ANNUAL REPORT & ACCOUNTS 2020

Klapton

Registered Number
L2001

Corporate and Investors
www.klapton.com/corporate-investors/

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Klapton Insurance Company Limited

Annual Report & Financial Statements

31 December 2020

Klapton

Company Background :

Formed in 2005, Klapton Insurance Company Limited ("Klapton") is registered in the Autonomous Island of Anjouan, Union of Comoros, with operations in Africa, Middle East and Asia.

Klapton is a Class 2 insurer and reinsurer regulated by the Anjouan Offshore Finance Authority.

Klapton underwrites a diversified worldwide portfolio, focused on three core lines:

- Surety products (guarantees, bonds, hedging covers, investment protection, and debenture repayment guarantees)
- Inward Facultative Reinsurance covers (energy, property, engineering, construction)
- Treaty participations (both excess of loss and quota share)

Klapton's main geographical focus on the Afro-Asian markets.

Klapton has focused its attention on Africa with the intention of developing and investing in the setup of reinsurance brokerages to provide an increased flow of risks being offered across the main core lines.

Klapton has assets in excess of €69m as at 31 December 2020.

Klapton

Board of Directors:

Sir Bernard Zissman

Chairman and Non-Executive Director

Sir Bernard Zissman has enjoyed both a busy political career, where he has served as senior member of Birmingham City Council, together with a number of chairman positions including AQC Consulting, Advantage Business Angels and Cerebrum Partners Ltd.

Mr Shay Reches

CEO and Director

Shay Reches brings 40 years of insurance and reinsurance industry experience. His main focus of activity during that time has been in the African market, both in the insurance and credit industries.

Mr Reches is the majority owner of Klapton.

Mr Rob Bygrave

CFO and Director

Rob Bygrave has held a number of senior finance positions in banks, insurance companies and corporate finance houses including Standard Chartered, Deutsche Bank, Altium Capital and Raiffeisen International Bank.

He is also currently Group Finance Director for an investment group.

Klapton

Board of Directors:

Mrs Tali Marienberg
COO and Director

Tali is an experienced litigator and worked in the insurance industry for over 25 years. She has handled claims in court and managed claims department for global MGAs, state and public insurers.

Mr Jerry Pinkus
Reinsurance Director

Jerry Pinkus began his career in broking in 1979, specialising as a broker/producer of International Facultative business. Mr. Pinkus has held several senior positions with leading Lloyds Brokers as an Executive Director, including Lambert Fenchurch International and HSBC Insurance Brokers and has worked at several Insurance Companies in the Middle East.

Board of Directors:

Mr Danny Joffe
Non-Executive Director
Chairman of Risk Committee (RC) and Member of AFI, ENR and CC

Danny Joffe holds a law degree and a Master of Laws in Insurance and Company Law.

Danny also works for the Hollard Insurance Company in South Africa where he heads up its legal division in the non life space.

Mr Eitan Yanuv
Non-Executive Director

Eitan Yanuv brings with him a wide business and capital markets experience having taken roles as CEO, CFO and Chairman in private and publicly listed companies.

He also serves as the CEO of Implement Ltd, a business consulting and investment banking firm.

Klapton

Board Committee Chairmen:

Mr Russell Parker

Chairman of Maritime Sureties Committee (MSC)

Russell Parker (a career banker of over 35 years standing), brings 20 years experience in the global maritime finance sector. He was the Head of Lloyds Banking Group's Ship Finance Business, having previously overseen the growth of HBOS' Shipping portfolio prior to the merger with Lloyds.

Mr Mike Lawson

Chairman of Audit, Finance and Investments Committee (AFI) and Member of MSC

Mike has over 20 years of financial services experience working in multiple aread of Structured Finance including Commercial Banking Finance and Structured Corporate Finance. Mike qualified into the Chartered Institute of Management Accountants and began is career in 1990.

Mr Danny Joffe

Chairman of Risk Committee (RC) and Member of AFI, CC and ENR

Danny Joffe began his career with Aegis Insurance Company in South Africa in 1996 as a legal advisor after completing his law degree and a Master of Laws in Insurance and Company Law.

Danny also works for the Hollard Insurance Company in South Africa where he heads up its legal division in the non life space.

Board Committee Chairmen:

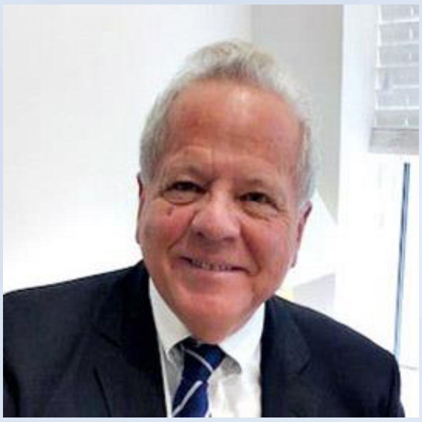
Mr Jerry Pinkus
Chairman of Reinsurance and Underwriting Committee (RUC)

Jerry Pinkus began his career in broking in 1979, specialising as a broker/producer of International Facultative business. Mr. Pinkus has held several senior positions with leading Lloyds Brokers as an Executive Director, including Lambert Fenchurch International and HSBC Insurance Brokers and has worked at several Insurance Companies in the Middle East.

Mr Justin Tuson
Chairman of IT, Media and PR Committee

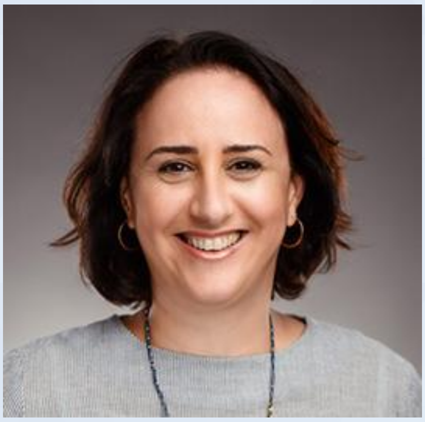
With Information Technology experience exceeding 20 years, Mr. Tuson has worked in a wide variety of sectors - Oil and Gas Discovery, Travel Airline booking and Advertising Media. His experience spans Mainframe, Mini and Desktop computing.

Board Committee Chairmen:



Mr Peter Mann
Chairman of Claims Committee (CC)

Peter Mann is the owner of the Quest Partnership, which he established in 1991. The Quest Partnership have managed Klapton's global claims portfolio for several years.



Mrs Shany Medina
Chairman of the Ethics, Nominations and Remuneration Committee (ENR)

Shany Medina is an experienced Talent acquisition leader with more than 15 tears in developng and leading innovation talent acquisition teams.

Shany brings a broad view ann insights on the labour market, future workplace and market demands for talent.

Letter From the Board of Directors

It is our pleasure to present the 2020 Annual Report of the Board of Directors for Klapton Insurance Company Limited, and the financial statements for 2020. Which includes the statement of financial position at 31 December 2020 and the statement of income for the financial year.

