



Financial Report 2013
Klapton Insurance Company Limited
(Formerly Sinclair Insurance Company Limited)

FINANCIAL REPORT
FOR THE YEAR ENDING
31 December 2013

Klapton Insurance Company Limited
Registered offices:
Union of Comoros: POB 69, ACS, Mutsamudu, Anjouan, Union of Comoros.



DIRECTORS' REPORT

The Directors present their report together with the financial report of Klarton Insurance Company Limited ("the Company") for the year ended 31 December 2013.

1. Directors

1.1 The following Directors held office during the financial year:

DIRECTOR	DATE OF APPOINTMENT	SPECIAL RESPONSIBILITIES
SJ Reches	January 01, 2005	Managing Director Insurance Manager Chairman of Risk Management Committee
NMSIM Africa Limited	May 01, 2012	Director

1.2 Directors' Benefits

No Director of the Company has, since the end of the preceding financial year, received or become entitled to receive a benefit other than a benefit included in the total amount of remuneration received, or due and receivable, by Directors and disclosed herein, or by reason of a contract made by the Company or its controlled entities with the Director, or with a firm of which the Director is a member, or with an entity in which the Director has a substantial financial interest.



2. Principal Activities and Review of Operations

2.1 Principal Activities

The principal activities of the Company during the financial year were the underwriting of life, health, marine, credit and general insurance and reinsurance, and the investment of shareholders' and insurance funds.

2.2 Review of Operations

The Company obtained its insurance authorization from the Anjouan Commissioner of International Insurance on January 01, 2005.

The Company writes three main types of covers:

- [1] Direct insurance policies from various worldwide sources. The basic restriction is that the residents of those jurisdictions are allowed to purchase insurance from offshore carriers.
- [2] Multinational SME portfolios of brokered businesses, as well as marine, health and surety insurance lines.
- [3] Reinsurance covers (treaties & facultative), mainly in Africa and Middle East.

2.3 Investments

In the 4th quarter, the Company invested in a newly formed public company, listed on the Danish GXG Exchange Platform, which trades in guarantees. That company's products have synergy with Klaption's activity.

2.4 Significant Changes in the State of Affairs

During 2013 the Company undertook a large line of reinsurance liability written by EEA carriers in the United Kingdom. This portfolio generated a loss and affected the Company's business and results.

In this year, the Company was exposed to a financial event in Cyprus which affected its liquidity.

In the opinion of the Directors, there were no other significant changes in the state of affairs of the Company that occurred during the financial year under review, other than those disclosed above.

2.5 Change in Reporting Currency

As of 2013, the Company will present its financial statements in Euro (previously in US\$). This change is due to the main source of business of the Company, which originated from Europe and Western African countries, mainly using the XOF – which has a fixed exchange rate to the Euro.

3. Dividend

No dividend has been proposed or approved by the board to be paid for the 2013 financial year.



Explanatory Note

This report reflects the financial statements of Klaption Insurance Company Limited (the "Company") as of December 31, 2013 for the year ending December 31, 2013.

Except for the foregoing amended disclosures, the information in this report has not been updated to reflect events that occurred after January 1, 2014, the filing date of the Company's Annual Report.



Financial Data: Balance Sheet

The following table sets forth the Balance Sheet (Expressed in € - Euro):

	December 31, 2013 €	December 31, 2012 €	December 31, 2012 US\$		December 31, 2013 €	December 31, 2012 €	December 31, 2012 US\$
Assets:				Liabilities:			
				Other liabilities: (Remark 5)	2,700,000		
Cash and cash equivalents	36,403,406	39,142,383	50,067,004	Reserve:			
				Losses & loss expenses	19,356,215	7,232,631	9,251,255
Insurance balances receivable	8,856,215	13,999,619	17,906,906	Unearned premiums	10,323,168	17,158,350	21,947,238
				Surplus Long Term Trust	781,800	781,800	1,000,000
Other assets	29,850,000	14,245,264	18,221,111	Special Risks Reserves	2,394,516	2,394,516	3,062,824
					35,555,699	27,567,297	35,261,317
				Shareholders' equity:			
				Paid-in capital and Capital reserves (Remark 06)	39,819,969	33,945,192	43,419,279
				Income (Loss) from Statements of Income	(9,452,197)	5,874,777	7,514,425
				Capital Contribution	9,186,150	0	0
				Dividends	0	0	0
					39,553,922	39,819,969	50,933,704
Total Assets:	75,109,621	67,387,266	86,195,021	Total Liabilities:	75,109,621	67,387,266	86,195,021

SJ Reches
Chairman & Managing Director



Financial Data: Statements of Income

The following table sets forth the Statements of Income (Expressed in € - Euro):

