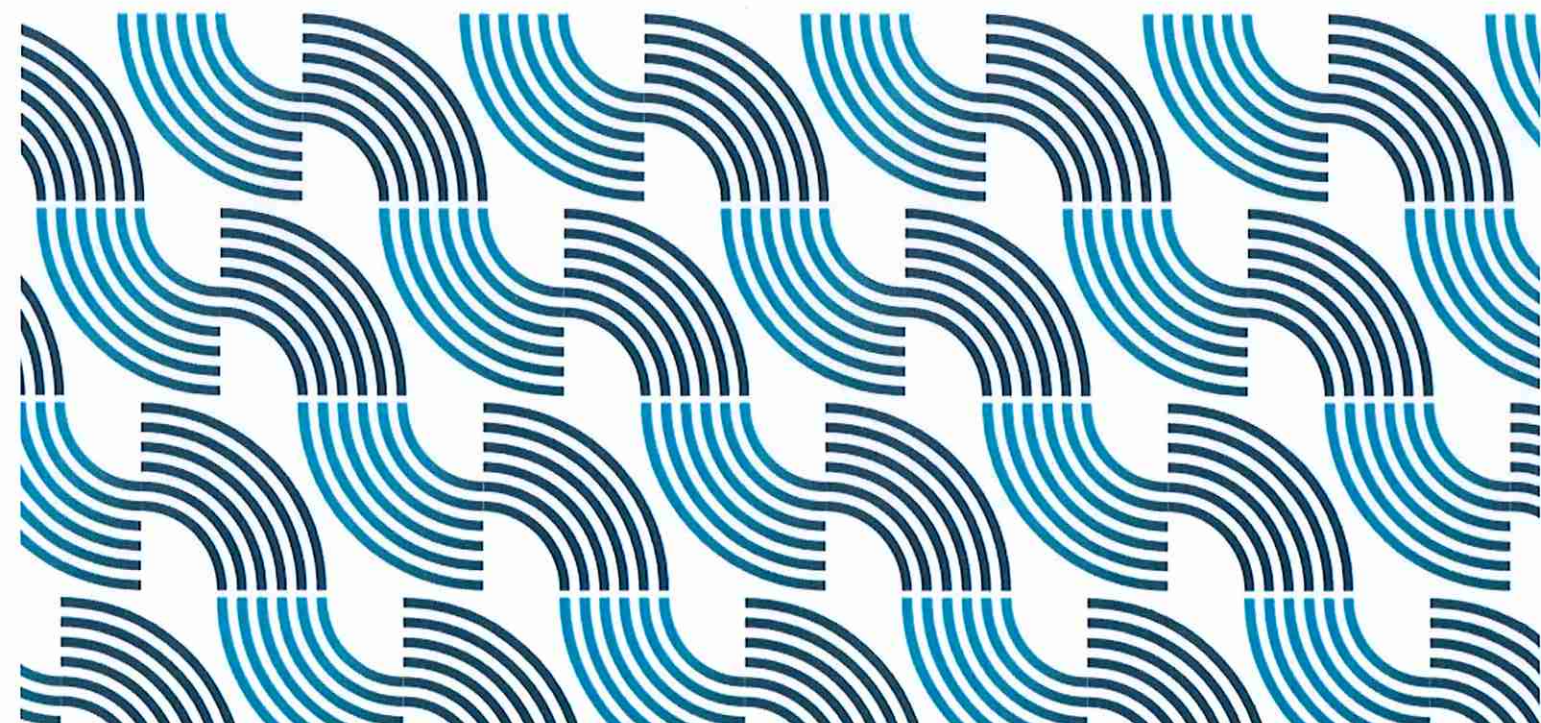


Advent Capital (No.3) Limited

2022 Annual Report



Advent Capital (No. 3) Limited (Company No. 5528808)
Annual Report
For the year ended 31st December 2022

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Advent Capital (No. 3) Limited (Company No. 5528808)
Directors and Administration
For the year ended 31st December 2022

Directors

A R Creed
L R Tanzer

Company Secretary

N Johnson

Registered Office

2nd Floor
2 Minster Court
London
EC3R 7BB

Statutory Auditor

Deloitte LLP
2 New Street Square
London
United Kingdom
EC4A 3BZ

Website

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

Advent Capital (No. 3) Limited (Company No. 5528808)

Strategic Report

For the year ended 31st December 2022

The Directors present their Strategic Report for the year ended 31st December 2022.