Strategic review of the year

The Board of Directors are pleased to announce that in 2020, we generated an exceptional rise in gross written premium levels of 126% on the previous year, rising to €29.9m in 2020 from €12.9m in 2019. Furthermore the Board consider this to be an excellent performance especially as for the majority of 2020 we were operating with the Covid 19 global pandemic and the huge impact this had on our operations, clients and the market.

Net claims incurred increased in 2020 from €2.1m to €7.6m, however the Board expect this given the growth in premiums over the past few years. Although the gross claim reserve increased by €6.7m 2020, there is a siginificant increase in reinsurance recoveries of which partially mitigates this rise.

Even after taking into account the claims increase in 2020, Klapton still maintained a strong net underwriting profit, which rose from €3.8m in 2019 to €5.1m in 2020. This demonstrates that the rise in gross written premiums has not impacted Klapton's underwriting criteria and controls for risk acceptance.

Administrative expenses rose from €2.4m in 2019 to €3.4m in 2020. A significant part of this increase is in staff costs, in pay rises and bonuses to reward and retain existing staff, together with key strategic recruitments across the Company during 2020. There were increases in advisory fees, partly from the increased fees to members of the Board Advisory Committees, as we added an additional committee in 2020. We also increased consultancy fees in relation to business generation, strategy and potential new business lines.

Klapton recently received it's updated credit rating from the South African agency, Global Credit Rating, part of the Carlyle Group as B- (Stable). During 2020, for the first time, Bloomfield (a leading rating agency in West Africa) rated Klapton on an International Scale and awarded A1- (Investment grade) short term rating and BB (Investment grade) long term rating. Klapton also maintained the A1- (Investment grade) short term rating and a BBB+ (Investment grade) long term rating from Bloomfield for the West Africa region.

Klapton

Letter From the Board of Directors (continued)

Outlook for 2021 for Klapton

Looking forward into 2021, we have a clear focus on driving improved performance for this year and beyond as part of the 5 year strategic plan which the Board regularly reviews. We will continue to evaluate potential opportunities of investing in the support of new reinsurance brokerage hubs in our key markets. We also believe that the existing hubs will continue to develop and increase their contribution to Klapton in 2021, and beyond as there are many countries within their regions which we see significant opportunities for us.

We continue our focus on maintaining our strong Corporate Governance culture to ensure that it meets the required standards in modern international and peer companies. We also regularly review the composition of the Committees and amend/strengthen them where possible. The Board places significant focus on the review of minutes and recommendations of the Committees.

Klapton is also committed to improving the credit ratings it has received from GCR and Bloomfield and is actively working through their recommendations to achieve this change in the next rating review, and also are evaluating other credit agencies.

We would like to extend a thank you to all of our clients, brokers and introducers for their continued support and the confidence they have placed with Klapton in 2020. We would also like to thank our employees, advisors and claim managers for their efforts this year, we understand strain they and their families have all been under with the threat of Covid, and are proud of our acheivements as a Company which could not have happened without their excellent attitude and focus through these difficult times.

Klapton's continued response to Covid 19

We continue to safeguard our teams, working from home as recommened by local government guidelines in response to changing Covid levels. We are regularly in contact with our teams and their families as their safety is paramount to the continued operation of our business.

We regularly communicate with all our producers to ensure they are OK – and to assure them we are “open for business as usual”.

We continually evaluate our products to ensure we can continue supporting our producers going forward, including P&C, engineering, marine & aviation, marine sureties and general sureties. All our lines of business continue to be available to our producers.

Board of Directors

Corporate Governance Statement

The Company is fully committed to high standards of corporate governance. The Directors of Klapton are ultimately accountable to the shareholders for ensuring that the Company's business is conducted in accordance with those high standards.

The Board

The Board directs the Company's' risk assessment, resource management, strategic planning financial and operational management to ensure that obligations to shareholders and other stakeholders are understood and met. Certain functions are delegated to committees as detailed within this section.

The Board meets monthly, and additionally when necessary, to consider all matters relating to the overall control, business performance and strategy of the Company and in succession planning.

The Board consists of both executive and non-executive Directors. The Board of Directors maintains an appropriate balance of skills, experience, independence and knowledge of the Company. This has enabled the business to discharge their respective duties and responsibilities effectively as well as be diverse on nationality, age and race. The Board also maintains a transparent procedure for appointment and induction of new Board members.

All Directors receive regular and timely information about the Company prior to Board Meetings. They also have access to the CFO, who performs the Company Secretarial duties, for any further information they may require. If any of the non-executive directors has any concerns with the running of the Company, they would first discuss their concerns one of the executive directors or the CEO. If these concerns cannot be resolved, then their concerns are recorded in the Board minutes. No such concerns arose during the year or up to the date of this report.

Board Committees

The Board regularly reviews the functionality, requirement and effectiveness of the Committees. During 2020/2021 the company segregated the Claims segment from the Reinsurance, Underwriting and Claims Committee into it's own committee and the formation of a new committee, the Risk Committee. The other committees are Audit, Finance, and Investment (AFI), Reinsurance and Underwriting (RUC), IT, Systems and PR (ISP), Ethics, Nominations and Remuneration (ENR) and Maritime Sureties Committee (MSC).

Corporate Governance Statement (continued)

Audit, Finance and Investment Committee (AFI)

This committee reviews the company's financial policies and plans, ensures there are adequate systems to monitor and manage risk, ensures implementation of the requirements of International Financial Reporting Standards, review and monitor compliance with investment strategy, policy and statutory requirements.

The AFI committee also monitors and provides effective supervision of the management's financial reporting process to ensure accurate and timely financial reporting. The Committee received reports from reviewers such as regulators, auditors and rating agencies. The Commitee also monitors implementation of these bodies recommendations, on behalf of the Board.

The Committee also undertakes regular reviews of the Company's investment portfolio and ensures these are in line with the Company strategy, standards and investment criteria.

Reinsurance and Underwriting Committee (RUC)

This Committee undertakes reviews of the Company's core insurance written, the development of new business lines, underwriting policies, procedures and standards.

The RUC committee also reviews the Company's reinsurance treaties and the development of inward and outward facultative covers in line with policy. Additionally it will consider the criteria for participating reinsurers on the Company's treaties as well as on facultative covers and review the Company's protection treaties.

IT, Systems and PR Committee (ISP)

This committee reviews the Company's IT infrastructure polices and process including the ongoing systems operation and back up, compliance with client data confidentiality requirements, and that the IT infrastructure and corporate data is protected against attack in line with company and industry practice. It also reviews and recommends to the Board future developments in IT systems and analytical and management tools which are proposed by the IT department.

The ISP committee also reviews the online presence of the company on search engines and social media in line with the Company's strategy and expectations and will report to the Board in respect of this. It also monitors the impact of PR activity on the Company to ensure it is in line with policy.

