

Accounts disclaimer

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Syndicate 3500

2021 Annual Report

Syndicate 3500
Annual Report
For the year ended 31st December 2021

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Syndicate 3500

Directors and Administration

For the year ended 31st December 2021

Managing Agent

RiverStone Managing Agency Limited
Park Gate
161 – 163 Preston Road
Brighton
East Sussex
United Kingdom
BN1 6AU

Directors of Managing Agent

T. A. Riddell – Independent Non-Executive Director
K. Shah – Independent Non-Executive Chairman
N. Smith – Independent Non-Executive Director
T. Ambridge – Independent Non-Executive Director
M. J. Bannister
A. R. Creed
I. Hewitt (resigned 31st March 2021)
L. R. Tanzer
C. K. Pritchard (appointed 6th April 2021)
P. Prebensen (appointed 1st September 2021)
N. S. Taylor (appointed 30th November 2021)

Independent Auditors

Deloitte LLP
Hill House
1 Little New Street
London
EC4A 3TR

Website

<https://www.rsml.co.uk>

Syndicate 3500

Managing Agent's Report

For the year ended 31st December 2021

Principal Activity

Syndicate 3500 was originally formed in 2003 to accept the reinsurance to close of the 2000 and prior years of account of Syndicate 271 and the 2001 and prior years of account of Syndicate 506, respectively.

Effective 1st January 2020, Syndicate 3500 accepted the reinsurance to close of the 2017 and prior underwriting years of account liabilities of another Lloyd's syndicate 2015. This transaction results in the transfer to Syndicate 3500 of gross and net technical provisions of \$236.4 million and \$153.0 million, respectively. Also, effective 1st January 2020, Syndicate 3500 entered into an adverse development cover with an affiliate to provide downside protection over these liabilities.

Effective 1st January 2021, Syndicate 3500 entered into the following transactions:

- the reinsurance to close of the 2018 and prior underwriting years of account liabilities of Syndicate 780. This transaction results in the transfer to Syndicate 3500 of gross and net technical provisions of \$178.9 million and \$114.5 million, respectively;
- the reinsurance to close of the 2018 and prior underwriting years of account liabilities of Syndicate 1897. This transaction results in the transfer to Syndicate 3500 of gross and net technical provisions of \$78.6 million and \$73.2 million, respectively;
- the loss portfolio transfer reinsurance of the 2019 underwriting year of account liabilities of Syndicate 1897. This transaction results in the transfer to Syndicate 3500 of gross and net technical provisions of \$17.6 million and \$17.3 million respectively; and
- the reinsurance to close of the 2017 and prior underwriting years of account liabilities of syndicate 1200 and the reinsurance to close of the 2018 and prior underwriting years of syndicate 4000. These transactions result in the transfer to Syndicate 3500 of gross and net technical provisions of \$1.1 billion and \$857 million, respectively.

During 2021, Syndicate 3500 entered into the following transactions:

- the loss portfolio transfer reinsurance of the liabilities for another Lloyd's Syndicate. This transaction results in the transfer to Syndicate 3500 of gross and net technical provisions of \$193.9 million;
- the loss portfolio transfer reinsurance of the liabilities for another Lloyd's Syndicate. This transaction results in the transfer to Syndicate 3500 of gross and net technical provisions of \$345.2 million;
- the loss portfolio transfer reinsurance of the liabilities for two Lloyd's Syndicate. This transaction results in the transfer to Syndicate 3500 of gross and net technical provisions of \$534.6 million; and
- the loss portfolio transfer reinsurance of the liabilities for Syndicate 2468. This transaction results in the transfer to Syndicate 3500 of gross and net technical provisions of \$19.6 million.

On 23rd August 2021 CVC Capital Partners ("CVC") completed the acquisition of RiverStone Europe from Fairfax Financial Holdings Limited ("Fairfax") and OMERS, the pension plan for Ontario's municipal employees. The RiverStone Europe Group will now operate under the name RiverStone International. Gatland Bidco Limited ("BidCo"), a wholly-owned subsidiary of Gatland Holdings Jersey Limited ("Gatland"), completed the acquisition of all the outstanding shares of Riverstone Barbados Limited ("RBL"). RiverStone Managing Agency and its immediate parent company RiverStone Holdings were wholly owned subsidiaries of RBL.

Syndicate 3500

Managing Agent's Report

For the year ended 31st December 2021

RiverStone Managing Agency Limited ("RiverStone Managing Agency") is the managing agent for Syndicate 3500 and its overall strategic objective in administering the run-off of the portfolios under its management remains the payment of all valid claims in a timely manner within the Lloyd's structure and to collect as soon as possible amounts due from all reinsurers. Additionally, RiverStone Managing Agency actively pursues opportunities to acquire further run-off portfolios for Syndicate 3500 through reinsurance to close or retroactive reinsurance transactions.

RiverStone Managing Agency delegates most of its day-to-day management functions under an outsource agreement with RiverStone Management Limited ("RiverStone Management"), a fellow subsidiary of RiverStone Holdings. Provision of services under this agreement is monitored by regular reporting to the board of directors of RiverStone Managing Agency ("the Board"), which includes analysis of performance against key performance indicators.

The sole corporate member for Syndicate 3500 is RiverStone Corporate Capital Limited ("RiverStone Corporate Capital"). In addition to capital held at RiverStone Corporate Capital, additional capital support for Syndicate 3500 is currently provided by RiverStone Insurance (UK), Advent Capital No.3 Limited and by way of a third party letter of credit.

RiverStone Holdings, whose ultimate parent is Gatland, is the parent of RiverStone Corporate Capital, RiverStone Managing Agency and RiverStone Insurance (UK).

Business Review

Results and Performance

The measures set out below reflect the Syndicates' key performance indicators.

The profit for the 2021 financial year, on an annual accounting basis, is \$6 million (2020: loss of \$3.4 million). The balance on the technical account for general business for the year was a profit of \$6.2 million (2020: profit of \$1.3 million). This comprises net earned premiums of \$2.17 billion, partially offset by net incurred claims of \$2.15 billion and net operating expenses of \$22 million. Net earned premiums and net incurred claims include the Reinsurances To Close and portfolio transfer reinsurances set out above.

The profit for the financial year of \$6 million (2020: \$3.4 million loss) comprises net investment gains of \$3.2 million (2020: gain of \$0.3 million), foreign exchange losses of \$4.6 million (2020: losses of \$4.9 million) and the gain on the technical account for general business.

Member's balances increased to a surplus of \$37 million at 31st December 2021 (2020: \$20.5 million) due to the 2021 total comprehensive profit.

Total outstanding claims, gross of reinsurance, were \$2.6 billion as at 31st December 2021 (2020: \$770.4 million). Total cash, deposits and investments were \$1.6 billion at 31st December 2021 (2020: \$418 million). Movements in outstanding claims and cash balances predominantly arise as a result of transactions entered into during 2021 less activity in 2021 such as paying claims.

Effective 1st January 2021 the Syndicate changed its functional and presentational currency to United States Dollars ("US Dollars") from Pound Sterling, as such these accounts have been restated to reflect this change.

Principal Risks and Uncertainties

The process of risk acceptance and risk management is addressed through a framework of policies, procedures and internal controls. All policies are subject to approval by the Board and ongoing review by the Board, executive committees, risk management and internal audit. Compliance with regulatory, legal and ethical standards is a high priority for Syndicate 3500 and RiverStone Managing Agency. The compliance, legal and

Syndicate 3500

Managing Agent's Report

For the year ended 31st December 2021

finance departments of RiverStone Management 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; it is assisted in discharging these responsibilities by the RiverStone Holdings UK Risk Committee.

The risks that Syndicate 3500 is exposed to and their impact on economic capital have been assessed. This process is risk based and uses Solvency II based principles to manage capital requirements and to ensure that there is sufficient financial strength and capital adequacy to support the obligations to policyholders, regulators and other stakeholders.

The principal risks faced by Syndicate 3500 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). Syndicate 3500'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.

Much like 2020, 2021 has been dominated by the impact on society of the novel coronavirus, COVID-19. This disease has forced numerous economies to impose significant restrictions on free movement, with the UK requiring large numbers of workers to remain at home at various points throughout the year. Syndicate 3500, RiverStone Managing Agency and RiverStone Management have continued to perform business as usual activities efficiently and effectively despite these restrictions and will continue to remain fully operational while these conditions remain in force. Syndicate 3500 does not have material insurance exposure to COVID-19 related claims and its 2021 financial results have not been meaningfully impacted by this pandemic, this is consistent with the 2020 financial results.

Strategy and Future Developments

The Board's strategy for Syndicate 3500 is the efficient and economic management of all existing liabilities. The Board intends to continue to actively pursue run-off acquisition opportunities for Syndicate 3500 through reinsurance to close or retroactive reinsurance transactions.

On 1st January 2022 Syndicate 3500 has completed the reinsurance to close, or split reinsurance to close of the 2019 and prior underwriting years of account liabilities of three separate third party Lloyd's syndicates. These transactions result in the transfer to Syndicate 3500 of net technical provisions of \$270.9 million, \$223.5 million and \$266.8 million, respectively.

