

MULTI-STRAT RE LTD.

CONSOLIDATED FINANCIAL STATEMENTS

(AND INDEPENDENT AUDITORS' REPORT THEREON)

FOR THE YEARS ENDED

DECEMBER 31, 2020 AND 2019

MULTI-STRAT RE LTD.
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019
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INDEPENDENT AUDITORS' REPORT

To the Board of Directors,
Multi-Strat Re Ltd.

We have audited the accompanying consolidated financial statements of Multi-Strat Re Ltd. (the "Company") and its subsidiary, which comprise the consolidated balance sheets as at December 31, 2020 and 2019, and the related consolidated statements of profit (loss) and comprehensive profit (loss), changes in shareholder's equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Company's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Basis for Qualified Opinion

As disclosed in Note 7 of the consolidated financial statements, management has omitted disclosures that are required by the accounting principles generally accepted in the United States of America to be disclosed in the Company's consolidated financial statements in accordance with Accounting Standards Update 2015-09, Financial Services – Insurance (Topic 944): Disclosures About Short-Duration Contracts.



INDEPENDENT AUDITORS' REPORT (continued)

Qualified Opinion

In our opinion, except for the omission of the information described in the Basis for Qualified Opinion paragraph, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Multi-Strat Re Ltd. and its subsidiary, as at December 31, 2020 and 2019, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Mazars Limited

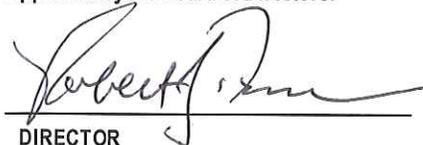
Chartered Professional Accountants
Hamilton, Bermuda
June 30, 2021

MULTI-STRAT RE LTD.
CONSOLIDATED BALANCE SHEETS
AS AT DECEMBER 31, 2020 AND 2019
(Expressed in United States Dollars)

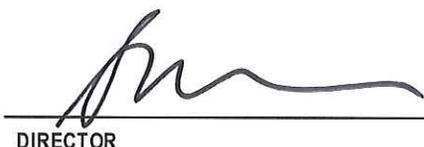
		December 31 2020 \$	December 31 2019 \$
ASSETS:			
Cash and cash equivalents	3,4	677,884	1,039,196
Segregated account assets	12	26,482,886	27,122,983
Reinsurance balances receivable		80,833	1,663,207
Losses and loss adjustment expenses recoverable	6,7	14,669,392	18,654,230
Losses recoverable		2,229,247	3,046,987
Commissions and fees receivable		1,069,008	2,189,233
Advances due from affiliates	5	1,399,657	2,402,014
Funds withheld		31,658	81,658
Deferred commission expenses		149,586	311,076
Other assets		26,383	-
Total Assets		46,816,534	56,510,584
LIABILITIES:			
Reinsurance balances payable		143,535	2,001,091
Losses and loss adjustment expenses reserves	7	14,805,445	18,804,230
Losses payable		2,230,950	3,066,189
Segregated account liabilities	12	26,482,886	27,122,983
Commissions and fees payable		279,011	427,256
Accounts payable and accrued expenses		159,817	1,005,363
Deferred commission income		921,581	1,692,484
Advances due to affiliates	5	-	1,130,261
Total Liabilities		45,023,225	55,249,857
SHAREHOLDER'S EQUITY:			
Share capital	9	120,000	120,000
Additional paid-in capital	10	359,999	9,999
Retained earnings		1,313,310	1,130,728
Total Shareholder's Equity	11	1,793,309	1,260,727
Total Liabilities and Shareholder's Equity		46,816,534	56,510,584

The accompanying notes should be read in conjunction with these consolidated financial statements

Approved by the Board of Directors:



 DIRECTOR



 DIRECTOR

MULTI-STRAT RE LTD.
CONSOLIDATED STATEMENTS OF PROFIT (LOSS) AND COMPREHENSIVE PROFIT (LOSS)
FOR THE YEARS ENDED DECEMBER 31, 2020 AND DECEMBER 31, 2019

