505,500	£	567,580
Deferred profit liability (Note 6)		41,670		30,099
Insurance and reinsurance balances payable (Note 2)		5,064		5,645
Unfunded commitments, at fair value (Note 2)		32		41
Derivative liabilities, at fair value (Note 8)		41		251
Accrued expenses		1,232		1,891
Total liabilities		553,539		605,507
SHAREHOLDER'S EQUITY				
Share capital (Note 11)		221,916		221,916
Retained earnings		74,126		20,261
Total shareholder's equity		296,042		242,177
Total Liabilities and Shareholder's equity	£	849,581	£	847,684

See accompanying notes to the financial statements

Approved by the Board:

Stuart Degg ……………………………… Director

……………………………………..Director
Charles Collis

ELBOW RE LTD.
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME
For the years ended December 31, 2020 and 2019
(expressed in GB Pounds)

(In thousands)	2020	2019
Underwriting operations		
Paid losses (Note 9)	£ (45,695)	£ (35,620)
Change in reinsurance receivables	708	12,751
Change in outstanding loss reserves (Note 9)	62,080	31,492
Net change in loss reserves	17,093	8,623
Underwriting expenses	(3,217)	(1,608)
Amortization of deferred profit (Note 6)	(11,571)	(6,706)
	(14,788)	(8,314)
Net underwriting income	2,305	309
Net investment income	58,384	26,558
General and administrative expenses	(2,729)	(4,006)
Management and operational expenses	(2,746)	(1,637)
NET INCOME AND COMPREHENSIVE INCOME	£ 55,214	£ 21,224

See accompanying notes to the financial statements

ELBOW RE LTD.
CONSOLIDATED STATEMENT OF SHAREHOLDER'S EQUITY
For the year ended December 31, 2020
(expressed in GB Pounds)

(In thousands)		Share Capital		Retained Earnings		Total
December 31, 2019	£	221,916	£	20,261	£	242,177
Net income		-		55,214		55,214
Capital contributions (Note 10)		48,651		-		48,651
Capital distributions (Note 10)		(48,651)		-		(48,651)
Dividends (Note 13)		-		(1,349)		(1,349)
December 31, 2020	£	221,916	£	74,126	£	296,042

ELBOW RE LTD.
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the years ended December 31, 2020 and 2019
(expressed in GB Pounds)

(In thousands)	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	£ 55,214	£ 21,224
Adjustments to reconcile net income to net cash (used in) operating activities		
Initial reinsurance premium received	-	622,465
Net realized loss (gain) on investments	169	(423)
Net realized (gain) loss on derivatives	(427)	187
Net change in unrealized (gain) loss on investments	(24,382)	8,685
Net change in unrealized gain on derivatives	(2,154)	(18,874)
Amortization of deferred profit	11,571	6,706
Change in outstanding loss reserves	(62,080)	(31,492)
Changes in operating assets and liabilities:		
Subscriptions receivable	-	1,399
Reinsurance receivables	(708)	(12,751)
Funds held by ceding reinsurer	-	(10,000)
Accrued investment income	1,247	(9,912)
Prepaid expenses	-	(1,608)
Insurance and reinsurance balance payable	(581)	5,645
Accrued expenses	(659)	928
Net cash (used in) provided by operating activities	(22,790)	582,179
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for purchase of investments	(115,395)	(1,791,664)
Proceeds from disposition of investments	146,117	1,020,519
Payments on settlement of derivatives	-	(187)
Proceeds from settlement of derivatives	427	-
Net cash provided by (used in) investing activities	31,149	(771,332)
CASH FLOWS FROM FINANCING ACTIVITIES		
Shares issued	48,651	220,238
Shares redeemed	(48,651)	-
Dividend paid	(1,349)	-
Net cash (used in) provided by financing activities	(1,349)	220,238
NET INCREASE IN CASH AND CASH EQUIVALENTS AND RESTRICTED CASH	7,010	31,085
Cash and cash equivalents and restricted cash, beginning of the year [a]	31,364	279
Cash and cash equivalents and restricted cash, end of the year [b]	£ 38,374	£ 31,364

[a] Included in cash and cash equivalents and restricted cash as of January 1, 2019 and January 1, 2020 are £0 and £1,430, respectively, of restricted cash posted as collateral, which are included in due from brokers and counterparties in the accompanying Consolidated Balance sheet.

[b] Included in cash and cash equivalents and restricted cash as of December 31, 2019 and December 31,2020 are £1,430 and £1,280, respectively, of restricted cash posted as collateral, which are included in due from brokers and counterparties in the accompanying Consolidated Balance sheet.

1. ORGANIZATION AND DESCRIPTION OF BUSINESS

Elbow Re Ltd ("the Company") formerly known as Acra Re Ltd., was incorporated in Bermuda on May 15, 2018 and licensed as a Class 3A Insurer and Class C Insurer by the Bermuda Monetary Authority ("BMA") on July 6, 2018, to carry out business as both a general business insurer and a long-term insurer or reinsurer. The Company was also registered as a Segregated Account Company ("SAC") under the Segregated Account Companies Act 2000 effective July 3, 2018. The name of the Company was changed from Acra Re Ltd. to Elbow Re Ltd. on August 29, 2019. The Company is currently governed by the Bye-Laws.