On 1st January 2022 Syndicate 3500 also accepted the reinsurance to close of the 2019 year of accounts for Syndicate 1897 and Syndicate 2468, both also managed by RiverStone Managing Agency. These transactions result in the transfer to Syndicate 3500 of net technical provisions of \$nil and \$306 million respectively.

Performance Measurements

RiverStone Managing Agency has made continued progress throughout 2021 in relation to key elements of its strategy, through the continued proactive management of its existing liabilities and through the acquisition of further run-off portfolios.

The Board monitors the progress of Syndicate 3500's existing run-off portfolios by reference to the reduction in gross loss reserves and reduction in reinsurance recoverables, in a timely and economic manner. Excluding the portfolios acquired during 2021 which are described above, gross loss reserves decreased by 23% and third party reinsurance recoverables (excluding group reinsurance protection) decreased by 22%. The movements are in line with Board's expectations and the performance is considered to be satisfactory.

Syndicate 3500

Managing Agent's Report

For the year ended 31st December 2021

Reporting Basis

The Directors of the managing agent, RiverStone Managing Agency Limited ("RiverStone Managing Agency"), present their report and the audited financial statements for the year ended 31st December 2021.

The Directors are responsible for preparing the Directors' report and the financial statements in accordance with applicable law and regulations.

These Syndicate Annual financial statements are prepared using the annual basis of accounting as required by Statutory Instrument 1950 of 2008, the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 ("the 2008 Regulations").

Directors

The Directors of RiverStone Managing Agency holding office during the period from 1st January 2021 to the date of this report were as follows:

T. A. Riddell – Independent Non-Executive Director
K. Shah – Independent Non-Executive Chairman
N. Smith – Independent Non-Executive Director
T. Ambridge – Independent Non-Executive Director
M. J. Bannister
A. R. Creed
I. Hewitt (resigned 31st March 2021)
L. R. Tanzer
C. K. Pritchard (appointed 6th April 2021)
P. Prebensen (appointed 1st September 2021)
N. S. Taylor (appointed 30th November 2021)

Annual General Meeting

The Directors do not propose to hold an annual general meeting for Syndicate 3500. A meeting will be convened should the sole direct corporate member of Syndicate 3500 request one.

Independent Auditors

During 2021, Deloitte LLP ("Deloitte") were appointed as the Syndicate's registered auditor and have indicated their willingness to continue in office.

Investment Policy and Management

All assets continue to be invested in a manner to maximize return within agreed investment policies established by RiverStone Managing Agency. These investments are managed within the risk constraints and credit guidelines agreed by the Board. The investment policy and performance of funds are reviewed regularly by the Board. Syndicate 3500 has not been involved in the lending of investments to the securities market.

Financial Instruments

As described in Note 5 to the financial statements, Syndicate 3500 is exposed to financial risk through its financial assets and liabilities, including its reinsurance assets and policyholder liabilities. In particular, a key financial risk is that the proceeds from financial and reinsurance assets are not sufficient to fund the obligations arising from insurance policies as they fall due. The most important components of this financial risk are market risk (including interest rate risk, equity risk and currency risk), credit risk and liquidity risk.

Syndicate 3500

Managing Agent's Report

For the year ended 31st December 2021

Syndicate 3500 manages this risk within its overall risk management framework.

Statement of Managing Agent's Responsibilities

The 2008 Regulations require RiverStone Managing Agency to prepare Syndicate Annual Accounts at 31st December each year which give a true and fair view of the state of affairs of Syndicate 3500 and of its profit or loss for that year.

In preparing those Syndicate Annual Accounts, RiverStone Managing Agency is required to:

- select suitable accounting policies, and then apply them consistently, subject to changes arising on the adoption of new accounting standards in the year;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the Syndicate Annual Accounts; and
- prepare the Syndicate Annual Accounts on a going concern basis, unless it is inappropriate to do so.

RiverStone Managing Agency confirms that it has complied with the above requirements in preparing the financial statements.

RiverStone Managing Agency is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of Syndicate 3500 and enable it to ensure that the Syndicate Annual Accounts comply with the 2008 Regulations.

It is also responsible for safeguarding the assets of Syndicate 3500 and hence for taking reasonable steps for prevention and detection of fraud and other irregularities.

It is also responsible for the maintenance and integrity of the business' website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

In the case of each person who is a director of RiverStone Managing Agency at the date this Managing Agent's Report is approved:

- so far as the director is aware, there is no relevant audit information of which the 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 company's auditors are aware of that information.

By Order of the Board

Park Gate, 161 Preston Road
Brighton, East Sussex
United Kingdom, BN1 6AU

L. R. Tanzer
Chief Executive Officer
2nd March 2022

Syndicate 3500

Independent Auditors' Report to the Member of Syndicate 3500

For the year ended 31st December 2021

Independent auditor's report to the members of Syndicate 3500

Report on the audit of the syndicate annual financial statements

Opinion

In our opinion the syndicate annual financial statements of Syndicate 3500 (the 'syndicate'):

- give a true and fair view of the state of the syndicate's affairs as at 31 December 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008.

We have audited the syndicate annual financial statements which comprise:

- the profit and loss account;
- the statement of comprehensive income;
- the balance sheet;
- the statement of changes in members' balances;
- the cash flow statement;
- the statement of accounting policies; and
- the related notes 1 to 26.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the syndicate annual financial statements section of our report.

We are independent of the syndicate in accordance with the ethical requirements that are relevant to our audit of the syndicate annual financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the managing agent's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the syndicate's ability to continue in operations for a period of at least twelve months from when the syndicate financial statements are authorised for issue.

Our responsibilities and the responsibilities of the managing agent with respect to going concern are described in the relevant sections of this report.

Syndicate 3500

Independent Auditors' Report to the Member of Syndicate 3500 For the year ended 31st December 2021

Other information

The other information comprises the information included in the annual report, other than the syndicate annual financial statements and our auditor's report thereon. The managing agent is responsible for the other information contained within the annual report. Our opinion on the syndicate annual financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the syndicate annual financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement themselves. 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 in this regard.

Responsibilities of managing agent

As explained more fully in the managing agent's responsibilities statement, the managing agent is responsible for the preparation of the syndicate annual financial statements and for being satisfied that they give a true and fair view, and for such internal control as the managing agent determines is necessary to enable the preparation of syndicate annual financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the syndicate annual financial statements, the managing agent is responsible for assessing the syndicate's ability to continue in operation, disclosing, as applicable, matters related to the syndicate's ability to continue in operation and to use the going concern basis of accounting unless the managing agent intends to cease the syndicate's operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the syndicate annual financial statements

Our objectives are to obtain reasonable assurance about whether the syndicate annual financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (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 syndicate annual financial statements.

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

Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We considered the nature of the syndicate and its control environment, and reviewed the syndicate's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management, about their own identification and assessment of the risks of irregularities.

We obtained an understanding of the legal and regulatory frameworks that the syndicate operates in, and identified the key laws and regulations that:

Syndicate 3500

Independent Auditors' Report to the Member of Syndicate 3500 For the year ended 31st December 2021

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included the Lloyd's byelaws, Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 and Lloyd's Syndicate Accounting Byelaw (no. 8 of 2005); and;
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the syndicate's ability to operate or to avoid a material penalty. These include the requirements of Solvency II.

We discussed among the audit engagement team including relevant internal specialists such as actuarial and IT, regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

As a result of performing the above, we identified the greatest potential for fraud in the following area, and our specific procedures performed to address it are described below:

- Valuation of technical provisions includes assumptions and methodology requiring significant management judgement and involves complex calculations, and therefore there is potential for management bias. There is also a risk of overriding controls by making late adjustments to the technical provisions. In response to these risks we involved our actuarial specialists to develop independent estimates of the technical provisions and we tested the late journal entries to technical provisions.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management, in-house legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance, reviewing internal audit reports and reviewing correspondence with the PRA and Lloyd's.

Report on other legal and regulatory requirements

Opinions on other matters prescribed by The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the managing agent's report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the managing agent's report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the syndicate and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the managing agent's report.

Syndicate 3500

Independent Auditors' Report to the Member of Syndicate 3500

For the year ended 31st December 2021

Matters on which we are required to report by exception

Under The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 we are required to report in respect of the following matters if, in our opinion:

- the managing agent in respect of the syndicate has not kept adequate accounting records; or
- the syndicate annual financial statements are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of these matters.

Use of our report

This report is made solely to the syndicate's members, as a body, in accordance with regulation 10 of The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008. Our audit work has been undertaken so that we might state to the syndicate's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the syndicate's members as a body, for our audit work, for this report, or for the opinions we have formed.

