



Independent auditor's report

To the Board of Directors of Surestone Reinsurance Limited

Our opinion

In our opinion, the condensed financial statements of Surestone Reinsurance Limited (the Company) are prepared, in all material respects, in accordance with the financial reporting provisions of the Insurance Act 1978, amendments thereto and the Insurance Account Rules 2016 with respect to condensed general purpose financial statements (the 'Legislation').

What we have audited

The Company's condensed financial statements comprise:

- the condensed balance sheet as at 31 March 2021;
- the condensed statement of income for the year then ended;
- the condensed statement of capital and surplus as at 31 March 2021; and
- the notes to the condensed financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

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

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

Independence

We are independent of the Company in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code) and the ethical requirements of the Chartered Professional Accountants of Bermuda Rules of Professional Conduct (CPA Bermuda Rules) that are relevant to our audit of the condensed financial statements in Bermuda. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and the ethical requirements of the CPA Bermuda Rules.

Emphasis of matter – basis of accounting

Without modifying our opinion, we note that the condensed financial statements have been prepared in accordance with the financial reporting provisions of the Legislation. The accounting policies used, and the disclosures made are not intended to, and do not, comply with all of the requirements of UK GAAP.



Responsibilities of management for the condensed financial statements

Management is responsible for the preparation of the condensed financial statements in accordance with the financial reporting provisions of the Legislation, and for such internal control as management determines is necessary to enable the preparation of condensed financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the condensed financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the condensed financial statements

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

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

- Identify and assess the risks of material misstatement of the condensed financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the condensed financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.



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

PricewaterhouseCoopers Ltd.

**Chartered Professional Accountants
Hamilton, Bermuda**

28 July 2021

Surestone Reinsurance Limited

Condensed General Purpose Financial Statements

Financial Year Ended 31 March 2021

DIRECTORS AND OTHER INFORMATION

Board of Directors

P W H James
M de Lecq Marguerie
C Feathers
P Jewell
R T Paton
J Tweedie

Secretary, Advisors and Registered Office

Ocorian Services (Bermuda) Limited
Victoria Place, 5th Floor
31 Victoria Street
Hamilton HM10
Bermuda.

Business Address

Victoria Place, 5th Floor
31 Victoria Street
Hamilton HM10
Bermuda.

Principal Banker

HSBC Bermuda
Harbourview Centre
37 Front Street
Hamilton HM 11
Bermuda

Principal Representative

Aon Insurance Managers (Bermuda) Ltd
Aon House
30 Woodbourne Avenue
Pembroke HM08
Bermuda

Company Registration Number

28484

The directors present the condensed financial statements of Surestone Reinsurance Limited ("the Company") for the year ended 31 March 2021.

Principal activities, review of the business and future developments

The Company was licensed as a Class 3A reinsurer effective 1 January 2009 under the Bermuda Insurance Act 1978 and related rules and regulations (the "Act") and commenced underwriting on 29 December 2000.

Based in Bermuda, the Company offers quota share reinsurance coverage for property and casualty risks located in the UK and Ireland. Effective from 1 April 2016, the Company commenced a direct credit insurance agreement, however, this agreement was cancelled *ab initio* in May 2019. To better manage the insurance risks, the Company retrocedes a third of the assumed risks effective from 1 April 2016.

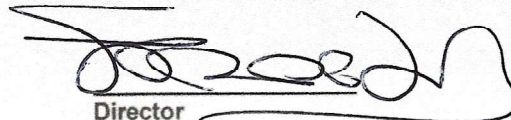
The Board will continue to consider new business underwriting participation when such involvement would be at terms suitable and favourable to the Company.

Events after the year end

No matters or circumstances that have arisen since 31 March 2021 that have significantly affected, or may significantly affected the balance reported in the financial statements.

