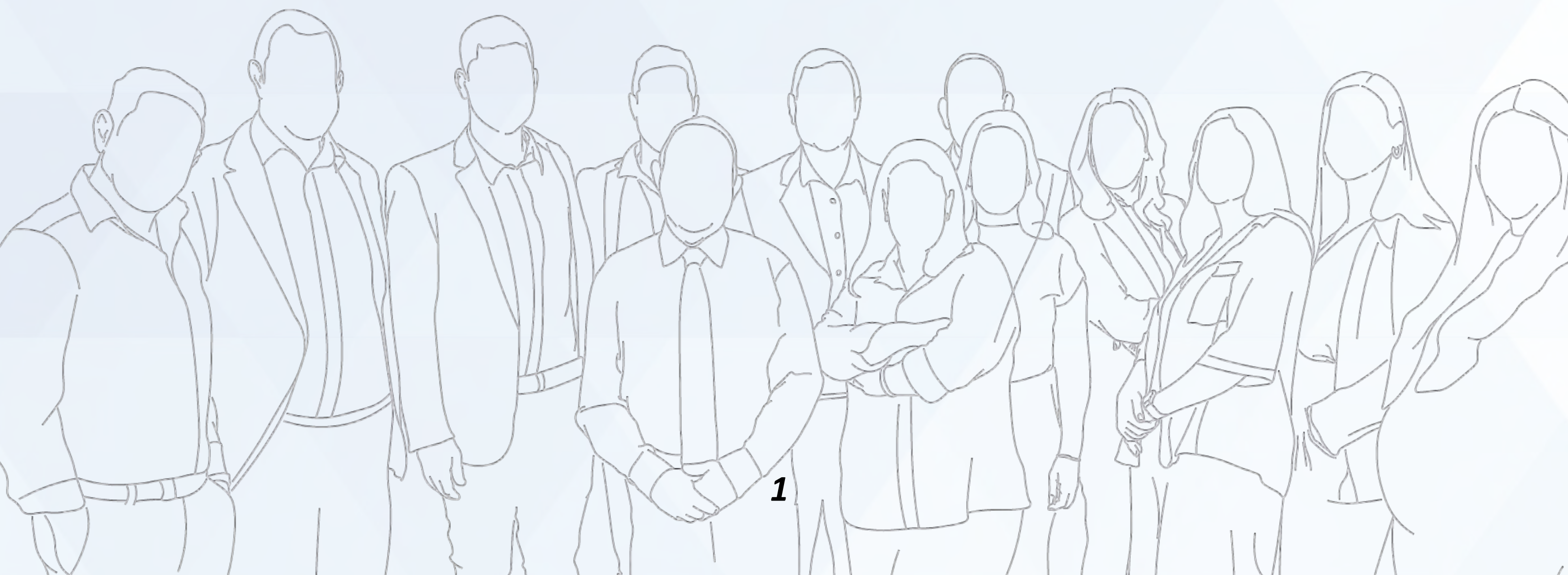
KIC

International Insurer & Reinsurer

Annual Financial Statements 2024

Registered number
L2001

Table of Contents **Pages**



Klapton Insurance Company Limited

Annual Financial Statements

31 December 2024

Company Background :

Formed in 2005, Klapton Insurance Company Limited ("Klapton") is registered in the Autonomous Island of Anjouan, Union of Comoros, with our main activities in North America, Latin America, Africa, Middle East and Asia.

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

Klapton's business model is to focus on core activity lines, mainly specialty & sureties (bonds and guarantees, cat-bonds, PVT, RVI, POSI), combined commercial (SME, Contractors & Engineering) and inward facultative reinsurance covers.

Klapton has assets in excess of €105m as at 31 December 2024.

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.

Board of Directors:

Mrs Jennifer Estrougo
Deputy CEO, Head of Claims and Director

Jennifer is a certified attorney.

With over 16 years of both legal and insurance claims experience (gained at Howden and Kennedys). Jennifer brings a wide range of knowledge into managing high profile insurance claims, insurance disputes in and out of courts and complex coverage issues.

Mr Danny Joffe
Non-Executive Director and Chairman of Risk Committee

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 Chairperson:

Mr Michael Lawson

Chairperson of Audit, Finance and Investments/Ethics Nominations and Remuneration Committee (AFI/ENR)

Mike has over 20 years of financial services experience working in multiple areas of Structured Finance including Commercial Banking Finance and Structured Corporate Finance. Mike qualified into the Chartered Institute of Management Accountants and has a wealth of experience with in-depth strategy and planning in the Structured Finance arena.