Adam Ely, FCA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom
3rd March 2022

Syndicate 3500
Profit and Loss Account
For the year ended 31st December 2021

	Note	2021 \$'000	2020* \$'000
Technical Account – General Business			
Gross premiums written	6	2,309,082	151,707
Outward reinsurance premiums		<u>(23,176)</u>	<u>(4,387)</u>
Net premiums written		<u>2,285,906</u>	<u>147,321</u>
Change in provision for unearned premium			
Gross amount		(148,404)	(19,334)
Reinsurers' share		<u>(7,545)</u>	<u>(7,069)</u>
Change in net provision for unearned premium		(155,949)	(26,403)
Other income		17,685	
Written and earned premiums net of reinsurance		<u>2,147,642</u>	<u>120,918</u>
Gross claims paid	7	(523,168)	(220,552)
Reinsurers' share	7	<u>154,776</u>	<u>103,434</u>
Net claims paid		<u>(368,392)</u>	<u>(117,118)</u>
Change in the gross provision for claims		(1,876,571)	40,374
Reinsurers' share		<u>125,874</u>	<u>(42,175)</u>
Change in the net provision for claims		<u>(1,750,697)</u>	<u>(1,802)</u>
Claims incurred, net of reinsurance		(2,119,089)	(118,920)
Net operating expenses	6,8	<u>(22,327)</u>	<u>(669)</u>
Total technical credit, net of reinsurance		<u>6,226</u>	<u>1,330</u>
Balance on the technical account for general business		6,226	1,330
Non-Technical Account			
Investment income	10	7,857	4,770
Unrealised gains on investments		3,590	2,671
Unrealised losses on investments		(6,919)	(590)
Realised gains (losses) on investments		1,719	(5,293)
Investment expenses and charges	11	(1,816)	(1,303)
Foreign Exchange loss	12	<u>(4,634)</u>	<u>(4,970)</u>
Profit (loss) for the financial year		\$ <u>6,023</u>	\$ <u>(3,386)</u>

The results above are all derived from continuing operations.

*Restated, see note 3(f) for further details

Syndicate 3500
Statement of Comprehensive Income
For the year ended 31st December 2021

	Note	2021 \$'000	2020* \$'000
Profit (loss) for the financial year		6,023	(3,386)
Currency translation differences		<u>-</u>	<u>524</u>
Total comprehensive income (expense) for the year		\$ <u>6,023</u>	\$ <u>(2,862)</u>

Syndicate 3500
Balance Sheet
As at 31st December 2021

	Note	2021 \$'000	2020* \$'000
Assets			
Investments			
Other financial investments	13	1,346,316	311,388
Reinsurers' share of technical provisions			
Claims outstanding	7	557,736	434,524
Provision for unexpired risk		-	3,609
Provision for unearned premium		13,177	6,658
		570,913	444,791
Debtors			
Debtors arising out of direct insurance operations	14	84,918	8,382
Debtors arising out of reinsurance operations	15	644,301	42,311
Other debtors	16	1,776	886
		730,995	51,579
Other assets			
Cash at bank and in hand		156,899	55,797
Overseas Deposits		133,189	51,088
		290,088	106,885
Prepayments and accrued income			
Accrued interest		5,868	972
Deferred Acquisition costs		10,134	4,314
		16,002	5,286
Total assets		\$ 2,954,314	\$ 919,929
Capital, Reserves and Liabilities			
Capital and reserves			
Member's balances		37,079	20,510
Technical provisions			
Claims outstanding		2,615,345	770,428
Provision for unexpired risk		-	3,609
Provision for unearned premium		164,748	21,000
		2,780,093	795,037
Creditors			
Creditors arising out of direct insurance operations	17	354	55
Creditors arising out of reinsurance operations	18	106,781	100,659
Other creditors including taxation and social security	19	30,007	3,669
		137,142	104,382
Total capital, reserves and liabilities		\$ 2,954,314	\$ 919,929

*Restated, see note 3(f) for further details

The financial statements on pages 13 to 41 were approved by the Board of RiverStone Managing Agency Limited and signed on its behalf by the Directors on date:

L. R. Tanzer
Chief Executive Officer

A. R. Creed
Chief Financial Officer

Syndicate 3500
Statement of Changes in Members' Balances
For the year ended 31st December 2021

	Member's Balances \$'000
Balance at 1st January 2021	20,510
Profit for the financial year	6,023
Loss call	<u>10,546</u>
Balance at 31st December 2021	\$ <u>37,079</u>
 Balance at 1st January 2020*	 23,371
(Loss) for the financial year*	(3,386)
Other comprehensive income*	<u>524</u>
Balance at 31st December 2020*	\$ <u>20,510</u>

*Restated, see note 3(f) for further details

Syndicate 3500
Statement of Cash Flows
For the year ended 31st December 2021

	Note	2021 \$'000	2020* \$'000
Reconciliation of profit for the year to net cash inflow from operating activities			
Profit (loss) for the financial year		6,023	(3,385)
Increase (decrease) in gross technical provisions		2,023,774	(7,317)
(Decrease) increase in reinsurers' share of gross technical provisions		(132,248)	56,448
(Increase) decrease in debtors		(690,616)	8,614
Increase in creditors		34,245	804
Movement in other assets/liabilities		(10,934)	-
Investment return		(4,432)	(254)
Other		(1,136,366)	841
Net cash inflow from operating activities		89,445	55,751
Purchase of equity and debt instruments		(1,315,161)	(843,734)
Sale of equity and debt instruments		1,311,858	795,660
Investment income received		2,874	5,081
Net cash outflow from investing activities		(429)	(42,993)
Cash and cash equivalents at beginning of year		56,891	43,824
Distribution loss/(profit)		10,546	-
Foreign exchange on cash and cash equivalents		446	309
Cash and cash equivalents at end of year		\$ 156,899	\$ 56,891
Cash and cash equivalents consist of:			
Cash at bank and in hand	21	156,899	55,797
Short term deposits with credit institutions		-	1,094
Cash and cash equivalents		\$ 156,899	\$ 56,891

*Restated, see note 3(f) for further details

Syndicate 3500

Notes to the Financial Statements

For the year ended 31st December 2021

1. General Information

Syndicate 3500 is engaged in the runoff of the assets and liabilities associated with previously written insurance and reinsurance business in the Lloyd's of London general insurance market. Additionally, Syndicate 3500 seeks to acquire new portfolios of run-off business.

Syndicate 3500 is managed by RiverStone Managing Agency Limited ("the Managing Agent"), whose registered office address is Park Gate, 161-163 Preston Road, Brighton, East Sussex, England, United Kingdom, BN1 6AU.

2. Statement of Compliance

The financial statements of Syndicate 3500 have been prepared in accordance with Regulation 5 of The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008, and in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS102") and Financial Reporting Standard 103, "Insurance Contracts" ("FRS103").

3. Summary of Significant Accounting Policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of Preparation

The preparation of financial statements in conformity with FRS102 and FRS103 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the accounting policies of Syndicate 3500. The areas involving a higher degree of judgement or complexity or areas where assumptions and estimates are significant to the financial statements, are disclosed further below.

These financial statements are prepared on a going concern basis under the historical cost convention.

(b) Going Concern

Having addressed the principal risks, the directors of the Managing Agent consider it appropriate to adopt the going concern basis of accounting in preparing these financial statements. The ability of Syndicate 3500 to meet its obligations as they fall due is underpinned by the support provided by Lloyd's solvency process and its chain of security for any members who are unable to meet their underwriting liabilities. This chain of security includes Funds at Lloyd's, which are further explained in Note 24.

(c) Insurance Contracts

i) Premiums Written

Premiums written comprise the reinsurance to close premium and the loss portfolio transfer reinsurance premiums on contracts inceptioned during the financial year. The reinsurance to close premium is grossed up for any reinsurer's share of unearned premium and deferred acquisition costs acquired under any reinsurance to close transaction.

Premiums written also relate to adjustments made in the year to estimates of premiums written in prior years. Premiums are shown gross of commission payable and exclude taxes and duties

Syndicate 3500

Notes to the Financial Statements

For the year ended 31st December 2021

levied on them. Estimates are made for pipeline premiums, including amounts due to Syndicate 3500 not yet notified.

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.

Unearned premiums represent the proportion of premiums written that relate to unexpired terms of policies in force at the balance sheet date.

Acquisition costs, which represent commission and other related expenses, are allocated over the period in which the related premiums are earned.

ii) Claims Incurred and Reinsurers' Share

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

Provisions for outstanding claims and related reinsurance recoveries are established based on estimates of the ultimate net cost of settlement along with actuarial and statistical projections. Claims provisions are determined based upon previous claims experience, knowledge of events and the terms and conditions of the relevant policies and on interpretation of circumstances. Particularly relevant is experience with similar cases and historical claims payment trends. The approach also includes the consideration of the development of loss payment trends, levels of unpaid claims, judicial decisions and economic conditions.

Provisions for unexpired risks are established based on estimates of the cost of all claims and expenses in connection with insurance contracts in force after the end of the financial year where these costs are estimated to be in excess of the related unearned premiums and any premiums receivable on those contracts.

Whilst the board of directors of the Managing Agent ("the Board") believes that the provisions for outstanding claims and related reinsurance recoveries including bad debt provisions are fairly stated, these estimates inevitably contain inherent uncertainties because significant periods of time may elapse between the occurrence of an incurred loss, the reporting of that loss to Syndicate 3500, Syndicate 3500's payment of the loss and the receipt of reinsurance recoveries. These uncertainties are inherent in much of the business previously underwritten and assumed by Syndicate 3500. The estimates made are based upon current facts available to Syndicate 3500 and the prevailing legal environment and are subjected to continual review, with any resulting adjustments reported in current earnings. Anticipated reinsurance recoveries are disclosed separately as assets on the balance sheet.