(Expressed in United States Dollars)

		December 31 2020	December 31 2019
UNDERWRITING INCOME	Note(s)	\$	\$
Gross premiums written		521,374	209,731
Gross premiums ceded		(521,374)	(209,731)
Net Premiums Written		-	-
Change in gross unearned premiums		-	2,009,093
Change in ceded unearned premiums		-	(2,009,093)
Net Premiums Earned		-	-
UNDERWRITING EXPENSES			
Gross losses and loss adjustment expenses incurred	6,7	(1,244,105)	(3,566,089)
Ceded losses and loss adjustment expenses incurred	6,7	1,383,891	3,663,285
Gross acquisition costs incurred		(1,276,058)	(92,732)
Ceded acquisition costs incurred		1,264,249	85,232
Profit commission incurred		17,667	644,595
Profit commission ceded		(17,667)	(644,595)
Total Underwriting Income		127,977	89,696
Net Underwriting Gain		127,977	89,696
OTHER INCOME (EXPENSE)			
Fee income, ceding commissions		3,941	252,618
Fee income, underwriting performance fees		291,521	22,282
Fee income, account management fees		474,226	341,161
Fee income, advisory		151,734	125,000
Fee income, other		1,086,632	1,205,961
Other income		11,262	-
Net investment income (expense)		8,592	(15,160)
Total Other Income		2,027,908	1,931,862
General and administrative expenses		(1,973,303)	(2,088,344)
Taxation	8	-	-
Net Profit (Loss) from Operations		182,582	(66,786)
Other Comprehensive Income			
Net unrealized holding gains during the year		-	23,647
Comprehensive Profit (Loss)		182,582	(43,139)

The accompanying notes should be read in conjunction with these consolidated financial statements

MULTI-STRAT RE LTD.
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDER'S EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2020 AND DECEMBER 31, 2019

(Expressed in United States Dollars)

	Share Capital \$	Additional Paid-in Capital \$	Retained Earnings \$	Accumulated Other Comprehensive Loss \$	Totals \$
Shareholder's equity - December 31, 2018	120,000	9,999	1,197,514	(23,647)	1,303,866
Comprehensive loss for the year	-	-	(66,786)	23,647	(43,139)
Shareholder's equity - December 31, 2019	120,000	9,999	1,130,728	-	1,260,727
Capital contributions	-	350,000	-	-	350,000
Comprehensive profit for the year	-	-	182,582	-	182,582
Shareholder's equity - December 31, 2020	120,000	359,999	1,313,310	-	1,793,309

The accompanying notes should be read in conjunction with these consolidated financial statements

MULTI-STRAT RE LTD.
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND DECEMBER 31, 2019
(Expressed in United States Dollars)

	December 31 2020 \$	December 31 2019 \$
OPERATING ACTIVITIES		
Net profit (loss) from operations	182,582	(66,786)
Adjustments to reconcile net profit (loss) from operations to net cash and cash equivalents applied to operating activities:		
Net unrealized holding gains during the year	-	23,647
Net Changes in Non-Cash Balances Relating to Operations:		
Reinsurance balances receivable	1,582,374	17,906,332
Losses and loss adjustment expenses recoverable	3,984,838	7,294,850
Losses recoverable	817,740	6,765,587
Unearned premium ceded reserves	-	2,009,093
Commission and fees receivable	1,120,225	(824,019)
Advances due from affiliates	1,002,357	(1,313,153)
Accounts receivable and accrued interest	-	84,286
Funds withheld	50,000	1,909,932
Deferred commission expenses	161,490	(311,076)
Other assets	(26,383)	127,213
Reinsurance balances payable	(1,857,556)	(447,699)
Losses and loss adjustment expenses reserves	(3,998,785)	(25,515,223)
Losses payable	(835,239)	(6,753,730)
Unearned premium reserves	-	(16,739,980)
Commissions and fees payable	(148,245)	427,256
Accounts payable and accrued expenses	(845,546)	(1,898)
Deferred commission income	(770,903)	701,932
Advances due to affiliates	(1,130,261)	1,130,261
Cash and Cash Equivalents Applied to Operating Activities	(711,312)	(13,593,175)
INVESTING ACTIVITIES:		
Deconsolidation of segregated accounts	-	23,954,618
Cash and Cash Equivalents Provided by Investing Activities	-	23,954,618
FINANCING ACTIVITIES		
Capital contributions	350,000	-
Deconsolidation of segregated accounts	-	(12,217,130)
Cash and Cash Equivalents Provided by (Applied to) Financing Activities	350,000	(12,217,130)
Net change in cash, cash equivalents and restricted cash for the year	(361,312)	(1,855,687)
Cash and Cash Equivalents, beginning of year	1,039,196	2,894,883
Cash and Cash Equivalents, end of year	677,884	1,039,196

