Advent Capital (Holdings) LTD

Consolidated Report and Financial Statements

Year ended 31 December 2019

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DIRECTORS AND ADVISORS

Directors	Trevor J Ambridge	Chairman – appointed 14 February 2019
	Jean Cloutier	Non-Executive Director - Chairman resigned 14 February 2019
	Andrew R Creed	Director - appointed 14 February 2019
	Ian Hewitt	Director
	Luke Tanzer	Director - appointed 14 February 2019
Company Secretary	Neil M Ewing ACII	
Registered Office	2nd Floor 2 Minster Court Mincing Lane London EC3R 7BB	
Bankers	The Royal Bank of Scotland plc 5-10 Great Tower Street London EC3P 3HX	
Independent Auditors	PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors 7 More London Riverside London SE1 2RT	
Company Registration Number	03033609	

GROUP STRATEGIC REPORT

All amounts are in millions of United States dollars, unless otherwise stated

The directors present their group strategic report for the year ended 31 December 2019.

FINANCIAL SUMMARY

	2019 $	2018 $	2017 $	2016 $	2015 $
Gross premiums written	44.0	247.4	271.2	257.8	240.5
Net premiums written	9.7	88.2	184.4	177.0	174.8
Net premiums earned	61.2	110.1	185.1	185.1	159.4
Underwriting profit (loss)	12.3	(28.0)	(48.7)	0.5	0.9
Profit (loss) before tax	15.6	(71.9)	(15.3)	(0.4)	(41.8)
Profit (loss) after tax	15.4	(65.1)	(11.5)	(2.7)	(32.3)
Return on equity (1)	13.8%	(56.7%)	(7.8%)	(1.8%)	(17.7%)
Per share amounts					
Profit (loss) (cents)	26.1 c	(110.2 c)	(19.5 c)	(4.5 c)	(56.9 c)
Net assets	$1.58	$1.33	$2.44	$2.63	$2.69
Net tangible assets	$1.58	$1.33	$2.37	$2.56	$2.64
Operating ratios					
Claims ratio	40.2%	48.0%	80.9%	58.1%	53.5%
Expense ratio	39.7%	77.5%	45.4%	41.6%	45.9%
Combined ratio	79.9%	125.5%	126.3%	99.7%	99.4%

(1) Return on equity is calculated on opening shareholders' funds adjusted for the weighted average shares issued and dividends paid during the year.

BUSINESS REVIEW

Overview of the Company

Advent Capital (Holdings) LTD ("Advent Group", "The Company" or "ACH") a limited company, incorporated in the United Kingdom and 100% owned by Fairfax Financial Holdings Ltd ("Fairfax"), is a specialty insurance group which has traded for more than 40 years through Syndicate 780 at Lloyd's. Advent Underwriting Limited ("AUL"), a wholly owned subsidiary, managed Syndicate 780 through 31 December 2019, wholly supported by the Company. Syndicate 780 is the primary source of income for the Company.

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

On 1 January 2019, the Managing Agency contract for Syndicate 780 ("Managing Agency Contract") novated to RiverStone Managing Agency. The Company expects that the 2018 and prior years of account of Syndicate 780 will be closed into RiverStone Managing Agency's Syndicate 3500 in the normal course of closure as of 31 December 2020. Also effective from 1 January 2019 the Company's subsidiary, Advent Capital (No.3) Limited ("AC") entered into a Funds at Lloyd's ("FAL") inter-availability agreement with RiverStone Corporate Capital Ltd ("RiverStone Corporate") to make its excess capital available to Syndicate 3500 to enable it to acquire additional Lloyd's run off businesses. RiverStone Corporate is paying the Company a fee for use of its capital and has indemnified the Company from any loss arising from the use of its excess capital.

As part of the novation of the Managing Agency to Riverstone, certain members of staff previously employed by the Company were transferred to Riverstone Management Limited ("RSML"). A total of 52 members of staff were transferred on 1 January 2019 and a further three were transferred on 1 July 2019. Additionally, seven members of staff were transferred to other affiliate companies within the Fairfax group. The Company had no remaining employees as at 31 December 2019.

GROUP STRATEGIC REPORT

All amounts are in millions of United States dollars, unless otherwise stated

2019 Results

For the year ended 31 December 2019, the Company had a profit before tax of $15.6 (2018: loss $71.9), comprising an underwriting profit of $12.3, net investment and foreign exchange losses of $5.5, corporate and other income of $3.7 and debt interest of $5.9 (2018: underwriting loss of $28.0, investment and foreign exchange losses of $23.2, corporate and other income of $15.1 and debt interest of $5.6).

Sources of income

	2019 $	2018 $	2017 $	2016 $	2015 $
Underwriting profit (loss)	12.3	(28.0)	(48.7)	0.5	0.9
Investment gain (loss)	7.1	(23.6)	38.6	(1.0)	(40.2)
Interest on debt	(5.9)	(5.6)	(4.8)	(4.2)	(4.1)
Corporate and other income (costs)	3.7	(15.1)	1.3	0.4	(0.6)
Profit (loss) on exchange	(1.6)	0.4	(1.7)	3.9	2.2
Pre-tax (loss) profit	15.6	(71.9)	(15.3)	(0.4)	(41.8)

The Company primarily derives its pre-tax profit or loss from activities related to its underwriting business.

At 31 December 2019, shareholders' equity was $93.4 (2018: $78.9).

Underwriting Review

Gross premiums written for 2019 were $44.0, down from $247.4 in 2018. The reduction from 2018 represents the decision to place Syndicate 780 into run off. Net premiums written decreased to $9.7 in 2019 (2018: $88.2). The main driver of the decrease in net premiums written was the purchase of a 100% quota share with Brit Re at 1 April 2019 covering the unearned premium of the Property Binders, Property Insurance and Terrorism classes of business and additional premiums ceded to Wentworth on the 25% whole account quota share that was purchased on 1 October 2018. Net premiums earned decreased to $61.2 (2018: $110.1), primarily due to the reasons above. The total expense ratio decreased to 39.7% in 2019 from 77.5% in 2018, due to the transfer of staff to RSML described above and a reduction in costs due to the decision to place Syndicate 780 into run off.

GROUP STRATEGIC REPORT

All amounts are in millions of United States dollars, unless otherwise stated

Insurance Segment Review

All classes of business shown below are now in run off and the presentation of the underwriting results set out below reflect historic segmentation.

31 December 2019	Consumer Products	Speciality	Property	Reinsurance	Discontinued	Affiliate Reinsurances & Other	Total
	$	$	$	$	$	$	$
Gross premiums written	21.0	8.8	13.8	0.3	0.1	0.0	44.0
Net premiums written	19.9	7.9	12.2	(0.8)	(0.2)	(29.3)	9.7
Net premiums earned	**45.6**	**18.1**	**30.4**	**10.6**	**(0.2)**	**(43.3)**	**61.2**
Net claims incurred	(31.1)	5.1	(13.5)	(2.2)	(1.0)	18.1	(24.6)
Acquisition costs	(11.2)	(5.5)	(10.4)	(1.5)	0.0	10.6	(18.0)
Operating expenses	(3.9)	(1.6)	(2.6)	(0.9)	(0.1)	2.8	(6.3)
Underwriting profit (loss)	**(0.6)**	**16.1**	**3.9**	**6.0**	**(1.3)**	**(11.8)**	**12.3**
Claims ratio	68.2%	(28.2%)	44.4%	20.8%	-	-	40.2%
Acquisition cost ratio	24.6%	30.4%	34.2%	14.2%	-	-	29.4%
Operating cost ratio	8.6%	8.8%	8.6%	8.5%	-	-	10.3%
Combined ratio	**101.4%**	**11.0%**	**87.0%**	**43.5%**	-	-	**79.9%**
Unearned premium net of deferred acquisition costs and reinsurance	2.3	0.2	1.1	0.9	0.0	(2.0)	2.5

31 December 2018	Consumer Products	Speciality	Property	Reinsurance	Discontinued	Affiliate Reinsurances & Other	Total
	$	$	$	$	$	$	$
Gross premiums written	103.3	42.9	65.5	36.4	(0.7)	-	247.4
Net premiums written	70.8	35.8	52.0	25.3	(0.8)	(95.0)	88.2
Net premiums earned	**68.8**	**41.3**	**48.8**	**30.0**	**(0.7)**	**(78.2)**	**110.0**
Net claims incurred	(44.1)	(38.2)	(44.0)	(5.6)	0.4	78.7	(52.8)
Acquisition costs	(18.2)	(10.9)	(15.0)	(4.7)	0.2	1.9	(46.7)
Operating expenses	(12.9)	(11.2)	(8.0)	(7.4)	0.0	1.0	(38.5)
Underwriting profit (loss)	**(6.4)**	**(19.0)**	**(18.2)**	**12.3**	**(0.1)**	**3.4**	**(28.0)**
Claims ratio	64.1%	92.5%	90.2%	18.7%	-	-	48.0%
Acquisition cost ratio	26.5%	26.4%	30.7%	15.7%	-	-	42.5%
Operating cost ratio	18.8%	27.1%	16.4%	24.7%	-	-	35.0%
Combined ratio	**109.4%**	**146.0%**	**137.3%**	**59.1%**	-	-	**125.5%**
Unearned premium net of deferred acquisition costs and reinsurance	21.4	7.2	13.7	10.2	-	(13.1)	39.4

Net Assets

The company's net assets at 31 December 2019 are $93.4 (2018: $78.9).

GROUP STRATEGIC REPORT
All amounts are in millions of United States dollars, unless otherwise stated

Consumer Products

The Consumer Products segment comprises our Accident & Health and Bespoke Products classes, which is focused on delivering income from the Fairfax network of companies, with 2019 gross premiums written of $21.0 from Group companies. The Consumer Products segment recorded a combined ratio of 101.5% for 2019 (2018: 109.4%), due to reserve strengthening for US medical insurance business and reductions in premium estimates.

Specialty

The Specialty segment comprises our Marine, Energy and Terrorism classes, with business being written on both an open market and delegated basis. The segment recorded a combined ratio of 10.9% due to reserve releases in all classes and increases in premium estimates due to the review undertaken in Q4 2019.

Property

The Property segment comprises our D&F and Binders classes, which target primarily US domiciled property risks, with the D&F class written on an open market basis and Binders on a delegated basis. The segment recorded a combined ratio of 87%.

Reinsurance

The Reinsurance segment comprises our Casualty and Property Treaty classes.

Discontinued

The discontinued segment comprises classes of business discontinued in 2015 and prior years. Combined ratio components are not disclosed as they do not provide meaningful information.

Affiliate Reinsurance

The Affiliate Reinsurance segment shows the outward reinsurance transactions on a line by line basis.