(d) Syndicate Operating Expenses

All costs relating to the administration and handling of claims are shown as part of gross claims paid. All other administrative costs of Syndicate 3500, including acquisition costs and any members' expenses, are shown as net operating expenses.

Syndicate 3500

Notes to the Financial Statements

For the year ended 31st December 2021

(e) Distribution of Profits and Collection of Losses

Lloyd's operates a detailed set of regulations regarding solvency and the distribution of profits and payment of losses between Syndicates and their members. Lloyd's continues to require membership of Syndicates to be on an underwriting year of account basis and profits and losses accrue to members according to their membership of a year of account. Normally profits and losses are settled between Syndicate 3500 and members after results for a year of account are finalised after 36 months. This period may be extended if a year of account goes into run-off. Syndicate 3500 may make earlier on account distributions or cash calls according to the cash flow of a particular year of account and subject to Lloyd's requirements.

(f) Translation of Foreign Currencies

The financial statements are presented in US Dollars and, unless otherwise stated, are rounded to thousands. Items included in Syndicate 3500's financial statements are measured using the currency of the primary economic environment in which it operates. Syndicate 3500's functional currency is US Dollars.

Foreign currency transactions are translated into the functional currency using the average rate of exchange during the year. At each year end foreign currency monetary items are translated using the year end rate of exchange. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss account for the year. All exchange differences arising from the translation from functional currency to presentation currency are recognised through the Statement of Comprehensive Income as a separate component of equity.

With effect from 1st January 2021 the functional currency of the Syndicate changed from Sterling to US Dollars due to a gradual change in the dominant currency throughout the period.

In addition, from 1st January 2021, the Syndicate opted to change presentational currency from Pound Sterling to US Dollars, given that a significant majority of earnings are denominated in US Dollars. The Directors

believe that the change in presentation currency will give stakeholders a clearer understanding of the Syndicate's financial performance and financial position over time.

Following this the prior year figures have been translated into US Dollars using the following procedures:

- Assets and liabilities are translated into US Dollars at the closing rates of exchange. At 31st December 2020 the closing rate was Pound Sterling/US Dollars 1.37.
- trading results are translated into US Dollars at the average rates of exchange. At 31st December 2020 the average rate was Pound Sterling/US Dollars 1.28.
- differences resulting from the retranslation of the opening net assets and the results for the period have been presented in the other comprehensive income under currency translation adjustments.

(g) Tax

No amount has been provided in these financial statements for tax on trading income. Under Schedule 19 of the Finance Act 1993, managing agents are not required to deduct basic rate income tax from trading income. In addition, all UK basic rate income tax deducted from syndicate investment income is recoverable by managing agents and consequently the distribution made to members or their members' agents is gross of tax. Capital appreciation falls within trading income and is also distributed gross of tax.

Syndicate 3500

Notes to the Financial Statements

For the year ended 31st December 2021

No provision has been made for any United States Federal Income Tax payable on underwriting results or investment earnings. Any payments on account made by Syndicate 3500 during the year have been included in the balance sheet under the heading 'other debtors'.

No provision has been made for any other overseas tax payable by members on underwriting results.

(h) Investment Return

Investment return comprises all investment income, realised investment gains and losses and movements in unrealised gains and losses, net of investment expenses and charges.

Realised gains and losses on investments carried at market value are calculated as the difference between sale proceeds and purchase price. Movements in unrealised gains and losses on investments represent the difference between the valuation at the balance sheet date, together with the reversal of unrealised gains and losses recognised in earlier accounting periods in respect of investment disposals in the current year.

(i) Other Financial Investments

Syndicate 3500 has chosen to apply the recognition and measurement provisions of IAS 39 (as adopted for use in the EU) and the disclosure requirements of FRS 102 in respect of the financial statements.

Syndicate 3500 classifies all of its investments as financial assets at fair value through profit and loss. Management determines the classification of its investments at initial recognition and re-evaluates this at every reporting date.

A financial asset is classified as fair value through profit and loss at inception if it is acquired principally for the purpose of selling in the short term, if it forms part of a portfolio of financial assets in which there is evidence of short-term profit-taking, or if so designated by management to minimise any measurement or recognition inconsistency with the associated liabilities. All derivatives are classified as at fair value through profit and loss.

Financial assets designated as at fair value through profit and loss at inception are those that are managed and whose performance is evaluated on a fair value basis. Information about these financial assets is provided internally on a fair value basis to Syndicate 3500's key management personnel. Syndicate 3500's investment strategy is to invest in listed and unlisted equity securities and fixed interest rate debt securities and derivatives designated upon initial recognition at fair value through profit and loss.

The fair values of listed investments are based on current bid prices on the balance sheet date. Unlisted investments for which a market exists are also stated at the current bid price on the balance sheet date or the last trading day before that date.

Net gains or losses arising from changes in the fair value of financial assets at fair value through profit and loss are presented in the Profit and Loss Account within 'Unrealised gains on investments' or 'Unrealised losses on investments' in the year in which they arise.

Syndicate 3500 discloses its investments in accordance with a fair value hierarchy with the following levels:

- i) Level 1 – the unadjusted quoted price in an active market for identical assets or liabilities that the entity can access at the measurement date;

Syndicate 3500

Notes to the Financial Statements

For the year ended 31st December 2021

- ii) Level 2 – inputs other than quoted prices included within Level 1 that are observable (i.e. developed using market data) for the asset or liability, either directly or indirectly
- iii) Level 3 – inputs are unobservable (i.e. for which market data is unavailable) for the asset or liability

(j) Related Party Transactions

Syndicate 3500 discloses transactions with related parties which are not wholly owned within the same group. Where appropriate, transactions of a similar nature are aggregated unless, in the opinion of the directors, separate disclosure is necessary to understand the effect of the transactions on the financial statements.

4. Critical Accounting Judgements and Estimation Uncertainty

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Syndicate 3500 makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimation of the ultimate liability arising from claims made under insurance contracts is Syndicate 3500's most critical accounting estimate. There are several sources of uncertainty that need to be considered in the estimate of the liability that Syndicate 3500 will ultimately pay for such claims. Some of these claims are not expected to be settled for several years and there is uncertainty as to the amounts at which they will be settled. The level of provision has been set on the basis of the information that is currently available, including potential outstanding loss advices, experience of development of similar claims and case law.

The most significant assumptions made relate to the level of future claims, the level of future claims settlements and the legal interpretation of insurance policies. Whilst the directors consider that the gross provision for claims and the related reinsurance recoveries are fairly stated on the basis of the information currently available to them, the ultimate liability will vary as a result of subsequent information and events and may result in adjustments to the amount provided. Adjustments to the amounts of provision are reflected in the financial statements for the year in which the adjustments are made. The methods used, and the estimates made, are reviewed regularly. No other material critical judgements have been identified.

5. Management of Insurance and Financial Risk

Financial Risk Management Objectives

Syndicate 3500 is exposed to insurance risk through the insurance contracts that it has written and to financial risk through its financial assets, reinsurance assets and policyholder liabilities. In particular, the key financial risk is that the proceeds from financial assets are not sufficient to fund the obligations arising from insurance policies as they fall due. The most important components of this financial risk are market risk (including interest rate risk, equity price risk and currency risk), credit risk and liquidity risk.

Syndicate 3500 has established an overall risk management policy which focuses on the main risks to which it is exposed, paying particular attention to key risks which impact on the overall operation of the business. A risk register is maintained which is updated at least quarterly. All risks on the register are reviewed with key management personnel and the Board reviews the key risks on a quarterly basis.

Syndicate 3500

Notes to the Financial Statements

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(a) Insurance Risk

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 Syndicate 3500 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. Syndicate 3500 has a diversified portfolio of insurance risks, which predominantly relate to business originally written previously.

Syndicate 3500 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.

i) Process for Assessment of Technical Provisions

Syndicate 3500 adopts a consistent process to the calculation of an appropriate provision for the exposures arising from the business it has written. A full reserving analysis is conducted at least annually and the technical provisions recorded on the balance sheet are in line with the Board's view of the best estimate value of the underlying liabilities.

The technical provisions recorded at the reporting date comprise the estimated ultimate cost of settlement of all claims incurred in respect of events up to that date, whether reported or not, together with related claims handling expenses, less amounts already paid. This is estimated based on known facts at the balance sheet date. The provision is revised as part of a regular ongoing process as claims experience develops, certain claims are settled and further claims are reported.

Syndicate 3500 uses assumptions based on a mixture of internal and market data to measure its claims liabilities. This information is used to project the ultimate number and value of claims, by major class of business, using recognised statistical estimation techniques.

Assumptions are reviewed and tested regularly in the light of actual claims development and general market movements and trends.

ii) Sources of Uncertainty in the Estimation of Future Claim Payments

The sources of estimation uncertainty in establishing the ultimate liability arising from claims made under insurance contracts is discussed in Note 5.

The estimated cost of claims includes direct expenses to be incurred in settling claims, net of the expected subrogation value and other recoveries. Syndicate 3500 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.