The accompanying notes should be read in conjunction with these consolidated financial statements

MULTI-STRAT RE LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

(Expressed in United States Dollars)

1. General

Multi-Strat Re Ltd. (the “Company”), was incorporated in Bermuda on August 20, 2012, and is a 100% owned subsidiary of Multi-Strat Holdings Ltd., a company incorporated in Bermuda. The Company’s ultimate parent is Canopus Group Limited, a company incorporated in Jersey.

The Company was licensed as a Special Purpose Insurer under The Insurance Act (1978), amendments thereto, and related regulations (the “Act”) on August 28, 2013. The Company was relicensed as a Class 3A Insurer on October 21, 2014. The Company was also registered under the Segregated Accounts Company Act 2000 (“SAC Act”) effective October 16, 2017.

The Company provides reinsurance for captives, insurance and reinsurance companies, managing general agencies, risk retention groups, run-off companies, and other insurance-related companies requiring surplus relief, risk capacity, and risk protection. This is achieved through the assumption of low loss volatility loss portfolio transfers, capped quota share business, and similar contracts from multiple sources. On a number of contracts, the Company retrocedes all of its risks to Bermudian Class 3A or similar non-Bermudian reinsurers. On its remaining contracts, the Company assumes risks through segregated accounts backed by the sponsor capital providers of the segregated accounts. The reinsurers and sponsored segregated accounts are collectively referred to as “Participating Reinsurers”. All insurance contracts retroceded by the Company are fully funded through letters of credit or reinsurance trust agreements.

The Company and each of the Participating Reinsurers have entered into: (i) a Services Agreement whereby the Company provides certain underwriting and administrative services to the Participating Reinsurers, and (ii) a Reinsurance Agreement whereby the Participating Reinsurers agree to assume a share of or the entire exposure of the business written by the Company. In addition, Participating Reinsurers have supplementary agreements with the Company specifying certain applicable terms.

During December 2015 the Company acquired 100% of the issued share capital of Garden Insurance Company of Vermont (“Garden”). Prior to June 30, 2015 Garden provided workers’ compensation, auto liability, general liability (including products liability), auto physical damage and Terrorism Risk Insurance Act coverage to Elixir Industries, the prior parent company of Garden. Elixir Industries was a major supplier for manufactured housing and recreational vehicles in the United States. Garden ceased underwriting business on June 30, 2015. Effective March 27, 2017 Garden converted from a pure captive to a sponsored cell captive insurance company. On August 15, 2019, Garden established an incorporated cell, GPC-IC-19-101 LLC, to provide a general liability excess of loss program for a third-party Member.

As noted above, the Company is also registered under the SAC Act. For each segregated account, the Company has an account ownership governing instrument. These agreements describe the terms and conditions of establishing the segregated account including an obligation by the sponsor capital provider to fund any deficiency of segregated account liabilities over segregated account assets. Creditors of segregated accounts established to date have no claim upon the assets of other segregated accounts or upon the Company’s general account assets.