Ms Sheli Bremer-Tchaig

Head of Insurance and Chairperson of Reinsurance and Underwriting Committee (RUC)

Sheli is a certified attorney.
She began her career as a team leader in the claims department at Atlas Insurances, a Lloyd's Cover Holder. She then advanced to senior underwriting positions at prominent companies such as AIG and Harel Insurance.

Mr Justin Tuson

Chief Technology Officer and Chairperson of IT, Systems 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 Chairperson:

Mr Danny Joffe
Chairperson of Risk and Corporate Governance Committee (RC) and Non-Executive Director

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.

Mr Ed Gooda
Chairperson of the Claims Committee (CC)

Ed has worked in the insurance industry since 1988 and held senior management roles for a number of composite insurers and reinsurers. He has extensive international underwriting, claims management and loss adjusting experience.

Ed has been working with Klapton since 2020 supporting the Klapton Claims team.

Chairmans' Report

1 Review of 2024

As for 2023, 2024 continued to be a most challenging year for most businesses. This was compounded with the changing political situation across continents and as a result a climate of uncertainty whilst newly elected governments settled down. Whilst we see hope in a resolution in Ukraine there remains tension in the Middle East and beyond. This has contributed to the difficulty of managing any business and especially those in the insurance sector.

The Company had a successful year with insurance revenues well above the previous year, primarily due to the significant contribution of our North American facilities portfolio, which commenced in 2024. However, due to exceptional items (including the write offs of uncollectible aged debtor accounts) it generated a slightly reduced profit on the previous year of circa €5.0 million before tax (2023: €5.6 million).

The Company remains in a strong financial position with gross assets at the year-end in excess of €105m and continues to hold reserves in excess of the capital requirements.

The Company is establishing a strong presence in North America growing its portfolio and concentrating on those US states likely to produce good business whilst carefully managing risk. The Company operates in over 70 countries and continues to trade primarily on the African and Asian continents including the Middle East also with an increased presence in Latin America. We continue to recruit, invest in and develop our local staff to maximise our offering to the market. Notwithstanding this considerable activity, the Company is awake to the opportunities in those parts of the world in which it does not currently operate and is seeking opportunities to grow the business and expose the Klapton brand more widely.

2 Corporate Governance

The Board meets regularly and at that meeting discusses the quarterly reports from our Committees including Audit, Finance & Investments [which includes Remuneration], Claims, Reinsurance & Underwriting, IT & PR, and Risk [which maintains and monitors the risk register]. A high degree of corporate governance is observed by the Company and Directors, and regular contact between the Chairman, Chief Executive and Chief Financial Officer is maintained so as to ensure our overall strategic aims are observed.

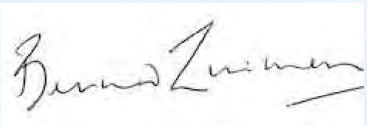
Chairmans' Report

3 Rating

We continue to maintain our international credit rating with GCR (part of the Moody's group) at B- (Stable).

4 Final Thoughts

I would like to extend once again, my thanks to all those who have contributed to the continued success of the Company, in what continues to be a challenging business environment, especially to all our staff, brokers, clients, and suppliers. I also thank my fellow Directors and especially recognise the leadership of our Chief Executive, Deputy CEO, CFO and Executive Team who continue to devote themselves to meeting our strategic objectives whilst seeking to maximise the opportunities in the market place.



Sir Bernard Zissman
Chairman

Directors' Report

The Directors submit their report together with the Company annual financial statements for the year ended 31 December 2024, which disclose the state of affairs of Klapton Insurance Company Limited ("the Company").

1 Principal 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 generates business from North America, Africa, Asia and the Middle East.

2 Share capital

During the year, 50 shares were repurchased by the Company at a cost of $2,800 per share (2023: 40 shares at $2,800 per share). The Company's authorised, issued and fully paid up share capital at 31 December 2024 was €18.66 million (2023: €18.70m) . Details of the Company's authorised and issued share capital are disclosed in note 15 to the annual financial statements.

3 Shareholding information

Klapton Insurance Company Limited's' shareholding comprises the following:
- Shay Reches (65%)
- Klapton Management Limited (35%)

4 Financial results

The Company's financial results set out in the annual financial statements are summarised as follows:

	2024	2023
	€	€
Insurance revenue	50,853,339	11,527,761
Insurance service result	6,652,677	7,544,816
Profit for the year	4,415,817	5,467,574
Total comprehensive income for the year	4,415,817	5,467,574

There were no dividends paid or declared during the year (2023: Nil).

5 Staff remuneration

The total remuneration of employees during the year for the Company amounted to €2.71 million (2023: €2.17 million), as disclosed in note 10 to the annual financial statements. The Company had 23 employees (2023: 20) as at 31 December 2024.