Investment Performance

	2019				2018			
	Total	Company	Syndicate	Other Subs	Total	Company	Syndicate	Other Subs
	$	$	$		$	$	$	
Fixed income investments	149.9	-	117.9	32.0	136.0	-	136.0	-
Special investment fund (QIAF)	71.3	-	-	71.3	-	-	-	-
Special investment fund (UCITS)	-	-	-	-	163.0	-	-	163.0
Other investments	0.1	-	(0.1)	0.2	21.1	14.6	6.5	-
Cash	85.2	6.8	49.9	28.5	42.0	1.5	40.2	0.3
Total investments and cash	306.5	6.8	167.7	132.0	362.1	16.1	182.7	163.3
Investment return	7.1	0.2	5.8	1.1	(23.6)	2.6	(13.7)	(12.5)
Interest on debt	(5.8)	(5.8)	-	-	(5.6)	(5.6)	-	-
Net investment gain (loss)	1.3	(5.6)	5.8	1.1	(29.2)	(3.0)	(13.7)	(12.5)

The investment result improved to a profit of $1.3 (2018 – loss of $29.2). The 2019 investment return includes interest and dividends of $4.7 (2018: $10.4), net realised and unrealised gains of $2.5 (2018: losses of $32.7) and investment management expenses of $0.3 (2018: $1.3).

The weighted average interest rate on outstanding debt at 31 December 2019 was 5.9% (2018: 6.3%).

Capital Management

The Company's objective is to have sufficient capital to support its operations going forward. Shareholders' equity at 31 December 2019 was $93.4 (2018: $78.9).

GROUP STRATEGIC REPORT

All amounts are in millions of United States dollars, unless otherwise stated

Syndicate 780's underwriting is supported by Funds at Lloyd's ("FAL") of $103.6 at 31 December 2019 (2018: $163.0) and provides capital for Syndicate 780's run off and to pay uncalled Syndicate losses. The Economic Capital Assessment (ECA) was $46.8 at 31 December 2019 (2018: $85.6).

The Company's subsidiary, AC3, has entered a FAL inter-availability agreement with RiverStone Corporate to make its excess capital available to Syndicate 3500 to enable it to acquire additional Lloyd's run off businesses. RiverStone Corporate will pay the Company a fee for use of its capital and has indemnified the Company from any loss arising from the use of its excess capital.

The Company has provided capital to its operating subsidiaries using permanent capital and unsecured long-term debt financing. The long-term debt has no financial covenants other than the quarterly payment of interest and payment of principal on maturity. In the case of the Company's US dollar and Euro denominated subordinated debt due 3 June 2035, amounting to an aggregate of $46.3 at 31 December 2019 (2018: $46.4), the Company can defer interest payable for 20 consecutive quarters without causing an event of default.

Strategy and Future Developments

The 2017 year of account (YOA) of Syndicate 780 has been closed into the 2018 YOA as at 31 December 2019, leaving one open YOA. The Company will continue to record its participation in the 2018 and prior YOA of Syndicate 780 until its closure in the normal course as of 31 December 2020 but will not support any further underwriting.

On 20 December 2019, Fairfax entered into an agreement to sell a 40% equity interest in its wholly owned European Run-off group to Ontario Municipal Employees Retirement System ("OMERS"), the pension plan manager for government employees in the province of Ontario. The European Run-off group ACH and its subsidiaries. Upon completion of the transaction, OMERS and Fairfax will have joint control of the European Run-off group. Accordingly, Fairfax will deconsolidate the European Run-off group from its Run-off reporting segment and apply the equity method of accounting for its remaining equity interest. The transaction is subject to regulatory approval and is expected to close in the first quarter of 2020.

Performance Measurements

RiverStone Managing Agency has made continued progress throughout 2019 in relation to key elements of its strategy, through the continued proactive management of its existing liabilities.

The key performance data required for management and control purposes has been identified as combined ratio 79.9% (2018: 126.3%), reserve surplus 5.6% of net reserves (2018: 3.8%)

The Board monitors the progress of Syndicate 780's existing run-off portfolio by reference to the reduction in gross loss reserves and reduction in reinsurance recoverables, in a timely and economic manner. Syndicate 780 gross loss reserves decreased by 31% and third party reinsurance recoverables (excluding group reinsurance protection) decreased by 33%. The movements are in line with Board's expectations and the performance is considered to be satisfactory.

Principal Risks and Uncertainties

The key risks to which the Company is exposed, including through the operations of its subsidiaries, relate to its participation in Syndicate 780 and its provision of inter-available FAL to RiverStone Corporate. The process of risk acceptance and risk management is addressed through a framework of policies, procedures and internal controls. All policies related to Syndicate 780 are subject to approval by the board of directors of Syndicate 780's managing agent, RiverStone Managing Agency, and ongoing review by management and executive committees. Compliance with regulatory, legal and ethical standards is a high priority for Advent Capital Holdings. The compliance, legal and finance departments of RiverStone Management Limited, to whom RiverStone Managing Agency outsources its day to day activities, take on an important oversight role in this regard. The Board is responsible for ensuring that a proper internal control framework exists to manage financial risks and that controls operate effectively.

The principal risks faced by Advent Capital Holdings arise from fluctuations in the severity of claims compared with expectations, late reporting of claims, inadequate reserving and inadequate reinsurance protection (including the credit worthiness of major reinsurers). Advent Capital Holding's assets and liabilities are also exposed to market risk, including the impact of changes to interest rates, equity price fluctuations and adverse changes in exchange rates.

Section 172(1) of the Companies Act 2006

The board of directors of Advent Capital Holdings consider, in good faith, that they have had appropriate regard to the matters set out in section 172(1)(a) to (f) when performing their duty under section 172.

GROUP STRATEGIC REPORT

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Consequences of any decision in the long term – having made the decision to place Syndicate 780 into run-off during 2018, the Board's activity during 2019 has been focused on delivering this future strategy. The Board is working toward a reinsurance to close transaction date for Syndicate 780 of 1 January 2021 and will review the next stage of the group strategy during 2020.

Business relationships – the Board recognises that relationships with our stakeholders are key to the delivery of our strategy. During 2019, several members of the Board have had the opportunity to meet with representatives of Lloyd's, which continues to refresh and facilitate an understanding of their needs and expectations. The Board regularly engages with the Managing Director of RiverStone Management, the services provider to RiverStone Managing Agency. The Board ensures that its debtholders are appropriately informed of activity through filings with the Channel Islands Stock Exchange.

Community and environment – the Board engages via RiverStone Managing Agency actively with RiverStone Management, the key services provider overseeing the run-off of Syndicate 780, to encourage, support and foster a positive relationship with the community and the environment. In the current year, through this engagement, the Board has supported charitable giving, infrastructure improvements to leased offices to support a reduction in our carbon footprint and the establishment of a diversity and inclusion forum. The Board note that while it has no employees that it supports RiverStone Management's policy of matching employee charitable donations and of allowing time to be available to support others in our communities.

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

Shareholder Engagement - the Board is committed to an open engagement with our shareholder and in this regard two of the Board's directors attended the 2019 Fairfax Annual General Meeting.

Employees – the Board acknowledges people are essential to the delivery of our strategy. While the Company has no immediate employees, the Board ensures that the interests of the employees of RiverStone Management, the services provider to RiverStone Managing Agency, are appropriately considered when taking decisions. The Board is aware through its engagement with RiverStone Managing Agency, that there exists a well-established structure at RiverStone Management through which it supports engagement regularly with its employees. During 2019 this included quarterly staff presentations including a full day off-site at which relevant business speakers presented to our employees. Other activity in 2019 included technology surveys, the initiation of a diversity and inclusion forum and regular training for our employees.

On behalf of the Board

Andrew Creed
Director
2 March 2020

REPORT OF THE DIRECTORS

The Directors present their Report together with the audited consolidated Company Financial Statements for the year ended 31 December 2019.

The Board

The directors are listed on page 3.

Advent Capital (Holdings) Limited (ACH) has provided an indemnity for its directors which is a qualifying third-party indemnity provision for the purposes of Section 236 of the Companies Act 2006. The indemnity was in force during the financial year and also at the date of this report.

Directors and their Interests in Shares

The Directors have no interests in the ordinary voting shares of the Company, which are held by Fairfax either directly or via its subsidiaries.

Dividends

No dividends have been paid or proposed in relation to the financial year (2018: Nil).

Political and charitable donations

The company did not donate to any political party but did donate to charities in the year to 31 December 2019 (2018: Nil).

Future developments

Future developments of the company are set out in the Group Strategic Report.

Financial Instruments and risk management

Information on the use of financial instruments by the Company and its management of financial risk is disclosed in the Group Strategic Report and in notes 6 and 7 to the financial statements.

Employees

The Company gives full and fair consideration to applications for employment made by disabled persons, acknowledging their aptitude and skills. The Company continues the employment of and arranges appropriate training for any employee who has become disabled during the period of their employment.

The Company maintains procedures by which all employees are systematically encouraged to express matters that may affect them and are provided with information on matters of concern.

Fairfax's Employee Share Ownership Programme is open to all eligible staff.

Corporate Social Responsibility

The Company undertakes to act fairly, honestly and with integrity in its relationships with its various stakeholders including employees, the shareholder, clients and the wider community. The Code of Business Conduct and Ethics adopted by the Company sets out the values and standards of conduct expected of its employees and the Company takes into account its responsibilities due to, and impact on, each of these stakeholders in its policies and procedures.

With respect to the environment, the Company continues to seek to reduce the impact of its business by the use of various energy saving and recycling initiatives.

Statement of directors' responsibilities in respect of the financial statements

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and company and of the profit or loss of the group and company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable IFRSs as adopted by the European Union have been followed for the group financial statements and IFRSs as adopted by the European Union have been followed for the company financial statements, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and company will continue in business.

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

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

Directors' confirmations

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

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

Statement of disclosure of information to auditors

Each of the persons who is a director at the date of this report confirms that:

1) So far as the director is aware, there is no relevant audit information of the Company's consolidated financial statements for the year ended 31 December 2019 of which the auditors are unaware; and

2) The director has taken all steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

On behalf of the Board

Luke Tanzer
Director
2 March 2020

Independent auditors' report to the members of Advent Capital (Holdings) Ltd

Report on the audit of the financial statements

Opinion

In our opinion, Advent Capital (Holdings) Ltd's group financial statements and parent company financial statements (the "financial statements"):

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2019 and of the group's profit and the group's and the parent company's cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company's financial statements, as applied in accordance with the provisions of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Consolidated Report and Financial Statements, which comprise: the Consolidated and Parent Company Only Statements of Financial Position as at 31 December 2019; the Consolidated Statement of Comprehensive Income, the Consolidated and Parent Company Only Statements of Cash Flows, and the Consolidated and Parent Company Only Statements of Changes in Equity for the year then ended; and the Notes to the Financial Statements, which include a description of the significant accounting policies.

Basis for opinion

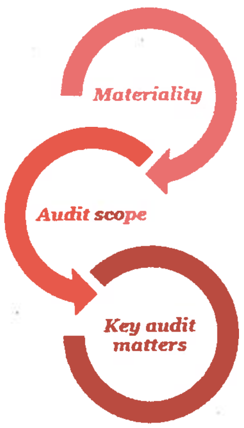
We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Our audit approach

Overview



- Overall group materiality: $4.6m (2018: $7.0m), based on 1% of total assets.
- Overall parent company materiality: $1.7m (2018: $1.8m), based on 1% of total assets.

- For the purposes of the group financial statements audit we have performed a full scope audit of the following components of the group:
    - Advent Capital (Holdings) Ltd; and
    - Advent Capital (No. 3) Limited;

- Appropriateness of the methodologies and assumptions applied in estimation of IBNR reserves (gross and net) within claims outstanding (Group).