During the year ended December 31, 2017, two segregated accounts were established. Effective July 1, 2017, MSRe-SA-2017-01 provides quota share retrocessional coverage for private passenger business. Effective December 1, 2017, MSRe-SA-2017-02 entered into a loss portfolio transfer agreement with one of the Company’s Participating Reinsurers which had decided to voluntarily wind up its operations.

Certain prior period balances have been reclassified to confirm to the presentation adopted in the current year.

MULTI-STRAT RE LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

(Expressed in United States Dollars)

2. Significant Accounting Policies

Basis of Preparation

The accompanying consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") and are denominated in U.S. dollars, which is the Company's functional currency. These consolidated financial statements include the results of the Company and its 100% wholly owned subsidiary, Garden, which has been aggregated on a line by line basis. Intercompany accounts, transactions and shareholdings have been eliminated on consolidation.

The following are the significant accounting policies adopted by the Company:

Use of Estimates

To prepare the consolidated financial statements, management has to make estimates and assumptions that affect the book value of assets and liabilities, income and expenses, and data disclosed in the notes to the consolidated financial statements.

All estimates are subjective in nature and could materially influence the consolidated financial statements. Accordingly, management makes these estimates and assessments on an ongoing basis according to past experience and various factors that are deemed reasonable and which constitute the basis for these assessments. The amounts shown in the Company's future consolidated financial statements are likely to differ from these estimates in accordance with changes in assumptions or different conditions.

The principal significant estimates made by the Company's management primarily affect the losses and loss adjustment expenses reserves.

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held on call with banks, and other short-term highly liquid investments with a maturity of three months or less at the date of purchase. The carrying value approximates fair value because of the short-term nature and high liquidity of these assets.

Premium Recognition and Acquisition Costs

Insurance premiums assumed and ceded for prospective reinsurance contracts are earned over the loss exposure or coverage period of the underlying policies. Premiums assumed and ceded for retroactive reinsurance policies are earned at the inception of the contracts, as all of the underlying loss events covered by the underlying policies have occurred. Any underwriting gain or loss at inception related to retroactive exposures in a reinsurance contract is recognized immediately.

Premium adjustments are recorded in the periods in which they become known. Commissions and other costs incurred on the acquisition of new and renewal business are deferred and amortized over the terms of the policies or contracts of reinsurance to which they relate. The method followed in determining the deferred acquisition costs limits the amount of deferral to its realizable value by giving consideration to losses and expenses expected to be incurred as premiums are earned and also considers anticipated investment income.

MULTI-STRAT RE LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

(Expressed in United States Dollars)

2. Significant Accounting Policies *(continued)*

Fee Income

The Company receives ceding commission, protected cell fees ("PCF"), segregated account fees ("SAC"), account maintenance fees ("AMF"), revenue sharing fees ("RSF"), and underwriting performance incentives fees ("UPI").

Ceding commissions are earned on contract inception. PCF and SAC fees are earned on a quarterly basis in advance for all cells and accounts that continue operations.

AMF, RSF and UPI fees are estimated based on the life of the underlying contracts and calculated on the basis of one or more factors including reserve balances, payout patterns and contract performance over a five year period. An accrual is recorded on contract inception and earned over the projected five year period.

Interest Income and General and Administrative Expenses

Interest income and general and administrative expenses are recognized on the accrual basis of accounting.

Variable Interest Entities and Non-controlling Interests

The legal and regulatory construct of segregated account companies ("SACs") allows for the effective segregation of the various pools of activities. While segregated accounts within SACs are not separate legal entities, due to their unique characteristics and legal structure of the Company as a whole, SACs may be considered a Variable Interest Entity ("VIE") under U.S. GAAP. A VIE refers to an entity that has characteristics such as (i) insufficient equity at risk to allow the entity to finance its activities without additional financial support or (ii) instances where the equity investors, as a group, do not have characteristics of a controlling financial interest.