Directors' Report

6 Directors

The Directors who held office during the year and to the date of this report were:

Name	Position	Appointed/resigned
Sir Bernard Zissman	Chairperson	Appointed 17th October 2023
Shay Reches	CEO	Appointed 3rd January 2005
Robert Bygrave	CFO	Appointed 24th April 2017
Jennifer Finaly-Estrougo	Deputy CEO	Appointed 17th October 2023
Daniel Joffe	Non-Executive Director	Appointed 17th October 2023
Nir Yadid	Non-Executive Director	Appointed 17th October 2023
Israel Breitman	Non-Executive Director	Appointed 17th October 2023

7 Investments

The Company had financial investments amounting to €58.54 million as at 31 December 2024 (2023: €33.61 million). The investment portfolio comprised of fixed term deposits and corporate loans. During the year, the Company recorded investment income of €623k (2023: €544k).

8 Intangible assets and research and development

The Company invested in further development costs on the finance and claims systems with Powersoft during the year, which incurred costs of €37k in 2024 (2023: €92k).

9 Significant events during the year

During the year, the Company began underwriting collateralised facilities in the North America market, which contributed significantly to insurance revenue with €44.9 million. This strategic moves reflects our intention to diversify both at geographical and product levels.

10 Directors emoluments and interests

Directors' emoluments amounted to €1.65 million (2023: €1.42 million). There were €1.63 million (2023: €1.75 million) of loans to Directors as at 31 December 2024.

11 Risk management and control

The Company, through its normal operations, is exposed to a number of risks, the most significant of which are underwriting risk, credit risk, liquidity risk and market risk. The Company's risk management objectives and strategies are disclosed in note 19 to the annual financial statements.

12 Auditors and remuneration

The auditor, SECC Cote d'Ivoire, have indicated their willingness to continue in office and a resolution for their reappointment will be proposed at the annual general meeting. The auditor's remuneration for the year was €18k (2023: €15k) which was in respect of audit services rendered to the Company. No other services were rendered.

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 with 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. Apart from membership changes during 2024, there were no other amendments to the Committee structures:

Corporate Governance Statement (continued)

Audit, Finance and Investments/Ethics, Nominations and Remuneration Committee (AFI/ENR)

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.

Also it 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 Committee 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.

It 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.

It 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.

Risk and Corporate Governance Committee (RC)

The Risk Register is a document which details all risks which the Company faces - operational, regulatory, product, political etc.

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 AFI/ENR and any relevant points are then discussed/reviewed at the Board meeting.

Corporate Governance Statement (continued)

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.

Reinsurance and Underwriting Committee (RU)

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

The 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.

Claims Committee (CC)

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 occasions when cedants/reinsurance brokers have not fully considered all areas of policy liability, misrepresentation at inception and relevance of warranties and conditions.

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 these annual financial statements.

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 these responsibilities.

The Directors are of the opinion that the annual financial statements set out on pages 18 to 55 give a true and fair view of the state of the financial affairs of the Company and of its financial performance in accordance with IFRS issued by the IASB and the requirements of the Offshore Finance Authority.

The Directors are confident that the Company will continue to generate sufficient resources from operations to discharge its liabilities in the normal course of business for at least 12 months from the date of these annual financial statements. On this basis, the preparation of the annual financial statements on the going concern basis is appropriate.

Board of Directors

SOCIETE D'EXPERTISE COMPTABLE ET DE CONSEILS
01 BP 8168 ABIDJAN 01
TEL (225) 27 22 52 57 10
FAX (225) 27 22 42 04 36

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Klapton Insurance Company Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Klapton Insurance Company Limited (the Company), which comprise:

- the statement of financial position as at December 31, 2024, with a total assets of Euros 105.803 million.
- the statement of comprehensive income with a profit of Euros 4.415 million, a statement of changes in equity and statement of cash flows for the year then ended, and
- notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2024, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements , and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

SOCIETE D'EXPERTISE COMPTABLE ET DE CONSEILS
01 BP 8168 ABIDJAN 01
TEL (225) 27 22 52 57 10
FAX (225) 27 22 42 04 36

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, 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.