The liability for insurance contracts comprises a provision for claims incurred but not yet reported and a provision for reported claims not yet paid. The estimation of claims incurred but not

Syndicate 3500

Notes to the Financial Statements

For the year ended 31st December 2021

reported is generally subject to a greater degree of uncertainty than the estimates of claims that have already been notified, for which there is more information available.

iii) Key Assumptions and Sensitivities

The assumptions that have the greatest impact on gross and net technical provisions are those that affect the expected level of claims in the liability and professional indemnity classes. The largest sensitivities on these classes are in respect of uncertainties around future numbers and amounts of claims. The reserves for these classes will be paid out over several years.

Syndicate 3500 is judged not to have material insurance exposure to COVID-19 related claims and has experienced limited claims notifications in this regard during 2020 and 2021. The 31st December 2021 technical provisions make allowance for potential claims arising in relation to this pandemic based on the detailed knowledge of business written and the expert judgements of actuarial and claims subject matter experts. While the final outcome of any potential claims is subject to uncertainty and is unlikely to be known for some time, the current provisions are deemed sufficient.

iv) Claims Development Tables

The following table presents the comparison of actual claims incurred to previous estimates for the last 10 years.

Claims Outstanding (Gross)

Underwriting Year	2012 \$'000	2013 \$'000	2014 \$'000	2015 \$'000	2016 \$'000	2017 \$'000	2018 \$'000	2021 \$'000	Total \$'000
Estimate of cumulative gross claims									
At the end of the first year	506,448	575,824	538,886	550,687	704,185	843,957	529,996	1,078,053	5,328,036
- One year later	953,756	1,181,521	1,147,459	1,316,927	1,686,322	1,471,540	762,365		8,519,889
- Two years later	972,627	1,195,706	1,295,111	1,449,816	1,883,646	1,648,352	767,445		9,212,703
- Three years later	955,152	1,163,788	1,322,445	1,450,804	1,948,407	1,653,011	833,123		9,326,729
- Four years later	960,150	1,151,253	1,363,242	1,485,642	2,011,577	1,759,449			8,731,313
- Five years later	973,246	1,127,001	1,362,851	1,493,048	2,048,622				7,004,768
- Six years later	963,649	1,124,106	1,403,816	1,448,892					4,940,463
- Seven years later	963,285	1,109,927	1,366,683						3,439,896
- Eight years later	959,698	1,094,861							2,054,559
- Nine years later	955,978								955,978
Current estimate of cumulative claims	955,978	1,094,861	1,366,683	1,448,892	2,048,622	1,759,449	833,123	1,078,053	10,585,662
Cumulative payments to date	878,691	994,091	1,212,121	1,235,676	1,649,367	1,446,319	663,285	29,781	8,109,331
Liability recognised in the balance sheet	77,288	100,770	154,563	213,216	399,255	313,130	169,838	1,048,272	2,476,331
Reserve in respect of prior years									139,014
Total reserve included in the balance sheet									2,615,345

Syndicate 3500

Notes to the Financial Statements

For the year ended 31st December 2021

Claims Outstanding (Net)

Underwriting Year	2012 \$'000	2013 \$'000	2014 \$'000	2015 \$'000	2016 \$'000	2017 \$'000	2018 \$'000	2021 \$'000	Total \$'000
Estimate of cumulative gross claims									
At the end of the first year	405,911	456,873	455,786	473,916	583,182	516,183	315,287	1,078,053	4,285,192
- One year later	725,962	909,043	964,987	1,079,042	1,338,945	979,217	489,289		6,486,485
- Two years later	786,466	937,279	1,049,398	1,177,749	1,472,056	1,087,516	497,022		7,007,487
- Three years later	910,004	903,036	1,061,813	1,177,723	1,494,647	1,104,945	585,449		7,237,617
- Four years later	732,462	896,417	1,058,716	1,196,551	1,528,611	1,241,007			6,653,764
- Five years later	754,311	864,264	1,066,296	1,222,106	1,611,073				5,518,051
- Six years later	740,572	858,003	1,103,693	1,194,556					3,896,824
- Seven years later	735,794	870,112	1,107,122						2,713,027
- Eight years later	738,680	881,373							1,620,053
- Nine years later	735,476								735,476
Current estimate of cumulative claims	735,476	881,373	1,107,122	1,194,556	1,611,073	1,241,007	585,449	1,078,053	8,434,108
Cumulative payments to date	693,188	825,550	1,008,845	1,058,448	1,363,839	1,007,988	479,337	29,781	6,466,977
Liability recognised in the balance sheet	42,287	55,823	98,277	136,108	247,234	233,018	106,112	1,048,272	1,967,132

Reserve in respect of prior years

90,477

Total reserve included in the balance sheet

2,057,609

Insurance Risk Concentrations

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,

	2021		2020*	
	Gross \$'000	Net \$'000	Gross \$'000	Net \$'000
Annuities	122,494	-	-	-
Casualty reinsurance	-	-	35,134	19,550
Credit and suretyship	185,209	160,370	12,425	5,923
Fire and other damage to property	93,802	78,158	76,348	20,947
General liability	305,972	230,623	416,109	197,370
Health insurance	1,202,854	999,816	1,237	802
Income protection	34,172	26,745	8,832	7,042
Legal Expenses	58,895	55,296	-	-
Marine, aviation and transport	480	492	99,445	33,359
Medical expenses	299,589	239,056	243	228
Motor vehicle liability	152	164	1,998	388
Other motor	163,625	175,191	13,952	1,534
Property reinsurance	35,493	23,758	29,760	10,765
Worker's compensation	73,419	34,999	65,636	31,077
Claims expense reserve	39,189	32,941	12,918	6,919
Total technical provisions	\$ 2,615,345	\$ 2,057,609	\$ 774,037	\$ 335,904

*Restated, see note 3(f) for further details

Syndicate 3500

Notes to the Financial Statements

For the year ended 31st December 2021

(b) Market Risk

i) Interest Rate Risk

Interest rate risk arises primarily from investments in fixed interest securities. In addition, to the extent that claims inflation is correlated to interest rates, liabilities to policyholders are exposed to interest rate risk. Syndicate 3500 works closely with its investment manager to review the duration of the investment portfolio in relation to the estimated mean duration of the liabilities.

Given the short term nature of the cash and investments of Syndicate 3500, it is not exposed to significant interest rate risk since maturing short term investments are repriced at market interest rates on an ongoing basis.

The impact of a 100 basis point increase in interest rates on the value of Syndicate 3500's investments held at 31st December 2021 is an approximate \$20,200,000 loss (2020: loss \$1,220,000 to the profit and loss account. Similarly, a 100 basis point decrease in interest rates would give rise to an approximate \$21,000,000 gain (2020: gain \$1,300,000) to the profit and loss account, prior to cessions to RiverStone Insurance (UK).

ii) Equity Price Risk

Syndicate 3500 is exposed to equity securities price risk as a result of its holdings in equity investments, classified as financial assets at fair value through profit or loss. Exposures to individual companies and to equity shares in aggregate are monitored in order to ensure compliance with the relevant regulatory limits for solvency.

Investments held comprise unlisted and listed investments. Listed investments are those that are traded on recognised stock exchanges, primarily in Europe, North America and Asia.

Syndicate 3500 has a defined investment policy which sets limits on its exposure to equities, both in aggregate terms and by counterparty. This policy of diversification is used to manage Syndicate 3500's price risk arising from its investments in equity securities.

Listed equity securities held at 31st December 2021 represent 100.0% of total equity investments. If equity market indices had increased/decreased by 5%, with all other variables held constant, and all Syndicate 3500's equity investments moved according to the historical correlation with the index, there would be a gain/loss of \$600,000 (2020: \$500,000) to the profit and loss account, prior to cessions to RIUK.

iii) Currency Risk

Syndicate 3500 manages its foreign exchange risk against its functional currency, which is the US Dollars. Syndicate 3500 has a proportion of its assets and liabilities denominated in currencies other than US Dollars, the most significant being the Pounds Sterling, Euro and Australian Dollar. Syndicate 3500 seeks to mitigate the risk by matching the estimated foreign currency denominated liabilities with assets denominated in the same currency, and by the utilisation of forward currency contracts.

At 31st December 2021, if Pound Sterling had weakened by 10% more in 2021 against the US Dollar with all other variables held constant, profit for the year would have been £4 million higher (2020: \$1.6 million lower), mainly as a result of net foreign exchange gains on the translation of US Dollar denominated financial assets, and US Dollar denominated liabilities.

Syndicate 3500

Notes to the Financial Statements

For the year ended 31st December 2021

At 31st December 2021, if the Euro had weakened by 10% more in 2021 against the US Dollar with all other variables held constant, profit for the year would have been \$4.7 million lower (2020: \$1.5 million lower), mainly as a result of net foreign exchange gains on the translation of US Dollar denominated financial assets, and US Dollar denominated liabilities.

At 31st December 2021, if the Australian Dollar had weakened by 10% more in 2021 against the US Dollar with all other variables held constant, profit for the year would have been \$1.3 million higher (2020: \$0.1 million higher), mainly as a result of net foreign exchange gains on the translation of US Dollar denominated financial assets, and US Dollar denominated liabilities.