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This is not a complete list of all risks identified by our audit.

Key audit matter	*How our audit addressed the key audit matter*
Appropriateness of the methodologies and assumptions applied in estimation of IBNR reserves (gross and net) within claims outstanding (Group) Claims Incurred But Not Reported ("IBNR") reserves and the associated reinsurers' share of claims IBNR reserves are a subset of claims outstanding in the financial statements, and they represent significant accounting estimates. The methodologies and assumptions used by management in these accounting estimates involve a significant degree of judgement. We consider the key drivers of this risk to be as follows: - The judgements and assumptions used in significant areas of uncertainty including the Casualty Treaty lines. - The consistency of management's approach from year-to-year. - Given the manual nature by which management monitor outwards reinsurance, there is an increased risk of error in the calculation of net IBNR reserves. Claims outstanding is included in note 6 to the financial statements.	Using our actuarial specialists we have independently estimated gross and net IBNR reserves for the largest and most uncertain classes of business. On the remainder of the classes, we have performed a Methodology and Assumptions review. In addition to the above, we have performed the following procedures: - Considered prior year run-off, management's assessment of estimation uncertainty and any indication of management bias. - We have inspected new reinsurance contracts entered into during the year and inspected the changes in terms and conditions on existing reinsurance contracts. - Inspected the management information provided by the in-house reserving actuary (including actual vs expected, quarterly assessments of reserve surplus and prior year development), and how this information interacts with our independent assessment of IBNR reserves. - Reinsurance recoveries on reserves were estimated on gross estimates and our understanding of the quota share programme through recalculation of the estimates. Based on the work performed, we found that the IBNR reserves (gross and net) were supported by the evidence we obtained.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the group and the parent company, the accounting processes and controls, and the industry in which it operates.

Advent Capital (Holdings) Ltd is the group parent company and is a limited company incorporated in the United Kingdom. Syndicate 780 is a Lloyd's of London Syndicate underwriting general insurance and reinsurance business and is the primary source of income for the group. Advent Capital (No.3) Limited is the Corporate Member supporting 100% of Syndicate 780's underwriting capacity at Lloyd's.

For the purposes of the group financial statements audit we have performed a full scope audit of the following components of the group:

- Advent Capital (Holdings) Ltd; and
- Advent Capital (No. 3) Limited;

Based on the group materiality we scoped out the components that did not have any material balances or transactions, this includes Advent Underwriting Limited, Advent Capital Limited, Advent Capital (No. 2) Limited and Advent Group Services Limited.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Group financial statements	***Parent company financial statements***
Overall materiality	$4.6m (2018: $7.0m).	$1.7m (2018: $1.8m).
How we determined it	1% of total assets.	1% of total assets.
Rationale for benchmark applied	We have determined that the total assets is an appropriate and generally accepted benchmark to be used for insurers which are in run-off.	Given the nature of the Company's operations, which are those of a holding company, we have determined total assets to be an appropriate and generally accepted auditing benchmark.

For each component in the scope of our group audit, we allocated a materiality that is less than our overall group materiality. The range of materiality allocated across components was between $1.7m and $3.0m. Certain components were audited to a local statutory audit materiality that was also less than our overall group materiality.

We agreed with the directors that we would report to them misstatements identified during our audit above $234,000 (Group audit) (2018: $352,000) and $86,000 (Parent company audit) (2018: $94,000) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

ISAs (UK) require us to report to you when:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's and parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of the above matters.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group's and parent company's ability to continue as a going concern. For example, the terms of the United Kingdom's withdrawal from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the group's trade, customers, suppliers and the wider economy.

Reporting on other information

The other information comprises all of the information in the Consolidated Report and Financial Statements other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Group Strategic Report and Report of the Directors, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Group Strategic Report and Report of the Directors

In our opinion, based on the work undertaken in the course of the audit, the information given in the Group Strategic Report and Report of the Directors for the year ended 31 December 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the group and parent company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Group Strategic Report and Report of the Directors.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

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

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

Auditors' responsibilities for the audit of the financial statements

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

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

Use of this report

This report, including the opinions, has been prepared for and only for the parent company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.

Robert Cordock (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
6 March 2020

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
Year ended 31 December 2019
(millions of United States dollars)

	Note	2019 $	2018 $
Income			
Gross premiums earned		136.6	256.8
Reinsurance premiums ceded		(75.4)	(146.7)
Net premiums earned	6	61.2	110.1
Investment gain (loss)	7	7.1	(23.6)
Other Income		3.7	-
Total Income		**72.0**	**86.5**
Expenses			
Claims incurred	6	(59.9)	(171.0)
Reinsurance recoveries	6	35.4	118.2
Acquisition costs	6	(18.0)	(46.7)
Underwriting expenses	5	(6.3)	(38.5)
Corporate and other (restructuring costs) income		-	(15.1)
(Loss) profit on exchange	4	(1.6)	0.4
Total Expenses		**(50.5)**	**(152.7)**
Operating profit (loss)		**21.5**	**(66.3)**
Interest expense		(5.9)	(5.6)
Profit (loss) before tax		**15.6**	**(71.9)**
Income tax (charge) recovery	9	(0.2)	6.8
Profit (loss) for the year attributable to shareholders		**15.4**	**(65.1)**
Other comprehensive result		**(0.9)**	**(0.2)**
Total comprehensive income (loss)		**14.5**	**(65.3)**
Earnings (loss) per ordinary share			
Basic and diluted (cents)	8	**26.1**	**(110.2)**
Dividends per ordinary share		-	-

The notes on pages 20 to 44 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 31 December 2019
(millions of United States dollars)

	Note	2019 $	2018 $
Assets			
Cash and cash equivalents	7	85.2	42.0
Financial investments at fair value	7	221.3	320.1
Other assets	7	20.9	22.8
Insurance and reinsurance assets			
- Reinsurers' share of outstanding claims	6	102.9	150.6
- Reinsurers' share of unearned premiums	6	3.0	44.0
- Debtors arising from insurance and reinsurance operations	6	23.4	81.2
- Deferred acquisition costs	6	1.7	26.7
Deferred tax asset	9	9.8	18.2
Property and equipment		-	-
Intangible assets	10	0.1	0.1
Total assets		**468.3**	**705.7**
Shareholders' Equity			
Ordinary share capital	8	47.3	47.3
Share premium		141.4	141.4
Capital redemption reserve		33.7	33.7
Other reserves		7.0	7.9
Accumulated deficit		(136.0)	(151.4)
Total equity		**93.4**	**78.9**
Liabilities			
Insurance and reinsurance liabilities			
- Outstanding claims	6	250.1	362.2
- Unearned premiums	6	6.0	99.6
- Creditors arising out of insurance and reinsurance operations		14.4	45.3
Trade and other payables	11	13.0	28.2
Long term debt	8	91.4	91.5
Total liabilities		**374.9**	**626.8**
Total shareholders' equity and liabilities		**468.3**	**705.7**

The notes form an integral part of these financial statements.

The financial statements on pages 16 to 44 were approved by the Board of Directors on 2 March 2020 and signed on its behalf by:

Andrew Creed
Director

Luke Tanzer
Director

Company Registration Number: 03033609

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
Year ended 31 December 2019
(millions of United States dollars)

	Ordinary share capital $	Share premium $	Capital redemption reserve $	Other reserves $	Currency translation reserve $	Accumulated deficit $	Total $
Balance, 1 January 2018	47.3	141.4	33.7	(4.9)	13.0	(86.3)	144.2
Loss for the year	-	-	-	-	-	(65.1)	(65.1)
Currency translation	-	-	-	-	(0.2)	-	(0.2)
Balance, 31 December 2018	47.3	141.4	33.7	(4.9)	12.8	(151.4)	78.9
Profit for the year	-	-	-	-	-	15.4	15.4
Currency translation	-	-	-	-	(0.9)	-	(0.9)
Balance, 31 December 2019	**47.3**	**141.4**	**33.7**	**(4.9)**	**11.9**	**(136.0)**	**93.4**

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

Capital redemption reserve was transferred from share capital on the reduction in par value of ordinary shares from 25p to 5p per share in June 2005.

Other reserves include grandfathered merger reserves.

The currency translation reserve arises due to the change in functional currency from 1 October 2009 and from the retranslation of Sterling functional currency subsidiaries.

The notes on pages 20 to 44 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
Year ended 31 December 2019
(millions of United States dollars)

	Note	2019 $	2018 $
Cash flows from operating activities			
Cash used in operations	14	(71.2)	(102.5)
Interest paid		(5.6)	(5.3)
Tax received (paid)		2.6	(2.3)
Net cash used in operating activities		(74.2)	(110.1)
Cash flows from investing activities			
Investment income received		5.6	9.4
Net purchases and sales of investments		112.4	2.9
Net cash generated from investing activities		118.0	12.3
Net increase (decrease) in cash and cash equivalents		43.8	(97.8)
Foreign exchange movements on opening cash and cash equivalents		(0.6)	(0.9)
Cash and cash equivalents at the beginning of year		42.0	140.7
Cash and cash equivalents at the end of year	7	85.2	42.0

The notes on pages 20 to 44 form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

All amounts are in millions of United States dollars, unless otherwise stated

1. General information and Subsequent Events

The Company's principal activity was the underwriting of general insurance and reinsurance business at Lloyd's until 31 December 2018 at which time Syndicate 780 ceased underwriting. The Managing Agency contract of Syndicate 780 was novated from Advent Underwriting Limited (AUL) to RiverStone Managing Agency Limited (RSMA) on 1 January 2019. Effective 1st January 2019, the Company's subsidiary, Advent Capital (No.3) Limited also participates in the Lloyd's market through the provision of Funds at Lloyd's to RiverStone Corporate Capital Limited, an affiliate company.

2. Summary of significant accounting policies and basis of preparation

a) Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and IFRIC interpretations endorsed by the European Union (EU) and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS, using the historic cost convention with the revaluation of financial assets at fair value through the consolidated income statement.

The consolidated financial statements include the assets, liabilities and results of the Parent Company and its subsidiaries. The Company participates in insurance business as an underwriting member at Lloyd's. The Company includes its share of the assets and liabilities arising as a result of underwriting activities in these financial statements. All intercompany transactions and balances are eliminated on consolidation.

b) Going concern

The Company meets its day-to-day working capital requirements through the underwriting activities of Syndicate 780. The Company's forecasts and projections show that the Company should be able to operate and have the resources available to meet members' and Lloyd's capital requirements. After making enquiries, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence and to meet its liabilities as they come due, for the foreseeable future. The Company therefore continues to adopt the going concern basis in preparing its financial statements.

c) Financial investments

The Company holds securities which have been classified as "fair value through income" on acquisition. Purchases and sales of investments are recognised on the trade date, being the date at which a commitment to buy or sell the asset has been made. Investments are initially recognised at fair value and are subsequently re-measured at fair value based upon quoted bid prices. Changes to the fair value are included in the income statement for the period in which they arise.

d) Foreign currency translation

The Company's functional currency is the US dollar. Foreign currency transactions are translated into US dollars using the exchange rate at the date of the transactions. Monetary assets and liabilities in foreign currencies are translated into US dollars at the closing rates of exchange at the balance sheet date. Non-monetary assets and liabilities, including unearned premiums and deferred acquisition costs, are translated into US dollars at historic rates of exchange. Resulting foreign exchange gains and losses are recognised in operating expenses. The group's presentational currency is US Dollar, any foreign exchange arising on translation of consolidated entities is with a non-US Dollar functional currency is recorded in OCI.