The Company is owned by the Elbow Re Company Purpose Trust, a Bermuda purpose trust, the trustee of which is Conyers Trust Company (Bermuda) Limited. Each transaction entered by the Company is expected to be entered through a distinct and separate segregated account with the Company's exposure limited to the assets of the related segregated account. As of December 31, 2019, the Company has one Segregated Account (the "Elbow Cell"), through which the Company's sole business deal is conducted, and one administrative cell (the "Core Cell").

The Company's subject business is a closed block of legacy employer's liability policies written or assumed by Catalina General Insurance Ltd. ("CatGen") primarily from the United Kingdom and retroceded to the Company through the Elbow Cell under a quota share reinsurance agreement (the "Retrocession Agreement") amended April 11, 2019.

The Elbow Cell is fully funded by AP Elbow Co-Invest, L.P., ("AP Elbow"), a Cayman Islands Exempted Limited Partnership. The investment manager and general partner of AP Elbow are affiliates of Apollo Global Management, Inc. and its subsidiaries ("Apollo").

The Company has entered into an investment management agreement (the "IMA'), with Apollo Capital Management, L.P. (the "Investment Manager"), to provide administrative and management services to the Company. The Investment Manager, a Delaware limited liability company, is an affiliate of Apollo.

The Company has a 100% ownership interest and has control over significant operating, financial, and monetary decisions of AGRE DEBT- TRF 1 S.a.r.l. acting in respect of its compartment 5 (AGRETRF5), a private limited liability company, (the "Subsidiary") formed in accordance with the laws of Luxembourg. The Subsidiary commenced operations on August 13, 2019. The primary purpose of the Subsidiary is to facilitate the holding of different investments of the Company. The investment manager and general partner of the Subsidiary are affiliates of Apollo. As such, the financial results of the Subsidiary are fully consolidated, see note 2.

The Company will terminate in accordance with Bye-Law 74.

All balances in the financial statements are expressed in thousands except for share amounts unless noted otherwise.

2. SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of significant accounting policies followed by the Company in the preparation of the consolidated financial statements.

(a) Basis of preparation - The financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP") and are presented in Great British Pounds ("GBP"), which is the Company's functional currency. The Company follows financial reporting provisions of the Insurance Act 1987, amended thereto and the Insurance Accounts Rules 2016 and the accounting and reporting guidance applicable to investment companies in the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC"), and as such, the fair values of the Company's investments and derivatives that qualify as financial instruments under U.S. GAAP are presented in the accompanying Consolidated Balance sheet.

(b) Principles of Consolidation - As of December 31, 2020 and 2019, the Company wholly owned the Subsidiary. The financial position and results of operations of the Subsidiary have been consolidated into the accompanying financial statements and notes. All intercompany transactions and balances, primarily consisting of capital contributions and withdrawals, have been eliminated.

(c) Use of Estimates - The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of increases and decreases in net assets from operations during the reporting period. Actual results could differ from those estimates.

(d) C***ash and cash equivalents*** - The Company considers all highly liquid debt instruments with original maturities of 90 days or less to be cash equivalents. As of December 31, 2020 and 2019, cash and cash equivalents comprised of cash and investment in money market fund sponsored by a U.S. financial institution. Included in cash and cash equivalents are foreign currency balances, at fair value, denominated in Euro valued at £7,991 (2019: £102) and US dollars valued at £4,874 (2019:£1,670) as of December 31, 2020.

(e) Due to/from Brokers and Counterparties - Due to/from brokers and counterparties includes cash balances and cash held as collateral that may be restricted until the position is closed out. Cash held as collateral for derivative contracts is restricted until such contracts mature or are settled per agreement of the buyer and seller of the contract. Amounts in due to/from brokers and counterparties include deposits with major financial institutions. As of December 31, 2020, included within due to/from brokers and counterparties is £1,280 (2019: £1,430) of restricted cash posted as collateral for derivative contracts.

(f) Funds held by ceding reinsurer/ Insurance and reinsurance balances payable - As of December 31, 2020 funds held by ceding insurer is £10,000 (2019: £10,000) with respect to a claims float fund required to be maintained by the Company as per the Retrocession Agreement. The Company also has insurance and reinsurance balances payable amounting to £5,064 (2019: £5,645) for the year ended December 31, 2020.

(g) Investments and derivative valuation - The Company reflects its investments and derivatives in the accompanying Consolidated Balance sheet at their estimated fair value, with unrealized gains and losses resulting from changes in fair value reflected in net investment income in the accompanying Consolidated Statements of Operations and comprehensive income.

Fair value is the amount that would be received to sell an asset, or paid to transfer liability, in an orderly transaction between market participants at the measurement date (i.e., the exit price). Investments and derivatives held by the Company that are listed on a securities exchange or in comparable over-the counter quotation systems are valued based on the last reported sale price as of the date of determination. If no sales of such investments or derivatives are reported on such date, and in the case of over-the counter positions for which the last sales price is not available, valuations are based on independent market quotations obtained from market participants, recognized pricing services, or other sources deemed relevant when available. Prices are based on the average of the "bid" and "ask" prices, or at ascertainable prices at the close of business on such day. Market quotations are generally based on valuation pricing models or market transactions of similar investments adjusted for investment-specific factors, such as relative capital structure priority and interest and yield risks, among other factors.

Fair values of investments and derivatives that are quoted in established dealer or other similar markets are determined by the Investment Manager as of the date of determination or the nearest date to such date if quotations are not available from a reputable third-party market maker or financial institution regularly engaged in the practice of trading in or pricing such instruments.