(c) Credit Risk

Credit risk is the risk that a counterparty will be unable to pay amounts in full when due. Key areas where Syndicate 3500 is exposed to credit risk are:

- reinsurers' share of insurance liabilities;
- amounts due from reinsurers in respect of claims already paid;
- amounts due from insurance intermediaries;
- amounts due from corporate bond issuers;
- counterparty risk with respect to derivative transactions; and
- cash at bank and in hand.

As Syndicate 3500 is in runoff its exposures to other reinsurers and insurance intermediaries are determined by contracts previously written. Syndicate 3500 manages the levels of credit risk from reinsurers and insurance intermediaries by quarterly review of receivable balances by counterparty. Management assesses the creditworthiness of all reinsurers and intermediaries by reviewing credit grades provided by rating agencies and other publicly available financial information. It is Syndicate 3500's policy 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. In certain circumstances, collateral is held in the form of either deposits or letters of credit from reinsurers.

Syndicate 3500 reduces its exposure to credit risk in relation to investments by entering into transactions with counterparties that are reputable and by settling trades through recognised exchanges. Syndicate 3500 maintains strict control limits on the maximum notional amount of derivative positions. The assets bearing credit risk are summarized below, together with an analysis by credit rating (AM Best or equivalent):

	2021 \$'000	2020* \$'000
Derivative Financial Instruments	987	743
Debt securities	894,260	300,459
Deposits with credit institutions	439,154	1,094
Assets arising from reinsurance contracts held	1,192,785	491,085
Premium Receivable	9,252	4,399
Cash at bank and in hand	156,899	55,797
Overseas deposits	133,189	51,088
Total assets bearing credit risk	\$ 2,826,526	\$ 904,665

*Restated, see note 3(f) for further details

Syndicate 3500

Notes to the Financial Statements

For the year ended 31st December 2021

	2021 \$'000	2020* \$'000
AAA	311,349	97,725
AA, AA+, AA-	363,307	93,301
A, A-, A+	1,543,873	333,816
B++ and below or not rated	607,997	379,823
Total assets bearing credit risk	\$ 2,826,526	\$ 904,665

*Restated, see note 3(f) for further details

Assets arising from reinsurance and insurance contracts held are further analysed as follows:

	2021 \$'000	2020* \$'000
Performing	1,184,562	487,337
Past due	18,207	8,830
Impaired	-	-
Provision for irrecoverable amounts	(732)	(683)
	\$ 1,202,037	\$ 495,484

*Restated, see note 3(f) for further details

(d) Liquidity Risk

The primary liquidity risk is the obligation to pay claims to policy holders as they fall due. The projected settlement of these liabilities is modelled, on a regular basis, using a combination of operational cash flow forecasting and actuarial techniques. The Board sets limits on the minimum proportion of maturing funds available to meet such calls and on the minimum level of borrowing facilities that should be in place to cover anticipated liabilities and unexpected levels of demand. The table below analyses the maturity of Syndicate 3500's financial liabilities and outstanding claims. All liabilities are presented on a contractual cash flow basis except for the insurance liabilities, which are presented in their expected cash flows.

	Contractual Maturity Date \$'000	No < 6 months or on demand \$'000	Between 6 months and 1 year \$'000	Between 1 year and 2 years \$'000	Between 2 years and 5 years \$'000	> 5 Years \$'000	Carrying Value \$'000
At 31st December 2021							
Creditors	-	73,288	14,726	17,581	18,927	12,620	137,142
Claims outstanding	-	341,381	341,380	966,005	503,015	463,564	2,615,345
Financial liabilities and outstanding claims	\$ -	\$ 414,669	\$ 356,106	\$ 983,586	\$ 521,942	\$ 476,184	\$ 2,752,487
At 31st December 2020							
Creditors*	-	93,532	2,141	4,266	1,784	2,659	104,382
Claims outstanding*	-	130,500	126,892	252,844	105,737	158,064	774,037
Financial liabilities and outstanding claims*	\$ -	\$ 224,032	\$ 129,033	\$ 257,110	\$ 107,521	\$ 160,723	\$ 878,419

*Restated, see note 3(f) for further details

Syndicate 3500

Notes to the Financial Statements

For the year ended 31st December 2021

(e) Capital Management

Syndicate 3500 maintains an efficient capital structure comprising only its members' balances, consistent with its risk profile and the regulatory and market requirements of its business. Syndicate 3500's objectives in managing its capital are:

- to match the profile of its assets and liabilities, taking account of the risks inherent in the business
- to satisfy the requirements of its policyholders and regulators
- to retain financial flexibility by maintaining adequate liquidity

Syndicate 3500 is regulated by the Prudential Regulation Authority, the Financial Conduct Authority and Lloyd's and is subject to insurance solvency regulations which specify the minimum amount and type of capital that must be held in addition to the insurance liabilities. Syndicate 3500 manages capital in accordance with these rules and performs the necessary tests to ensure continuous and full compliance with such regulations. Syndicate 3500 has complied with all of its capital requirements throughout the year.

The minimum capital required to support Syndicate 3500 is required to be provided by the corporate member, either by assets held in trust by Lloyd's specifically for that member ("Funds at Lloyd's"), held within, and managed within, a syndicate (Funds in Syndicate) or as the member's share of the members' balances on each syndicate on which it participates. Accordingly, all of the assets less liabilities of the Syndicate, as represented in the member balances reported on the Balance Sheet, represent resources available to meet member and Lloyd's capital requirements.

6. Segmental Analysis

	Gross premiums written 2021 \$'000	Gross premiums earned 2021 \$'000	Gross claims incurred 2021 \$'000	Gross operating expenses 2021 \$'000	Re- insurance balance 2021 \$'000
Direct Insurance					
Accident and health	26,767	26,767	(32,481)	(283)	2,662
Motor	1,145	1,145	(1,269)	(311)	444
Marine, aviation and transport	88,766	87,736	(104,289)	(685)	26,498
Credit and surety	29,962	29,054	(17,745)	(138)	4,740
Fire and other damage to property	48,864	48,404	(87,804)	(634)	36,251
Third party liability	502,812	474,468	(593,785)	(3,476)	96,753
	698,316	667,574	(837,373)	(5,527)	167,348
Reinsurance acceptances	1,610,766	1,493,104	(1,562,366)	(6,426)	86,892
Total	\$ 2,309,082	\$ 2,160,678	\$ (2,399,739)	\$ (11,953)	\$ 257,240

Syndicate 3500

Notes to the Financial Statements

For the year ended 31st December 2021

	Gross premiums written 2020* \$'000	Gross premiums earned 2020* \$'000	Gross claims incurred 2020* \$'000	Gross operating expenses 2020* \$'000	Re- insurance balance 2020* \$'000
Direct Insurance					
Accident and health	4,955	4,987	(5,409)	(530)	(2,690)
Motor	-	-	10,313	-	(9,589)
Marine, aviation and transport	9,960	9,987	(20,040)	(2,888)	(1,520)
Credit and surety	32,037	14,520	(6,747)	3,208	3,089
Fire and other damage to property	11,118	10,032	(50,139)	(4,171)	33,429
Third party liability	73,505	72,453	(89,067)	(14,759)	36,779
	<u>131,575</u>	<u>111,979</u>	<u>(161,090)</u>	<u>(19,140)</u>	<u>59,497</u>
Reinsurance acceptances	20,132	20,394	(19,089)	(1,939)	10,715
Total	\$ 151,707	\$ 132,373	\$ (180,178)	(21,079)	\$ 70,213

*Restated, see note 3(f) for further details

All premiums written were in respect of insurance contracts concluded in the UK.

Effective 1st January 2021, Syndicate 3500 entered into the following transactions:

- the reinsurance to close of the 2018 and prior underwriting years of account liabilities of Syndicate 780. This transaction results in the transfer to Syndicate 3500 of gross and net technical provisions of \$178.9 million and \$114.5 million, respectively;
- the reinsurance to close of the 2018 and prior underwriting years of account liabilities of Syndicate 1897. This transaction results in the transfer to Syndicate 3500 of gross and net technical provisions of \$78.6 million and \$73.2 million, respectively;
- the loss portfolio transfer reinsurance of the 2019 underwriting year of account liabilities of Syndicate 1897. This transaction results in the transfer to Syndicate 3500 of gross and net technical provisions of \$17.6 million and \$17.3 million respectively;
- the reinsurance to close of the 2017 and prior underwriting years of account liabilities of syndicate 1200 and the reinsurance to close of the 2018 and prior underwriting years of syndicate 4000. These transactions result in the transfer to Syndicate 3500 of gross and net technical provisions of \$1.1 billion and \$857 million, respectively.