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

e) Cash and cash equivalents

Cash and cash equivalents consist of cash at bank, short term bank deposits and any highly liquid short-term investments with original maturity dates of three months or less.

f) Intangible assets

Intangible assets related to the renewal rights of business purchased by Blend Insurance Services.

g) Long term debt

Long term debt is initially recognised at fair value, net of transaction costs incurred. Subsequently, long term debt is stated at amortised cost using the effective interest rate method. Any difference between the amortised cost and the redemption value is recognised in the income statement over the period of the debt.

NOTES TO THE FINANCIAL STATEMENTS

All amounts are in millions of United States dollars, unless otherwise stated

2. Summary of significant accounting policies and basis of preparation (continued)

h) Insurance and reinsurance business

The results for insurance and reinsurance business written are determined on an annual basis whereby the incurred cost of claims, commission and related expenses are charged against net earned premium.

(i) Gross premiums

All insurance and reinsurance contracts are accounted for as insurance under IFRS 4. Premiums written relate to business incepted during the year, together with any differences between booked premiums for prior years and those previously accrued, and include estimates of premiums due but not yet receivable or notified to the Company, less an allowance for cancellations.

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

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

All premiums are stated gross of acquisition costs, which represent commission and other related expenses, which are expensed over the period in which the related premiums are earned.

(iii) Reinsurance premiums ceded comprise the cost of reinsurance arrangements placed and are generally recognised over the period in which related gross written premiums are earned. "Losses occurring during" policies are charged over the period for which coverage is provided.

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

Provision is also made, where necessary, for any deficiencies arising when unearned premiums, net of associated acquisition costs, are insufficient to meet expected claims and expenses after taking into account future investment return on the investments supporting the unearned premiums reserve and unexpired risks provision. The expected claims are calculated based on information available at the balance sheet date. Unexpired risk surpluses and deficits are offset where business classes are managed together and a provision is made if an aggregate deficit arises.

(v) Reinsurance recoveries represent the reinsurers' share of the claims incurred in the period, adjusted for any provisions for bad debt.

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

All amounts are in millions of United States dollars, unless otherwise stated

2. Summary of significant accounting policies and basis of preparation (continued)

i) Receivables and payables

Debtors and creditors, valued at cost, include the totals of the Company's share of the syndicates' outstanding debit and credit transactions as processed by XChanging Ins-sure Services Ltd. Since there is no legal right of offset, no account has been taken of any offsets which may be applicable in calculating the net amounts due between the syndicates and their counterparty insureds, reinsurers or intermediaries as appropriate.

j) Property and equipment

Property and equipment are initially recognised at cost. Depreciation is provided on all property and equipment in order to write down their cost or valuation to their estimated residual value by equal instalments over their estimated useful economic lives, which are considered to be:

Furniture, fittings and equipment	3 to 5 years
Computer equipment	3 years

k) Deferred tax

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated and parent company only financial statements. Deferred tax is determined using tax rates that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit within all of the UK subsidiaries of the Fairfax Group will be available against which the temporary differences can be utilised. Deferred tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the Group controls the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

l) Share based payments

Share option schemes are accounted using a fair value method where the cost of providing the option is based upon the fair value of the option at each reporting date. The fair value is calculated using an option pricing model, with the corresponding expense being charged to the income statement over the vesting period. These options are considered to be "cash-settled" options and therefore the accrued liability is recognised within trade and other payables.

m) Dividends

Dividends to the Company's shareholders are recognised as a liability in the period in which the dividends are approved by the Company's shareholders.

n) Joint Operations

The Company has entered a Joint Operation in an Australian domiciled service company. The Company's share of each asset, liability, income and expenditure item of the Joint Operation have been fully consolidated in accordance with IFRS 11, Joint Arrangements and IFRS 3, Business Combinations.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Company.

NOTES TO THE FINANCIAL STATEMENTS
All amounts are in millions of United States dollars, unless otherwise stated

3. Critical accounting judgements and estimation uncertainty

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

i) *Claims reserves*

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

Significant areas requiring estimation and judgment include;

- Estimates of the amount of any liability in respect of claims notified but not settled and incurred but not reported claims (IBNR) to be included within provisions for inward insurance and reinsurance contracts.

- The corresponding estimate of the amount of outwards reinsurance recoveries which will become due as a result of the estimated claims on inwards business.

- The recoverability of amounts due from reinsurers.

The estimation of IBNR is generally subject to a greater degree of uncertainty than the estimation of the cost of settling claims already notified to the Company, where more information about the claim event is generally available. Claims IBNR may often not be apparent to the insured until many years after the event giving rise to the claims has happened. Classes of business where the IBNR proportion of the total reserve is high, such as casualty, will typically display greater variations between initial estimates and final outcomes because of the greater degree of difficulty of estimating these reserves.

Classes where claims are typically reported relatively quickly after the claim event tend to display lower levels of volatility. In calculating the estimated cost of unpaid claims, the Company uses a variety of estimation techniques, generally based upon statistical analyses of historical experience, which assumes that the development pattern of the current claims will be consistent with past experience.

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

All amounts are in millions of United States dollars, unless otherwise stated

3. Critical accounting judgements and estimation uncertainty (continued)

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

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

ii) *Pipeline premiums*

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

iii) *Valuation of the deferred tax asset*

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

iv) *Provisions and contingencies*

Restructuring provisions are recognised when the group has a detailed, formal plan for the restructuring and has raised a valid expectation in those affected by either starting to implement the plan or announcing its main features to those affected, and therefore has a legal or constructive obligation to carry out the restructuring.

NOTES TO THE FINANCIAL STATEMENTS

All amounts are in millions of United States dollars, unless otherwise stated

4. Foreign exchange risk management

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

Monthly, the Company reviews its consolidated foreign currency balance sheet, prepared in its principal currencies. Action is taken to reduce or mitigate foreign currency mismatches through the purchase or sale of the appropriate currencies or the use of forward exchange transactions where necessary.

The Company makes use of a currency translation service from Xchanging, whereby premiums and claims receivable in currencies outside the Syndicate's principal currencies are translated at the spot rate of exchange to Sterling (or in some cases US$) at the date of payment of the claim or receipt of the premium. The Company has used forward exchange contracts to hedge the expected settlement cost of claims in non-settlement currencies where required.

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

	2019		2018	
	Period average Rate $	Period end Rate $	Period average Rate $	Period end Rate $
Sterling	0.7830	0.7549	0.7458	0.7852
Euro	0.8933	0.8909	0.8467	0.8748
Australian Dollar	1.4382	1.4226	1.3376	1.4205
Canadian dollar	1.3268	1.2968	1.2956	1.3658

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

	2019		2018	
	$	%	$	%
US dollar	25.6	58.2	189.1	76.5
£ sterling	6.6	15.0	31.0	12.5
Australian dollar	2.8	6.4	9.4	3.8
Canadian dollar	3.9	8.9	7.0	2.8
Euro	5.1	11.6	10.9	4.4
	44.0	100.0	247.4	100.0

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

31 December 2019	US$	£	CAD$	€	NZ$	JPY	AU$
Total assets	367.2	19.3	24.8	4.4	-	-	16.8
Total liabilities	(252.1)	(30.7)	(14.1)	(19.4)	(2.9)	(281.6)	(7.0)
Net assets (net liabilities)	115.1	(11.4)	10.7	(15.0)	(2.9)	(281.6)	9.8

31 December 2018	US$	£	CAD$	€	NZ$	JPY	AU$
Total assets	543.1	18.0	31.6	3.4	-	-	15.0
Total liabilities	(417.8)	(34.6)	(20.4)	(30.5)	(1.6)	(306.6)	(9.7)
Net assets (net liabilities)	125.3	(16.6)	11.2	(27.1)	(1.6)	(306.6)	5.3

At 31 December 2019, the Company is committed to sell AUD$10.6 and CAD$13.4 and buy £7.8 and €15.5 for exchange of US dollars.

The effect on profit before tax of a 5% increase or decrease in the closing exchange rates on the foreign currency balance sheet at 31 December 2019 is approximately $0.6 (2018: $1.5) given the Company's policy of minimising foreign currency mismatches monthly.

NOTES TO THE FINANCIAL STATEMENTS

All amounts are in millions of United States dollars, unless otherwise stated

5. Underwriting expenses

Underwriting expenses include the following:

	2019 $	2018 $
Operating lease	-	1.9
Depreciation of property and equipment	-	0.5
Audit services		
Fees payable to the Company's auditors for the audit of the Company and consolidated Financial Statements	0.1	0.2
The audit of the Company's subsidiaries	-	-
Fees payable to the Company's auditors for the audit of Syndicate 780	0.2	0.2
Non-audit services		
Fees payable to the Company's auditors and its associates for other services:		
Other services	-	0.1
Actuarial – Statement of Actuarial Opinion	0.1	0.1
	0.4	0.6

6. Insurance risk management

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

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

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

All amounts are in millions of United States dollars, unless otherwise stated

6. Insurance risk management (continued)

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

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

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

i) Segmental analysis

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

31 December 2019	**Consumer Products**	**Speciality**	**Property**	**Reinsurance**	**Discontinued**	**Affiliate Reinsurances & Other**	**Total**
	$	**$**	**$**	**$**	**$**	**$**	**$**
Gross premiums written	21.0	8.8	13.8	0.3	0.1	0.0	44.0
Net premiums written	19.9	7.9	12.2	(0.8)	(0.2)	(29.3)	9.7
Net premiums earned	45.6	18.1	30.4	10.6	(0.2)	(43.3)	61.2
Net claims incurred	(31.1)	5.1	(13.5)	(2.2)	(1.0)	18.1	(24.6)
Acquisition (costs) / income	(11.2)	(5.5)	(10.4)	(1.5)	0.0	10.6	(18.0)
Operating (expenses) / income	(3.9)	(1.6)	(2.6)	(0.9)	(0.1)	2.8	(6.3)
Underwriting profit (loss)	**(0.6)**	**16.1**	**3.9**	**6.0**	**(1.3)**	**(11.8)**	**12.3**
Claims ratio	68.2%	(28.2%)	44.4%	20.8%	-	-	40.2%
Acquisition cost ratio	24.6%	30.4%	34.2%	14.2%	-	-	29.4%
Operating cost ratio	8.6%	8.8%	8.6%	8.5%	-	-	10.3%
Combined ratio	**101.4%**	**11.0%**	**87.0%**	**43.5%**	-	-	**79.9%**
Balance sheet accounts							
Reinsurers' share of outstanding claims	5.9	2.1	29.5	5.5	4.1	55.8	102.9
Reinsurers' share of unearned premium	0.2	0.0	0.0	0.0	0.0	2.8	3.0
Deferred acquisition costs	0.9	0.1	0.5	0.2	0.0	0.0	1.7
Other assets						360.7	360.7
Total assets	**7.0**	**2.2**	**30.0**	**5.7**	**4.1**	**419.3**	**468.3**
Outstanding claims	(4.5)	(35.5)	(41.8)	(159.1)	(9.2)	0.0	(250.1)
Unearned premium	(3.1)	(0.3)	(1.6)	(1.0)	(0.0)	0.0	(6.0)
RI deferred acquisition costs	(0.4)	(0.0)	(0.0)	0.0	0.0	(0.8)	(1.2)
Other liabilities						(117.6)	(117.6)
Total liabilities	**(8.0)**	**(35.8)**	**(43.4)**	**(160.1)**	**(9.2)**	**(118.4)**	**(374.9)**