The primary beneficiary of a VIE is defined as the variable interest holder that is determined to have the controlling financial interest as a result of having both (i) the power to direct the activities of a VIE that most significantly impact the economic performance of the VIE and (ii) the obligation to absorb losses or right to receive benefits from the VIE that could potentially be significant to the VIE. If a company is determined to be the primary beneficiary, it is required to consolidate the VIE in its financial statements.

At inception of the VIE as well as on an ongoing basis, the Company determines whether it is the primary beneficiary based on an analysis of the Company's level of involvement in the VIE, the contractual terms, and the overall structure of the VIE. The Company reviews the facts and circumstances of each of the segregated accounts in operation within the Company, including corporate governance, underwriting activity and the receipt of fees.

As of January 1, 2019, the Company concluded that the Company itself is not the primary beneficiary of segregated accounts MSRe-SA-2017-01 and MSRe-SA-2017-02, but as the legal entity of the segregated cells has elected to report the segregated cells assets and liabilities on a deposit accounting basis in these consolidated financial statements.

For GPC-IC-19-101 LLC, a limited liability company and an incorporated cell of Garden, the cell is 100% owned by the Member who participates in the profits and losses. The governance of the cell is managed by an independent board of directors which is made up by a majority appointed by the Member. As such, the Company has concluded that there is no risk transfer to Garden and therefore no recognition of the financial assets, liabilities or results of the cell in these consolidated financial statements.

MULTI-STRAT RE LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

(Expressed in United States Dollars)

2. Significant Accounting Policies *(continued)*

Assets Held and Liabilities Related to Segregated Accounts

The Company has adopted the method of “deposit accounting” relating to the insurance transactions of its segregated accounts MSRe-SA-2017-01 and MSRe-SA-2017-02 since all of the contracts facilitated are maintained in segregated accounts, each of which insure certain risks of the participant(s) of that segregated account. Losses incurred by each segregated account are limited to the assets available within that segregated account. The result of operations of the segregated accounts are not included within these consolidated financial statements as the Company’s shareholders do not have an interest in the net income, assets or liabilities of the segregated accounts. The significant accounting policies adopted by the segregated accounts follow those of the Company described herein.

Assets held within the segregated accounts have been recorded within these consolidated financial statements as segregated accounts assets and the corresponding liabilities are recorded as segregated accounts liabilities.

Losses and Loss Adjustment Expenses

The liability for loss and loss expense provisions includes an amount determined from loss reports and individual cases and an amount, based on the recommendations of an independent actuary using past loss experience and industry loss development factors, for losses incurred but not reported (“IBNR”). There were no significant changes in the methodology for determining the liability for losses and loss adjustment expenses in the current year. These estimates are periodically reviewed and are necessarily subject to the impact of future changes in such factors as claims severity and frequency. While management believes that the amount is adequate, the ultimate liability is subject to inherent uncertainty given the nature of the reinsurance coverage in place and may be materially in excess of, or less than, the amounts provided and any adjustments will be reflected in the periods in which they become known.

Taxation

Under current Bermuda Law, the Company is not required to pay taxes in Bermuda on either income or capital gains. The Company has received an undertaking from the Minister of Finance in Bermuda that in the event of such taxes being imposed, the Company will be exempted from taxation until the year 2035.

Garden is subject to the tax laws of the United States of America and accounts for income taxes, deferred tax assets and deferred tax liabilities in accordance with the Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) 740 “Income Taxes”. Consistent with this guidance, the Company records deferred income taxes which reflect the tax effect of the temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases. A valuation allowance is recorded against gross deferred tax assets if it is more likely than not that all or some portion of the benefits related to the deferred tax assets will not be realized.

The Company recognizes the tax benefits of uncertain tax positions only where the position is more likely than not to be sustained upon audit by tax authorities. The Company would recognize accruals for any interest and penalties related to uncertain tax positions in income tax expenses.