If market quotations are not available from a third-party pricing service or a dealer, the fair value of the investment or derivative is determined by the Investment Manager using valuation approaches that may include the use of unobservable inputs. Valuation approaches include the market approach, the income approach, and the recovery approach. The market approach provides an indication of fair value based on comparison of the subject investment to comparable investments and transactions in the industry. This approach is driven by current market conditions of actual trading levels and transaction data of similar investments. The fair value under the market approach is also derived by reference to observable valuation measures for comparable companies by utilizing key performance metrics of the investee company and relevant valuation multiples observed in the range of comparable companies. The income approach provides an indication of fair value based on the present value of cash flows that a business or financial instrument is expected to generate in the future. The most widely used methodology in the income approach is the discounted cash flow method. Inherent in the discounted cash flow method are assumptions of expected results and a calculated discount rate. In the recovery approach, the Investment Manager assesses an investment's value based on the underlying recoverable assets netted against any related liabilities. The Company carries the related investment based on its portion of the recoverable assets, which approximates the value the Investment Manager believes would be recovered in the event of a sale. Because of the inherent uncertainty of valuation, estimated values may differ significantly from the values that would have been used had a ready market for the investments existed, and the differences could be material.

The Company holds non-controlling equity investments in a special purpose vehicle (the "Affiliated Vehicle") that is managed by Apollo or its affiliates. The Affiliated Vehicle is not publicly traded and does not have readily available market values. The Affiliated Vehicle is marked at its prevailing net asset value as of the reporting date, which approximates fair value. The Company's pro rata share of the Affiliated Vehicle's net asset value is recorded as an investment in the accompanying Consolidated Balance sheet. Unrealized gains and losses resulting from changes in fair value of the Affiliated Vehicle is reflected in the net change in unrealized gain (loss) on investments in the accompanying Consolidated Statements of Operations and comprehensive income. The values of investments held by the Affiliated Vehicle is determined based on similar valuation methodologies as the Company.

On a quarterly basis, the Investment Manager utilizes a valuation committee, consisting of members from Apollo senior management, to review and approve the valuation results related to certain investments. The Investment Manager also retains independent valuation firms to provide third-party valuation consulting services to Apollo, which consist of certain limited valuation procedures identified by management. The limited procedures provided by the independent valuation firms assist management with validating their valuation results or determining fair value. The Investment Manager performs various back-testing procedures to validate its valuation approaches, including comparisons between expected and observed outcomes, forecast evaluations, and variance analyses.

(h) Investment transactions and income - Purchases and sales of investments are recorded on the trade date, and realized gains and losses are recorded using the specific identification method. Unsettled purchases and sales as of the reporting date are reflected in payable for investments purchased and receivable for investments sold, respectively, in the accompanying Consolidated Balance sheet. The Company records unrealized gains or losses on its investments based upon the change in fair value of investments. Expenses are recorded as incurred.

The Company records dividend income from equity investments on the ex-dividend date. Dividend income and accrued interest income from private investments are recorded pursuant to the terms of the respective investment, unless, in the case of dividend income, the Investment Manager determines that the portfolio company does not have positive earnings in which case such dividend income may be treated as a return of capital. In the case of proceeds received from investments, the Investment Manager determines the character of such proceeds and records any interest income, dividend income, realized gains or returns of capital accordingly. Interest from investments in collateralized loan obligation ("CLO") residual tranches is recognized on a cash basis. When cash is received, the Investment Manager performs a yield analysis to determine the appropriate categorization between interest income and the return of capital. Interest income from investments in debt instruments is accrued according to contractual terms, provided that management believes collection of such amounts is reasonably assured.

(i) Investments in foreign denominated currency - The Company enters into forward exchange contracts primarily to hedge against foreign currency exchange rate risks on its non-GBP denominated investments. When entering a forward exchange contract, the Company, agrees to receive or deliver a fixed quantity of foreign currency for an agreed-upon price on a specified future date. Realized gains or losses are recognized when contracts are settled. The unrealized gain or loss on the contracts as measured by the difference between the forward exchange rates at the dates of entry into the contracts and the forward exchange rates at the reporting date is recorded as derivative assets (liabilities), at fair value in the accompanying Consolidated Balance sheet. Changes in the fair value of forward exchange contracts are reflected in the accompanying Consolidated Statements of Operations and comprehensive income as a component of net investment income. Investments denominated in foreign currencies are converted into the reporting currency at the reporting date. Purchases and sales of investments and income and expense items denominated in foreign currencies are translated into GBP on the respective dates of such transactions. The Company does not isolate the results of operations resulting from changes in foreign exchange rates on investments from the fluctuations arising from changes in market prices of such investments. Such fluctuations are included within net investment income in the accompanying Consolidated Statements of Operations and comprehensive income. Reported net realized gain (loss) on foreign currency transactions arises from the sale of foreign currencies, currency gains or losses realized between the trade and settlement dates on investment transactions, and the difference between the amounts of dividends, interest, and foreign withholding taxes recorded on the Company's books and the GBP equivalent of the amounts actually received or paid. Reported net change in unrealized gain (loss) on foreign currency translations arises from the purchase of foreign currencies, currency gains or losses unrealized between the trade and settlement dates on investment transactions, and the difference between the amounts of assets and liabilities, other than investments, recorded in the local currencies, if any, and the GBP equivalent of the amounts on the reporting date.