Advent Capital (No.3) Limited (“the Company”) which is registered in England and Wales is a wholly owned subsidiary of Advent Capital (Holdings) LTD (“Advent” or “ACH”).

The ultimate holding company is Riverstone International Holdings Limited (“Riverstone International”), a company registered in Jersey.

Principal Activity

The Company has historically acted as the Corporate Member underwriting at Lloyd’s supporting 100% of Syndicate 780’s capacity on the 2018 Year of Account (“YOA”). The Company ceased underwriting on 31st December 2020 when the 2018 year of account of Syndicate 780 closed.

Effective from 1st January 2019 the Company entered into a Funds at Lloyd’s (“FAL”) inter-availability agreement with RiverStone Corporate Capital Limited (“Riverstone Corporate”) to make its excess capital available to Syndicate 3500 to enable it to acquire additional Lloyd’s run-off businesses. In addition, the Company loans further excess capital to RiverStone Corporate in the form of interest-bearing loans. RiverStone Corporate is paying the Company a fee for the use of its capital. RiverStone Corporate is only permitted to use these funds to support its own underwriting at Lloyd’s.

Business Review

Results and Performance

For the year ended 31st December 2022, the Company had a profit before tax of \$5.0 million (2021: profit of \$17.1 million) comprising investment losses of \$0.5 million and other income of \$5.5 million (2021: investment gains of \$12.6 million and other income of \$4.5 million).

Performance Measurements and Key Performance Indicators

Total shareholders’ funds is considered the key performance indicator for the Company and has increased to \$43.6 million at 31st December 2022 (2021: \$38.6 million) due to the profit for the year.

Strategy and Future Developments

Following the reinsurance to close of Syndicate 780, the Company’s future strategy is intended to focus on providing capital to the affiliate Lloyd’s corporate member capital providers, notably RiverStone Corporate, to support the financing requirements of ongoing underwriting and acquisition activity of the wider RiverStone International group.

On 8th February 2023, the Company entered into an additional \$51 million interest-bearing loan with RiverStone Corporate under the terms of which RiverStone Corporate must utilise the proceeds to support its ongoing underwriting at Lloyd’s.

Principal Risks and Uncertainties

The principal risk to which the Company was exposed, including through the operations of its subsidiaries, related to its participation in Syndicate 780. Following the reinsurance to close of Syndicate 780, the Company continues to face risks arising from its provision of inter-available FAL and lending to RiverStone Corporate. The Board is responsible for ensuring that a proper internal control framework exists to manage financial risks and that controls operate effectively.

Advent Capital (No. 3) Limited (Company No. 5528808)
Strategic Report
For the year ended 31st December 2022

The Company's assets and liabilities continue to be exposed to market risk, credit risk and adverse changes in exchange rates.

Section 172(1) of the Companies Act 2006

The board of directors of Advent Capital (No.3) Limited ("the Board") consider, in good faith, that they have had appropriate regard to the matters set out in section 172(1)(a) to (f) when performing their duty under section 172.

Consequences of any decision in the long term – having made the decision to place Syndicate 780 into run-off during 2018, the Board concluded this activity in 2021. The Board is now focussed on generating income streams through supporting the wider RiverStone International Group's Lloyd's underwriting activities.

Business relationships – the Board recognises that a high standard of business conduct is essential for the deliver the delivery of our strategy.

Community and environment – the Board note that while it has no employees that it supports the wider RiverStone International Group's policy of matching employee charitable donations and of allowing time to be available to support others in our communities.

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

Shareholder Engagement - the Board is committed to an open engagement with our shareholders and has had the opportunity to regularly meet with the directors of the ultimate holding company throughout the year.

Employees - the Board acknowledges people are essential to the delivery of our strategy. While the Company has no immediate employees, the Board supports the initiatives of the wider RiverStone International Group.

Approved by the Board and signed on its behalf by:



Luke Tanzer
Chief Executive Officer

Advent Capital (No. 3) Limited (Company No. 5528808)

Directors' Report

For the year ended 31st December 2022

The Directors present their report and the audited financial statements of the Company for the year ended 31st December 2022.

Future Outlook

The future outlook of the Company is discussed in the Strategic Report.

Dividends

The directors do not propose the payment of a dividend (2021: \$nil).

Political and charitable donations

The Company did not donate to any political party or charities in the year to 31st December 2022 (2021: \$nil).

Directors

The names of the current directors are listed on page 3.