Corporate Governance Statement (continued)

Ethics, Nominations and Remuneration (ENR)

This Committee is responsible for compliance with applicable laws, regulations and business ethics and conflicts of interest, including the Company's continuous disclosure requirements, It reviews and monitors related party transactions and transactions with cedants, intermediaries, retrocessionaires, employees and other stakeholders to ensure that they are conducted at arms length, with integrity and transparency.

The ENR makes recommendations to the Board, on remuneration, recruitment and appointment, termination and removal, competencies, skills, knowledge, experience, incentive policies and procedures. The committee is also responsible for the development of a process of evaluation of the performance of the Board, its Committees and Directors and succession planning.

Maritime Sureties Committee (MSC)

This Committee is responsible for reviewing and sanctioning new maritime covers to be provided, including assessing relevant documentation on new covers incorporating qualitative and quantitative information, market data and risk assessments. In addition it recommends and presents applicable opportunities to the underwriting team to conclude a premium rating, reinsurance and that other considerations are in place.

Also to assess and develop new product covers, geographies and markets to target, monitoring and assessing existing and potential new global customers and the ongoing monitoring of existing and ongoing exposures (inc. relevant market valuations). To undertake regular reviews of the Company's agreed maritime investment strategy, ensuring these are in line with the Company's overall strategy, standards and investment criteria. Finally, ensuring adequate governance is in place to monitor all control processes and adherence/compliance to all internal and external policies.

Corporate Governance Statement (continued)

Claims Committee (CC)

This Committee was segregated from the Risk, Underwriting and Claims Committee as the Board considered that with the growth in business and the subsequent increase in both the levels and complexity of claims, that a separate Claims Committee should be formed.

The Committee reviews the Company's claims - outstanding, paid, declined and approved to ensure these comply with both Company and industry best practice. It will also pass comment on claims handling policies, claim management standards and also consider underwriting policies.

In addition, the Committee considers/debates policy liability and interpretation for the benefit of underwriters where appropriate with a view to ensuring that all policy points are scrutinized and interpretations are consistent when Cedants submit claims payment requests.

It is the experience of the Committee that there are more than single occasions when Cedants/Reinsurance Brokers have not fully considered all areas of Policy liability, misrepresentation at inception and relevance of Warranties and Conditions.

Risk Committee (RC)

The Risk Register is a document which details all risks which the company faces - operational, regulatory, product, political etc. It was previously maintained as part of the AFI Committee, however with the growth in the business it was felt by the Board that this is of such importance that it must be considered in a separate Committee.

The Committee will review the existing Risk Register and update for changes in the rating of the risks (between high/medium/low), closing expired risks and also raising new risks as they are identified which affect the Company and any area of the business. The Risk Register is then escalated to the main Board and discussed/reviewed at the Board meeting.

Statement of Directors' Responsibilities

The Directors are responsible for the preparation, integrity, true and fair presentation of its financial statements and other information contained within this Annual Report.

The financial statements have been audited by an independent audit firm which has been given unrestricted access to all financial records and related data, including minutes of all meetings of the Board of Directors and the Committees of the Board. The Directors believe that all representations made to the independent auditors during the audit were valid and appropriate statements.

The Directors accept responsibility for preparing the financial statements in accordance with International Financial Reporting Statements and the applicable provisions of the Offshore Finance Authority. They also accept responsibility for such internal controls as the Directors deem necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Directors are also responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters relating 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 has no realistic alternative but to do so. The audit of the financial statements does not relieve the directors of this responsibilities.

Board of Directors

Klapton

2020 Financial Highlights

Net underwriting profit
€5.1m

Gross written premiums
€29.2m

Bloomfield International credit rating
A1- (Investment grade) - short term
BB (Investment grade) - long term

Bloomfield West Africa credit rating
A1- (Investment grade) - short term
BBB+ (Investment grade) - long term

GCR credit rating
B- (Stable) International Scale

Shareholder's equity
€35.5m

Total assets
€69.7m

Total cash
€26.9m

SOCIETE D'EXPERTISE COMPTABLE ET DE CONSEILS
01 BP 8168 ABIDJAN 01
TEL (225) 22-52-57-10
FAX (225) 22-42-68-83

Independent Auditors' Report for the ended as at December 31st 2020

Klapton Insurance Company Limited
Suite 2001, BP303, Mutsamudu, Autonomous Isle of Anjouan,
Union of Comoros

KLAPTON Ltd

Ladies and Gentlemen Shareholders,

We have audited the accompanying financial statements of the Company KLAPTON Ltd, which comprise the statement of financial position as at December 31st, 2020, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of 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 financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the 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 entity's internal control. 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 financial statements.
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at December 31st, 2020, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Comments

We have not become aware of any significant matters relating to the financial information of KLAPTON Ltd that we should report to you.

Abidjan, July 02th, 2021

SOCIETE D'EXPERTISE COMPTABLE & DE CONSEILS

AKO Roger-Maurice

SOCIETE D'EXPERTISE
COMPTABLE & DE CONSEILS
(S.E.C.C.)
01 BP 8168 ABIDJAN 01
Tél: 22 52 57 10 / Fax: 22 42 04 36

Managing-Partner
Legal Auditor

Klapton

Statement of Financial Position
As at 31 December 2020

	Notes	2020 €	2019 €
Assets			
Intangible assets	*4*	74,058	99,933
Investments	*5*	11,738,697	11,107,704
Deferred policy acquisition costs	*6*	6,058,802	3,707,672
Insurance receivables		18,855,576	10,428,288
Other assets	*7*	6,066,991	2,270,681
Cash and cash equivalents	*8*	26,895,090	24,908,533
Total assets		**69,689,214**	**52,522,811**
Equity and Liabilities			
Equity			
Issued share capital	*9*	18,763,200	18,763,200
Retained earnings		16,685,526	14,838,762
Total equity		**35,448,726**	**33,601,962**
Liabilities			
Technical provisions	*10*	30,046,268	14,604,224
Other liabilities	*11*	4,194,220	4,316,625
Total liabilities		**34,240,488**	**18,920,849**
Total Equity and Liabilities		**69,689,214**	**52,522,811**

The financial statements were approved by the board of directors and authorised for issue on 02 July 2021 and they were signed on its behalf by:

S J Reches
Director
02 July 2021

The notes on pages 21 to 43 form part of these financial statements.