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

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

ROGER-MAURICE AKO

SOCIETE D'EXPERTISE
COMPTABLE & DE CONSEILS
(S.E.C.C.)
01 BP 8168 ABIDJAN 01
Tél: 27 22 52 57 10 / Fax: 27 22 42 08 83

Certified Chartered Accountant

Managing Partner

May 23, 2025

Statement of Financial Position

As at 31 December 2024

	Notes	2024 €	2023 €
Assets			
Cash and cash equivalents	*11*	4,089,576	5,073,543
Financial investments at amortised cost	*12*	58,540,960	33,614,636
Other assets	*13*	422,640	1,106,580
Reinsurance contract assets	*18*	42,605,798	33,510,564
Intangible assets	*14*	144,520	133,971
Total assets		**105,803,494**	**73,439,294**
Equity and Liabilities			
Equity			
Issued share capital	*15*	18,661,566	18,700,656
Capital redemption reserve		306,518	175,745
Retained earnings		34,173,442	29,980,082
Total equity		**53,141,526**	**48,856,483**
Liabilities			
Insurance contract liabilities	*17*	50,306,905	24,045,459
Other liabilities	*16*	2,355,063	537,352
Total liabilities		**52,661,968**	**24,582,811**
Total Equity and Liabilities		**105,803,494**	**73,439,294**

The notes on pages 22 to 55 are an integral part of these annual financial statements.

The financial statements were approved by the board of directors and authorised for issue on 23rd May 2025 and they were signed on its behalf by:

S J Reches
Director

Statement of Changes in Equity

As at 31 December 2024

	Share capital	Capital redemption reserve	Retained profit	Total
	€	€	€	€
2024				
Opening balance	18,700,656	175,745	29,980,082	48,856,483
Total comprehensive income for the year				
Profit for the year	-	-	4,415,817	4,415,817
Total comprehensive income for the year	**-**	**-**	**4,415,817**	**4,415,817**
Transactions with owners of the Company				
Shares redeemed in the year	(39,090)	130,773	(222,457)	(130,774)
Total transactions with owners of the Company	**(39,090)**	**130,773**	**(222,457)**	**(130,774)**
Balance as at 31 December 2024	**18,661,566**	**306,518**	**34,173,442**	**53,141,526**
2023				
Opening balance	18,731,928	74,804	24,683,120	43,489,852
Total comprehensive income for the year				
Profit for the year	-	-	5,467,574	5,467,574
Total comprehensive income for the year	**-**	**-**	**5,467,574**	**5,467,574**
Transactions with owners of the Company				
Shares redeemed in the year	(31,272)	100,941	(170,612)	(100,943)
Total transactions with owners of the Company	**(31,272)**	**100,941**	**(170,612)**	**(100,943)**
Balance as at 31 December 2023	**18,700,656**	**175,745**	**29,980,082**	**48,856,483**

The notes on pages 22 to 55 are an integral part of these annual financial statements.

Statement of Profit or Loss

For the year ended 31 December 2024

	Notes	**2024** €	**2023** €
Insurance revenue	*7*	50,853,339	11,527,761
Insurance service expense	*7*	(53,710,645)	4,744,083
Net income/(expense) from reinsurance contracts	*7*	9,509,983	(8,727,028)
Insurance service result		**6,652,677**	**7,544,816**
Interest revenue from financial assets not measured at FVTPL	*8*	623,475	544,319
Net investment income		**623,475**	**544,319**
Net insurance and investment result		**7,276,152**	**8,089,135**
Other finance income	*9*	1,144,680	315,780
Administrative expenses	*10*	(3,469,012)	(2,832,947)
Profit for the year before taxation		**4,951,820**	**5,571,968**
Income tax expense		(536,003)	(104,394)
Profit for the year after taxation		**4,415,817**	**5,467,574**

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

Statement of Cash Flows
For the year ended 31 December 2024

	Notes	2024 €	2023 €
Cashflow from operating activities			
Profit for the year		4,415,817	5,467,574
Adjustments for:			
Amortisaton	*14*	26,783	19,926
Income tax expense		536,003	104,394
Accrued interest on investments	*12*	(706,157)	(544,319)
Changes in:			
Reinsurance contract assets		(9,095,234)	8,489,085
Other assets		683,940	322,431
Insurance contract liabilities		26,261,446	(16,841,588)
Other payables		1,817,711	(1,290,892)
Cash used in operating activities			
Income taxes paid		(536,003)	(104,394)
Net cash from operating activities		**23,404,306**	**(4,377,783)**
Cash flows from investing activities			
Purchase of intangible fixed assets	*14*	(37,332)	(92,964)
Maturities of financial investments at amortised cost	*12*	2,115,015	4,816,230
Acquisition of financial investments at amortised cost	*12*	(27,018,398)	(2,788,170)
Interest income		683,216	824,148
Net cash inflow/(outflow) from investing activities		**(24,257,499)**	**2,759,244**
Cash outflow from financing activities			
Redemption of share capital	*15*	(130,774)	(100,943)
Net cash outflow from financing activities		**(130,774)**	**(100,943)**
Net decrease in cash and cash equivalents		**(983,967)**	**(1,719,482)**
Cash and cash equivalents at the beginning of the year		5,073,543	6,793,025
Total cash and cash equivalents at the end of the year	*11*	**4,089,576**	**5,073,543**

The notes on pages 22 to 55 are an integral part of these annual financial statements.