Statement of directors' responsibilities in respect of the financial statements

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law).

Under company law, directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102 have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

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

The directors are responsible for the maintenance and integrity of the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Advent Capital (No. 3) Limited (Company No. 5528808)
Directors' Report
For the year ended 31st December 2022

Directors' confirmations

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

- so far as the director is aware, there is no relevant audit information of which the 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.

Independent Auditors

Deloitte LLP ("Deloitte") have been appointed as the Company's registered auditor and have indicated their willingness to continue in office.

Approved by the Board and signed on its behalf by:


Luke Tanzer
Chief Executive Officer

Advent Capital (No. 3) Limited (Company No. 5528808)
Independent Auditors' Report to the Members of Advent Capital (No. 3) Limited
For the year ended 31st December 2022

Independent auditor's report to the members of Advent Capital 3 Limited

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Advent Capital 3 Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 December 2022 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 Companies Act 2006.

We have audited the financial statements which comprise:

- the profit and loss account;
- the statement of comprehensive income;
- the balance sheet;
- the statement of changes in equity;
- 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".

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 financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the 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 directors' 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 company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

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

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and,

Advent Capital (No. 3) Limited (Company No. 5528808)

Independent Auditors' Report to the Members of Advent Capital (No. 3) Limited

For the year ended 31st December 2022

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 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 in the financial statements 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 directors

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

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our 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 company's industry and its control environment, and reviewed the company'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 company operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included UK Companies Act, the Financial Conduct Authority ("FCA") Handbook and the Prudential Regulatory Authority ("PRA") Rulebook and the Lloyd's byelaws; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty

Advent Capital (No. 3) Limited (Company No. 5528808)
Independent Auditors' Report to the Members of Advent Capital (No. 3) Limited
For the year ended 31st December 2022

We discussed among the audit engagement team including relevant internal specialists such as IT and actuarial specialists 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 in the following area[s], and our procedures performed to address [it / them] 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 and 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 and reviewing internal audit reports.

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

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

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

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in [the strategic report or] the directors' report.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

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

Advent Capital (No. 3) Limited (Company No. 5528808)
Independent Auditors' Report to the Members of Advent Capital (No. 3) Limited
For the year ended 31st December 2022

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company'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 company and the company'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
22 June 2023

Advent Capital (No. 3) Limited (Company No. 5528808)
Profit and Loss Account
For the year ended 31st December 2022

	Note	2022 \$'000	2021 \$'000
Investment (loss) / income	6	(456)	12,622
Other operating income	8	5,478	4,470
Profit before tax		<u>5,022</u>	<u>17,092</u>
Tax on profit	10	<u>-</u>	<u>(553)</u>
Profit for the year		\$ <u>5,022</u>	\$ <u>16,539</u>

Advent Capital (No. 3) Limited (Company No. 5528808)

Balance Sheet

As at 31st December 2022

	Note	2022 \$'000	2021 \$'000
Current Assets			
Financial Investments	5	77,892	75,642
Current taxation		-	2,587
Cash at bank and in hand		57,255	55,739
Accrued interest		274	-
Total Assets		\$ 130,421	\$ 138,895
Creditors: Amounts falling due within one year			
Amounts owed to group undertakings		86,743	95,382
Derivative financial instruments	5	-	4,927
Other creditors	11	70	-
		\$ 86,813	\$ 100,759
Net current assets		\$ 43,608	\$ 38,586
Total assets less current liabilities		\$ 43,608	\$ 38,586
Capital and reserves			
Called up share capital	12	3,340	3,340
Share premium account		131,400	131,400
Profit and loss account		(91,132)	(96,154)
Total shareholder's funds		\$ 43,608	\$ 38,586

The financial statements on pages 12 to 26 were approved by the Board of Directors on 22 June 2023 and were signed on its behalf by:



A. R. Creed
Chief Financial Officer

Advent Capital (No. 3) Limited (Company No. 5528808)
Statement of Changes in Equity
For the year ended 31st December 2022

	Ordinary Share Capital \$'000	Share Premium \$'000	Profit and Loss Account \$'000	Total \$'000
Balance at 1st January 2021	80	131,400	(112,693)	17,880
Share Capital Issued	3,260	-	-	3,260
Profit for the year	-	-	16,539	16,539
Balance at 31st December 2021	<u>\$ 3,340</u>	<u>\$ 131,400</u>	<u>\$ (96,154)</u>	<u>\$ 38,586</u>
Share Capital Issued	-	-	-	-
Profit for the year	-	-	5,022	5,022
Balance at 31st December 2022	<u>\$ 3,340</u>	<u>\$ 131,400</u>	<u>\$ (91,132)</u>	<u>\$ 43,608</u>

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

The notes on pages 15 to 26 form an integral part of these financial statements.