(j) Unfunded commitments, at fair value - Pursuant to the terms of certain of the bank loan agreements and revolving lines of credit, where the Company is the lender, the Company may have unfunded loan commitments, which are carried at fair value and included in unfunded commitments, at fair value in the accompanying Consolidated Balance sheet and changes in fair value are reflected in the accompanying Consolidated Statements of Operations and comprehensive income as a component of net investment income. At December 31, 2020, the Company had unfunded loan commitments of £1,652 (2019: £3,309), which had a fair value of £32 (2019: £41).

(k) Revenue recognition and acquisition costs - Premiums for retroactive reinsurance policies are earned at the inception of the contracts, as all of the underlying loss events covered by the underlying policies occurred in the past. Any underwriting profit at inception related to retroactive exposures in a reinsurance contract is deferred and recognized over the estimated future payout period of the losses and loss adjustment expense reserves. Any underwriting loss at inception related to retroactive exposures in a reinsurance contract is recognized immediately.

(l) Losses and loss adjustment expenses - Losses and loss adjustment expenses paid are recorded when advised by the ceding company. The liability for loss and loss expense provisions includes an amount determined from loss reports and individual cases and an amount based on the recommendations of an independent actuary using the past loss experience and industry loss development factors, for losses incurred but not reported. These estimates are continually reviewed and are necessarily subject to the impact of future changes in such factors as claims severity and frequency.

While management believes that the amount is adequate, the ultimate liability is subject to inherent uncertainty given the nature of the reinsurance coverage in place and may be materially in excess of, or less than, the amounts provided, and any adjustments will be reflected in the periods in which they become known.

(m) Taxation - Under current Bermuda law, the Company is not required to pay taxes in Bermuda on either income or capital gains. The Company has received an undertaking from the Bermuda Government that in the event of income or capital gains taxes being imposed, the Company will be exempted from such taxes until the year 2035.

(n) Contingencies and indemnifications - In the normal course of business, the Investment Manager, on behalf of the Company enters certain contracts that contain a variety of indemnifications. The Company's maximum exposure under these arrangements is unknown; however, the Company has not had prior claims or losses pursuant to these contracts and expects the risk of loss to be remote.

3. RECENT ACCOUNTING PRONOUNCEMENTS

In November 2016, FASB issued ASU No. 2016-18, Statement of Cash Flows (Topic 230): Restricted Cash, which addresses diversity in practice related to the classification and presentation of changes in restricted cash on the statement of cash flows. ASU No. 2016-18 will require that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Therefore, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. ASU No. 2016-18 is effective for fiscal years, and interim periods within those years, beginning after December 15, 2018. The Company has adopted ASU 2016-18 during the fiscal year ended 2020 with retrospective application.

In March 2020, the FASB issued Accounting Standards Update 2020-04, Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting. The guidance is intended to ease the potential burden in accounting for, or recognizing the effects of, reference rate reform on financial reporting, through various optional expedients and exceptions for applying U.S. GAAP to contracts, hedging relationships, and other transactions that reference London Interbank Offered Rate ("LIBOR") or another reference rate expected to be discontinued because of reference rate reform. The amendment is effective from March 12, 2020 through December 31, 2022. The Company has evaluated this guidance and determined that it does not have a material impact on the accompanying consolidated financial statements; however, the Company is still evaluating the potential impact to future financial statements.

4. PLEDGED ASSETS

Restricted cash, investments and funds held by ceding insurances in the amount of £22,302 (2019: £23,421), £695,662 (2019: £752,535) and £10,000 (2019: £10,000), respectively, as of December 31, 2020, are being held in trust in order to secure the Company's liabilities under the reinsurance contract, as noted in note 5 below.

5. REINSURANCE

Effective April 11, 2019 the Company amended the Retrocession Agreement with CatGen, an affiliate, for 50% quota share of a closed block of legacy employer's liability policies assumed by the affiliate. Under the termination clause of the Retrocession Agreement, the Company, may in its sole discretion give notice to terminate the agreement with an effective termination date of September 2028 or September 2033. Management has taken the earlier of the two possible termination dates as most probable and as a result arrived at the ten-year period for the contract tenure.

6. DEFERRED PROFIT LIABILITY

The Company recognized a deferred profit liability resulting from a day one gain on premiums of £622,465 against gross reserves of £599,072 on portfolio risk transfer date. The deferred profit liability is amortized on an annual basis in line with the recovery method, on the assumed ten-year contract tenure.

The following table summarizes the amortization of the deferred profit liability:

(In thousands)		2020		2019
Initial reinsurance premium	£	622,465	£	622,465
Reserve amount at risk transfer date (net of recoveries)		(599,072)		(599,072)
Unamortized profit liability at inception	£	23,393	£	23,393
Deferred profit liability at the beginning of the year	£	30,099	£	23,393
Amortization of the profit liability for the year		11,571		6,706
Deferred profit liability at the end of the year	£	41,670	£	30,099

7. INVESTMENTS AT FAIR VALUE

Investments are carried at Fair value through Profit and Loss and are comprised of mainly fixed income securities that are broken down as follows:

(In thousands)		2020		2019
Asset Backed Debt Securities	£	25,153	£	18,589
Affiliated Funds		5,526		5,925
CLOs - Debt		117,535		96,402
Corporate Bonds		473,922		455,726
Equity Securities		133		-
Bank Loans		101,584		151,848
Mortgage Loans		22,356		23,348
Government Bonds		10,197		11,086
Total	£	756,406	£	762,924

U.S. GAAP guidance applicable to fair value measurements clarifies the definition of fair value for financial reporting, establishes a hierarchical framework that prioritizes and ranks the level of market price observability used in measuring fair value and requires enhanced disclosures about fair value measurements. Market price observability is impacted by several factors, including the type of investment, the characteristics specific to the investment, and the state of the marketplace (including the existence and transparency of transactions between market participants). Investments with readily available actively quoted prices or for which fair value can be measured from actively quoted prices in an orderly market will generally have a higher degree of market price observability and a lesser degree of judgment used in measuring fair value. Investments recorded at fair value in the accompanying Consolidated Balance sheet are characterized based upon the level of judgement associated with the inputs used to measure their fair value. Hierarchical levels directly related to the amount of subjectivity associated with inputs to the fair valuation of these assets as follows:

> *Level I* — Quoted prices are available in active markets that the Company has the ability to access for identical assets or liabilities as of the reporting date. Level I assets or liabilities generally include listed equities, listed money market funds, and listed derivatives. As required by U.S. GAAP, the Company does not adjust the quoted price for these assets and liabilities, even in situations where the Company holds a large position and a sale could reasonably impact the quoted price.
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> *Level II* — Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies. These inputs may include quoted prices for identical

instruments on an inactive market, prices for similar instruments, interest rates, prepayment speeds, credit risk, yield curve, default rate, and similar data. Level II assets or liabilities generally include certain corporate bonds, convertible bonds, and bank loans whose fair value is determined through the use of broker quotes with higher levels of liquid market observability than Level III assets or liabilities. The Investment Manager subjects these broker quotes to various criteria in making the determination as to whether a particular asset or liability would qualify for treatment as a Level II or Level III asset or liability. Some of the factors considered include the number of broker quotes obtained, the quality of the broker quotes, the standard deviation of the observed broker quotes, and the corroboration of the broker quotes with independent pricing services.

Level III — Significant pricing inputs are unobservable and include situations where there is little, if any, market activity for the asset or liability, including situations whereby the Company is restricted from redeeming all or a portion of the asset or liability. The inputs into the determination of fair value require significant management judgment or estimation. Level III assets or liabilities generally include private or restricted common equity and preferred interests in companies, corporate bonds and bank loans, and certain derivatives. Fair value is determined through the use of broker quotes, models or other valuation methodologies that are not based on market-corroborated inputs. Positions that are valued based on broker quotes are subject to various criteria in making the determination as to whether a particular asset or liability would qualify for treatment as a Level II or Level III asset or liability, including the liquidity of the market in which the asset or liability is quoted, the number of broker quotes obtained, the standard deviation of the observed broker quotes, and the corroboration of the broker quotes with independent pricing services.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The Company's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the investment. The following tables presents the analysis of the Company's investments by level of input as of December 31, 2020:

(In thousands)	**Level 1**	**Level 2**	**Level 3**	**Total**
Investments, at fair value				
Asset Backed Debt Securities	£ -	£ 16,332	£ 8,822	£ 25,154
CLOs - Debt	-	90,402	27,132	117,534
Corporate Bonds	-	458,797	15,125	473,922
Equity Securities	-	-	133	133
Bank Loans	-	1,312	100,272	101,584
Mortgage Loans	-	-	22,356	22,356
Government Bonds	-	10,197	-	10,197
Affiliated fund valued at NAV [(a)]	-	-	-	5,526
Total investments, at fair value	£ -	£ 577,040	£ 173,838	£ 756,406
Derivative Assets, at fair value				
Unrealized gain on Forward Exchange Contracts	£ -	£ 21,069	£ -	£ 21,069
Unfunded commitments, at fair value				
Mortgage Loans	£ -	£ -	£ (32)	£ (32)
Derivative Liabilities, at fair value				
Unrealized loss on Forward Exchange Contracts	£ -	£ (41)	£ -	£ (41)

The following tables presents the analysis of the Company's investments by level of input as of December 31, 2019:

(In thousands)	**Level 1**	**Level 2**	**Level 3**	**Total**
Investments, at fair value				
Asset Backed Debt Securities	£ -	£ 14,818	£ 3,771	£ 18,589
CLOs - Debt	-	425,104	30,622	455,726
Corporate Bonds	-	-	-	-
Equity Securities	-	11,103	140,745	151,848
Bank Loans	-	-	23,348	23,348
Mortgage Loans	-	11,086	-	11,086
Government Bonds	-	-	-	5,925
Affiliated fund valued at NAV [(a)]	-	541,624	215,375	762,924
Total investments, at fair value	£ -	£ 14,818	£ 3,771	£ 18,589
Derivative Assets, at fair value				
Unrealized gain on Forward Exchange Contracts	£ -	£ 19,125	£ -	£ 19,125
Unfunded commitments, at fair value				
Mortgage Loans	£ -	£ -	£ (41)	£ (41)
Derivative Liabilities, at fair value				
Unrealized loss on Forward Exchange Contracts	£ -	£ (251)	£ -	£ (251)

[(a)] Certain investments that were measured at net asset value per share (or its equivalent) have not been classified in the fair value hierarchy. The fair value amounts presented in the table above are intended to permit reconciliation of the fair value hierarchy to the line items presented in the accompanying Consolidated Balance sheet.