1 ACTIVITIES

Klapton Insurance Company Limited ("the Company") is a private limited company and 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 North America, Africa, Asia and the Middle East.

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 except for certain financial assets and liabilities measured at fair value.

3 CRITICAL ESTIMATES AND JUDGEMENTS

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 and the reported amounts of assets, liabilities, income and expenses.

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 prospectively.

(i) *Judgements*

Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognised in the financial statements is included in the following notes:

(a) Measurement of insurance and reinsurance contracts (note 6 (a) (iv)).

(b) Level of aggregation of insurance and reinsurance contracts (note 6 (a) (ii)).

(c) Impairment of financial assets (note 6 (f)).

(d) Classification of financial assets (note 6 (e) (ii)).

(ii) *Assumptions and estimation uncertainties*

Information about assumptions and estimation uncertainties at 31 December 2024 that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities in the next financial year is included in the disclosure of the impairment of financial assets (note 6 (f)).

4 CHANGES IN MATERIAL ACCOUNTING POLICIES AND DISCLOSURES

The Company has consistently applied the accounting policies as set out in Note 6 to all periods presented in these financial statements.

5 NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

The following new or amendments to existing standards have been published by the IASB, which became mandatory in 2024 but have little or no material effect on the Company:

Amendments to IAS 1 *Presentation of Financial Statements - Non-Current Liabilities with Covenants*
Amendment to IFRS 16 *Leases - Sale and Leaseback*
Amendments to Supplier Finance Arrangements (IAS 7 *Statement of Cash Flow*s and IFRS 7 *Financial Instruments: Disclosures*)

The Company has chosen not to early adopt the following standard and interpretations, which have been published and are mandatory for the Company's accounting periods beginning on or after 1 January 2025:
Amendments to IAS 21 *The Effects of Changes in Foreign Exchange Rates - Lack of Exchangeability*
Amendments to IFRS 9 *Financial Instruments* and IFRS 7 *Financial Instruments: Disclosures - Classification and Measurement of Financial Instruments*
IFRS 18 *Presentation and Disclosure in Financial Statements*
IFRS 19 *Subsidiaries without Public Accountability*

With the exception of IFRS 18, which applies from 1 January 2027, the other new and amended standards are not expected to have a material impact on the Company annual financial statements.

6 SUMMARY OF MATERIAL ACCOUNTING POLICIES

(a) Insurance and reinsurance contracts

i) Classification

Contracts under which the Company accepts significant insurance risk are classified as insurance contracts. Contracts held by the Company under which it transfers significant insurance risk related to underlying insurance contracts are classified as reinsurance contracts. Insurance and reinsurance contracts also expose the Company to financial risk.

All references in these accounting policies to 'insurance contracts' and 'reinsurance contracts' include contracts issued and initiated by the Company, unless otherwise stated. All insurance contracts and all reinsurance contracts are classified as contracts without direct participation features.

ii) Aggregation and recognition of insurance and reinsurance contracts

Insurance contracts

Insurance contracts are aggregated into groups for measurement purposes. Groups of insurance contracts are determined by identifying portfolios of insurance contracts, each comprising contracts subject to similar risks and managed together, and dividing each portfolio into annual cohorts (i.e. by year of issue) and each annual cohort into three groups based on the profitability of contracts:
- Any contracts that are onerous on initial recognition;
- Any contracts that, on initial recognition, have no significant possibility of becoming onerous subsequently;
- Any remaining contracts in the annual cohort.

6 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

(a) Insurance and reinsurance contracts (continued)

ii) Aggregation and recognition of insurance and reinsurance contracts (continued)

An insurance contract issued by the Company is recognised from the earliest of:
- The beginning of its coverage period (i.e. the period during which the Company provides services in respect of any premiums within the boundary of the contract);
- When the first payment from the policyholder becomes due or, if there is no contractual due date, when it is received from the policyholder; and
- When facts and circumstances indicate that the contract is onerous.

When the contract is recognised, it is added to an existing group of contracts or, if the contract does not qualify for inclusion in an existing group, it forms a new group to which future contracts are added. Groups of contracts are established on initial recognition and their composition is not revised once all contracts have been added to the group.

The Company first aggregates its insurance contracts issued by main class of business where each product line includes contracts that are subject to similar risks. All insurance contracts within a class represent a portfolio of contracts. Refer to Note 7 for the reportable groups determined by the Company.