	December 31, 2013 €	December 31, 2012 €	December 31, 2012 US\$
Revenues:			
Gross premiums written	31,265,412	47,890,308	61,256,471
premiums ceded	(6,255,410)	(15,668,922)	(20,042,111)
Net premium written	25,010,002	32,221,386	41,214,360
Change in unearned premiums (Remark 01)	(0)	(0)	(0)
Net premiums earned	25,010,002	32,221,386	41,214,360
Net investment income (Remark 02)	958,973	2,286,899	2,925,172
Reinsurance commission	871,222	2,198,595	2,812,222
Unforeseen Risks Reserves (Remark 03)	(0)	49,116	62,824
	<u>26,840,197</u>	<u>36,657,764</u>	<u>46,888,930</u>
Expenses:			
Claims:			
Paid losses (Net of ceded share)	11,198,294	5,578,338	7,135,250
Change in net losses reserve (Remark 04)	12,061,284	429,560	549,450
Acquisition costs	6,532,551	9,978,078	12,762,955
General and administrative expenses	3,551,155	13,455,716	17,211,200
Total expenses:	<u>33,343,284</u>	<u>29,441,692</u>	<u>37,658,855</u>
Operating income (exempt of income tax)	(6,503,087)	7,216,072	9,230,075
Income tax benefit (expense)	(0)	(0)	(0)
Operating Income	(6,503,087)	7,216,072	9,230,075
Net realized investment gains (losses)	(2,925,655)	(864,202)	(1,105,400)
Foreign exchange gain (loss)	(23,455)	(477,093)	(610,250)
Net Income (loss)	<u>(9,452,197)</u>	<u>5,874,777</u>	<u>7,514,425</u>

SJ Rechtes
Chairman & Managing Director



Available Information

Klapton files annual and current reports, proxy statements and other documents with the International Insurance Commissioner as required by the International Insurance Act in Anjouan, Union of Comoros.

Remark 01 – Earned premium

The Earned Premium Table for 2013 (Expressed in €):

Production Month	Total Written Premium	Relevant Share for 2013	Earned Premium 2013	Relevant Premium 2014
Fees	125,718	12 of 12	125,718	0
Total	25,010,002	Proportional	16,875,212	8,134,790
Less: Unearned Premium Reserve from 2012				10,323,168
Change in Unearned Premium Reserve				(2,188,378)

Agreed in Board meeting Unearned Premium Reserve fund will not be decreased.

Remark 02 – Investment income

Investment income is generated mostly from Customers Premium Payment Credit provided by the Company to its insured customers and from interest paid to the Company for loans. The breakdown is:

Income from Fees and Credit Charges	125,718
Income from Interest	<u>833,255</u>
Total	<u>958,973</u>

The retained risk of exposure to currency fluctuation is minor and estimated at up to 5% of the accumulated funds.

Remark 03 – Unforeseen Risks Reserve

A special new reserve was established in 2011 to deal with IBNR (Incurred But Not Reported) and IBNER (Incurred But Not Enough Reserved) loss reserves. The Company assessed potential exposures under these funds, especially based on previous years' accumulated experience. These exposures were covered within these amounts stated below.

	Previous year balance
IBNR	1,172,700
IBNER	<u>1,221,816</u>
Total reserved sums (Opening balances)	<u>2,394,516</u>

This year the reserves are not adjusted as the Premium Written is less than previous year and provisions were made to outstanding losses reserve.



Remark 04 – Loss Reserve

Outstanding Loss Reserve has been adjusted to the reserve for claims reported and assessed by the Company's claims managers.

Reviewed Outstanding losses	19,356,215
Less: reinsurance share:	62,300
Less: transfer from previous year	7,232,631
Change in Loss Reserve	<u>12,061,284</u>

Remark 05 – Other Liabilities

In December 2013, NMSIM Africa Limited, a shareholder in the Company, lent the Company €2,700,000 for 2 years period, with 2% annual coupon, to increase the Company's short term liquidity.

Remark 06 – Changes in Capital and Capital Reserves

Changes in the Paid in Capital and Capital Reserves include the previous year's losses or profit, dividends paid and allotment of newly issued shares.

Paid-in Capital at December 31, 2012	33,945,192
Income from Statements of Income at December 31, 2012	5,874,777
Newly Allotted Shares	0
Dividends Paid	(0)
<u>Paid-in Capital at January 01, 2013</u>	<u>39,819,969</u>
Increases of Paid In Capital during 2013:	
Capital Contribution	9,186,150
Transfer from Statement of Income	(9,452,197)
<u>Paid-in Capital at December 31, 2013</u>	<u>39,553,922</u>

Statutory required Capital:

Basic Capital requirement:	100,000
Adjusted Capital (20% of Gross Premium Income)	6,253,082
<u>Total Capital required by regulation</u>	<u>6,353,082</u>
<u>Actual Capital Surplus</u>	<u>33,200,840</u>

Major shareholders at December 31, 2013:

<u>Name:</u>	<u>Percentage:</u>
SJ Reches	65.00%
NMSIM Africa Limited*	35.00%
Others (each below 0.5%)	00.00%

*Shareholder is related to SJ Reches through SJ Reches holdings in Global Ridgeway Holdings Limited.

Highest Paid Individual:

[1] Officer/Director	€ 55,000
[2] Top 5 paid individuals Officers/Directors	€ 78,000