NOTES TO THE FINANCIAL STATEMENTS

All amounts are in millions of United States dollars, unless otherwise stated

6. Insurance risk management (continued)

31 December 2018	Consumer Products	Speciality	Property	Reinsurance	Discontinued	Affiliate Reinsurances & Other	Total
	$	$	$	$	$	$	$
Gross premiums written	103.3	42.9	65.5	36.4	(0.7)	-	247.4
Net premiums written	70.8	35.8	52.0	25.3	(0.8)	(95.0)	88.2
Net premiums earned	68.8	41.3	48.8	30.0	(0.7)	(78.2)	110.0
Net claims incurred	(44.1)	(38.2)	(44.0)	(5.6)	0.4	78.7	(52.8)
Acquisition (costs) / income	(18.2)	(10.9)	(15.0)	(4.7)	0.2	1.9	(46.7)
Operating (expenses) / income	(12.9)	(11.2)	(8.0)	(7.4)	0.0	1.0	(38.5)
Underwriting profit (loss)	**(6.4)**	**(19.0)**	**(18.2)**	**12.3**	**(0.1)**	**3.4**	**(28.0)**
Claims ratio	64.1%	92.5%	90.2%	18.7%	-	-	48.0%
Acquisition cost ratio	26.5%	26.4%	30.7%	15.7%	-	-	42.5%
Operating cost ratio	18.8%	27.2%	16.4%	24.7%	-	-	35.0%
Combined ratio	**109.4%**	**146.1%**	**137.3%**	**59.1%**	-	-	**125.5%**
Balance sheet accounts							
Reinsurers' share of outstanding claims	15.8	3.9	46.0	11.0	3.5	70.3	150.6
Reinsurers' share of unearned premium	17.0	3.4	4.6	2.2	0.0	16.7	44.0
Deferred acquisition costs	13.6	3.9	6.5	2.7	0.0	0.0	26.7
Other assets						484.2	484.2
Total assets	**46.4**	**11.2**	**57.1**	**15.9**	**3.5**	**574.6**	**705.5**
Outstanding claims	(21.8)	(68.9)	(80.0)	(183.2)	(8.3)	(0.0)	(362.2)
Unearned premium	(46.1)	(14.0)	(24.7)	(14.7)	(0.0)	(0.0)	(99.6)
RI deferred acquisition costs	(5.9)	(0.5)	(0.1)	(0.4)	0.0	(3.6)	(10.5)
Other liabilities						(154.6)	(154.6)
Total liabilities	**(73.8)**	**(83.4)**	**(104.8)**	**(198.3)**	**(8.3)**	**(158.2)**	**(626.8)**

All premiums are concluded in the United Kingdom.

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

	2019	2018
	$	$
US and Canada	24.7	110.8
UK	10.5	55.1
Other	7.4	70.8
Other EU	1.4	10.7
	44.0	**247.4**

NOTES TO THE FINANCIAL STATEMENTS

All amounts are in millions of United States dollars, unless otherwise stated

6. Insurance risk management (continued)

ii) Claims outstanding

The movement in the Company's claims reserves for the year ended 31 December 2019 is set out below:

	Provision for unearned premiums $	Claims outstanding $	Total $
Gross			
At 1 January 2019	98.6	362.2	460.8
Exchange adjustments	-	1.3	1.3
Movements in provisions			
- Current year	(92.6)	60.3	(32.3)
- Prior years	-	(0.3)	(0.3)
- Paid claims	-	(173.4)	(173.4)
At 31 December 2019	**6.0**	**250.1**	**256.1**
Reinsurers' share			
At 1 January 2019	44.0	150.6	194.6
Exchange adjustments	-	0.1	0.1
Movements in provisions			
- Current year	(41.0)	25.1	(15.9)
- Prior years	-	10.2	10.2
- Paid recoveries	-	(83.1)	(83.1)
At 31 December 2019	**3.0**	**102.9**	**105.9**
Gross			
At 1 January 2018	107.8	397.9	505.7
Exchange adjustments	-	(4.0)	(4.0)
Movements in provisions			
- Current year	(9.2)	135.9	126.7
- Prior years	-	35.2	35.2
- Paid claims	-	(202.8)	(202.8)
At 31 December 2018	**98.6**	**362.2**	**460.8**
Reinsurers' share			
At 1 January 2018	31.4	103.3	134.7
Exchange adjustments	-	(0.4)	(0.4)
Movements in provisions			
- Current year	12.6	135.5	148.1
- Prior years	-	(17.2)	(17.2)
- Paid recoveries	-	(70.6)	(70.6)
At 31 December 2018	**44.0**	**150.6**	**194.6**
Net			
At 31 December 2019	3.0	147.2	150.2
At 31 December 2018	54.6	211.6	266.2

For the year ended 31 December 2019, prior years' reserve releases, net of reinstatement premiums and reinsurance recoveries, amounted to $10.2 (2018: $18.0).

NOTES TO THE FINANCIAL STATEMENTS

All amounts are in millions of United States dollars, unless otherwise stated

6. Insurance risk management (continued)

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

	2019		2018	
	Gross	Net	Gross	Net
	$	$	$	$
Notified outstanding claims	118.9	67.6	162.7	95.3
IBNR	131.2	79.6	199.5	116.3
Outstanding claims	**250.1**	**147.2**	**362.2**	**211.6**
Percentage of IBNR to notified outstanding claims	110%	118%	122%	122%

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

	2019		2018	
	Gross	Net	Gross	Net
	$	$	$	$
Property Binder	43.0	6.7	79.6	16.1
Accident and Health	(1.0)	(5.4)	15.5	1.6
Casualty	85.7	64.1	89.3	87.5
Marine	23.7	16.4	56.2	13.5
Terrorism	2.7	1.4	4.7	3.9
Other Liability	21.9	16.3	22.5	22.0
Property Reinsurance	20.0	7.1	28.0	4.9
Casualty Treaty	34.7	25.8	39.1	38.4
Other	19.4	14.8	27.3	23.7
Total technical provisions	**$ 250.1**	**$ 147.2**	**$ 362.2**	**$ 211.6**

iii) Reserve Sensitivity

The potential uncertainty in outstanding claims has been estimated based on the volatility seen in historical development patterns. This indicates that there is about a 50% chance that the final outcome will lie within +/- $25 million of the estimated reserve. This analysis assumes that the historical volatility, excluding major losses, is representative of future uncertainty in outstanding claims. A significant part of the outstanding claims relates to major losses. The basis on which these claims will be settled is still uncertain, and may be influenced by future legal proceedings, which adds to the uncertainty in these reserve estimates.

The projected payout of the ultimate gross and net claims reserves at 31 December 2019 is as follows:

Payment within	**1 year**	**2 years**	**3 years**	**4 years**	**5 years**	**More than 5 years**
	$	**$**	**$**	**$**	**$**	**$**
Gross	88.0	42.8	28.4	23.5	17.5	49.9
Net	51.8	25.2	16.7	13.8	10.3	29.4

The pay-out patterns have been estimated based on the historical payment patterns at a class of business level. Future payment patterns are inherently uncertain.

Unearned premiums are expected to be earned approximately 100% in 2020.

The following table shows the adverse or favourable development of claims, on a gross and net basis, determined on an accident year basis, from the amounts originally estimated at the end of the preceding year. Claims in currencies other than US dollars have been reconverted at 31 December 2019 exchange rates for all accident years.

NOTES TO THE FINANCIAL STATEMENTS
All amounts are in millions of United States dollars, unless otherwise stated

6. Insurance risk management (continued)

Earned gross claims

Accident year	2009 and prior	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	Total
	$'m	$'m	$'m	$'m	$'m	$'m	$'m	$'m	$'m	$'m	$'m	$'m
At the end of accident year	2,682	223	360	128	119	113	132	152	253	201	60	
One year later	2,711	204	365	137	119	109	144	174	253	204		
Two years later	2,694	199	349	131	112	105	150	167	255			
Three years later	2,673	195	328	129	103	98	125	170				
Four years later	2,627	193	369	127	95	99	126					
Five years later	2,602	211	361	126	96	95						
Six years later	2,599	211	366	130	95							
Seven years later	2,678	207	349	130								
Eight years later	2,669	204	356									
Nine years later	2,621	210										
Ten Years later	2,634											
Estimate of cumulative claims	2,634	210	356	130	95	95	126	170	255	204	60	4,335
Cumulative paid claims	2,619	202	346	111	87	82	106	147	216	136	34	4,085
Gross claims liability	15	8	10	19	8	13	20	23	39	68 #	26	250

Earned net claims

Accident year	2009 and prior	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	Total
	$'m	$'m	$'m	$'m	$'m	$'m	$'m	$'m	$'m	$'m	$'m	$'m
At the end of accident year	2,043	152	233	118	109	97	108	132	151	123	50	
One year later	2,074	137	238	120	113	93	111	145	151	143		
Two years later	2,051	141	243	115	106	89	115	124	162			
Three years later	2,047	138	226	113	97	83	99	133				
Four years later	2,055	139	221	111	93	77	107					
Five years later	2,048	140	211	112	82	79						
Six years later	2,050	138	217	106	84							
Seven years later	2,033	134	192	112								
Eight years later	2,024	123	199									
Nine years later	1,921	127										
Ten Years later	1,937											
Estimate of cumulative claims	1,937	127	199	112	84	79	107	133	162	143	50	3,133
Cumulative paid claims	1,922	121	192	93	76	65	87	111	139	98	26	2,929
Net claims liability	15	6	7	19	8	14	20	22	23	45 #	24	204

NOTES TO THE FINANCIAL STATEMENTS

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6. Insurance risk management (continued)

iv) Reinsurance recoverable

At 31 December 2019, the Company's reinsurance recoverable on outstanding claims amounted to $102.9 with reinsurers who had the following risk ratings by AM Best (or equivalent S&P rating in the absence of an AM Best rating):

Risk Rating	$	%
A+	13.6	13.2%
Lloyd's	2.9	2.8%
A	22.5	21.9%
Not rated	2.3	2.2%
Affiliates	61.6	59.9%
Total	**102.9**	**100.0**

Trust funds of $2.3 are held as security for balances due from unrated carriers.

The Company reviews amounts due from reinsurers on paid losses, amounts recoverable from reinsurers on outstanding losses and amounts in dispute to determine if a provision for bad debts is required. The Company's policy is to provide for reinsurer bad debts in situations where it does not expect to collect the full amount outstanding due to the financial position of the reinsurer or due to disputes over coverage.