Reinsurance contracts
Groups of reinsurance contracts are established such that each group comprises a single contract. Some reinsurance contracts provide cover for underlying contracts that are included in different groups. However, the Company concludes that the reinsurance contract's legal form of a single contract reflects the substance of the Company's contractual rights and obligations, considering that the different covers lapse together and are not sold separately. As a result, the reinsurance contract is not separated into multiple insurance components that relate to different underlying groups. Refer to Note 7 for reportable groups determined by the Company.

A group of reinsurance contracts are recognisable upon the beginning of their coverage period. However, if the Company recognises an onerous group of underlying insurance contracts on an earlier date and the related reinsurance contract was entered into before that earlier date, then the group of reinsurance contracts is recognised on that earlier date. This applies to the Company's excess of loss reinsurance contracts.

iii) Insurance acquisition cash flows
The Company's insurance acquisition cashflows comprise of commissions as well as directly attributable administrative expenses. To determine directly attributable administrative expenses, Management analyse the nature of each particular expense line to assess whether the cost is related to the initial selling, underwriting or starting of an insurance contract. Where an expense line has both direct and indirect components, Management allocates this using activity based costing methods which are systematic and rational. The Company uses supportable information that is available without undue cost or effort.

The Company allocates commission costs to individual contracts whilst administrative expenses are allocated to groups of contracts based on the gross written premiums. The Company does not allocate acquisition cash flows to future contracts expected to be issued because of the recurrent nature of most of the expenses and uncertainty of the renewals.

6 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

(a) Insurance and reinsurance contracts (continued)

iii) Insurance acquisition cash flows (continued)

Insurance acquisition cash flows arising before the recognition of the related group of contracts are recognised as an asset. Insurance acquisition cash flows arise when they are paid or when a liability is required to be recognised under a standard other than IFRS 17. Such an asset is recognised for each group of contracts to which the insurance acquisition cash flows are allocated. The asset is derecognised, fully or partially, when the insurance acquisition cash flows are included in the measurement of the group of contracts (see (iv)).

At each reportable date, the Company revises the amounts allocated to groups to reflect any changes in assumptions that determine the inputs to the allocation method used. Amounts allocated to a group are not revised once all contracts have been added to the group.

Recoverability assessment

At each reporting date, if facts and circumstances indicate that an asset for insurance acquisition cash flows may be impaired, then the Company:

- Recognises an impairment loss in profit or loss so that the carrying amount of the asset does not exceed the expected net cash inflow for the related group; and
- If the asset relates to future renewals, recognises an impairment loss in profit or loss to the extent that it expects those insurance acquisition cash flows to exceed the net cash inflow for the expected renewals and this excess has not already been recognised as an impairment loss prior.

The Company reverses any impairment losses in profit or loss and increases the carrying amount of the asset to the extent that the impairment conditions have improved.

(iv) Measurement

The Company uses the Premium Allocation Approach ("PAA") to simplify the measurement of groups of contracts when the following criteria are met at inception:

- The Company reasonably expects that such simplification would produce a measurement of the Liability for Remaining Coverage ("LRC") for the group that would not differ materially from the one that would be produced applying the General Measurement Model ("GMM").
- The coverage period of each contract in the group is one year or less.

The Company uses the PAA for measuring contracts with a coverage period of one year or less. This approach is used for all insurance classes other than fire, bonds and engineering as each of the contracts in other classes have a coverage period of one year or less.

Post transition, The Company carried out both quantitative and qualitative analysis of the PAA eligibility criteria for fire, bonds and engineering which have coverage periods of more than one year and concluded that there is no significant difference between the carrying amount of insurance contract liability determined under the GMM and PAA method. As a result, theses classes also qualify to be measured under the PAA and no classes of the Company are measured using the GMM.

The excess of loss reinsurance contracts held provide coverage for insurance contracts originated for claims incurred during an accident year and are accounted for under the PAA.

6 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

(a) Insurance and reinsurance contracts (continued)

(iv) Measurement (continued)

Initial measurement

For insurance contracts, the carrying amount of the LRC is measured at the premiums, less any insurance acquisition cash flows paid and adjusted for any amounts arising from the derecognition of the insurance acquisition cash flows asset and the derecognition of any other relevant pre-recognition cash flows.

For reinsurance contracts held, on initial recognition, the Company measures the remaining coverage at the amount of ceding premiums paid, plus broker fees paid to a party other than the reinsurer and any amounts arising from the derecognition of any other relevant pre-recognition cash flows.

Subsequent measurement

For insurance contracts, the carrying amount for the LRC is:

- Increased by any premiums received.
- Increased for the amortisation of insurance acquisition cash flows recognised as expenses.
- Decreased for the amounts of expected premium receipts recognised as insurance revenue for the services provided in the period.
- Decreased for insurance acquisition cash flows paid in the period.