During 2021, Syndicate 3500 entered into the following transactions:

- the loss portfolio transfer reinsurance of the liabilities for another Lloyd's Syndicate. This transaction results in the transfer to Syndicate 3500 of gross and net technical provisions of \$193.9 million;
- the loss portfolio transfer reinsurance of the liabilities for another Lloyd's Syndicate. This transaction results in the transfer to Syndicate 3500 of gross and net technical provisions of \$345.2 million;
- the loss portfolio transfer reinsurance of the liabilities for two Lloyd's Syndicate. This transaction results in the transfer to Syndicate 3500 of gross and net technical provisions of \$534.6 million;
- the loss portfolio transfer reinsurance of the liabilities for Syndicate 2468. This transaction results in the transfer to Syndicate 3500 of gross and net technical provisions of \$19.6 million;

Syndicate 3500

Notes to the Financial Statements

For the year ended 31st December 2021

7. Technical Provisions – Claims Outstanding

The change in the provisions for claims outstanding are as follows:

	2021			2020*		
	Gross \$'000	Reinsurers' Share \$'000	Net \$'000	Gross \$'000	Reinsurers' Share \$'000	Net \$'000
Claims outstanding at 1 st January	774,037	438,133	335,904	802,354	501,240	301,114
Reinsurance of new liabilities	2,425,117	300,794	2,124,323	213,743	73,597	140,146
New ceded reinsurance entered into	-	12,055	(12,055)	-	2,324	(2,324)
Change in estimates of technical provision provisions, including foreign exchange	(60,641)	(38,470)	(22,171)	(7,146)	(28,858)	21,712
Paid claims	(523,168)	(154,776)	(368,392)	(234,914)	(110,170)	(124,744)
Claims outstanding at 31 st December	\$2,615,345	\$ 557,736	\$ 2,057,609	\$ 774,037	\$ 438,133	\$ 335,904

*Restated, see note 3(f) for further details

Included within reinsurers' share of technical provisions – claims outstanding are amounts recoverable from related companies of \$242,091,142 (2020: \$264,526,762)

	2021			2020*		
	Gross \$'000	Reinsurers' Share \$'000	Net \$'000	Gross \$'000	Reinsurers' Share \$'000	Net \$'000
Unearned Premium at 1 st January	21,000	6,658	14,342	-	-	-
Reinsurance of new liabilities	149,975	8,395	141,580	35,986	14,112	21,874
New ceded reinsurance entered into	-	-	-	-	3,827	(3,827)
Earned Premiums	(5,890)	(1,776)	(4,114)	(20,593)	(11,357)	(9,236)
Foreign Exchange	(337)	(100)	(237)	5,607	76	5,531
Unearned Premium at 31 st December	\$ 164,748	\$ 13,177	\$ 151,571	\$ 21,000	\$ 6,658	\$ 14,342

*Restated, see note 3(f) for further details

The initial recognition of reinsurer's share of unearned premium associated with the reinsurance of new liabilities is recognised in the profit and loss account as a gross up to gross premiums written.

8. Net Operating Expenses

Syndicate operating expenses included within net operating expenses comprise:

	2021 \$'000	2020* \$'000
Administrative expenses	22,363	16,617
Gross profit commission payable	1,059	(10,285)
Deferred acquisition costs	6,216	4,462
Less: recovered under reinsurance protection agreements	(7,311)	(10,125)
	\$ 22,327	\$ 669

*Restated, see note 3(f) for further details

Syndicate 3500

Notes to the Financial Statements

For the year ended 31st December 2021

The management and administration of RiverStone Managing Agency is carried out by RiverStone Management, a fellow subsidiary, which also provides these services to other group companies. RiverStone Management recharges these costs to RiverStone Managing Agency, which in turn recharges them to Syndicate 3500. Certain costs are recovered by Syndicate 3500 under the reinsurance protection agreements it has entered into with affiliated reinsurers.

Operating costs charged to Syndicate 3500 by RiverStone Managing Agency during the year were \$29,317,677 (2019: \$22,393,523).

The Directors, Run-off Manager and other key management personnel of Syndicate 3500 receive no emoluments from RiverStone Managing Agency. The contracts of employment of the U.K. executive Directors and employees are with RiverStone Management which makes charges for the services described above. Emoluments paid by RiverStone Management to the key management personnel of Syndicate 3500 in respect of their services in relation to Syndicate 3500 are summarised below. These amounts represent emoluments based on an apportionment of time.

	2021	2020*
	\$'000	\$'000
Total emoluments: Directors, run off manager and key management personnel	\$ <u>2,233</u>	\$ <u>1,498</u>
Run-off Manager	\$ <u>393</u>	\$ <u>286</u>

*Restated, see note 3(f) for further details

Further information in respect of the directors of RiverStone Managing Agency is provided in that company's financial statements.

Syndicate 3500

Notes to the Financial Statements

For the year ended 31st December 2021

9. Auditors' Remuneration

Fees payable for the audit of the annual accounts of RiverStone Managing Agency Limited are \$16,423 (2020: \$10,718). Fees payable for audit-related assurance services provided to the managing agent are \$nil (2020: nil). There were no other fees payable for the provision of other non-audit services.

	2021 \$'000	2020* \$'000
Audit of these financial statements	248	287
Audit related assurance services	134	71
Non-audit related actuarial and valuation services	461	171
	<u>\$ 843</u>	<u>\$ 529</u>

*Restated, see note 3(f) for further details

10. Investment Income

	2021 \$'000	2020* \$'000
Income from financial assets at fair value through profit and loss	<u>\$ 7,857</u>	<u>\$ 4,770</u>

*Restated, see note 3(f) for further details

Investment Expenses and Charges

	2021 £'000	2020* \$'000
Investment expenses	<u>\$ 1,816</u>	<u>\$ 1,303</u>

*Restated, see note 3(f) for further details

12. Loss for the year

	2021 \$'000	2020* \$'000
The Loss for the year is stated after charging:		
Foreign exchange loss	<u>\$ 4,634</u>	<u>\$ 4,970</u>

*Restated, see note 3(f) for further details

Syndicate 3500

Notes to the Financial Statements

For the year ended 31st December 2021

13. Other Financial Investments

(a) Other Financial Investments by Category

	Market Value 2021 \$'000	Market Value 2020* \$'000	Historic Cost 2021 \$'000	Historic Cost 2020* \$'000
Financial Assets – at fair value through profit and loss				
Shares and other variable-yield securities and units in unit trusts - designated at fair value through profit and loss on initial recognition	11,915	9,092	7,781	7,853
Debt securities and other fixed interest securities designated at fair value through profit and loss on initial recognition	894,260	300,459	899,003	307,816
Derivative financial instruments - at fair value through profit and loss, held for trading	987	743	-	-
Deposits with credit institutions	439,154	1,094	439,154	1,094
	<u>\$ 1,346,316</u>	<u>\$ 311,388</u>	<u>\$ 1,345,938</u>	<u>\$ 316,763</u>

Financial Liabilities

Derivative financial instruments - at fair value through profit and loss, held for trading	<u>\$ 2,457</u>	<u>\$ 1,089</u>	<u>\$ -</u>	<u>\$ -</u>
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*Restated, see note 3(f) for further details

(b) Listed Investments

Included in carrying values of financial assets above are amounts in respect of listed investments as follows:

	2021 \$'000	2020* \$'000
At fair value through profit and loss		
Shares and other variable yield securities and units in unit trusts	11,915	9,092
Debt securities and other fixed interest securities	<u>807,298</u>	<u>85,588</u>
Total listed investments	<u>\$ 819,213</u>	<u>\$ 94,680</u>

*Restated, see note 3(f) for further details

Syndicate 3500
Notes to the Financial Statements
For the year ended 31st December 2021

Derivative Financial Instruments at Fair Value through Profit and Loss

	Market Value 2021 \$'000	Market Value 2020* \$'000
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Derivative financial instruments assets

Foreign currency forward contracts	\$ <u>987</u>	\$ <u>743</u>
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Derivative financial instruments liabilities

Foreign currency forward contracts	\$ <u>2,457</u>	\$ <u>1,089</u>
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*Restated, see note 3(f) for further details

The functional currency of Syndicate 3500 is Pound Sterling and consequently it is exposed to foreign exchange movements in currencies other than Pound Sterling. Syndicate 3500 has foreign currency forward contracts in place to provide protection against the impact of potential adverse fluctuations in exchange rates on Syndicate 3500's net asset positions.

The foreign currency forward contracts are measured at fair value, which is determined using valuation techniques that utilise observable inputs. The key inputs used in valuing the derivatives are the forward exchange rates for USD: GBP.

	Market Value		Contract/Notional Amount	
	2021 \$'000	2020* \$'000	2021 \$'000	2020* \$'000
Foreign currency forward contracts	\$ <u>(1,471)</u>	\$ <u>(346)</u>	\$ <u>308,760,802</u>	\$ <u>122,742</u>

*Restated, see note 3(f) for further details

(c) Disclosures of Fair Values in Accordance with the Fair Value Hierarchy

	Level 1 2021 \$'000	Level 2 2021 \$'000	Level 3 2021 \$'000	Total 2021 \$'000
Shares and other variable yield securities and units in unit trusts	11,915	-	-	11,915
Debt securities and other fixed interest securities	78,182	816,078	-	894,260
Derivative financial instruments at fair value through profit or loss, held for trading	-	-	987	987
Deposits with credit institutions	439,154	-	-	439,154
	\$ <u>529,251</u>	\$ <u>816,078</u>	\$ <u>987</u>	\$ <u>1,346,316</u>

Syndicate 3500
Notes to the Financial Statements
For the year ended 31st December 2021

	Level 1 2020* \$'000	Level 2 2020* \$'000	Level 3 2020* \$'000	Total 2020* \$'000
Shares and other variable yield securities and units in unit trusts	9,092	-	-	9,092
Debt securities and other fixed interest securities	193,147	107,312	-	300,459
Derivative financial instruments at fair value through profit or loss, held for trading	-	-	743	743
Deposits with credit institutions	1,094	-	-	1,094
	\$ 203,333	\$ 107,312	\$ 743	\$ 311,388

*Restated, see note 3(f) for further details

(d) Level 3 Pricing

Level 3 valuation techniques are used by Syndicate 3500 in respect of foreign exchange forward contracts, observable inputs include the strike price and the prevailing market foreign exchange rates.