Statement of Income

For the year ended 31 December 2020

Klapton

	Notes	2020 €	2019 €
Gross written premiums	*12*	29,227,611	12,941,319
Change in unearned premiums		(7,993,094)	(3,134,535)
Gross earned premiums		**21,234,517**	**9,806,784**
Less premiums ceded	*12*	(1,691,382)	(356,944)
Net earned premiums	*12*	**19,543,135**	**9,449,840**
Net claims incurred	*13*	(7,256,920)	(2,145,166)
Commissions earned	*14*	25,991	3,435
Acquisition expenses	*6*	(7,213,531)	(3,474,494)
Net underwriting result		**5,098,675**	**3,833,615**
Investment (expense)/income	*15*	375,805	148,915
Administrative expenses	*16*	(3,365,083)	(2,400,079)
Net foreign exchange profit/(loss)		(200,436)	(433,882)
Profit for the year before taxation		**1,908,961**	**1,148,569**
Tax		(62,196)	-
Profit for the year after taxation		**1,846,765**	**1,148,569**

There are no additional recognised gains of losses other than those stated above.

Statement of Cash Flows

For the year ended 31 December 2020

Klapton

	Notes	2020 €	2019 €
Net cash inflow/(outflow) from operating activities	17	**2,416,925**	**(6,270,419)**
Cash outflow from investing activities			
Purchase of intangible fixed assets		(43,229)	-
Proceeds from sale/maturity of financial assets at amortised cost		9,853	14,682,676
Proceeds from sale/maturity of financial assets at fair value through OCI		-	3,355,576
Purchase of financial assets at amortised cost		(640,846)	(10,309,307)
Purchase of financial assets at fair value through OCI		-	-
Interest income		243,854	705,025
Net cash inflow/(outflow) from investing activities		**(430,368)**	**8,433,970**
Cash outflow from financing activities			
Proceeds of shares subscription		-	-
Receipt of loan financing		-	-
Repayment of loan financing		-	-
Interest expense		-	-
Net cash outflow from financing activities		**-**	**-**
Net increase/(decrease) in cash and cash equivalents		**1,986,557**	**2,163,551**
Cash and cash equivalents at the beginning of the year		24,908,533	22,744,982
Cash and cash equivalents at the end of the year		**26,895,090**	**24,908,533**

The notes on pages 21 to 43 form part of these financial statements.

1 ACTIVITIES

Klapton Insurance Company Limited ("the Company") was incorporated in the Autonomous Island of Anjouan, Union of Comoros in 2005. It is a Class 2 insurer and reinsurer, regulated by the Anjouan Offshore Finance Authority. The Company's registered office is POB 69, ACS, Mutsamudu, Anjouan, Union of Comoros.

The Company operates primarily in the Middle East, Africa and Asia.

2 BASIS OF PREPARATION

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") together with the applicable requirements of the Anjouan Offshore Finance Authority.

The financial statements have been presented in Euro "€" being the Company's functional currency.

The financial statements are prepared under the historical cost convention modified to include the measurement at fair value of financial assets at fair value through the profit and loss and financial assets through other comprehensive income.

3 ACCOUNTING POLICIES

Change in accounting policies

The accounting policies adopted are consistent with those of the previous financial year, except for the new and amended standards and interpretations effective as of 1 January 2020.

The following new and revised IFRSs were effective in the current year :

Amendments to IAS 1 - Presentation of financial statements and IAS 8 - Accounting Policies, changes in accounting estimates and errors

These amendments clarify the definition of materiality and the meaning of primary users of general purpose financial statements by defining them as existing and potential investors, lenders and other creditors. The company has applied the guidance on materiality when preparing its financial statements.

This company applied IAS and IAS 8 amendments from 1 January 2020.

3 ACCOUNTING POLICIES (continued)

Amendments to References to the Conceptual Framework in IFRS Standards

The revised Conceptual Framework will be used in standard-setting decisions with immediate effect. However, no changes will be made to any of the current accounting standards. Entities that apply the Conceptual Framework in determining accounting policies will need to consider whether their accounting policies are still appropriate under the revised Framework.

No amendments were required to the accounting policies following the application of the revised Conceptual Framework.

Early adoption of standards

The Company did not early-adopt any new or amended standards in 2020. The Company will adopt these standards, if applicable, when they become effective:

Amendments to IAS 1 - Presentation of financial statements

These amendments aid to provide consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due to potentially due to be settled within one year) or non-current.

Amendments to IAS 16 - Property, Plant and Equipment - Proceeds before Intended Use

The amendments prohibit deducting from the costs of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by the management. Instead an entity recognises the proceeds from selling such items and the cost of producing those items in profit of loss.

IFRS 17 - Insurance Contracts

IFRS 17 was issued in May 2017 and establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts within the scope of the standard. The standard applies to all types of insurance contracts (life, non-life, direct insurance and reinsurance), regardless of the type of entities that issue them. It also applies to certain guarantees and financial instruments with discretionary participation features.

The objective of the standard is to ensure that an entity provides relevant information that faithfully represents their insurance contracts. This information gives a basis for users of financial information to assess the effect that insurance contracts have on the entity's financial position, financial performance and cash flows.

IFRS17 requires entities to identify portfolios of insurance contracts, which comprises contracts that are subject to similar risks and managed together. Contracts within a product line would be expected to have similar risks and hence would be expected to be in the same portfolio if they are managed together.

IFRS 17 effective date is 1 January 2023.

3 ACCOUNTING POLICIES (continued)

Other amendments effective 2021/2023

The following amendments to existing standards have been published by the IASB, which will become mandatory in 2021/2023 but have little or no material effect on the company:

Amendments to IAS 1 and IFRS Practice Statement 2 - Disclosure of Accounting Policies

Amendments to IFRS 4 - Extension of the Temporary Exception from Applying IFRS 9

Amendments to IAS 8 - Definition of Accounting Estimates

Amendments to IFRS 9, IAS 39 and IFRS 7 with regard to the effects of the IBOR reform (Phase 1)

Amendments to IFRS 16 - Covid-19 Related Rent Concessions beyond 30 June 2021

Use of estimates in preparation of financial statements

The preparation of financial statements in accordance with IFRS requires the use of certain critical accounting estimates and assumptions. It also requires management to exercise judgement in the process of applying the Company's accounting policies. A significant degree of judgement has been used in the determination of the adequacy of provision for outstanding claims and claims incurred but not reported at the reporting date. In addition, the income statement includes estimates for premiums, claims and charges data that were not received from ceding companies at the date of the financial statements.

These estimates are based upon historical information, the directors' best knowledge of current events and actions, industry expert reports and other analytical techniques. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis to take account of new and available information. Revisions to accounting estimates are recognised in the year in which the estimate is revised.

Definition of insurance contracts

Contracts under which the Company accepts significant insurance risk from another party (the ceding company or cedant) by agreeing to compensate the cedant or other beneficiary if a specific uncertain future event (the insured event) adversely affects the policyholder or other beneficiary are classified as insurance contracts.

3 ACCOUNTING POLICIES (continued)

Gross written premiums

Gross written premium comprises the total premiums receivable for the whole period of cover for contracts entered into during the year, regardless of whether they relate in whole or in part due to a later accounting period. Premiums includes adjustments arising in the accounting period to premiums written in prior accounting periods and also includes an estimate for pipeline premiums. Pipeline premiums are those which are due on business written but not yet notified. The Company generally estimates pipeline premium based upon management's expertise and prior experience.