Included in cash and cash equivalents are money market funds valued at £2,194 (2019: £326), which are considered Level 1 assets.

The additions and transfers of assets (liabilities) classified as Level III investments for the year ended December 31, 2020, are shown in the below table. Classifications of the investment description may vary from prior year:

(in thousands) **Assets**	**Purchases [(a)]**	**Transfers In**	**Transfers Out**
Investments, at fair value			
Asset Backed Debt Securities	£ 7,695	£ 1,519	£ 3,703
CLOs - Debt	-	11,772	8,856
Corporate Bonds	6,994	-	23,394
Equity Securities	73	-	-
Bank Loans	2,999	-	-
Total Investments, at fair value	£ 17,761	£ 13,291	£ 35,953

The additions of assets (liabilities) classified as Level III investments for the year ended December 31, 2019, are shown in the below table:

(in thousands) **Assets**		**Purchases [a]**
Investments, at fair value		
Asset Backed Debt Securities	£	7,905
CLOs - Debt		35,750
Corporate Bonds		60,238
Mortgage Loans		23,348
Bank Loans		325,629
Total Investments, at fair value	£	452,870

[a] Includes certain investments that underwent restructurings and related reorganizations throughout the year. Such transactions may be included within these figures.

Transfers of investments in or out of Level III, if any, are recorded as of the end of the reporting period. Assets and liabilities are transferred from Level II to Level III or from Level III to Level II as a result of changes in levels of liquid market observability when subject to various criteria, as discussed above.

The table below summarizes information about the significant unobservable inputs used in determining the fair value of the Level III assets and liabilities, as of December 31, 2020:

(In thousands)		**Fair Value**	**Valuation Techniques**	**Unobservable Inputs**	**Range**	**Weighted Average**
Investments, at fair value						
Bank Loans	£	98,742	DCF	Discount Rate	4.56%-10.24%	7.35%
Corporate Bonds		7,439	DCF	Discount Rate	5.50%	5.50%
Equity Securities		133	DCF	Discount Rate	4.70%	4.70%
Mortgage Loans		22,356	DCF	Discount Rate	4.48%-10%	6.88%
Total Investments, at fair value	£	128,670				
Unfunded commitments, at fair value	£	(32)	DCF	Discount Rate	4.48%	4.48%

The table below summarizes information about the significant unobservable inputs used in determining the fair value of the Level III assets and liabilities, as of December 31, 2019:

(In thousands)		**Fair Value**	**Valuation Techniques**	**Unobservable Inputs**	**Range**	**Weighted Average**
Investments, at fair value						
Bank Loans	£	85,926	DCF	Discount Rate	3.25%-9%	7.2%
		36,201	Transactional Value	Cost	N/A	N/A
Mortgage Loans		13,348	DCF	Discount Rate	3.75%	3.75%
Mortgage Loans		10,000	Transactional Value	Cost	N/A	N/A
Total Investments, at fair value	£	145,475				
Unfunded commitments, at fair value	£	(41)	DCF	Discount Rate	3.75%-8.82%	8.43%

Included within Level III assets of £173,838 (2019: £215,375) is amount of £45,170 (2019: £69,900), of quoted prices, in which Investment Manager did not develop the unobservable inputs (example include, but not limited to, broker quotations, third-party pricing, etc.).

The following table shows fair values of fixed income and debt securities held by contractual maturity:

(In thousands)		2020		2019
Due within one year	£	42,981	£	-
Due after one year through five years		131,576		178,385
Due after five years through ten years		181,978		158,6123
Due after ten years		394,179		419,959
Total	£	750,714	£	756,957

Proceeds from sales and maturities of investments held for trading during 2020 were £146,117 (2019: £1,020,519) and resulted in net realized gain (loss) of (£169) (2019: £423) were realized in the year ended December 31, 2020. Major categories of net investment income (loss) are summarized as follows:

(In thousands)		2020		2019
Fixed interest income	£	31,334	£	14,958
Other interest		537		632
Realized gains (losses) on investments		(169)		423
Realized gains/losses on derivatives		427		(187)
Realized gains (losses) on foreign cash translations		524		250
Unrealized gains (losses) on investments		24,382		(8,685)
Unrealized gains (losses) on derivatives		2,154		18,874
Unrealized gains (losses) on foreign cash translations		(805)		293
Total net investment income (loss)	£	58,384	£	26,558

8. DERIVATIVE INSTRUMENTS

The following table presents the fair value of the Company's derivative assets and derivative liabilities as reflected in the accompanying Consolidated Balance sheet as of December 31, 2020:

(In thousands)	**Derivative Assets** [(a),(b)]			
Primary Underlying Risk	**Derivative**	**Consolidated Balance Sheet** [(c)]		**Fair Value**
Foreign currency risk	Forward exchange contracts	Derivative Assets, at fair value	£	21,069
Total			£	21,069

(In thousands)	**Derivative Liabilities** [(a),(b)]			
Primary Underlying Risk	**Derivative**	**Consolidated Balance Sheet** [(c)]		**Fair Value**
Foreign currency risk	Forward exchange contracts	Derivative Liabilities, at fair value	£	41
Total			£	41

The following table presents the fair value of the Company's derivative assets and derivative liabilities as reflected in the accompanying Consolidated Statement of Balance Sheet as of December 31, 2019:

(In thousands)	**Derivative Assets** [(a),(b)]			
Primary Underlying Risk	**Derivative**	**Consolidated Balance Sheet** [(c)]		**Fair Value**
Foreign currency risk	Forward exchange contracts	Derivative Assets, at fair value	£	19,125
Total			£	19,125

(In thousands)	**Derivative Liabilities** [(a),(b)]			
Primary Underlying Risk	**Derivative**	**Consolidated Balance Sheet** [(c)]		**Fair Value**
Foreign currency risk	Forward exchange contracts	Derivative Liabilities, at fair value	£	251
Total			£	251

(a) See Note 2 for additional information on the Company's purposes for entering into different types of derivatives and how they are recorded.