MULTI-STRAT RE LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

(Expressed in United States Dollars)

2. Significant Accounting Policies *(continued)*

New Accounting Standards Adopted During the Year

In August 2018, the FASB issued Accounting Standards Update (“ASU”) 2018-13, which changes the fair value measurement disclosure requirements of ASC 820. The amendments in this ASU are the result of a broader disclosure project called “*FASB Concepts Statement, Conceptual Framework for Financial Reporting - Chapter 8: Notes to Financial Statements*”. The ASU is effective for annual reporting periods beginning after December 15, 2019. The adoption of this standard did not have a material effect on the Company’s consolidated financial statements.

In March 2020, the FASB issued ASU 2020-03, “Codification Improvements to Financial Instruments” (“ASU 2020-03”). This standard update addresses clarification needed on Codification and the correction of unintended application of guidance in other ASUs which is not expected to have a significant effect on current accounting practice. The Codification covers a variety of ASUs issued. For public business entities, the amendments are effective upon issuance of this final Update. For all other entities, the amendments are effective for fiscal years beginning after December 15, 2019, and interim periods within those fiscal years beginning after December 15, 2020. Early application is permitted. The adoption of ASU 2020-03 did not have a material impact on the Company’s consolidated financial statements.

New Accounting Standards to be Adopted

In December 2019, the FASB issued ASU 2019-12 “*Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes*”. The amendments in this update simplify the accounting for income taxes by removing certain exceptions to the general principles in Topic 740. The amendments also improve consistent application of and simplify generally accepted accounting principles for other areas of Topic 740 by clarifying and amending existing guidance. For nonpublic entities, the amendments are effective for annual periods beginning after December 15, 2021.

In October 2020, the FASB issued ASU 2020-10 “*Codification Improvements*”. The amendments in this update contains improvements that vary in nature and enhance the consistency of the Codification. For nonpublic entities, the amendments are effective for annual periods beginning after December 15, 2021.

Management does not believe the adoption of these amendments will have a material effect on the Company’s consolidated financial statements.

The Company has determined that all other recently issued accounting pronouncements do not apply to its operations.

MULTI-STRAT RE LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

(Expressed in United States Dollars)

3. Concentration of Credit Risk

As of December 31, 2020, and 2019, cash and cash equivalents are held with two international financial institutions.

4. Fair Value of Financial Instruments

The following methods and assumptions were used by the Company in estimating fair value disclosures for financial instruments:

Cash and cash equivalents:

The carrying amounts reported in the consolidated balance sheets for these instruments approximate their fair values.

Other assets and liabilities:

The fair value of reinsurance balances receivable, losses recoverable, commissions and fees receivable, reinsurance balances payable, losses payable, commissions and fees payable, and accounts payable and accrued expenses, approximates their carrying value due to their relative short-term nature.

The estimates of fair values presented herein are subjective in nature and are not necessarily indicative of the amounts that the Company would actually realize in a current market exchange. However, any differences would not be expected to be material. Certain instruments such as deferred acquisition costs, other assets, and losses and loss adjustment expenses reserves are not required to be fair valued. Therefore the total fair value amounts cannot be aggregated to determine underlying economic value of the Company.

5. Related Party Transactions

Effective May 1, 2017, Garden entered into a promissory note agreement with Multi-Strat Advisors Ltd. ("MSAL"), an affiliate, in the amount of \$282,100. The note is unsecured and payable on demand with interest on the unpaid principal outstanding calculated by reference to the London Interbank Offered Rate ("LIBOR") as measured on the issuance date, plus 2.5%, compounding quarterly. The balance of this promissory note, including interest accrued, totaled \$156,487 at December 31, 2020 (2019: \$180,590) and is included within advances due from affiliates.

Advances due from affiliates as of December 31, 2020 also includes amounts advanced of \$813,526 (2019: \$2,216,498) to the Company's parent, MultiStrat Holdings Ltd. ("MSHL") and amounts advanced of \$429,044 to MSAL (2019: \$1,130,261 due to MSAL). Subsequent to December 31, 2020, an amount of \$400,000 was repaid by MSHL.

In addition, the Company has outstanding receivables due from its segregated accounts of \$600 at December 31, 2020 (2019: \$4,926).

All advances are non-interest bearing and repayable on demand.