Advent Capital (No. 3) Limited (Company No. 5528808)

Notes to the Financial Statements

For the year ended 31st December 2022

1. General Information

The Company participated in insurance business as an underwriting member at Lloyd's until 31st December 2018 at which time Syndicate 780 ceased underwriting. The assets and liabilities arising as a result of the underwriting activities are held under various Lloyd's trust deeds for the benefit of policyholders. The management of Syndicate 780 novated from Advent Underwriting Limited ("AUL") to RiverStone Managing Agency Limited on 1st January 2019. The Company is a private company limited by shares and is incorporated in England and Wales. The Company registration number is 5528808. The address of its registered office is 2nd Floor, 2 Minster Court, London, EC3R 7BB.

2. Summary of Significant Accounting Policies and Basis of Preparation

(a) Basis of Preparation

The financial statements of the Company have been prepared 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" as issued in January 2022 ("FRS 102"). The Company has also adopted Technical Release 1/99 "Accounting by Lloyd's Corporate Capital Vehicles" issued by the Institute of Chartered Accountants in England and Wales.

The Company did not act as an insurance company during either the current or comparative period, therefore the Profit and Loss Account and Balance Sheet have been re-presented under Schedule 1 of The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, previously Schedule 3.

Exemptions for Qualifying Entities under FRS102

FRS102 allows certain disclosure exemptions, subject to certain conditions, which have been complied with, including notification of, and no objection to the use of exemptions by Advent Capital (Holdings) Limited shareholders.

The Company has taken advantage of the following exemptions:

- i) from preparing a statement of cash flows, on the basis that it is a qualifying entity and a consolidated statement of cash flows is included in the financial statements of RiverStone International Holdings Limited which can found on the RiverStone International group website.
- ii) from the requirement to disclose transactions with wholly owned related parties within the same group as provided by FRS102, Section 33.1A.

(b) Going concern

Following the successful reinsurance to close of Syndicate 780 the Company has lost its primary source of day-to-day working capital requirements which were through the underwriting activities of Syndicate 780. However, the Company's forecasts and projections show that the Company should be able to operate and have the resources available to meet requirements through the income generated from the FAL inter-availability agreement with Riverstone Corporate Capital Limited ("RCCL") which is in place until the end of 2022 and on the \$55 million loan to RCCL which accrues interest. The company has the appetite to enter into further transactions of this type once the FAL pledged at Lloyd's supporting Syndicate 780 is released. Finally, if the decision is made to stop pledging assets to support the underwriting of RCCL the company has the resources to repay outstanding liabilities. After making enquiries, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence and to meet its liabilities as they come due, for the foreseeable future.

Advent Capital (No. 3) Limited (Company No. 5528808)
Notes to the Financial Statements
For the year ended 31st December 2022

Having addressed the principal risks, the directors consider it appropriate to adopt the going concern basis of accounting in preparing these financial statements.

(c) Foreign currency

(i) Functional and presentation currency

The Company's functional and presentational currency is US dollars.

(ii) Transactions and balances

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

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.

Foreign exchange differences on non-syndicate transactions are reported in other charges in the non-technical account.

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

(e) Investment Return

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

Dividends are recorded on the date on which the shares are quoted ex-dividend. Interest income is recognized using the effective interest rate method.

Realised gains and losses on investments carried at current value are calculated as the difference between net sales proceeds and purchase price. Movements in unrealised gains and losses on investment represent the difference between the valuation at the balance sheet date and their purchase price or, if they have been previously valued, their valuation at the last 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 period.

Investment return is initially recorded in the non-technical account. A transfer is made from the non-technical account to the technical account of the investment return on investments supporting the insurance technical provisions and related shareholder's funds.

(f) Taxation

Taxation expense for the year comprises current and deferred tax recognised in the reporting period. Tax is recognised in the income statement.

Advent Capital (No. 3) Limited (Company No. 5528808)
Notes to the Financial Statements
For the year ended 31st December 2022

Current or deferred tax liabilities are not discounted.