The Company entered a 100% quota share reinsurance agreement of its net unearned premium on the Property Binder, Property Insurance and Terrorism classes of business as of 31 March 2019 with Brit Re (Bermuda), an affiliated reinsurer, pursuant to which Syndicate 780 ceded written premium of $26.2 and earned premium of $24.5. At 31 December 2019, the amount recoverable from Brit Re (Bermuda) was $8.9.

v) Debtors arising from insurance and reinsurance operations

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

	2019 $	2018 $
Insurance and reinsurance premiums due	1.6	28.6
Pipeline premium	5.9	24.8
Reinsurance recoveries on paid claims	15.9	18.6
	23.4	72.0

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

Of the total balance, $17.2 is due within one year, with the balance due after one year.

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

	2019 $	2018 $
Fully performing	15.9	18.6
Past due	-	-
	15.9	18.6

Of the remaining debtor balances, it is expected that substantially all of the insurance and reinsurance premiums due and approximately 100% of the deferred acquisition costs will be received or expensed within one year.

NOTES TO THE FINANCIAL STATEMENTS
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7. Financial risk management

i) Investment gain (loss)

	2019 $	2018 $
Interest and dividends	4.9	10.4
Investment management expenses	(0.3)	(1.3)
Net investment income	4.4	9.1
Gain on sale of investments	0.3	39.3
Loss on sale of investments	(6.3)	(59.2)
Net loss on sale of investments	(6.0)	(19.9)
Unrealised gains on investments	9.0	1.4
Unrealised losses on investments	(0.5)	(14.2)
Net unrealised gains (losses) on investments	8.5	(12.8)
Investment return	7.1	(23.6)

ii) Financial Instruments

	2019 $	2018 $
Carrying value		
Debt securities and other fixed income securities	139.8	126.2
Specialised investment fund (QAIF)	71.3	-
Specialised investment fund (UCITS)	-	163.0
Holdings in collective investment schemes	-	20.7
Syndicate overseas deposits	10.0	9.9
Derivatives and forward exchange contracts	0.2	0.3
	221.3	320.1
Cost	$	$
Debt securities and other fixed income securities	133.2	124.2
Specialised investment fund (QAIF)	78.8	-
Specialised investment fund (UCITS)	-	175.5
Holdings in collective investment schemes	-	20.7
Syndicate overseas deposits	10.0	9.9
Derivatives and forward exchange contracts	2.6	0.3
	224.6	330.6

At 31 December 2019, investments of $95.9 (2018: $140.4) were held in US situs and other regulatory deposits available for the payment of claims in those jurisdictions and which are not available for the payment of other claims and obligations.

At 31 December 2019, cash and investments of $103.6 were pledged as security to Lloyd's within the Funds at Lloyd's (FAL) account (2018: FAL of $163.0) to support the Syndicate 780's underwriting activities and for uncalled losses. As of 1 January 2020, the Company's subsidiary, Advent Capital (No.3) Limited had made excess capital of $46.4 inter-available with RiverStone Corporate Capital Ltd (RiverStone Corporate). RiverStone Corporate pays the Company a fee for its use of the Company's excess capital and has indemnified the Company from loss from its use of the excess capital. During the year, the Company transferred its Unit Trust investment (UCITS) to a different Unit Trust investment (QAIF) within its FAL portfolio.

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

NOTES TO THE FINANCIAL STATEMENTS

All amounts are in millions of United States dollars, unless otherwise stated

7. Financial risk management (continued)

CASH AND CASH EQUIVALENTS

	2019 $	2018 $
Company	6.8	1.5
Syndicate	49.9	40.2
Other subsidiaries	28.5	0.3
	85.2	42.0

At 31 December 2019, the cash and cash equivalents were held with Royal Bank of Scotland, Barclays Bank, Citibank, RBC Dexia and Bank of New York which are rated BBB, A-, A-, AA- by Standard & Poor's.

OTHER ASSETS

	2019 $	2018 $
Other assets at cost and fair value comprise:		
- prepayments	0.3	1.4
- accrued income	0.5	0.7
- other debtors	15.7	14.0
- intercompany amounts	0.9	-
- other	3.5	6.6
	20.9	22.7
Categorised as due:		
- within 12 months	20.9	22.7
- after more than 12 months	-	-
	20.9	22.7

The amounts denoted as "other" above relates to shares in Fairfax, which were purchased at a cost of $3.5 for the purposes of the share based payment plans (see note 9) of the Company and are not considered to be a financial investment. The shares are fair valued based upon the listed share price of Fairfax at 31 December 2019. Other than these shares, the cost of other assets equals the fair value.

iii) Investments analysed by type, maturity and IFRS 7 pricing category

IFRS 7 requires the Company to categorise its investment portfolio in terms of the quality of the pricing information used to value the asset. The Company has categorised all short-dated government debt as Level 1, as there is an active market and prices are available from multiple sources. The Company has also designated its equity portfolio as Level 1 as all holdings are listed on recognised exchanges with observable prices. The Syndicate's overseas deposits are split between Levels 1 and 2 based upon information provided by Lloyd's.

Determinations to classify fair value measures within Level 3 of the valuation hierarchy are generally based on the significance of the unobservable factors to the overall fair value measurement. Included in the Level 3 classification are deflation derivatives and an investment in a convertible debenture. The Company has categorised the deflation derivatives as Level 3 due to the pricing being model derived from a single broker. The Company has categorised the convertible debenture as Level 3 due to it being unlisted, unrated and not frequently traded.

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

NOTES TO THE FINANCIAL STATEMENTS
All amounts are in millions of United States dollars, unless otherwise stated

7. Financial risk management (continued)
The tables below present the Company's assets that are measured at fair value, together with an analysis of when they mature:

At 31 December 2019	**Total** **$**	**Less than 1 year** **$**	**1 to 2 years** **$**	**2 to 3 years** **$**	**More than 3 years** **$**
Level 1					
Debt and other fixed income securities	42.0	42.0	-	-	-
Corporate Bonds					
Special Investment Fund (QAIF)	70.4	70.4	-	-	-
Special Investment Fund (UCITS)	-	-	-	-	-
Overseas deposits	2.3	1.1	0.9	0.3	-
	114.7	113.5	0.9	0.3	-
Level 2					
Debt securities and other fixed income securities	74.2	74.2	-	-	-
Corporate Bonds	13.2	12.7	0.5	-	-
State and Municipal Bonds	10.4	-	-	-	10.4
Special Investment Fund (QAIF)	1.0	1.0	-	-	-
Special Investment Fund (UCITS)	-	-	-	-	-
Interest treasury locks	(0.1)	(0.1)			
Forward Exchange contracts	0.2	0.2			
Overseas deposits	7.7	1.6	2.5	2.0	1.6
Holdings in collective investment schemes	-	-	-	-	-
	106.6	89.6	3.0	2.0	12.0
Level 3					
Derivatives	0.1	0.1	-	-	-
Special Investment Fund (QAIF)	(0.1)	(0.1)	-	-	-
Special Investment Fund (UCITS)	-	-	-	-	-
	-	-	-	-	-
	221.3	**203.1**	**3.9**	**2.3**	**12.0**

At 31 December 2018	**Total** **$**	**Less than 1 year** **$**	**1 to 2 years** **$**	**2 to 3 years** **$**	**More than 3 years** **$**
Level 1					
Debt and other fixed income securities	2.7	2.7	-	-	-
Corporate bonds	1.2	1.2	-	-	-
Special Investment Fund (QAIF)	-	-	-	-	-
Special Investment Fund (UCITS)	35.9	35.9	-	-	-
Overseas deposits	7.4	2.1	3.2	1.3	0.8
	47.2	41.9	3.2	1.3	0.8
Level 2					
Debt securities and other fixed income securities	87.2	2.8	84.4	-	-
Corporate Bonds	27.4	-	27.4	-	-
State and Municipal Bonds	7.7	-	-	-	7.7
Special Investment Fund (QAIF)	-	-	-	-	-
Special Investment Fund (UCITS)	126.5	2.5	116.0	-	8.0
Interest treasury locks	(0.4)	(0.4)	-	-	-
Forward Exchange contracts	0.1	0.1	-	-	-
Overseas deposits	2.5	0.6	0.6	0.6	0.7
Holdings in collective investment schemes	20.7	-	-	-	-
	271.7	5.6	228.4	0.6	**16.4**
Level 3					
Derivatives	0.6	0.6	-	-	-
Special Investment Fund (QAIF)	-	-	-	-	-
Special Investment Fund (UCITS)	0.6	0.6	-	-	-
	1.2	1.2	-	-	-
	320.1	**48.7**	**231.6**	**1.9**	**17.2**

NOTES TO THE FINANCIAL STATEMENTS

All amounts are in millions of United States dollars, unless otherwise stated

7. Financial risk management (continued)

Level 3 investment movements are summarised as follows:

	2019 $	2018 $
Balance at 1 January	1.2	25.9
Sale of investments	(0.7)	(25.0)
Loss (profit) recognised in the income statement	(0.5)	0.3
Balance at 31 December	-	1.2

iv) Financial risk

The Company is exposed to financial risk through its financial assets and liabilities. The key financial risk is that proceeds from financial assets are not sufficient to fund the obligations arising from policies as they fall due. The most important components of financial risk are interest rate risk, equity risk, credit risk and liquidity risk.

Interest rate risk

Interest rate risk arises primarily from investments in fixed rate securities. In addition, to the extent that claims inflation is correlated to interest rates, liabilities to policyholders are exposed to interest rate risk. The Company is also exposed to interest rate risk through its floating rate unsecured subordinated and senior loan notes which are linked to US LIBOR in the case of the US dollar dominated debt and EURIBOR in the case of the Euro denominated debt.

The table below sets out the sensitivity of the fixed income portfolio to changes in interest rates, by currency of investment.

Change in Interest rates (Basis points)	US $
+200	(4.5)
+100	(2.4)
-100	2.9
-200	6.2

Equity risk

Equity risk arises from the Company's investments in equities. Equity risk is the risk that the value of an investment will fall because of market influences.

Credit risk

Credit risk is the risk that a counterparty will be unable to pay amounts in full when due. Key areas where the Company is exposed to credit risk are:
- amounts due from corporate bondholders
- amounts due from reinsurers on paid and outstanding losses
- amounts due from policyholders and intermediaries
- counterparty risk with respect to derivative transactions

The Company places limits on its exposure to any single counterparty for investments and reinsurers and to geographical and industry segments.