On behalf of the board


Director


Director

CONDENSED BALANCE SHEET

As at 31 March 2021
(Expressed in Sterling)

LINE No.	ASSETS	2021 GBP	2020 GBP
1.	CASH AND CASH EQUIVALENTS	2,435,799	1,788,798
2.	QUOTED INVESTMENTS:		
(a)	Bonds and Debentures		
	(i) Held to maturity	-	-
	(ii) Other	-	-
(b)	Total Bonds and Debentures	-	-
(c)	Equities		
	(i) Common stocks	-	-
	(ii) Preferred stocks	-	-
	(iii) Mutual funds	-	-
(d)	Total equity investments	-	-
(e)	Other quoted investments	-	-
(f)	Total quoted investments	-	-
3.	UNQUOTED INVESTMENTS		
(a)	Bonds and Debentures		
	(i) Held to maturity	-	-
	(ii) Other	-	-
(b)	Total Bonds and Debentures	-	-
(c)	Equities		
	(i) Common stocks	-	-
	(ii) Preferred stocks	-	-
	(iii) Mutual funds	-	-
(d)	Total equity investments	-	-
(e)	Other unquoted investments	-	-
(f)	Total unquoted investments	-	-
4.	INVESTMENT IN AND ADVANCES TO AFFILIATES		
(a)	Unregulated entities that conduct ancillary services	-	-
(b)	Unregulated non-financial operating entities	-	-
(c)	Unregulated financial operating entities	-	-
(d)	Regulated non-insurance financial operating entities	-	-
(e)	Regulated insurance financial operating entities	-	-
(f)	Total investments in affiliates	-	-
(g)	Advance to affiliates	9,098,164	8,693,055
(h)	Total investments in and advances to affiliates	9,098,164	8,693,055
5.	INVESTMENT IN MORTGAGE LOANS ON REAL ESTATE		
(a)	First liens	-	-
(b)	Other than first liens	-	-
(c)	Total investment in mortgage loans on real estate	-	-
6.	POLICY LOANS	-	-
7.	REAL ESTATE		
(a)	Occupied by the company (less encumbrances)	-	-
(b)	Other properties (less encumbrances)	-	-
(c)	Total real estate	-	-
8.	COLLATERAL LOANS	-	-
9.	INVESTMENT INCOME DUE AND ACCRUED	412,114	531,640
10.	ACCOUNTS AND PREMIUMS RECEIVABLE		
(a)	In course of collection	-	-
(b)	Deferred - not yet due	-	-
(c)	Receivables from retrocessional contracts	-	-
(d)	Total accounts and premiums receivable	-	-
11.	REINSURANCE BALANCES RECEIVABLE		
(a)	Foreign affiliates	-	-
(b)	Domestic affiliates	-	-
(c)	Pools & associations	-	-
(d)	All other insurers	17,110,868	16,185,030
(e)	Total reinsurance balance receivable	17,110,868	16,185,030
12.	FUNDS HELD BY CEDING REINSURERS	6,886,422	(1,880,379)
13.	SUNDRY ASSETS		
(a)	Derivative instruments	-	-
(b)	Segregated accounts - Long-Term business - variable annuities	-	-
(c)	Segregated accounts - Long-Term business - other	-	-
(d)	Segregated accounts - General business	-	-
(e)	Deposit assets	-	-
(f)	Deferred acquisition costs	-	-
(g)	Net receivable for investments sold	-	-
(h)	Prepayment	14,181	-
(i)	Other sundry assets 2	-	-
(j)	Other sundry assets 3	-	-
(k)	Total sundry assets	14,181	-
14.	LETTERS OF CREDIT, GUARANTEES AND OTHER INSTRUMENTS		
(a)	Letters of credit	-	-
(b)	Guarantees	-	-
(c)	Other instruments	-	-
(d)	Total letters of credit, guarantees and other instruments	-	-
15.	TOTAL	35,957,548	25,318,144

CONDENSED BALANCE SHEET

As at 31 March 2021
(Expressed in Sterling)