(b) Approximately £1,280 (2019: £1,430) of collateral has been posted as of December 31, 2020, to counterparties related to derivative contracts. The Company may be required to post collateral in subsequent periods due to unfavorable changes in the fair value of these contracts. The collateral balance is included in the accompanying Consolidated Balance sheet.

(c) Represents location of such derivatives in the accompanying Consolidated Balance sheet.

The following tables present the gains (losses) recognized on derivatives, by contract type, included in the accompanying Consolidated Statements of Operations and comprehensive income as of December 31, 2020:

(In thousands) Primary Underlying Risk	Derivative	Average Notional / Contracts	Net realized gain (loss) on derivatives	Net change in unrealized gain (loss) on derivatives
Foreign currency risk	Forward Exchange Contracts	£ 372,490	£ 427	£ 2,154
	Total net gain/ (loss) on derivatives		£ 427	£ 2,154

The following tables present the gains (losses) recognized on derivatives, by contract type, included in the accompanying Consolidated Statement of Operations and comprehensive income as of December 31, 2019:

(In thousands) Primary Underlying Risk	Derivative	Average Notional / Contracts	Net realized gain (loss) on derivatives	Net change in unrealized gain (loss) on derivatives
Foreign currency risk	Forward Exchange Contracts	£ 264,820	£ (187)	£ 18,874
	Total net gain/ (loss) on derivatives		£ (187)	£ 18,874

The Company has elected not to offset assets and liabilities in the accompanying Consolidated Balance sheet that may be received or paid as part of collateral arrangements, even when an enforceable master netting arrangement or other agreement is in place that provides the Company, in the event of counterparty default, the right to liquidate collateral and the right to offset a counterparty's rights and obligations.

The following tables present the offsetting of financial and derivative assets and liabilities as of December 31, 2020:

		Gross Amounts Not Offset in the accompanying Consolidated Balance Sheet		
(In thousands)	Gross and Net Amounts Presented in the Consolidated Balance Sheet	Financial Instruments	Collateral Received	Net Amounts
__Assets__				
Derivatives, at fair value	£ 21,069	£ (41)	-	£ 21,028
Total	£ 21,069	£ (41)	-	£ 21,028

(In thousands)	Gross and Net Amounts Presented in the Consolidated Balance Sheet	Gross Amounts Not Offset in the accompanying Consolidated Balance Sheet: Financial Instruments	Collateral Pledged	Net Amounts
Liabilities				
Derivatives, at fair value	£ (41)	£ 41	-	£ -
Total	£ (41)	£ 41	-	£ -

The following tables present the offsetting of financial and derivative assets and liabilities as of December 31, 2019:

(In thousands)	Gross and Net Amounts Presented in the Consolidated Balance Sheet	Gross Amounts Not Offset in the accompanying Consolidated Balance Sheet: Financial Instruments	Collateral Received	Net Amounts
Assets				
Derivatives, at fair value	£ 19,125	£ (251)	-	£ 18,874
Total	£ 19,125	£ (251)	-	£ 18,874

(In thousands)	Gross and Net Amounts Presented in the Consolidated Balance Sheet	Gross Amounts Not Offset in the accompanying Consolidated Balance Sheet: Financial Instruments	Collateral Pledged	Net Amounts
Liabilities				
Derivatives, at fair value	£ (251)	£ 251	-	£ -
Total	£ (251)	£ 251	-	£ -

Amounts in the preceding tables have been limited to the liability balance, and accordingly, do not include any excess collateral pledged.

9. LIABILITY FOR LOSSES AND LOSS ADJUSTMENT EXPENSES

The liability for loss and loss adjustment expenses is comprised of:

(In thousands)	2020	2019
Outstanding losses	£ 107,530	£ 119,664
Losses incurred but not reported	397,970	447,916
Gross loss and loss expense provisions	£ 505,500	£ 567,580

The liability for losses and loss adjustment expense is comprised of:

(In thousands)		2020		2019
Gross and Net balance, beginning of the year	£	567,580	£	611,795
Incurred losses related to:				
Current year		-		(8,595)
Prior year		(16,385)		-
Total incurred losses		(16,385)		(8,595)
Paid losses related to:				
Current year		-		(35,620)
Prior year		(45,695)		-
Total paid losses		(45,695)		(35,620)
Gross and Net Balance, end of the year	£	505,500	£	567,580

Management believes that the assumptions used to establish loss and loss expense provisions are realistic and are an appropriate basis for estimating those reserves as of December 31, 2020. However, these assumptions are subject to changes and the Company continuously reviews and adjusts these estimates after consideration of all currently known information and updated assumptions related to unknown information. While management believes it has made a reasonable estimate of loss expenses occurring up to the Consolidated Balance sheet date, the ultimate cost of claims incurred could exceed the Company's reserves and could materially impact on future results of operation and financial condition.