MULTI-STRAT RE LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

(Expressed in United States Dollars)

6. Losses and Loss Adjustment Expenses Recoverable

Losses and loss adjustment expenses recoverable represents amounts recoverable from two Participating Reinsurers and two Segregated Accounts under Quota Share Retrocession and other Agreements that are required to be collateralized by letters of credit and/or reinsurance trust agreements. Reinsurance contracts do not relieve the Company from its obligations to policyholders. Failure of reinsurers to honor their obligations could result in losses to the Company; consequently, allowances are established for amounts deemed uncollectible. The Company evaluates the financial condition of its reinsurers and monitors concentrations of credit risk arising from similar geographic regions, activities, or economic characteristics of the reinsurers to minimize its exposure to significant losses from reinsurer insolvencies. During the years ended December 31, 2020 and 2019, there were no allowances made for such amounts.

7. Losses and Loss Adjustment Expenses Reserves

Gross losses and loss adjustment expenses reserves comprise:

	December 31, 2020 \$	December 31, 2019 \$
Outstanding losses	6,928,336	8,027,686
Losses incurred but not reported	7,877,109	10,776,544
Net loss and loss expense provisions at end of year	14,805,445	18,804,230

MULTI-STRAT RE LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

(Expressed in United States Dollars)

7. Losses and Loss Adjustment Expenses Reserves *(continued)*

The following table represents the activity in the losses and loss adjustment expenses reserves:

	December 31, 2020 \$	December 31, 2019 \$
Gross loss and loss expense provisions at beginning of year	18,804,230	44,319,453
Less: Reinsurance recoverable at beginning of year	18,654,230	25,949,080
Less: Deconsolidation of segregated accounts	-	18,128,782
Net loss and loss expense provisions at beginning of year	150,000	241,591
Net losses and loss expenses incurred related to:		
Current year	-	-
Prior years	(139,786)	(97,196)
Total net incurred losses and loss expenses	(139,786)	(97,196)
Net losses and loss expenses paid or payable related to:		
Current year	-	-
Prior years	125,839	5,605
Total loss and loss expenses paid or payable	125,839	5,605
Net loss and loss expense provisions at end of year	136,053	150,000
Add: Reinsurance recoverable at end of year	14,669,392	18,654,230
Gross loss and loss expenses provisions at end of year	14,805,445	18,804,230

Management believes that the assumptions used establishing its provision for loss and loss adjustment expenses represent a realistic and appropriate basis for estimating those reserves as of December 31, 2020 and 2019. However, these assumptions are subject to change and the Company continually reviews and adjusts its reserve estimates taking into account all currently known information and updated assumptions related to unknown information.

While management believes it has made a reasonable estimate of loss expenses occurring up to the balance sheet date, the ultimate costs of claims incurred could exceed the Company's reserves.

In 2020, as a result of changes in estimates of insured events in prior years, incurred loss and loss expenses decreased by \$139,786 (2019: \$97,196). This was due to loss development on the Garden book of business.

Management has omitted certain disclosures required by U.S. GAAP Accounting Standards Update 2015-09, Financial Services – Insurance (Topic 944): Disclosures about Short-Duration Contracts. Management has omitted the required disclosures as they are not considered meaningful given the disclosures would relate only to the Garden book of business which is in run-off and not material to the consolidated financial statements.

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8. Taxation

As at December 31, 2020 and 2019, Garden recorded a 100% valuation allowance of \$1,401,184 and \$1,408,016 respectively against a deferred tax asset of the same amount as management believes it is more likely than not that all of the deferred tax asset will not be realized. The change in valuation allowance during the year ended December 31, 2020 is \$6,832 (2019: \$52,908).

The income tax expense was \$Nil for the years ended December 31, 2020 and 2019. Garden has a net operating loss carry forward as of December 31, 2020 of \$6,865,410 which will begin to expire in 2024 (2019 - \$6,704,843).