TOTAL INSURANCE RESERVES, OTHER LIABILITIES AND CAPITAL AND SURPLUS		
LINE No.	2021 GBP	2020 GBP
16. UNEARNED PREMIUM RESERVE		
(a) Gross unearned premium reserves	2,619,135	7,585,425
(b) Less: ceded unearned premium reserve		
(i) Foreign affiliates	-	-
(ii) Domestic affiliates	-	-
(iii) Pools & associations	-	-
(iv) All other reinsurers	944,597	2,403,168
(c) Total ceded unearned premium reserves	<u>944,597</u>	<u>2,403,168</u>
(d) Net unearned premium reserves	<u>1,674,538</u>	<u>5,182,257</u>
17. LOSS AND LOSS EXPENSES PROVISIONS		
(a) Gross loss and loss expense provisions	9,884,613	14,102,347
(b) Less: Reinsurance recoverable balance		
(i) Foreign affiliates	-	-
(ii) Domestic affiliates	-	-
(iii) Pools & associations	-	-
(iv) All other reinsurers	3,187,755	4,257,913
(c) Total reinsurance recoverable balance	<u>3,187,755</u>	<u>4,257,913</u>
(d) Net loss and loss expense provisions	<u>6,696,858</u>	<u>9,844,434</u>
18. OTHER GENERAL BUSINESS INSURANCE RESERVES	<u>557,172</u>	<u>1,511,973</u>
19. TOTAL GENERAL BUSINESS INSURANCE RESERVES	<u>8,928,567</u>	<u>16,538,664</u>
OTHER LIABILITIES		
28. INSURANCE AND REINSURANCE BALANCES PAYABLE	6,304,865	5,751,345
29. COMMISSION, EXPENSES, FEES AND TAXES PAYABLE	-	-
30. LOANS AND NOTES PAYABLE	-	-
31. (a) INCOME TAXES PAYABLE	-	-
(b) DEFERRED INCOME TAXES	-	-
32. AMOUNTS DUE TO AFFILIATES	-	-
33. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES	249,574	106,598
34. FUNDS HELD UNDER REINSURANCE CONTRACTS	15,794,113	(1,167,365)
35. DIVIDENDS PAYABLE	-	-
36. SUNDRY LIABILITIES:		
(a) Derivative instruments	-	-
(b) Segregated accounts companies	-	-
(c) Deposit liabilities	-	-
(d) Net payable for investments purchased	-	-
(e) Other sundry liabilities 1	-	-
(f) Other sundry liabilities 2	-	-
(g) Other sundry liabilities 3	-	-
(h) Total sundry liabilities	<u>-</u>	<u>-</u>
37. LETTERS OF CREDIT, GUARANTEES AND OTHER INSTRUMENTS		
(a) Letters of credit	-	-
(b) Guarantees	-	-
(c) Other instruments	-	-
(d) Total letters of credit, guarantees and other instruments	<u>-</u>	<u>-</u>
38. TOTAL OTHER LIABILITIES	<u>22,348,551</u>	<u>4,690,578</u>
39. TOTAL INSURANCE RESERVES AND OTHER LIABILITIES	<u>31,277,119</u>	<u>21,229,242</u>
CAPITAL AND SURPLUS		
40. TOTAL CAPITAL AND SURPLUS	<u>4,680,429</u>	<u>4,088,902</u>
41. TOTAL	<u>35,957,548</u>	<u>25,318,144</u>

CONDENSED STATEMENT OF INCOME

As at 31 March 2021
(Expressed in Sterling)