Premiums relating to the expired risk period are taken as earned and recognised as revenue for the period, while the premium relating to the unexpired risk period is treated as a provision for unearned premium. For proportional treaty business, the unearned premium provision is calculated on a treaty by treaty basis at the reporting date. For non-proportional and facultative business, the unearned premium provision is calculated on a pro-rata basis. For any cases where the underlying business and risk do not justify the above methods, the unearned premium provision is calculated on bases relevant to the risk profile of the insurance contract.

Outward reinsurance premiums

Outward reinsurance premiums relating to earned premiums are recognised as expense in accordance with the insurance services provided. Unearned reinsurance premiums are those proportion of premiums written in a year that relate to periods of risk after the reporting date and are deferred over the term of the reinsurance contract.

Commission income

Insurance policyholders are charged for policy administration services, surrenders and other contract fees. Other fees include reinsurance commissions earned and fronting fees. All fees are recognised as revenue over the period in which the related services are provided. Any fees which relate to services provided in future periods are deferred and recognised in those future periods.

Claims

Claims is comprised of amounts payable to policyholders, and related loss adjustment expenses, net of salvage and other recoveries and is charged to the statement of income as incurred. In addition, claims reflect the movements in the provision for outstanding claims, claims incurred but not reported (IBNR), claims incurred but not enough reserved (IBNER) and other claims reserves.

Outstanding claims comprises the provision for the Company's estimated ultimate cost of settling all claims incurred (and related claims handling costs) but unpaid at the reporting date, whether or not these had been reported. These are provided for at their face value.

Provision are also made for claims incurred but not reported at the reporting date based upon the management's judgement and the Company's prior experience.

3 ACCOUNTING POLICIES (continued)

Policy acquisition costs
Policy acquisition costs represent commissions paid to intermediaries and other direct costs incurred in relation to the acquisition and renewal of insurance contracts which are deferred and expensed over the terms of the insurance contracts as to which they relate as premiums are earned.

Interest income
Interest income is included within investment income and is recognised as the interest accrues using the effective interest method. Under this method, the rate used discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Dividend income
Dividend income is included within investment income and is recognised when the right to receive the payment is established.

Intangible assets - computer software
Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised on the basis of the expected useful life of the software.

External costs that are directly associated with the production of identifiable software products which are owned by the Company, and that will generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Computer software development costs recognised as assets amortised using the straight-line method over their useful lives.

Financial assets
Financial assets and liabilities are recognised when the Company becomes a party to the contractual provision of the instrument.

Financial assets are classified at initial recognition, and subsequently measured at amortized cost, fair value through other comprehensive income (FVOCI) and fair value through profit and loss (FVTPL).

This classification is based on the business model for managing the assets and the asset's contractual terms

a) Bond and debt instruments at amortized cost
Bonds and debt instruments are held at amortised cost only if the instruments are held with the objective of holding the instrument to collect the contractual cash flows and the terms of the debt instrument give rise to cash flows on specified dates that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

b) Bond and debt instruments measured at fair value through other comprehensive income (FVOCI)
Bonds and debt instruments are held at FVOCI only if the instruments are held with the objective of holding the instrument to collect the contractual cash flows and selling financial assets and the SPPI conditions are met.

3 ACCOUNTING POLICIES (continued)

Financial assets (continued)

c) Financial assets measured at fair value through profit or loss (FVTPL)

Financial assets at FVTPL include and financial assets designated upon initial recognition at fair value through profit or loss. This also include financial assets with contractual cash flows not representing solely payments of principal and interest.

Financial assets at FVTPL are subsequently remeasured at fair value and changes in fair value are recognized in the statement of income. Interest income is recognized using the effective interest method.

d) Financial assets measured at fair value through other comprehensive income

Financial assets measured at fair value through other comprehensive income include equities investments, which were not classified as financial assets measured at FVTPL.

The company has elected to classify irrevocably its unquoted equity investments as fair value through other comprehensive income as they meet the definition of equity under IAS 32 and are not held for trading.

Impairment of financial assets

The Company recognises an allowance for expected credit losses (ECLs) on debt instruments held at amortised cost, based upon the contractual cash flows and changes in credit risk.

In respect of insurance receivables, the company establishes an ECL based upon historical credit loss experience and as assessment of the credit risk of the outstanding amounts, including overdue receivables.

For debt instruments measured at FVOCI, as these are quoted bonds, the company applies the low credit risk simplification method and evaluates the credit risk, considering factors such as collection of contractual payments by due dates.

3 ACCOUNTING POLICIES (continued)

Derecognition of financial assets
The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the asset, the Company retains its retained interest in the asset and an associated liability for amounts it may have to pay.

Insurance receivables
All amounts receivable are initially recognised at fair value. These amounts are assessed for impairment losses at the reporting date. Such assets are deemed as impaired if there is objective evidence, as a result that occurred after the initial recognition, that the Company may not recover all amounts due and that the event has a reliably measurable impact on the amounts that the Company will receive from its debtors. The carrying amounts of the assets are reduced by the impairment losses and the impairment losses recognised in the profit or loss for the year.

Cash and cash equivalents
For the purpose of the statement of cash flows, cash and cash equivalents, comprise short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Fair values
For financial instruments which are actively traded in organised financial markets, the fair value is determined by the quoted bid price for assets and the offer price for liabilities, at close of business on the financial statements reporting date. If quoted prices are not available then a broker or dealer price quotation can be used.

For financial instruments where there is not an active market, fair value can be determined by using valuation techniques. Such techniques include using recent arm's length transactions, current market value of a another financial instrument which is substantially the same or discounted cash flow analysis. For the discounted cash flow technique, estimated cash flows are based upon management's best estimates and the discount rate used is a market related rate for a similar instrument.

If fair value cannot be measured reliably, the financial instrument should be measured at cost, being the fair value of the consideration paid for the acquisition of the instrument or the amount received on issuing the financial liability. All direct transaction costs directly attributable to the acquisition are also included in the cost of the investment.

3 ACCOUNTING POLICIES (continued)

Financial liabilities

Financial liabilities are classified as other financial liabilities either at fair value through profit or loss "FVTPL" or as other financial liabilities.

Financial liabilities at FVTPL

The Company does not have any financial liabilities classified at FVTPL.

Other financial liabilities

Other financial liabilities includes creditors arising out of reinsurance arrangements, borrowings and other amounts payable. These are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortized cost using the effective interest method, with interest expense recognised on an effective yield basis.

Derecognition of financial liabilities

The Company derecognises financial liabilities only when the Company's obligations are discharged, cancelled or expire. The condition is met when the liability is settled by paying the creditors, or when the Company is released from the primary responsibility for the financial liability either by process of law or by the creditor.