(i) Current tax

Current tax is the amount of income tax payable in respect of the taxable profit for the current or prior years. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the period end.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(ii) Deferred tax

Deferred tax arises from timing differences that are differences between taxable profits and total comprehensive income as stated in the financial statements. These timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements.

Deferred tax is recognised on all timing differences at the reporting date except for certain exceptions. Unrelieved tax losses and other deferred tax assets are only recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the period end and that are expected to apply to the reversal of the timing difference.

(g) Impairment of non-financial assets

At each balance sheet date, non-financial assets not carried at fair value are assessed to determine whether there is an indication that the asset may be impaired. If there is such an indication the recoverable amount of the asset is compared to the carrying amount of the asset.

The recoverable amount of the asset is the higher of the fair value less costs to sell and value in use. Value in use is defined as the present value of the future pre-tax and interest cash flows obtainable as a result of the asset's continued use. The pre-tax and interest cash flows are discounted using a pre-tax discount rate that represents the current market risk-free rate and the risks inherent in the asset.

If the recoverable amount of the asset is estimated to be lower than the carrying amount, the carrying amount is reduced to its recoverable amount. An impairment loss is recognised in the income statement, unless the asset has been revalued when the amount is recognised in other comprehensive income to the extent of any previously recognised revaluation. Thereafter any excess is recognised in income.

If an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the revised carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised in prior periods. A reversal of an impairment loss is recognised in the income statement.

(h) Other assets and creditors

Other assets and creditors comprise inter-group receivables and other receivables and payables valued at cost.

Advent Capital (No. 3) Limited (Company No. 5528808)
Notes to the Financial Statements
For the year ended 31st December 2022

(i) Cash at bank and in hand

Cash at bank and in hand consist of cash at bank and on hand on demand deposits.

(j) Financial Instruments

The Company 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. The Company classifies all 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.

i) Financial assets

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 The Company's key management personnel. The Company's investment strategy is to invest in 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.

The Company 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;
- (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

ii) Financial liabilities

Basic financial liabilities, including trade and other payables are initially recognised at transaction price.

Creditors arising out of reinsurance operations, amounts owed to other group companies and other creditors are obligations to pay for services that have been acquired in the ordinary course of business. These obligations are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

Advent Capital (No. 3) Limited (Company No. 5528808)
Notes to the Financial Statements
For the year ended 31st December 2022

Derivative financial instruments comprise a fair value swap. Derivatives are initially and subsequently measured at their fair value with movements in the fair value being immediately recognised in the profit and loss account. Fair values are obtained from quoted market prices, discounted cash flow models, risk models and option pricing models as appropriate.

The Company does not currently apply hedge accounting for interest rate and foreign exchange derivatives.

Financial liabilities are derecognized when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

iii) Offsetting

Financial assets and liabilities are offset, and the net amounts presented in the financial statements when there is an enforceable right to set off the recognized amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

(k) Share Capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(l) Distributions to equity holders

Dividends and other distributions to the Company's shareholder are recognised as a liability in the period in which the dividends are approved. These amounts are recognised in the statement of changes in equity.

(m) Related party transactions

The Company discloses transactions with related parties which are not wholly owned with the same group. It does not disclose transactions with members of the same group that are wholly owned.

(n) Affiliate Loans

Loans to affiliate companies are initially and subsequently recognised at cost. All loans can be demanded for repayment within 12 months. Interest accreted is recognised through other income in the profit and loss account.

3. Critical accounting judgements and estimation uncertainty

The Company has not made any estimates and assumptions concerning the future in these sets of accounts.

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4. Foreign Exchange Risk Management

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

The Company manages its foreign exchange risk against its functional currency, which is the US Dollar. The Company has a proportion of its assets and liabilities denominated in currencies other than the US Dollar, the most significant being the Euro and Pound Sterling.