LINE No.	2021 GBP	2020 GBP
GENERAL BUSINESS UNDERWRITING INCOME		
1. GROSS PREMIUMS WRITTEN		
(a) Direct gross premiums written	-	-
(b) Assumed gross premiums written	620,466	15,062,992
(c) Total gross premium written	<u>620,466</u>	<u>15,062,992</u>
2. REINSURANCE PREMIUMS CEDED	611,956	4,636,533
3. NET PREMIUMS WRITTEN	8,510	10,426,459
4. INCREASE/(DECREASE) IN UNEARNED PREMIUMS	3,507,719	4,821,304
5. NET PREMIUMS EARNED	3,516,229	15,247,763
6. OTHER INSURANCE INCOME	547,990	(15,000,000)
7. TOTAL GENERAL BUSINESS UNDERWRITING INCOME	<u>4,064,218</u>	<u>247,763</u>
GENERAL BUSINESS UNDERWRITING EXPENSES		
8. NET LOSS INCURRED AND NET LOSS EXPENSE INCURRED	5,117,986	3,768,228
9. COMMISSIONS AND BROKERAGE	107,784	239,460
10. TOTAL GENERAL BUSINESS UNDERWRITING EXPENSES	<u>5,225,770</u>	<u>4,007,688</u>
11. NET UNDERWRITING INCOME/(LOSS) - GENERAL BUSINESS	(1,161,552)	(3,759,925)
UNDERNOTED ITEMS		
30. OPERATING EXPENSE		
(a) General and administration	593,086	-
(b) Personnel cost	-	-
(c) Other	-	-
(d) Total operating expenses	<u>593,086</u>	<u>-</u>
31. INVESTMENT INCOME - NET	262,856	276,270
32. OTHER INCOME	(28,561)	(14,907)
33. INCOME/(LOSS) BEFORE TAXES	<u>(1,520,343)</u>	<u>(3,498,562)</u>
34. INCOME TAXES (IF APPLICABLE)		
(a) Current	-	-
(b) Deferred	-	-
(c) Total	<u>-</u>	<u>-</u>
35. INCOME/(LOSS) BEFORE REALIZED GAINS (LOSSES)	(1,520,343)	(3,498,562)
36. REALIZED GAINS (LOSSES)	683	(3,720)
37. INTEREST CHARGES	-	-
38. NET INCOME/(LOSS)	<u>(1,519,659)</u>	<u>(3,502,282)</u>

CONDENSED STATEMENT OF CAPITAL AND SURPLUS

As at 31 March 2021
(Expressed in Sterling)

LINE No.	2021 GBP	2020 GBP
1. CAPITAL		
(a) Capital Stock		
(i) Common Shares: Authorized shares of par value each issued and fully paid shares	84,507	84,507
(ii)		
(A) Preferred Shares: Authorized shares of par value each issued and fully paid shares	-	-
(B) Preferred shares issued by a subsidiary: Authorised shares of par value each issued and fully paid shares	-	-
(iii) Treasury shares Repurchased shares of par value each issued and fully paid	-	-
(b) Contributed surplus	<u>37,717,538</u>	<u>35,606,352</u>
(c) Any other fixed capital		
(i) Hybrid capital instruments	-	-
(ii) Guarantees and others	-	-
(iii) Total any other fixed capital	<u>-</u>	<u>-</u>
(d) Total Capital	<u>37,802,045</u>	<u>35,690,859</u>
2. DEFICIT:		
(a) Deficit - Beginning of Year	(31,601,957)	(28,099,674)
(b) Add: Income(Loss) for the year	(1,519,659)	(3,502,282)
(c) Less: Dividends paid and payable	-	-
(d) Add (Deduct) change in unrealized appreciation (depreciation) of investments	-	-
(e) Add (Deduct) change in any other surplus	<u>-</u>	<u>(1)</u>
(f) Deficit - End of Year	<u>(33,121,616)</u>	<u>(31,601,957)</u>
3. MINORITY INTEREST	<u>-</u>	<u>-</u>
4. TOTAL CAPITAL AND SURPLUS / (DEFICIT)	<u>4,680,429</u>	<u>4,088,902</u>