(e) Reconciliation of Movements in Level 3 Financial Investments Measured at Fair Value

	At Fair Value Through Profit and Loss			
	Debt Securities 2021 \$'000	Equity Shares 2021 \$'000	Derivatives 2021 \$'000	Total 2021 \$'000
At 1 st January	-	-	737	737
Total losses recognised in the profit and loss account	-	-	250	250
Sales	-	-	-	-
Total	\$ -	\$ -	\$ 987	\$ 987

Syndicate 3500
Notes to the Financial Statements
For the year ended 31st December 2021

	At Fair Value Through Profit and Loss			
	Debt	Equity	Derivatives	Total
	Securities	Shares		
	2020*	2020*		
	\$'000	\$'000	\$'000	\$'000
At 1 st January	-	6,848	2,743	9,590
Total losses recognised in the profit and loss account	-	(2,356)	(1,999)	(4,356)
Sales	-	(4,491)	-	(4,491)
Total	\$ -	\$ -	\$ 743	\$ 743

*Restated, see note 3(f) for further details

Total gains of \$0.3 (2020: losses of \$4.4 million) comprise unrealised gains of \$0.3 million on Level 3 financial investments held during the year, all of which are presented in the net investment return in the profit and loss account.

(f) Collateralised Cash and Investments

Syndicate 3500 maintains a letter of credit facility and Lloyd's trust funds and overseas deposits in respect of its contractual obligations under which Syndicate 3500 is obliged to collateralise its liabilities. The total amount of collateral provided at 31st December 2021 was \$596.3 million (2020: \$135.1 million).

14. Debtors Arising Out of Direct Insurance Operations

	2021 \$'000	2020* \$'000
Amount owed from intermediaries	\$ <u>84,918</u>	\$ <u>8,382</u>

*Restated, see note 3(f) for further details

15. Debtors Arising Out of Reinsurance Operations

	2021 \$'000	2020* \$'000
Amount owed from intermediaries	88,153	37,911
Loss portfolio transfer premium due from cedants	546,896	
Due from group undertakings	-	-
Premium receivable	<u>9,252</u>	<u>4,400</u>
	\$ <u>644,301</u>	\$ <u>42,311</u>

*Restated, see note 3(f) for further details

Syndicate 3500
Notes to the Financial Statements
For the year ended 31st December 2021

16. Other Debtors

	2021	2020*
	\$'000	\$'000
Insurance premium taxes	1,776	886
	\$ 1,776	\$ 886

*Restated, see note 3(f) for further details

17. Creditors Arising out of Direct Insurance Operations

	2021	2020*
	\$'000	\$'000
Amounts owed to intermediaries	354	55
	\$ 354	\$ 55

*Restated, see note 3(f) for further details

18. Creditors Arising out of Reinsurance Operations

	2021	2020*
	\$'000	\$'000
Amounts owed to group undertakings	36,158	61,188
Amounts owed to cedants and intermediaries	70,623	39,470
	\$ 106,781	\$ 100,658

*Restated, see note 3(f) for further details

19. Other Creditors Including Taxation and Social Security

	2021	2020*
	\$'000	\$'000
Amounts owed to group undertakings	-	2,368
Payable for securities sold	27,465	-
Other creditors	85	212
Derivative liabilities	2,457	1,089
	\$ 30,007	\$ 3,669

*Restated, see note 3(f) for further details

Syndicate 3500
Notes to the Financial Statements
For the year ended 31st December 2021

20. Movement in Opening and Closing Portfolio Investments Net of Financing

	2021 \$'000	2020* \$'000
Net cash inflow for the year	118,645	12,717
Increase in overseas deposits	85,723	7,155
Net portfolio investment	<u>1,051,616</u>	<u>47,676</u>
Movement arising from cash flows	1,255,984	67,548
Changes in market value and exchange rates	<u>(37,853)</u>	<u>(8,432)</u>
Total movement in portfolio investments, net of financing	1,218,085	59,117
Balance brought forward at 1 st January, net of financing	<u>418,273</u>	<u>359,157</u>
Balance carried forward at 31st December, net of financing	\$ <u>1,636,404</u>	\$ <u>418,273</u>

*Restated, see note 3(f) for further details

21. Movement in Cash, Portfolio Investments and Financing

	At 1st January 2021 \$'000	Cash Flow \$'000	Changes to Market Value and Currencies \$'000	At 31st December 2021 \$'000
Cash at bank and in hand	55,797	118,645	(17,549)	156,899
Overseas deposits	<u>51,088</u>	<u>85,723</u>	<u>(3,627)</u>	<u>133,189</u>
	106,885	204,368	(21,176)	290,088
Portfolio investments:				
Shares and other variable yield securities	9,902	-	2,823	11,915
Debt and other fixed income	300,459	612,683	(18,882)	894,260
Derivative financial instruments	743	250	(6)	987
Deposits with credit institutions	<u>1,094</u>	<u>438,683</u>	<u>(623)</u>	<u>439,154</u>
Total portfolio investments	311,388	1,051,616	(16,688)	1,346,316
Total cash, portfolio investments and financing	\$ <u>418,273</u>	\$ <u>1,255,984</u>	\$ <u>(37,853)</u>	\$ <u>1,636,404</u>

22. Net Cash Inflow on Portfolio Investments

	2021 \$'000	2020* \$'000
Shares and other variable yield securities	-	-
Debt and other fixed income securities	612,683	49,520
Derivative financial instruments	250	(4,909)
Deposits with credit institutions	<u>438,683</u>	<u>-</u>
Net cash inflow on portfolio investments	\$ <u>1,051,616</u>	\$ <u>44,611</u>

*Restated, see note 3(f) for further details

Syndicate 3500

Notes to the Financial Statements

For the year ended 31st December 2021

23. Commitments and Contingent Liabilities

As at 31st December 2021, there were no outstanding commitments or contingent liabilities (2020: nil).

24. Funds at Lloyd's

Every member of Lloyd's is required to hold capital at Lloyd's which is held in trust and known as Funds at Lloyd's (FAL). These funds are required primarily in case syndicate assets prove insufficient to meet members' underwriting liabilities. The level of FAL that Lloyd's requires a member to maintain is determined by Lloyd's according to the nature and the amount of risk to be underwritten by the member and the assessment of the reserving risk in respect of that business. FAL is not hypothecated to any specific syndicate participation by a member, therefore there are no specific funds available to a Syndicate which can be precisely identified as its capital. Consequently, no amount has been shown in these financial statements by way of capital reserves. In addition to the FAL and any additional funds a member may introduce to meet losses, there is a Central Guarantee Fund controlled by Lloyd's which they may utilise to meet any syndicate liabilities that are not met by a member.

25. Related Parties

The managing agent of the syndicate, RiverStone Managing Agency, and the corporate member that provides capital to the syndicate, RiverStone Corporate Capital, are wholly owned subsidiaries of RiverStone Holdings Limited which is registered in England and Wales. The ultimate parent company and controlling party is Gatland Holdings Jersey Limited ("Gatland") which is registered in Jersey.

The nature of the transactions with the related parties below were primarily the provision of services and insurance transactions. All transactions are entered into on an arms length basis.

The following amounts reflected in the profit and loss were transacted with related parties:

	2021	2020
	\$'000	\$'000
Riverstone Managing Agency Limited	(29,317)	(22,394)
Other RSMA managed Syndicates	1,926	-
Gatland subsidiaries (Insurance)	(31,079)	84,720
Gatland subsidiaries (Other)	-	-
Total	\$ (58,470)	\$ (62,326)

The following balance sheet amounts were outstanding at the year end

	2021	2020
	£'000	£'000
Riverstone Managing Agency Limited	(4,630)	(7,835)
Other RSMA managed Syndicates	43,266	-
Gatland subsidiaries (Insurance)	(42,120)	(42,421)
Gatland subsidiaries (Other)	10,885	5,485
Total	\$ (7,401)	\$ (44,771)

Syndicate 3500

Notes to the Financial Statements

For the year ended 31st December 2021

26. Subsequent Events

On 1st January 2022 Syndicate 3500 has completed the reinsurance to close, or split reinsurance to close of the 2019 and prior underwriting years of account liabilities of three separate third party Lloyd's syndicates. These transactions result in the transfer to Syndicate 3500 of net technical provisions of \$270.9 million, \$223.5 million and \$266.8 million, respectively.

On 1st January 2022 Syndicate 3500 also accepted the reinsurance to close of the 2019 year of accounts for Syndicate 1897 and Syndicate 2468, both also managed by RiverStone Managing Agency. These transactions result in the transfer to Syndicate 3500 of net technical provisions of \$nil and \$306 million, respectively.