Liquidity Risk

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

NOTES TO THE FINANCIAL STATEMENTS

All amounts are in millions of United States dollars, unless otherwise stated

At 31 December 2019	Total $	Less than 1 year $	1 to 2 Years $	2 to 3 Years $	More than 3 years $
Derivatives	0.6	0.6	-	-	-
Claims Outstanding	250.1	88.0	42.8	28.4	90.9
Creditors	27.4	25.0	0.7	0.4	1.3
Other	91.4	-	-	-	91.4
	369.5	**113.6**	**43.5**	**28.8**	**183.6**

At 31 December 2018	Total $	Less than 1 year $	1 to 2 Years $	2 to 3 Years $	More than 3 years $
Derivatives	0.3	0.3	-	-	-
Claims Outstanding	362.2	132.6	114.6	50.8	64.2
Creditors	73.5	73.5	-	-	-
Other	91.5	-	-	-	91.5
	527.5	**206.4**	**114.6**	**50.8**	**155.7**

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

At 31 December 2019	AAA $	AA $	A $	BBB $	Below BBB $	Not Rated $	Total $
Debt securities and other fixed income securities	106.8	0.0	9.9	23.1	0.0	0.0	139.8
Investment pools	-	-	-	-	-	-	-
Special Investment Fund (QAIF)	-	1.3	-	-	-	70.0	71.3
Overseas deposits	5.8	1.1	1.1	0.5	0.3	1.2	10.0
Derivatives and forwards contracts	-	-	-	-	-	0.2	0.2
Reinsurers' share of claims outstanding	-	-	100.6	-	-	2.3	102.9
Other debtors	-	-	-	-	-	21.0	21.0
Cash at bank, deposit institutions and in hand	20.0	3.5	54.9	-	-	6.8	85.2
Total	132.6	5.9	166.5	23.6	0.3	101.5	430.4

At 31 December 2018	AAA $	AA $	A $	BBB $	Below BBB $	Not Rated $	Total $
Debt securities and other fixed income securities	89.9	-	16.0	20.2	-	-	126.1
Investment pools	-	-	-	-	-	20.7	20.7
Special Investment Fund (UCITS)	105.7	12.2	17.1	21.0	-	7.0	163.0
Overseas deposits	5.5	1.1	1.0	0.5	0.5	1.3	9.9
Derivatives and forwards contracts	-	-	-	-	-	0.2	0.2
Reinsurers' share of claims outstanding	-	-	146.0	-	-	4.6	150.6
Other debtors	-	-	-	-	-	17.3	17.3
Cash at bank, deposit institutions and in hand	11.2	13.4	16.0	-	1.5	-	42.0
Total	212.3	26.7	196.1	41.7	2.0	51.1	529.8

NOTES TO THE FINANCIAL STATEMENTS
All amounts are in millions of United States dollars, unless otherwise stated

7. Financial risk management (continued)

Collateral is provided to the Company as security over reinsurance recoverable balances due from some reinsurers. At 31 December 2019, $23.0 was available to the Company (2018: Nil).

Debtors arising from insurance and reinsurance operations comprise premiums due from insureds and reinsureds, but not paid at 31 December 2019. The balance includes reinstatement premiums due on losses, which will be collected when the associated claims are paid.

No financial assets are past due or impaired at the reporting date and management expects no significant losses from non-performance by these counterparties.

8. Capital management

The Company's objective is to have sufficient capital to support its operations to ensure future growth and expansion while providing a satisfactory return to shareholders given the potential short volatility of its results due to major catastrophe events.

The Company has provided capital to its operating subsidiaries using permanent capital and unsecured long term debt financing. The long-term debt issuances have no financial covenants other than the quarterly payment of interest and payment of principal on maturity. In the case of the Company's US dollar and Euro denominated subordinated debt due 3 June 2035, amounting to an aggregate of $46.3 at 31 December 2019 (2018: $46.4), the Company can defer interest payable on the subordinated notes for 20 consecutive quarters without causing an event of default

SHARE CAPITAL

	Authorised		Allotted, Called Up and Fully Paid	
	2019 **$**	**2018** **$**	**2019** **$**	**2018** **$**
Ordinary shares of $0.80 each	80.0	80.0	47.3	47.3
Number of shares (000s)	100,000	100,000	59,103	59,103

Share Schemes

Details of share options to acquire Fairfax shares which remain outstanding at the end of the year are as follows:

Grant	**Number**
Outstanding at 1 January 2019	18,439
Exercised in year	(1,246)
Forfeited in year	(5,961)
Transferred to affiliates	(9,716)
Granted in year	5,961
Outstanding at 31 December 2019	7,477

NOTES TO THE FINANCIAL STATEMENTS

All amounts are in millions of United States dollars, unless otherwise stated

8. Capital management (continued)

The weighted average remaining contractual life of options outstanding at 31 December 2019 is 0.25 years (2018: 2.5 years). These awards are not subject to performance conditions. All the grants have 5-year vesting periods and are exercisable up to 15 years after the date of vesting.

The compensation expense and the accrued liability are calculated by reference to the share price of the Fairfax shares. The total compensation expense for 2019 was $1.6 (2018: $2.6). The total liability at the end of the year was $3.8 (2018: $4.6).

EARNINGS PER ORDINARY SHARE

Earnings / (loss) per share are based on the profit / (loss) attributable to shareholders and the weighted average number of shares in issue during the year. There are no dilutive shares.

	2019 $	2018 $
Profit (loss) for the year	15.4	(65.1)
Weighted average number of shares in issue (millions)	59.1	59.1
Basic earnings(loss) per share	26.1 c	(110.2c)

LONG TERM DEBT

Outstanding debt	Issue date	Due date	Callable by the Company after	2019 $	2018 $
Subordinated notes					
US$34	3/6/2005	3/6/2035	3/6/2010	33.1	33.1
Interest rate	3 months LIBOR + 3.90%				
Interest rate (31 December 2019)	6.02%				
€12	3/6/2005	3/6/2035	3/6/2010	13.2	13.3
Interest rate	3 months LIBOR + 3.85%				
Interest rate (31 December 2019)	3.43%				
				46.3	46.4
US$26	16/1/2006	15/1/2036	16/1/2011	25.5	25.5
Interest rate	3 months LIBOR + 4.50%				
Interest rate (31 December 2019)	6.62%				
U$20	15/12/2006	15/12/2026	15/12/2011	19.6	19.6
Interest rate	3 months LIBOR + 3.85%				
Interest rate (31 December 2019)	6.27%				
				45.1	45.1
Total debt at amortised cost and fair value				91.4	91.5
Weighted average interest rate, 31 December				5.87%	6.27%

The Subordinated Notes rank on a winding-up of the Company in priority to distributions on all classes of share capital and rank pari passu with each other but are subordinated in right of payment to the claims of all unsubordinated creditors of the Company (including, where applicable, all policyholders of the Syndicate).

NOTES TO THE FINANCIAL STATEMENTS
All amounts are in millions of United States dollars, unless otherwise stated

8. Capital management (continued)

The Senior Notes rank on a winding-up of the Company in priority to distributions on all classes of share capital and subordinated loan notes, and rank pari passu with each other but are subordinated in right of payment to the claims of all unsubordinated creditors of the Company (including, where applicable, all policyholders of the Syndicate).

The Subordinated Notes and Senior Notes are listed on the Channel Islands Stock Exchange.

9. Income tax charge / (recovery)

Charge in the year	**2019 $**	**2018 $**
Current Tax		
Current tax – prior years		-
Current tax – current year	8.6	(6.3)
Deferred Tax:		
Origination and reversal of timing differences	(8.4)	(0.5)
Adjustments in respect of prior periods	-	-
Effect of change in tax rates on opening balance	-	-
Tax on profit (loss) on ordinary activities	0.2	(6.8)
Factors affecting tax charge for the year		
Profit (loss) on ordinary activities before tax	15.6	(71.9)
Tax charge at the average standard rate of UK corporation tax of 19% (2018: 19%)	3.0	(13.6)
Effects of:		
Rate changes	(0.1)	-
Prior year adjustments	(3.9)	(2.6)
Loss carry back	-	6.5
Permanent differences	(0.2)	2.4
Other differences	0.2	0.5
Write off US Tax	1.2	
	0.2	(6.8)

Factors that may affect future tax charges
Deferred tax is provided on the annually accounted result of each YOA.

The Company transferred losses of $6.4 (2018: profits of $2.0) to fellow UK subsidiaries of the Fairfax UK Tax Group. There are no unutilised losses at 31 December 2019.

The Company is subject to US tax on its share of the Syndicate's deemed US underwriting profits. This tax is recoverable to the extent that UK tax arises on taxable Syndicate profits for the appropriate YOA. Provision has been made for the Company's liability to US tax. Some US tax suffered will be irrecoverable due to the difference between UK and US tax rates and the difference between the timing of US and UK Syndicate profits for tax purposes. During the year US Tax of $1.1 tax has been written off (2018: $nil).

Deferred tax has been calculated on balances expected to reverse at 17%. Legislation amending the Finance Bill 2016 to reverse proposed reductions to the UK corporation tax rate from 19% to 17% are anticipated to be enacted in March 2020.

NOTES TO THE FINANCIAL STATEMENTS
All amounts are in millions of United States dollars, unless otherwise stated

9. Income tax expense (continued)

Deferred Tax

	2019 $	2018 $
Deferred tax asset in respect of underwriting results to be declared:	8.8	17.8
Deferred tax asset in respect of:		
Capital allowances disclaimed	-	(0.1)
Other timing differences	1.0	0.5
	9.8	18.2
Deferred tax asset at 1 January	18.2	18.7
Deferred tax charge in the income statement		
Origination and reversal of timing differences	(8.4)	(0.5)
Effect of change in tax rate on opening balance	-	-
Adjustments in respect of prior periods	-	-
Deferred tax asset at 31 December	9.8	18.2

The utilisation of the deferred tax asset is dependent on the Company making future taxable profits or through the tax sharing arrangements with other profitable UK group companies. Management believe this asset will be fully recoverable based on the future financial plans of the Company.

10. Intangible assets

Intangible assets represent purchased capacity of $0.1 which represent Blend underwriting renewal rights.

11. Trade and other payables

	2019 $	2018 $
Trade and other payables at cost and fair value		
- Accruals	0.3	3.4
- Amounts due to Group companies	0.3	9.6
- Tax payable	-	0.4
- Other	12.4	14.8
	13.0	28.2
Categorised as due		
- within 12 months	13.0	28.2
- after more than 12 months	-	-
	13.0	28.2

Other payables include amounts due to suppliers of goods or services to the Company. These balances will be paid in accordance with the Company's creditor payment policy.

NOTES TO THE FINANCIAL STATEMENTS
All amounts are in millions of United States dollars, unless otherwise stated

12. Commitments

(a) Capital commitments

There were no capital commitments or authorised but un-contracted commitments at the end of the financial year.

(b) FAL

The Company has committed funds to support its underwriting business at Lloyd's in the form of investments managed by Hamblin Watsa Investment Counsel (HWIC), an affiliate. These assets are not available to meet day to day cash flow requirements of the Company.

(c) Operating leases

The Company's land and buildings short-term operating leases have been transferred to an affiliate entity during 2019, as such the company has used the exemption available due to the transfer and has not reported using IFRS 16 in these accounts. The implied interest charge for the period up until transfer is deemed immaterial and does not warrant separate disclosure.

The future minimum lease payments under non-cancellable operating leases were as follows:

	2019 $	2018 $
No later than one year	-	2.1
Later than one year and no later than 5 years	-	0.7
More than 5 years	-	-

13. Related parties

The Company accepted inwards reinsurance business from related parties of $0.1 (2018: $1.7). All transactions with these parties were conducted at arm's length and at normal commercial terms as detailed below:

	2019 $	2018 $
Zenith National Insurance Corp.	-	0.3
Brit Syndicate 2987	-	0.1
Crum and Forster Insurance Company	-	0.3
Hudson Insurance Group	0.1	1.0
	0.1	1.7

Ceded outwards reinsurance premiums and related reinsurance recoveries to and from related parties are set out in the table below.