NOTES TO CONDENSED GENERAL PURPOSE FINANCIAL STATEMENTS

Matters to be set forth in Notes to the Financial Statements

1. Surestone Reinsurance Limited (the "Company") is a wholly-owned subsidiary of Surestone Insurance Holdings Limited and ultimately owned by Primary Group Holdings 1 Limited, a company incorporated in Bermuda. In the opinion of the directors, the ultimate controlling party at 31 March 2021 is Mr P W H James.
2. The Company provides quota share reinsurance protection for risks located in the UK and Ireland.
3. The Company's condensed general purpose financial statements have been prepared in conformity with the financial reporting provisions of the Insurance Act 1978, amendments thereto and the Insurance Account Rules 2016 with respect to Condensed General Purpose Financial Statements (the "Legislation"). The condensed general purpose financial statements are based upon accounting principles generally accepted in the UK but are in accordance with the reporting requirements of the Legislation, which varies in certain respects from the UK GAAP. The more significant variances are as follows:
 - A statement of cash flow is not included;
 - A statement of comprehensive income is not included;
 - The presentation and classification of financial statement line items is in accordance with Schedules IX and XI of the Insurance Account Rules 2016 and differ from the expected presentation and classification under the UK GAAP; and
 - The notes included in the condensed general purpose financial statements have been prepared in accordance with Schedule X of the Insurance Account Rules 2016 and exclude certain information required under UK GAAP.

The condensed general purpose financial statements have been prepared on a going concern basis as Surestone Insurance Holdings Limited (the "immediate Parent") have provided a letter of support confirming its intentions to provide financial support in order to enable SRL to meet its liabilities as they fall due for the 12 months subsequent to the release of these condensed financial statements.

The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. In forming this view, the Directors have reviewed the forecasts for the next 24 months, which take account of reasonably foreseeable changes in key risks facing the business and along with its capital projections and parental support.

In addition, the directors also considered the impact of COVID 19 on the Company's business over the period of assessment. The impact of COVID 19 has been taken account of in the recognition and measurement of the Company's liabilities at 31 March 2021.

The Directors have concluded that there are no material uncertainties that cast significant doubt over the Company's ability to continue as a going concern.

At 31 March 2021, the Company's available capital and surplus was sufficient to meet the required solvency requirement. The Directors are confident in the Parent's commitment and readiness to support the business in the foreseeable future.

4. The significant accounting policies of the Company are as set out below:

Premiums

Premiums written relate to business incepted during the financial year, in conjunction with any differences between booked premiums for prior years and those previously accrued. Premiums written include estimates of premiums due but not received or notified, less an allowance for cancellations. Premiums are accredited to earnings on a pro rata basis over the term of the related policy, with the exception of those contracts where the period of risk differs significantly from the contract period. In these circumstances, premiums are recognised over the period of risk in proportion to the amount of insurance protection provided. Premiums are shown net of commission, premium taxes and other levies on premiums.

Unearned premiums

The proportion of written premiums that relate to unexpired terms of policies in force at the balance sheet date is deferred as a provision for unearned premiums, generally calculated on a time apportioned basis, however, some are driven by non-linear earnings patterns. The movement in the

NOTES TO CONDENSED GENERAL PURPOSE FINANCIAL STATEMENTS - CONTINUED

Matters to be set forth in Notes to the Financial Statements – Continued

provision is taken to the statement of income in order that revenue is recognised over the period of the risk.

Loss and loss expense incurred

Loss and loss expense incurred comprise of claims and claims handling costs paid in the year and changes in the provisions for outstanding claims. This includes provisions for claims incurred but not reported and related expenses; together with any adjustments to claims from prior years. Claims handling costs are mainly those external costs related to the negotiations and settlement of claims.

Loss and loss expense provision

Loss and loss expense provision represent the estimated ultimate cost of settling all claims (including direct and indirect claims settlement costs) arising from events which have occurred up to the balance sheet date. This includes provision for claims incurred but not reported, less any amounts paid in respect of those claims. It is not the policy of the Company to discount its liabilities for unpaid claims.

In the event that an incurred but not reported (IBNR) loss can be reasonably estimated and it is probable that a claim will be asserted, the expense and liability should be recognised. IBNR is largely an estimate of loss and claim adjustment expenses associated with future likely claims activity based on historical actual results that establish a reliable pattern. This pattern is used to estimate IBNR amounts and the timing of those amounts for financial statement purposes.

Unexpired risk provision

Provision is made for any deficiencies arising when unearned premiums, are insufficient to meet expected claims and expenses after taking into account future investment returns on the investments supporting the unearned premiums provisions and unexpired risk provisions. The expected claims are calculated having regard to events that have occurred up to the reporting date.