Offsetting

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously. Income and expense are not offset in the statement of income unless required or permitted by any accounting standard or interpretation.

Functional and presentational foreign currencies

The Company’s financial statements are presented in Euros, which is also the functional currency of the Company. Although the Company conducts its operations in several currencies, in line with IAS 21 revised, the Company has selected the Euro as the common currency.

Translation of foreign currencies

Transactions in foreign currencies are initially translated into the functional currency at the respective exchange rate prevailing at the date of the transaction. Foreign exchange gains or losses on the settlement of those transactions and from the translation at the year end exchange rate of monetary assets and liabilities are recognised in the profit or loss.

Non-monetary assets and liabilities which are measured in terms of historical cost in a foreign currency are translated to the functional currency at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rate at the date when the fair value was determined.

3 ACCOUNTING POLICIES (continued)

Taxation

The Company is not subject to taxation in its country of tax domicile and receives an annual tax exemption certificate in respect of this.

Dividends

Dividends payable are recognised as a liability in the period in which they are approved by the shareholders.

Comparatives

Where necessary comparatives have been adjusted to conform with changes in presentation in the current year.

Going concern

The Company's forecasts and projections provide the directors with reasonable expectations that the Company has adequate resources to continue in operational existence for the foreseeable future. Furthermore, the management is not aware of any material uncertainties that may cast doubt on the Company's ability to continue as a going concern. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

4 INTANGIBLE ASSETS

	Computer software/licences	
	2020	2019
	€	€
Cost		
As at 1 January	1,124,896	1,124,896
Additions	43,229	-
Disposals	-	-
As at 31 December	**1,168,125**	**1,124,896**
Amortisation		
As at 1 January	1,024,964	949,524
Charge for year	69,103	75,439
Eliminated on disposals	-	-
As at 31 December	**1,094,067**	**1,024,963**
Net Book Value	**74,058**	**99,933**

5 INVESTMENTS

	2020	2019
	€	€
Amortised cost		
Unquoted bonds and debt instruments	11,567,432	10,936,439
Fair value through other comprehensive income		
Quoted bonds and debt instruments	171,265	171,265
Unquoted equity investments	-	-
	171,265	**171,265**
	11,738,697	**11,107,704**

6 DEFERRED POLICY ACQUISITION COSTS

	2020	2019
	€	€
As at 1 January	3,707,672	2,481,276
Released during the year	(7,213,531)	(3,474,494)
Deferred during the year	9,564,661	4,700,890
As at 31 December	**6,058,802**	**3,707,672**

7 OTHER ASSETS

	2020	2019
	€	€
Prepayments and accrued income	467,734	327,939
Other assets	5,599,257	1,942,742
	6,066,991	**2,270,681**

8 CASH AND CASH EQUIVALENTS

	2020	2019
	€	€
Cash and bank balances	14,895,090	12,908,533
Bank deposits	12,000,000	12,000,000
	26,895,090	**24,908,533**

The bank deposits, which are primarily denominated in Euro's are made for varying periods between one month to six months (2019: between one month to six months) depending upon the immediate cash requirements of the Company.

9 ISSUED SHARE CAPITAL

	Authorised, issued and fully paid 2020 €	2019 €
24,000 shares of USD 1,000 each (Euro 782 each)	**18,763,200**	**18,763,200**

10 TECHNICAL PROVISIONS

	2020 €	2019 €
Provision for reported claims*	9,961,836	3,201,115
Provision for claims incurred but not reported	914,282	299,625
Provisions for claims incurred but not enough reserved	128,057	54,485
	11,004,175	3,555,225
Unearned premiums**	19,042,093	11,048,999
	30,046,268	**14,604,224**

*Movement in provision for reported claims:

	2020 €	2019 €
As at 1 January	3,201,115	15,195,249
Claims paid during the year	(1,455,800)	(14,225,398)
Provision for newly reported claims/adjustments to prior year claims	8,868,809	1,702,170
Foreign exchange movements	(652,288)	529,094
As at 31 December	**9,961,836**	**3,201,115**

**Movement in unearned premiums:

	2020 €	2019 €
As at 1 January	11,048,999	7,914,464
Premiums written	29,227,611	12,941,319
Premiums earned	(21,234,517)	(9,806,784)
As at 31 December	**19,042,093**	**11,048,999**

11 OTHER LIABILITIES

	2020	2019
	€	€
Trade creditors	4,058,420	4,173,194
Accrued expenses	135,800	143,431
	4,194,220	**4,316,625**

12 PREMIUMS

a) Written and earned premiums

	% change	2020	2019
	%	€	€
Gross written premium	126%	29,227,611	12,941,319
Gross earned premium	117%	21,234,517	9,806,784

b) Written premiums - business analysis

2020	Gross	Reinsurance	Net
	€	€	€
Inward treaty reinsurance	2,696,623	(156,404)	2,540,219
Inward facultative reinsurance	17,904,937	(1,099,231)	16,805,706
Sureties	8,497,262	(435,747)	8,061,515
SME	128,789	0	128,789
	29,227,611	**(1,691,382)**	**27,536,229**

2019	Gross	Reinsurance	Net
	€	€	€
Inward treaty reinsurance	5,120,436	-	5,120,436
Inward facultative reinsurance	5,084,153	(153,524)	4,930,629
Sureties	2,472,718	(203,420)	2,269,298
SME	264,012	-	264,012
	12,941,319	**(356,944)**	**12,584,375**

12 PREMIUMS (continued)

c) Written premiums - geographical analysis

2020	Gross €	Reinsurance €	Net €
Sub Saharan Africa	13,953,412	(1,269,221)	12,684,191
Middle East, North Africa and Asia	11,371,582	(422,161)	10,949,421
Other	3,902,617	-	3,902,617
	29,227,611	**(1,691,382)**	**27,536,229**

2019	Gross €	Reinsurance €	Net €
Sub Saharan Africa	9,860,304	(351,956)	9,508,348
Middle East, North Africa and Asia	3,088,900	(4,988)	3,083,912
Other	(7,885)	-	(7,885)
	12,941,319	**(356,944)**	**12,584,375**

13 NET CLAIMS INCURRED

The net claims incurred by the Company is analysed into the main classes of business as shown below:

2020	Gross €	Reinsurance €	Net €
Inward treaty reinsurance	4,490,283	(2,433,542)	2,056,741
Inward facultative reinsurance	4,823,826	(389,249)	4,434,577
Sureties	1,195,850	(566,944)	628,906
SME	136,696	-	136,696
	10,646,655	**(3,389,735)**	**7,256,920**

2019	Gross €	Reinsurance €	Net €
Inward treaty reinsurance	369,301	-	369,301
Inward facultative reinsurance	2,246,061	(641,437)	1,604,624
Sureties	160,096	(211,185)	(51,089)
SME	222,330	-	222,330
	2,997,788	**(852,622)**	**2,145,166**

14 COMMISSION EARNED

	2020 €	2019 €
Commission	**25,991**	**3,435**

Commission earned represents set up fees/administrative fees on sureties.