	Reinsurance Premiums		Reinsurance Recoveries	
	2019 $	2018 $	2019 $	2018 $
Wentworth Insurance Company Limited	3.3	96.7	8.4	80.6
Polskie Towarzystwo Reasekuracji S.A (Polish Re)	-	-	-	(0.1)
Odyssey Re holding Corp	0.1	0.1	(0.7)	(1.9)
Allied World Assurance Company Holdings, GmbH	0.2	1.2	0.5	-
Riverstone Insurance UK Limited	-	-	-	(0.1)
Brit Re (Bermuda)	26.2	-	8.9	-
Crum and Forster Insurance Company	1.3	34.4	13.5	31.0
	31.1	**132.4**	**30.6**	**109.5**

NOTES TO THE FINANCIAL STATEMENTS
All amounts are in millions of United States dollars, unless otherwise stated

13. Related parties (continued)

The Company paid investment management fees to HWIC of $0.3 (2018: $1.2).

14. Reconciliation of profit (loss) before tax to cash used in operations

	2019 $	2018 $
Profit (loss) before tax	15.6	(71.9)
Movement in:		
- insurance and reinsurance receivables	146.6	(37.2)
- other assets	34.9	12.4
- insurance and reinsurance payables	(232.6)	(51.2)
- trade and other payables	(19.3)	6.5
Interest expense and amortisation of debt costs	5.9	5.6
Investment result	(10.8)	23.6
Depreciation	-	0.5
Purchase of Fairfax shares for incentive plans	-	(0.8)
Foreign exchange movements on opening cash and cash equivalents	0.6	0.9
Other foreign exchange movements	(12.1)	9.1
Cash used in operations	(71.2)	(102.5)

15. Staff costs

	2019 $	2018 $
Wages and salaries	3.6	18.4
Social security costs	0.3	2.3
Other pension costs	0.1	1.7
	4.0	22.4

Other pension costs are in respect of money purchase schemes and personal pension arrangements.

NOTES TO THE FINANCIAL STATEMENTS

All amounts are in millions of United States dollars, unless otherwise stated

15. Staff costs (including Directors) (continued)

The average number of persons, including executive directors, employed by the Company during the year was:

By activity	2019 Number	2018 Number
Executive management	1	4
Finance and actuarial	-	13
Underwriting	3	57
Claims and Reinsurance	-	6
Compliance and non-executive directors	-	9
IT	-	9
Administration and other	1	14
	5	112

The reduction in staff employed by the Company reduced significantly from the prior year due to the transfer of staff to other entities within the Fairfax group due to the decision to place Syndicate 780 into run-off.

16. Key management emoluments

	2019 $	2018 $
Short term employee.benefits	-	2.5
Post-employment benefits	-	0.0
Share-based payments	-	1.2
	-	3.7
Number of Directors with accrued benefits under money purchase schemes	-	4
Highest paid Director		
Emoluments (including benefits in kind)	-	0.8
Contribution to money purchase pension scheme	-	0.0
	-	0.8

No emoluments were paid by the Company to any Directors or other key management personnel during the year (2018: $3.7). The emoluments of the Directors and other key management personnel are paid by an associated company, RiverStone Management Limited. The services of the Directors and other key management personnel to the Company are incidental and their emoluments are deemed to be wholly attributable to their services to other group companies. Accordingly, no disclosure of emoluments has been made in these financial statements.

PARENT COMPANY ONLY STATEMENT OF FINANCIAL POSITION
As at 31 December 2019
(millions of United States dollars)

	Note	2019 $	2018 $
Assets			
Cash and cash equivalents	17	6.8	16.1
Financial Investments at fair value		-	-
Other assets:			
- Due from associated companies		157.9	155.7
- Deferred tax		1.0	0.4
- Other		4.2	12.7
Property and equipment		-	-
Investments in subsidiaries	19	2.3	3.4
Total assets		172.2	188.3
Shareholders' Equity			
Ordinary share capital	8	47.3	47.3
Share premium account		141.4	141.4
Capital redemption reserve		33.7	33.7
Accumulated (losses) profit		(142.8)	26.6
Loss for the year		(4.9)	(169.4)
Total shareholders' equity		74.7	79.6
Liabilities			
Trade and other payables	18	6.1	17.2
Long term debt	8	91.4	91.5
Total liabilities		97.5	108.7
Total shareholders' equity and liabilities		172.2	188.3

The notes form an integral part of these financial statements.

The parent company only financial statements were approved by the Board on 2 March 2020 and signed on its behalf by:

Andrew Creed
Director

Luke Tanzer
Director

Company Registration Number: 03033609

PARENT COMPANY ONLY STATEMENT OF CHANGES IN EQUITY
Year ended 31 December 2019
(millions of United States dollars)

	Share capital $	Share premium $	Capital redemption reserve $	Accumulated Losses $	Total shareholders' equity $
Balance, at 1 January 2018	47.3	141.4	33.7	26.6	249.0
Issued shares	-	-	-	-	-
Income and total comprehensive expenses for the year	-	-	-	(169.4)	(169.4)
Balance, at 31 December 2018	47.3	141.4	33.7	(142.8)	79.6
Dividend from AUL	-	-	-	1.5	1.5
Loss and total comprehensive expenses for the year	-	-	-	(6.4)	(6.4)
Balance, at 31 December 2019	47.3	141.4	33.7	(147.7)	74.7

PARENT COMPANY ONLY STATEMENT OF CASH FLOWS
Year ended 31 December 2019
(millions of United States dollars)

	Note	2019 $	2018 $
Cash flows from operating activities			
Cash used in operations	21	(4.0)	(6.8)
Interest paid		(5.5)	(5.3)
Cash used in operating activities		(9.5)	(12.1)
Cash flows from investing activities			
Purchase of fixed assets		-	-
Proceeds from (purchase of) investments		-	6.3
Funds deposited to FIS		-	20.0
Net cash used in financing activities		-	26.3
Cash flows from Financing activities			
Issue of shares		-	-
Net (decrease) increase in cash and cash equivalents		(9.5)	14.2
Exchange movement on opening cash and equivalents		0.2	0.1
Cash and cash equivalents at the beginning of year		16.1	1.8
Cash and cash equivalents at the end of year	17	6.8	16.1

The notes form an integral part of these financial statements.

ADDITIONAL PARENT COMPANY ONLY ACCOUNTING POLICIES

Basis of presentation
Advent Capital (Holdings) LTD is the ultimate parent company for the Advent Group. The Parent Company is domiciled in the United Kingdom.

These Parent Company financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and IFRIC interpretations endorsed by the European Union (EU) and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS, using the historic cost convention with the revaluation of financial assets and financial liabilities at fair value through the consolidated income statement. As permitted under section 408 of the Companies Act 2006, no separate income statement has been prepared.

The accounting policies used in the preparation of the consolidated financial statements have been consistently applied in the preparation of these separate Parent Company financial statements. In addition, the following policies have also been used.

Investment in Subsidiaries
Investments in the Parent Company's subsidiaries are initially stated at cost and are subsequently reviewed for impairment as circumstances indicate that the carrying value exceeds the realisable value.

Dividend income
Dividend income from investments in subsidiaries is recognised when the right to receive payment has been established.

NOTES TO THE PARENT COMPANY ONLY FINANCIAL STATEMENTS

All amounts are in millions of United States dollars, unless otherwise stated

17. Cash and cash equivalents and investments

	2019 $	2018 $
Cash at bank	6.8	16.1
Financial Investments at Fair Value		
Equities	-	-
	-	-
Financial Investments at Cost		
Equities	-	-
	-	-

18. Trade and other payables

	2019 $	2018 $
Parent Company		
Interest payable	0.3	0.3
Accruals	6.0	16.9
Total at cost and fair value	6.3	17.2

19. Investments in subsidiaries

	2019 $	2018 $
As at 1 January	3.4	113.6
Write off Investment in AC3	-	(110.2)
Dividend received from AUL	(1.5)	-
Blend contribution	0.4	-
As at 31 December	2.3	3.4

NOTES TO THE PARENT COMPANY ONLY FINANCIAL STATEMENTS

All amounts are in millions of United States dollars, unless otherwise stated

19. Investments in subsidiaries (continued)

The net investment balance consists of the following companies:

Company	Shareholding	Nature of Business	Country of Registration
Advent Underwriting Limited	100%	Lloyd's Managing Agent	England & Wales
Advent Group Services Limited	100%	Service Company	England & Wales
Advent Capital Limited	100%	Lloyd's Corporate Member	England & Wales
Advent Capital (No. 2) Limited	100%	Lloyd's Corporate Member	England & Wales
Advent Capital (No. 3) Limited	100%	Lloyd's Corporate Member	England & Wales
Blend Insurance Services	50%	Service Company	Australia

Amounts due to and from subsidiaries are non-interest bearing, have no fixed repayment terms and are recorded at cost which approximates fair value.

Intercompany receivables and payables due from or to each subsidiary or related undertaking are as follows:

	2019 $	2018 $
Advent Underwriting Limited	(0.7)	(2.5)
Advent Group Services Limited	(0.6)	(0.6)
Advent Capital (No. 2) Limited	(0.1)	(0.1)
Advent Capital (No. 3) Limited	169.1	208.7
Wentworth Insurance Company Ltd	-	(10.0)

The registered address of Blend Insurance Services is 97-99 Bathurst Street, Sydney, New South Wales, Australia. The registered addresses of all other subsidiaries are 2nd Floor, 2 Minster Court, Mincing Lane, London, EC3R 7BB.

20. Profit attributable to members of the Parent Company

As permitted by section 230 of the Companies Act 2006, the Parent Company's income statement has not been included in the Company's financial statements. The Parent Company's loss for 2019 was $4.9 (2018: loss of $169.4).

21. Reconciliation of loss before tax to cash used in operations

	2019 $	2018 $
Profit (loss) before tax	(4.9)	(169.4)
Movement in:		
- other assets, principally amounts due from affiliates	5.7	41.2
- trade and other payables	(12.5)	7.0
Debt interest	5.9	5.6
Investment in subsidiary undertakings	1.1	110.1
Investment (income) expense	(0.1)	(2.6)
Depreciation of fixed assets	-	0.5
Amortisation of share option costs	1.6	2.6
Purchase of Fairfax shares for incentive plans	-	(0.8)
Foreign exchange movement on opening cash and cash equivalents	(0.2)	(0.1)
Other foreign exchange movements	(0.6)	(0.8)
	(4.0)	(6.8)

NOTES TO THE PARENT COMPANY ONLY FINANCIAL STATEMENTS

All amounts are in millions of United States dollars, unless otherwise stated

22. Company information

The Company is a private limited company registered and domiciled in the United Kingdom. The immediate and ultimate parent company is Fairfax, a company incorporated in Canada. Copies of the consolidated financial statements of Fairfax are available from 95 Wellington Street West, Suite 800, Toronto, Ontario, Canada, M5J 2N7.

23. Subsequent Events

On 20 December 2019, Fairfax entered into an agreement to sell a 40% equity interest in its wholly owned European Run-off group to Ontario Municipal Employees Retirement System ("OMERS"), the pension plan manager for government employees in the province of Ontario. The European Run-off group ACH and its subsidiaries. Upon completion of the transaction, OMERS and Fairfax will have joint control of the European Run-off group. Accordingly, Fairfax will deconsolidate the European Run-off group from its Run-off reporting segment and apply the equity method of accounting for its remaining equity interest. The transaction is subject to regulatory approval and is expected to close in the first quarter of 2020.