Reinsurance

The Company enters into reinsurance contracts in the normal course of business in order to limit the potential for losses arising from certain exposures. Outwards reinsurance premiums are accounted for in the same period as the related premiums for the direct or inwards business being reinsured. Reinsurance liabilities comprise premiums payable for outwards reinsurance contracts and are recognised as an expense when due.

Reinsurance assets include balances due from reinsurance companies for incurred losses. Reinsurance assets are measured consistently with the amounts associated with the underlying insurance contract and in accordance with the terms of the reinsurance contract. Reinsurance reserves are recorded as an asset unless a right of set-off exists, in which case the associated liabilities are reduced to take account of the reinsurers' share.

Reinsurance assets are subject to impairment testing and the carrying amount is reduced to its recoverable amount. The impairment loss is recognised as an expense in the condensed statement of income. The asset is impaired if objective evidence is available to suggest that it is probable that the Company will not be able to collect the amounts due from reinsurers.

Commission income

The Company enters into a quota share reinsurance contract that contains commission adjustment features for the binder years of 2016, 2017 and 2018. The provisional commissions paid for each binder year are subject to sliding scale adjustments. Any adjusted amounts to the provisional commission for each binder year are part of premium written.

Investment income

Investment income represents interest earned from cash in bank and lending made to a fellow group company.

Cash and cash equivalents

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

5. The bases for premium recognition and investment income are set out in note 4 above.

NOTES TO CONDENSED GENERAL PURPOSE FINANCIAL STATEMENTS - CONTINUED

Matters to be set forth in Notes to the Financial Statements – Continued

6. Monetary assets and liabilities in foreign currencies are expressed in Sterling at exchange rates ruling at the balance sheet date. Non-monetary assets and liabilities are translated into Sterling at historical rates of exchange. Income and expenses in foreign currencies are translated into Sterling at either rates of exchange ruling at the date on which the transactions occur or at a fixed rate and translated at the year-end to reflect an average rate. Any exchange differences arising on transactions in foreign currencies during the year are included in the condensed statement of income.
7. There are no foreign exchange control restrictions affecting the assets of the Company.
8. There are no material contingencies or commitments at the balance sheet date.
9. The Company did not issue any securities or enter any credit agreements during the financial year.
10. The Company does not have any preferred cumulative shares.
11. There was no loan made by the Company to any director or officer of the Company outside the ordinary course of business during the financial year.
12. The Company has one employee, and the pension contribution is 10% of base salary.
13. The Company has no open investment positions that are fair valued as at 31 March 2021.
14. Not applicable.
15. The Company is a wholly-owned subsidiary of Surestone Insurance Holdings Limited and ultimately owned by Primary Group Holdings 1 Limited.

The Company utilise the services provided by Surestone Insurance DAC for its day-to-day operational and financial functions.

A number of transactions are entered into with related parties in the normal course of business. These include loans, receivables and payables.

The Company provided a loan to its immediate parent company, Surestone Insurance Holdings Limited in December 2000. There is also a trade receivable balance due from SureStone Insurance Holdings Limited valuing to £2,773,163. As at 31 March 2021 the balance on the loan account was £6,325,001 (2020: £6,495,001). The loan is carried at amortised cost and to to be repaid no later than 30 June 2026.

The operating expenses incurred during the year amounts to £593,086 (inclusive of personnel costs) (2020: £570,399 were borne by the Parent).

16. As part of a transaction completed during the current financial year, all of the Company's insurance and related liabilities that arose from a credit insurance policy were cancelled, from inception. Also cancelled was the balance recognised from the deed of indemnity provided by the Primary Group. As the facts and circumstances underlying the cancellation were known prior to the 2020 year end the financial impact of the aforementioned cancellation was given effect in the 31 March 2020 financial statements of the Company.
17. None.