15 INVESTMENT INCOME/(EXPENSE)

	2020	2019
	€	€
Interest	375,805	393,339
Loss on sale of financial investments at fair value through OCI	-	(244,424)
	375,805	**148,915**

16 ADMINISTRATIVE EXPENSES

	2020	2019
	€	€
Staff costs	1,243,365	626,252
Legal and professional fees	1,568,047	1,363,798
Amortisation of intangible assets	69,103	75,439
Computer, telephone and other office expenses	302,675	120,039
Bank charges and other fees	143,766	100,912
Other expenses	38,127	113,639
	3,365,083	**2,400,079**

17 NOTE TO THE STATEMENT OF CASH FLOWS

Reconciliation of profit for the year to net cash inflow/(outflow) from operations:

	2020	2019
	€	€
Profit for the year	1,846,765	1,148,569
Adjustments for:		
Depreciation	69,103	75,439
Interest income	(375,805)	(393,339)
Loss on sale of financial investments at fair value through OCI	-	244,424
Working capital changes:		
Insurance receivables	(8,427,288)	747,619
Deferred policy acquisition costs	(2,351,130)	(1,226,396)
Other assets	(3,664,359)	(1,463,123)
Technical provisions	15,442,044	(8,599,012)
Other liabilities	(122,405)	3,195,400
Net cash inflow/(outflow) from operations	**2,416,925**	**(6,270,419)**

18 RISK MANAGEMENT

The risks faced by the Company and the way these are mitigated by management are summarised below:

Insurance risk

Insurance risk includes the risk of inappropriate underwriting, ineffective management of underwriting, inadequate controls over exposure management in relation to catastrophic events and insufficient reserves for claims incurred but not reported.

The Company has developed a detailed underwriting manual covering risk acceptance criteria, pricing, authority levels, and reinsurance protection amongst others. It guides the underwriters in their acceptances, on the principals of prudence and professionalism within the overall objective of diversifying the types of insurance risks accepted and within each of these categories to achieve a sufficiently large population of risks to reduce the variability of the expected outcome. The priority is to ensure adherence to the criteria for risk selection by maintaining high levels of experience and expertise among the underwriting staff.

Loss reserve estimates are inherently uncertain. Reserves for unpaid losses are the largest single component of the liabilities of the Company. Actual losses that differ from the provisions, or revisions in the estimates, can have a material impact on future earnings and the statement of financial position. The Company ensures that the provision is constantly reviewed and monitored in conjunction with the underwriting and claims teams to ensure it is adjusted to reflect changes in exposure and loss experience.

In order to diversify risks and mitigate the risk of catastrophic loss, the Company, in the normal course of business, enters into contracts with other parties for reinsurance purposes. This allows the Company to control exposure to potential losses from large risks, provides for greater diversification of business and provides additional capacity for growth. Prior to renewing any annual reinsurance business, the Company carries out a detailed review of the financial stability of the reinsurer. Therefore the Company ensures that reinsurance is placed only with a select group of financially secure and experienced companies in the industry.

18 RISK MANAGEMENT (continued)

Financial risk

In the normal course of business, the Company uses primary financial instruments such as cash and cash equivalents, bonds, equities and receivables.

The Company does not enter into derivative contracts.

As a result of the financial instruments held by the Company, it is subject to various market risks including interest rate risk, foreign currency risk, credit risk, market price risk and liquidity risk. The Company maintains detailed guidelines within the accounting and administrative procedures manuals. These guidelines provide the framework for the investing activities and set specific limits and benchmarks for the acceptable levels of counterparty exposure, concentration, credit risk, currency risk, liquidity risk and interest rate risk, among others.

a) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

The Company is exposed to credit risk primarily from unpaid insurance receivables and fixed income investments.

Credit risk relating to unpaid insurance receivables is mitigated by the large number of cedants and their wide geographical dispersal. The Company has in place credit appraisal policies and procedures in respect of these receivables and monitors them on a regular basis to restrict the Company's exposure to bad debts. Credit terms are also strictly monitored to keep balances as current as possible.

The Company's portfolio of fixed income investments is managed in accordance with prescribed credit rating and counterparty exposure guidelines.

Reinsurance and fixed income investments are monitored for the occurrence of a downgrade or other changes that might cause them to fall below the Company's security standards. If this occurs, management takes appropriate action to mitigate any loss to the Company.

The Company's bank balances are maintained with a range of international and local banks in accordance with the limits set by the board of directors.

18 RISK MANAGEMENT (continued)

Financial risk (continued)

b) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in raising funds to meet commitments associated with insurance contracts and other financial liabilities as and when they fall due.

The Company's investment guidelines prescribe minimum levels of financial assets to be held in cash and cash instruments. These are continually monitored to ensure that the Company can meet its liquidity requirements.

The table below summarizes the maturity profile of the Company's financial liabilities at 31 December based on contractual undiscounted payments:

	Less than 1 year	More than 1 year	Total
	€	€	€
2020			
Gross outstanding claims	3,132,152	7,872,023	11,004,175
Gross unearned premiums	11,887,765	7,154,328	19,042,093
Other liabilities	4,194,220	-	4,194,220
TOTAL LIABILITIES	**19,214,137**	**15,026,351**	**34,240,488**

	Less than 1 year	More than 1 year	Total
	€	€	€
2019			
Gross outstanding claims	771,601	2,783,624	3,555,225
Gross unearned premiums	6,756,054	4,292,945	11,048,999
Other liabilities	4,316,625	-	4,316,625
TOTAL LIABILITIES	**11,844,280**	**7,076,569**	**18,920,849**

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18 RISK MANAGEMENT (continued)

Financial risk (continued)

b) Liquidity risk (continued)

Maturity analysis of assets and liabilities

The table below shows analysis of assets and liabilities according to when they are expected to be recovered or settled:

	Less than 1 year	More than 1 year	No term	Total
	€	€	€	€
2020				
ASSETS				
Intangible assets	12,770	61,288		74,058
Investments	425,784	11,312,913		11,738,697
Deferred policy acquisition costs	3,903,274	2,155,528		6,058,802
Insurance receivables	18,855,576	-		18,855,576
Other assets	6,054,491	12,500		6,066,991
Cash and cash equivalents	26,895,090		-	26,895,090
TOTAL ASSETS	**56,146,985**	**13,542,229**	**-**	**69,689,214**
EQUITY AND LIABILITIES				
EQUITY				
Share capital	-	-	18,763,200	18,763,200
Retained earnings	-	-	16,685,526	16,685,526
TOTAL EQUITY	**-**	**-**	**35,448,726**	**35,448,726**
LIABILITIES				
Gross outstanding claims	3,132,152	7,872,023	-	11,004,175
Gross unearned premiums	11,887,765	7,154,328	-	19,042,093
Other liabilities	4,194,220	-	-	4,194,220
TOTAL LIABILITIES	**19,214,137**	**15,026,351**	**-**	**34,240,488**
TOTAL EQUITY AND LIABILITIES	**19,214,137**	**15,026,351**	**35,448,726**	**69,689,214**