During 2020, the incurred losses of £16,385 (2019: £8,595) relate to gross paid losses for prior year's claims of £45,695 (2019: £35,620) and movements in net reserves of £62,080 (2019: £44,215).

The Company is presenting 2-year historical information. For each subsequent year following the year of initial adoption, the minimum required number of years will increase by one year but need not exceed ten years.

The following information is about incurred claim losses and allocated claim adjustment expenses, net of reinsurance as of December 31, 2020, as well as total of incurred-but-not-reported liabilities:

Unaudited
(In thousands)

	Cumulative Incurred claim losses											
	For the years ended December 31, 2020											
	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	Total IBNR reserve	Cumulative claims count
Underwriting Year												
2019	£603,200	£586,815	future years development								£397,970	6,433

The following information is about cumulative paid claim losses and allocated claim adjustment expenses, net of reinsurance as of December 31, 2020:

Unaudited
(In thousands)

	Cumulative paid claim losses									
	For the years ended December 31,2020									
	2019	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**
Underwriting Year										
2019	£35,620	£81,315	future years development							

Average annual percentage payout of incurred claims									
Underwriting Year	1	2	4	5	6	7	8	9	10
Payout %	6%	8%	future years development						

10. RELATED PARTY CONSIDERATIONS

(a) ***Management fees*** — During the year ended December 31, 2020, the Company was charged £2,746 of management fees (2019: £1,637) pursuant to the IMA, of which £692 (2019: £673) remains outstanding as of December 31, 2020.

(b) ***Affiliated investors*** — During the year ended December 31, 2020 the Company received contribution of £48,651 (2019: £221,637) and paid distribution of £48,651 (2019: £0) from and to AP Elbow. As of December 31, 2020, the share capital to AP Elbow was £221,637 (2019: £221,637).

(c) ***Investments in affiliates*** — As of December 31, 2020, the Company held investments in an affiliated special purpose vehicle in the amount of £5,526 (2019: £5,925) which is included in the accompanying Consolidated Balance sheet as a component of Investments, at fair value.

(d) ***Investment Transactions*** — In connection with its investment activities, the Company may, from time to time, engage in certain transactions including purchases and sales from or with other Apollo entities, which are executed in accordance with Apollo's policies and procedures. For the year ended December 31, 2020, the Company deployed £12,003 (2019: £32,599) in purchase payments with other Apollo entities.

(e) ***Apollo Global Securities, LLC and Apollo Global Funding, LLC ("AGF")*** — an affiliate of Apollo, is a registered broker dealer with the United States Securities and Exchange Commission and a member of the Financial Industry Regulatory Authority, or "FINRA." AGS is involved in transactions with affiliates of Apollo, which may include the Company's portfolio companies, and whereby AGS may earn certain underwriting, transaction, and advisory fees for its services. From time to time, AGF, an affiliate of Apollo, may be involved in transactions with affiliates of Apollo relating to loan instruments, whereby AGF may earn certain fees for providing services.

For the year ended December 31, 2020, £109 (2019: £0) of fees, allocable to the Company, were paid by the Company's Portfolio Companies to AGS or AGF for services performed, of which £109 was for underwriting, arrangement, placement or similar services.

11. SHARE CAPITAL

The authorized share capital for the Company (Consolidated) is £377,350 ($500,000). The authorized and issued share capital of the Core Cell, is £279 ($370) divided into 370,000 ordinary shares, par value $1 each. The issued share capital for the Elbow Cell as of December 31, 2020 and 2019 was £221,637 ($288,361) divided into 288,361,106 ordinary shares, par value $1 each.

12. STATUTORY REQUIREMENTS

The Company is registered under the Bermuda Insurance Act 1978, amendments thereto and related regulations which require that the Company maintain minimum levels of solvency and liquidity. These requirements have been met for the year ended December 31, 2020,. As of December 31, 2020, the minimum required statutory capital and surplus was £125,506 (2019: £135,249) and actual statutory capital and surplus was £311,417 (2019: £273,966). As of December 31, 2020, the minimum required level of liquid assets was £415,131 (2019: £453,911) and actual liquid assets were £576,752 (2019: £554,000). As of December 31, 2020, the amount of retained earnings restricted from payment of dividends was £180,427 (2019: £536).

13. DIVIDENDS

A dividend of £1,349 (2019: £0) was declared and paid in the financial year ended December 31, 2020. The distribution of dividends was made from retained earnings.

14. SUBSEQUENT EVENTS

The global outbreak of COVID-19 (commonly referred to as "coronavirus") has disrupted economic markets and the prolonged economic impact is uncertain. The ultimate economic fallout from the pandemic, and the long-term impact on economies, markets, industries, and individual issuers, are not known. The operational and financial performance of the issuers of investments and derivatives in which the Company invests depend on future developments, including the duration and spread of the outbreak, and such uncertainty may in turn adversely affect the value and liquidity of the Company's investments and derivatives and negatively impact the Company's performance.

Management has evaluated all subsequent events or transactions for potential recognition or disclosure through April 29, 2021, the date on which these consolidated financial statements were available to be issued and has determined that there were no subsequent events requiring adjustment to or disclosure in the accompanying consolidated financial statements.