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

	2022		2021	
	Year average rate \$	Year end rate \$	Year average rate \$	Year end rate \$
Sterling	0.8114	0.8313	0.7268	0.7383
Euro	0.9511	0.9370	0.8454	0.8794

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

	US\$	£	€
31st December 2022			
Total assets	127,505	11,332	242
Total liabilities	(97,787)	-	-
Net assets (net liabilities)	29,718	11,332	242
31st December 2021			
Total assets	138,215	7,015	242
Total liabilities	(109,301)	(140)	-
Net assets (net liabilities)	28,914	6,875	242

The effect on profit before tax of a 5% increase or decrease in the closing exchange rates on the foreign currency balance sheet at 31 December 2022 is approximately \$0.7 million (2021: \$0.5 million)

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5. Financial Investments

Financial Assets	Market value		Cost	
	2022 \$'000	2021 \$'000	2022 \$'000	2021 \$'000
Debt securities and other fixed income securities	72,892	-	76,049	-
Equity Fund	-	80,569	-	78,771
	72,892	80,569	76,049	78,771

Financial liabilities	Market value		Cost	
	2022 \$'000	2021 \$'000	2022 \$'000	2021 \$'000
Fair value Swap	-	4,927	-	-

i) Fair value estimation

All of the portfolio is considered to be Level 1, as these assets are valued based upon prices quoted in markets that are less active, have fewer sources or are derived from prices quoted in an active market.

Level 3 contains investments where fair values are measured using valuation techniques for which significant inputs are not based on market observable data. Valuation techniques include comparisons with similar instruments where observable market prices exist, discounted cash flow analysis, option pricing models, and other valuation techniques commonly used by market participants.

The following table presents the Company's assets that are measured at fair value, together with an analysis of when they mature.

At 31st December 2022	Total \$'000	Less than	1 to 2	2 to	More	No Maturity \$'000
		1 year \$'000	years \$'000	3 years \$'000	than 3 years \$'000	
Level 1						
Debt securities and other fixed income securities	72,892	28,116	26,636	16,646	1,494	-
Equity Fund	-	-	-	-	-	-
	72,892	28,116	26,636	16,646	1,494	-
Level 2						
Debt securities and other fixed income securities	-	-	-	-	-	-
Equity Fund	-	-	-	-	-	-
Derivatives	-	-	-	-	-	-
	-	-	-	-	-	-
Level 3						
Derivatives	-	-	-	-	-	-
	-	-	-	-	-	-
	72,892	28,116	26,636	16,646	1,494	-

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At 31st December 2021	Total \$'000	Less than 1 year \$'000	1 to 2 years \$'000	2 to 3 years \$'000	More than 3 years \$'000	No Maturity \$'000
Level 1						
Debt securities and other fixed income securities	-	-	-	-	-	-
Equity Fund	-	-	-	-	-	-
	-	-	-	-	-	-
Level 2						
Debt securities and other fixed income securities	-	-	-	-	-	-
Equity Fund	80,569	3,921	-	-	-	76,648
Derivatives	-	-	-	-	-	-
	80,569	3,921	-	-	-	76,648
Level 3						
Derivatives	(4,927)	-	(4,927)	-	-	-
	(4,927)	-	(4,927)	-	-	-
	75,642	3,921	(4,927)	-	-	76,648

Level 3 investment movements are summarised as follows:

	2022 \$'000	2021 \$'000
Balance at 1st January	(4,927)	12
Profit / (loss) recognised in the income statement	8,209	(4,939)
Cash received on disposal	(3,282)	-
Balance at 31st December	-	(4,927)

ii) Interest rate risk

Interest rate risk arises primarily from investments in fixed interest securities. The Group works closely with its investment manager to review the duration of the investment portfolio in relation to the estimated mean duration of the liabilities.

The impact of a 100 basis point increase in interest rates on the value of the Group's investments held at 31st December 2022 is an approximate \$0.8 million loss (2021: \$Nil million) to the profit and loss account. Similarly, a 100 basis point decrease in interest rates would give rise to an approximate \$0.8 million gain (2021: Nil million) to the profit and loss account.

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iii) Liquidity risk

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

At 31st December 2022	Total \$'000	Less than 1 year \$'000	1 to 2 Years \$'000	2 to 3 Years \$'000	More than 3 years \$'000
Derivatives	-	-	-	-	-
Creditors	70	70	-	-	-
Other	86,743	-	-	-	86,743
	86,813	70	-	-	86,743

At 31st December 2021	Total \$'000	Less than 1 year \$'000	1 to 2 Years \$'000	2 to 3 Years \$'000	More than 3 years \$'000
Derivatives	4,927	-	4,927	-	-
Creditors	-	-	-	-	-
Other	95,382	-	-	-	95,382
	100,309	-	4,927	-	95,382

iv) Credit risk

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

- counterparty risk with financial institutions
- amounts due from affiliates

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

At 31st December 2022	AAA \$'000	AA \$'000	A \$'000	BBB \$'000	Below BBB \$'000	Not Rated \$'000	Total \$'000
Debt securities and other fixed income securities	-	27,433	29,088	16,371	-	-	72,892
Equity Fund	-	-	-	-	-	-	-
Other debtors	-	-	-	-	-	274	274
Cash at bank, deposit institutions and in hand	-	53,058	4,197	-	-	-	57,255
Total	-	80,491	33,285	16,371	-	274	130,421