NOTES TO CONDENSED GENERAL PURPOSE FINANCIAL STATEMENTS – CONTINUED

Matters to be set forth in Notes to the Statement of Capital and Surplus

- 1(a) Authorized, issued and fully paid 120,000 common shares at par value US\$1 each. The total US dollar value is translated into £84,507 by using the historical GBP/USD exchange rate of 1.42.
- 1(b) Contributed surplus of £2.1m (2020: Nil) was received from the Parent company during the year.
- 2(c) No dividend has been paid or is proposed for the year.

NOTES TO CONDENSED GENERAL PURPOSE FINANCIAL STATEMENTS – CONTINUED

Matters to be set forth in Notes to the Balance Sheet

- 1-3. Not applicable.
4. Refer to Note 15 under Notes to Financial Statements section.
- 5-8. Not applicable.
9. Other assets of £412,114 (2020: £531,641) relating to accrued interest from 2% margin due to the Company from the reinsurance contract.
10. Not applicable.
11. All reinsurance balances receivables are not collateralised.
12. The deposit assets primarily consist of £5,264,704 funds receivable from the retrocessionaire, £1,000,000 (2019: £1,000,000) and £490,000 (£490,000) float account balances with UK General Insurance Limited and One Commercial Limited respectively.
- 13-14. Not applicable.
16. Refer to Note 4 under Notes to Financial Statements section.
- 17(a). Movement in the loss and loss expense provisions for the current year can be seen in the table below:

	2021	2020
Gross loss and loss expense provisions at beginning of year	14,102,347	28,980,777
Less: Reinsurance recoverable at beginning of year	(4,257,913)	(4,019,123)
Net loss and loss expense provisions at beginning of year	9,844,434	24,961,654
Net losses incurred and net loss expenses incurred related to:		
Current year	0	0
Prior years	5,117,986	3,935,096
Total net incurred losses & loss expenses	5,117,986	3,935,096
Net losses and loss expenses paid or payable related to:		
Current year	-	-
Prior years	(8,265,562)	(19,052,316)
Total losses and loss expenses paid or payable	(8,265,562)	(19,052,316)
Net loss and loss expense provisions at end of year	6,696,858	9,844,434
Add: Reinsurance recoverable at end of year	3,187,755	4,257,913
Gross loss and loss expense provisions at end of year	9,884,613	14,102,347

- 17(b). The increase in net losses incurred is primarily due to losses on event cancellation and wedding related to Covid 19. Due to the inherent risk associated with the business assumed by the Company, the uncertainty associated with the actuarially determined provision for losses incurred but not reported is magnified, particularly related to classes of business impacted by the Covid 19 pandemic.

No additional premiums or return premiums have been accrued as a result of prior year effects.

- 17(c). The entire amount of the gross loss and loss expense provision of £9,884,613 (2020: £14,102,347) is unsecured.
20. Refer to Note 4 under Notes to Financial Statements section.

NOTES TO CONDENSED GENERAL PURPOSE FINANCIAL STATEMENTS - CONTINUED

Matters to be set forth in Notes to the Balance Sheet – Continued

- 21. Refer to Note 4 under Notes to Financial Statements section.
- 22-27. Not applicable.
- 28. There are no balances payable to the Company's affiliates.
- 29. No unearned commission as they are netted off with unearned premium.
- 30-32. Not applicable.
- 33. The accrued liability of £249,574 (2020: £106,593) primarily relates to interest credit due to the company's retrocessionaire.
- 34. This is the funds held payable to the cedant of £15,794,113 (2020: negative balance £1,167,365).
- 35-37. Not applicable.

NOTES TO CONDENSED GENERAL PURPOSE FINANCIAL STATEMENTS – CONTINUED

Matters to be set forth in Notes to the Statement of Income

6. This balance is the gain recognised from Parent borne expense for the catastrophe excess of loss reinsurance cover. Prior year comparison is the loss recognised from removing the deed of indemnity provided by Primary Group Limited.
15. Not applicable.
32. This balance is the interest credit expense payable to the company's retrocessionaire.
36. The Company had a foreign exchange gain of £683 (2020: loss of £3,720) for the financial year.