9. Share Capital

The Company has authorized share capital of 1,200,000 common shares with a par value of \$1.00 each. At December 31, 2020 and 2019, there was issued and fully paid share capital of \$120,000.

10. Additional Paid-In Capital

During the years ended December 31, 2020 and 2019, MSHL provided additional paid-in capital of \$350,000 and \$nil, respectively.

11. Statutory Requirements

As a registered insurance company under the Bermuda 'Insurance Act 1978 amendments thereto and related regulations' (the "Act") the Company is required to prepare Statutory Financial Statements and to file a Statutory Financial Return annually (or as otherwise agreed, in certain circumstances). The Act also requires the Company to meet certain defined measures of solvency and liquidity.

The statutory capital and surplus amounted to \$2,773,610 and \$1,260,727 as of December 31, 2020 and 2019, respectively. A reconciliation of the statutory capital and surplus to GAAP equity is below:

	December 31, 2020	December 31, 2019
	\$	\$
Shareholder's equity in accordance with U.S. GAAP	1,793,309	1,260,727
Less: Non-admitted assets		
Prepaid expenses	(15,133)	-
Non-controlling SACs consolidated under statutory basis of accounting	995,434	-
Statutory capital and surplus	2,773,610	1,260,727

The minimum statutory capital and surplus required by the Act for the Company's current operations amounted to \$1,500,000 at December 31, 2020 (2019 - \$1,000,000).

Pursuant to insurance laws of the State of Vermont, Garden is required to maintain capital and surplus of \$100,000. Garden's equity (capital and surplus) amounted to \$485,882 and \$462,483 as of December 31, 2020 and 2019, respectively.

At December 31, 2020, Garden has cash and cash equivalents held in trusts of \$448,800 (2019: \$447,780) as security for reinsurance agreements.

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12. Segregated Accounts

As at December 31, 2020 and 2019, segregated accounts assets and liabilities are shown separately in the consolidated balance sheets as segregated account assets and segregated account liabilities.

A summary of these balances, and the aggregate operations of the segregated accounts, is as follows:

	December 31 2020 \$	December 31 2019 \$
Balance Sheet		
Cash and cash equivalents	20,643,815	140,711
Restricted investments	-	23,486,488
Investments	8,526	-
Accrued investment income	-	104,497
Profit commission receivable	14,440	141,811
Reinsurance balances receivable	3,642,293	2,057,353
Contributions receivable	1,324,987	1,192,123
Funds withheld	848,825	-
Total Assets	26,482,886	27,122,983
Losses and loss adjustment expense reserves	15,896,932	12,615,305
Losses payable	9,475,942	7,285,225
Unearned premium	-	1,086,333
Other liabilities	94,802	-
Net equity due to preferred shareholders	1,015,210	6,136,120
Total Liabilities	26,482,886	27,122,983
Non-controlling interests	-	-
Statement of Operations		
Net premiums written	(247,119)	17,217,422
Change in unearned premium	1,086,333	13,644,554
Net premiums earned	839,214	30,861,976
Acquisition costs	2,410,199	-
Losses and loss adjustment expense incurred	(8,592,881)	(37,528,229)
Profit commission income	160,138	-
General administrative expenses	(149,739)	(702,857)
Net investment income	215,701	814,899
Net loss and comprehensive loss	(5,117,368)	(6,554,211)

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13. Market Risk

The novel coronavirus ("COVID-19"), a global pandemic, stands to substantially impact the global economy, including significant volatility in the financial markets. The outbreak could have a continued material adverse impact on economic and market conditions and trigger a period of global economic slowdown. The rapid development and fluidity of this situation precludes any prediction as of the ultimate material adverse impact of COVID-19. Although the Company cannot estimate the length or gravity of the impact of the COVID-19 outbreak at this time, if the pandemic continues, it may have an adverse effect on the Company's results of future operations and financial position.

14. Subsequent Events

The Company has evaluated known recognized and non-recognized subsequent events through June 30, 2021, and there were no subsequent events to note at the date the consolidated financial statements were available to be issued.