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18 RISK MANAGEMENT (continued)

Financial risk (continued)

b) Liquidity risk (continued)

Maturity analysis of assets and liabilities

The table below shows analysis of assets and liabilities according to when they are expected to be recovered or settled:

	Less than 1 year	More than 1 year	No term	Total
	€	€	€	€
2019				
Intangible assets	69,103	30,830	-	99,933
Investments	-	11,107,704	-	11,107,704
Deferred policy acquisition costs	2,176,038	1,531,635	-	3,707,673
Insurance receivables	10,428,287	-	-	10,428,287
Other assets	2,245,681	25,000	-	2,270,681
Cash and cash equivalents	24,908,533	-	-	24,908,533
TOTAL ASSETS	**39,827,642**	**12,695,169**	**-**	**52,522,811**
EQUITY AND LIABILITIES				
EQUITY				
Share capital	-	-	18,763,200	18,763,200
Retained earnings	-	-	14,838,762	14,838,762
TOTAL EQUITY	**-**	**-**	**33,601,962**	**33,601,962**
LIABILITIES				
Gross outstanding claims	771,601	2,783,624	-	3,555,225
Gross unearned premiums	6,756,054	4,292,945	-	11,048,999
Other liabilities	4,316,625	-	-	4,316,625
TOTAL LIABILITIES	**11,844,280**	**7,076,569**	**-**	**18,920,849**
TOTAL EQUITY AND LIABILITIES	**11,844,280**	**7,076,569**	**33,601,962**	**52,522,811**

18 RISK MANAGEMENT (continued)

Financial risk (continued)

c) Foreign currency risk

Foreign currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

The Company holds both assets and liabilities in different currencies and therefore is exposed to the risk of exchange rate movements associated with assets and liabilities matching. Although the Company does not apply hedging techniques to mitigate its currency risk, it does ensure that the net exposure to this risk is mitigated by constantly monitoring the net exposure to this risk is within acceptable levels.

The tables below show the various currencies in which the Company's assets and liabilities were denominated at 31 December 2020 and 2019:

	EUR	USD	Other	Total
	€	€	€	€
2020				
ASSETS				
Intangible assets	74,058	-	-	74,058
Investments	10,864,221	874,476	-	11,738,697
Deferred policy acquisition costs	1,375,183	2,775,414	1,908,205	6,058,802
Insurance receivables	4,499,361	7,563,001	6,793,214	18,855,576
Other assets	1,240,130	4,401,149	425,712	6,066,991
Cash and cash equivalents	22,040,627	1,700,859	3,153,604	26,895,090
TOTAL ASSETS	**40,093,580**	**17,314,899**	**12,280,735**	**69,689,214**
LIABILITIES				
Gross outstanding claims	1,042,339	9,168,741	793,095	11,004,175
Gross unearned premiums	4,725,156	8,365,047	5,951,890	19,042,093
Other liabilities	1,547,067	2,384,416	262,737	4,194,220
TOTAL LIABILITIES	**7,314,562**	**19,918,204**	**7,007,722**	**34,240,488**
NET POSITION	**32,779,018**	**(2,603,305)**	**5,273,013**	**35,448,726**

18 RISK MANAGEMENT (continued)

Financial risk (continued)

c) Foreign currency risk (continued)

The tables below show the various currencies in which the Company's assets and liabilities were denominated at 31 December 2020 and 2019:

	EUR	USD	Other	Total
	€	€	€	€
2019				
ASSETS				
Intangible assets	99,933	-	-	99,933
Investments	10,510,655	597,049	-	11,107,704
Deferred policy acquisition costs	53,493	2,940,037	714,142	3,707,672
Insurance receivables	521,676	6,999,683	2,906,929	10,428,288
Other assets	319,641	1,118,926	832,114	2,270,681
Cash and cash equivalents	22,827,769	1,108,090	972,674	24,908,533
TOTAL ASSETS	**34,333,167**	**12,763,785**	**5,425,859**	**52,522,811**
LIABILITIES				
Gross outstanding claims	354,110	1,782,046	1,419,069	3,555,225
Gross unearned premiums	304,233	8,097,042	2,647,724	11,048,999
Other liabilities	2,099,647	573,440	1,643,538	4,316,625
TOTAL LIABILITIES	**2,757,990**	**10,452,528**	**5,710,331**	**18,920,849**
NET POSITION	**31,575,177**	**2,311,257**	**(284,472)**	**33,601,962**

Key to currency abbreviations:
EUR - Euro; USD - United States Dollars; Other includes United Kingdom Pounds, Israeli Shekels and other currencies.

18 RISK MANAGEMENT (continued)

Financial risk (continued)

d) Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect the future profitability or fair values of financial instruments.

The Company is exposed to this risk on its fixed income portfolio and cash and cash equivalents. The Company limits this risk by monitoring changes in interest rates in the currencies in which the fixed income portfolio and cash and cash equivalents are denominated. Additionally to mitigate the effect of price volatility is actively manages the duration of the portfolio.

The following table demonstrates the sensitivity of the income statement to reasonably possible changes in interest rates, with all other variables held constant.

The sensitivity of the income statement is the effect of the assumed changes in interest rates on the Company's profit for the year, based on the floating rate financial assets and liabilities held at 31 December:

	Increase/ decrease in basis points	Effect on profit for the year (€)
2020	+50	60,000
	-75	(90,000)
2019	+50	60,000
	-75	(90,000)

e) Market price risk

Market price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual security, or its issuer, or factors affecting all securities traded in the market.

The Company does not apply hedging techniques to minimise this risk but has in place investment guidelines on the limits of stocks, industry and sectors and actively monitors developments in the equity markets and the potential impact on the portfolio.

19 RELATED PARTY TRANSACTIONS

The Chairman and CEO, Mr Shay Reches, holds the majority of the share capital (approximately 65%) and therefore controlling interest in the Company. Except for his contractually due remuneration for the services provided as a Director and expenses reimbursed in line with Company policy, Mr Reches received no other benefit from the Company.

During 2019 the Company paid management and administrative services to Klapton Management Limited, a shareholder in the Company of GBP £420,000 (2019: GBP £280,000).

20 CONTINGENT LIABILITIES

There are no material contingent liabilities in respect of pending litigations involving the Company for which no provision have been made in these financial statements.

21 POST BALANCE SHEET EVENTS

There have been no material events between 31 December 2020 and the date of this report which are required to be disclosed.