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At 31st December 2021

	AAA \$'000	AA \$'000	A \$'000	BBB \$'000	Below BBB \$'000	Not Rated \$'000	Total \$'000
Debt securities and other fixed income securities	-	-	-	-	-	-	-
Equity Fund		3,921				76,648	80,569
Other debtors	-	-	-	-	-	2,587	2,587
Cash at bank, deposit institutions and in hand	-	-	55,739	-	-	-	55,739
Total	-	3,921	55,739	-	-	79,235	138,895

6. Auditor Remuneration

	2022 \$'000	2021 \$'000
Audit fees payable to the Company's auditors	12	12

7. Investment Income

	2022 \$'000	2021 \$'000
Investment Income		
Income from financial investments	858	150
Gains on the realisation of investments	8,209	-
	9,067	150
Investment expenses and charges		
Losses on the realisation of investments	(6,292)	-
Investment management expenses	(70)	(61)
	(6,362)	(61)
Unrealised gains on investments	-	12,533
Unrealised losses on investments	(3,161)	-
	(3,161)	12,533
Total investment return	\$ (456)	\$ 12,622

8. Other Income

	2022 \$'000	2021 \$'000
FAL fee from RiverStone Corporate	3,047	2,672
Interest on Affiliate loans	3,864	1,919
Foreign Exchange loss	(1,433)	(121)
	\$ 5,478	\$ 4,470

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9. Employees and Directors

The Company does not have any employees (2021: nil).

No emoluments were paid by the company to any Directors or other key management personnel during the year (2021: nil). The emoluments of the Directors and other key management personnel are paid by an associated company, RiverStone Management Limited. The services of the Directors and other key management personnel to the company are incidental and their emoluments are deemed to be wholly attributable to their services to other group companies. Accordingly, no disclosure of emoluments has been made in these financial statements.

10. Income Tax Charge

Charge in the year	2022	2021
	\$'000	\$'000
Current Tax		
Current tax – current year	-	(2,295)
Deferred Tax:		
Origination and reversal of timing differences	-	1,742
Tax on profit on ordinary activities	\$ -	\$ 553
Factors affecting tax charge for the year		
Profit on ordinary activities before tax	5,022	17,092
Tax charge at the average standard rate of UK corporation tax of 19% (2021: 19%)	954	3,248
Effects of:		
Prior year adjustments	(553)	(1,261)
Transfer Pricing	(1,016)	(785)
Group relief not charged	-	3,793
Permanent differences		
Foreign Tax credits	-	(336)
DTA not provided for	615	(4,106)
	\$ -	\$ 553

Factors that may affect future tax charges

On 23rd September 2022 the Chancellor of the Exchequer announced that the UK corporation tax rate will remain at 19% from 1st April 2023 - reversing a previously enacted measure to increase the main headline rate to 25%. The announcement of the reversal in the tax rate from 1 April 2023 was not enacted or substantively enacted at the balance sheet date and accordingly has no impact on the tax balances at 31st December 2022. Also no deferred tax asset is being provided for at the year end.

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11. Other Creditors

	2022	2021
	\$'000	\$'000
Trade and other payables at cost and fair value		
Investment managers fees	\$ <u>70</u>	\$ <u>-</u>

12. Called up share capital

	2022	2021
	\$'000	\$'000
Allotted and fully paid		
8,350,836 (2020: 200,001) Ordinary shares of \$0.40 each	3,340	3,340

13. Controlling Party

The Company is a wholly owned subsidiary of Advent Capital (Holdings) Limited which is registered in England and Wales. The company's ultimate holding party is RiverStone International Holdings Limited ("RiverStone International") which is registered in Jersey for which group accounts are prepared. The majority of the shares in RiverStone International are held by CVC Capital Partners Strategic Opportunities II LP which is the controlling party. Exemption has been taken under FRS 102 section 33.1A to not disclose group related balances.

14. Subsequent Events

On 8th February 2023 the company entered into a further \$51 million interest-bearing loan with RCCL under the terms of which RCCL must utilise the proceeds to support its ongoing underwriting at Lloyd's.