For reinsurance contracts held, the remaining coverage is:

- Increased for ceded premiums paid in the period.
- Increased for broker fees paid in the period.
- Decreased for the expected amounts of ceded premiums and broker fees recognised as reinsurance expenses for the services received in the period.

Discounting

The Company does not adjust the LRC for insurance contracts issued and the remaining coverage for reinsurance contracts held for the effect of the time value of money, because insurance premiums are due within the coverage period of contracts, which is one year or less.

There are no investment components within insurance contracts issued and reinsurance contracts held that are measured under the PAA.

For contracts measured under the PAA, the Liability for Incurred Claims ("LIC") is measured similarly to the LIC's measurement under the GMM. Future cash flows are not adjusted for the time value of money as the insurance contracts that typically have a settlement period of one year or less.

In carrying out the analysis of the PAA eligibility criteria, the discount rates are based on the predominant currency in which the underlying contracts are underwritten, and claims are subsequently paid in. Using the bottom-up approach, the discount rate is determined as the risk free yield for classes of business with multi-year contracts. As part of the scenario analysis, the Company increases the basis points of the discount rate to quantify the impact of the inclusion of an illiquidity premium.

6 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

(a) Insurance and reinsurance contracts (continued)

(iv) Measurement (continued)

Loss components

For each portfolio of contracts, the Company determines the appropriate level at which reasonable and supportable information is available, to assess whether these contracts are onerous at initial recognition and whether non-onerous contracts have a significant possibility of becoming onerous. This level of granularity determines sets of contracts. The Company uses the main class level as the level of granularity to assess whether a portfolio of contracts have become onerous. As all the Company's insurance contracts are measured using the PAA, the Company assumes that no such contracts are onerous at initial recognition.

If at any time during the coverage period, facts and circumstances indicate that a group of contracts is onerous, then the Company recognises a loss in profit or loss and increases the LRC to the extent that the current estimates of the Fulfilment Cash Flows ("FCF") that relate to remaining coverage exceed the carrying amount of the LRC for remaining coverage.

The Company uses judgement in the profitability grouping of contracts into onerous contracts, non-onerous contracts (with no significant possibility of becoming onerous) and other contracts. Using judgement, the Company selected the combined loss ratio (based on financial information of the recent four fiscal years) being claims ratio, commission ratio, expenses ratio and the additional risk adjustment ratio as the measure of profitability. A best estimate combined ratio greater than 100% indicates onerous group and less than 100% represents profitable and in-between contracts.

Risk adjustment ("RA")

RA is the compensation that the Company requires for bearing the uncertainty about the amount and timing of cash flows that arises from non-financial risk. The Company's risks covered by the RA for non financial risk are insurance risk and other non-financial risks such as expense risks. The Company estimates an adjustment for non-financial risk separately from all other estimates.

In order to determine the RA and to calibrate it to a specific confidence level, a distribution of the loss ratio experience had been derived by leveraging the approach adopted by other solvency regimes such as SAM and Solvency II which calibrate the Solvency Capital Requirement ("SCR") and Risk Margin ("RM") distributions to a normal distribution. A 75% target confidence interval was applied to the standard deviation of the Company's loss ratio experience.

For reinsurance contracts held, the RA for non-financial risk represents the amount of risk being transferred by the Company to the reinsurer. The Company adjusts the remaining coverage for reinsurance contracts held for the effect of the risk of reinsurer’s non-performance if this is deemed material.

6 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

(a) Insurance and reinsurance contracts (continued)

(iv) Measurement (continued)

Claim reserves

The Company estimates insurance liability reserves in relation to claims incurred for all products. Estimates are performed on an accident year basis. Judgement is involved in assessing the most appropriate technique to estimate insurance liabilities for the claims incurred. In certain instances, different techniques or a combination of techniques have been selected for individual accident years or groups of accident years within the same type of contract.

The most common methods used to estimate general insurance claims incurred are the Chain-Ladder ("CL") and the Bornhuetter-Ferguson ("BF") methods, which are the industry standards for this type of business.

The CL technique involves an analysis of historical claims development factors and the selection of estimated development factors based on this historical pattern. The selected development factors are then applied to cumulative claims data for each accident year that is not yet fully developed, to produce an estimated ultimate claims cost for each accident year.

The BF method uses a combination of a benchmark or market-based estimate and an estimate based on claims experience. The former is based on a measure of exposure, such as gross or reinsurance premiums; the latter is based on the paid or incurred claims to date. The two estimates are combined, using a formula that gives more weight to the experience-based estimate as time passes.

In developing the claim reserves, the Company uses internal and external data obtained from management accounts and market data.

Where the contracts measured under PAA become onerous and GMM must be applied to estimate the loss component, the Company estimates the future expected claims. This is done using the average loss ratio of the recent three fiscal years, obtained from the management accounts.

This is the second year that the Company has adopted actuarial techniques such as the CL and BF methods to estimate the claim reserves. As noted above, depending on the maturity of a given accident years, the Company either applied the CL or BF method. The Company's choice of the method was dependent on the maturity of the particular accident year, in terms of the percentage developed. In accordance with the standard, the Company has not disclosed information of claims developments as uncertainty about the amount and timing of claims payments is typically resolved within one year.

6 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

(a) Insurance and reinsurance contracts (continued)

(iv) Measurement (continued)

Contract boundary

The Company uses the concept of contract boundary to determine what cash flows should be considered in the measurement of groups of insurance contracts.

In determining which cashflows fall within a contract boundary, the Company considers its substantive rights and obligations arising from the terms of the contract, and from applicable laws, regulations and customary business practices. The Company determines that cashflows are within the boundary of a contract if they arise from substantive rights and obligations that exist during the reporting period in which the Company can compel the policy holder to pay the premiums or the Company has a substantive obligation to provide the policy holder with insurance contract services.

A substantive obligation to provide insurance contract services ends when the Company has the practical ability to reassess the risks of a particular policyholder and, as a result, to change the price charged or the level of benefits provided for the price to fully reflect the new level of risk. If the boundary assessment is performed at a portfolio rather than individual contract level, the Company must have the practical ability to reprice the portfolio to fully reflect risk from all policyholders. The Company's pricing must not take into account any risks beyond the next reassessment date.

Cash flows outside the insurance contracts boundary relate to future insurance contracts and are recognised when those contracts meet the recognition criteria.

For groups of reinsurance contracts held, cash flows are within the contract boundary if they arise from substantive rights and obligations of the Company that exist during the reporting period in which the Company is compelled to pay amounts to the reinsurer or in which the Company has a substantive right to receive insurance contract services from the reinsurer.

Cash flows that are not directly attributable to a portfolio of insurance contracts, such as some product development and training costs, are recognised in other operating expenses as incurred.

(v) Presentation

Portfolios of insurance contracts that are assets and those that are liabilities, and portfolios of reinsurance contracts that are assets and those that are liabilities, are presented separately in the statement of financial position.

The carrying amount of a group of insurance contracts issued at the end of each reporting period is the sum of:
- The LRC; and
- The LIC, comprising the FCF related to past service allocated to the group at the reporting date.

6 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

(a) Insurance and reinsurance contracts (continued)

(v) Presentation (continued)

The carrying amount of a group of reinsurance contracts held at the end of each reporting period is the sum of:
- The remaining coverage; and
- The incurred claims, comprising the FCF related to past service allocated to the group at the reporting date.

The Company disaggregates amounts recognised in the statement of profit or loss into (a) an insurance service result, comprising insurance revenue and insurance service expenses; and (b) insurance finance income or expenses.

Income and expenses from reinsurance contracts are presented separately from income and expenses from insurance contracts. Income and expenses from reinsurance contracts, other than insurance finance income or expenses, are presented on a net basis as 'net expenses from reinsurance contracts' in the insurance service result.

The Company does not disaggregate changes in the RA for non-financial risk between the insurance service result and insurance finance income or expenses. All changes in the RA for non-financial risk are included in the insurance service result.

Insurance revenue and insurance service expenses are recognised as follows:

Insurance revenue

Based on the PAA model, the Company recognises insurance revenue based on the passage of time over the coverage period of a group of contracts.

Insurance service expenses

Insurance service expenses include the following:
- Incurred claims and benefits, excluding investment components reduced by loss component allocations.
- Other incurred directly attributable expenses, including amounts of any other pre-recognition cash flows assets (other than insurance acquisition cash flows) derecognised at the date of initial recognition.
- Insurance acquisition cash flows amortisation.
- Losses on onerous contracts and reversals of such losses.
- Adjustments to the liabilities for incurred claims that do not arise from the effects of the time value of money, financial risk and changes therein.
- Impairment losses on assets for insurance acquisition cash flows and reversals of such impairment losses.

The Company amortises insurance acquisition cash flows on a straight-line basis over the coverage period of the group of contracts.

6 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

(a) Insurance and reinsurance contracts (continued)

(v) Presentation (continued)

Net income/expenses from reinsurance contracts held

The Company presents financial performance of groups of reinsurance contracts held on a net basis in net income (expenses) from reinsurance contracts held, comprising the following amounts:
- Reinsurance expenses.
- Broker fees are included within reinsurance expenses.
- Incurred claims recovery, excluding investment components reduced by loss-recovery component allocations.
- Other incurred directly attributable expenses.
- Losses on onerous contracts and reversals of such losses.
- Changes to past service relating to incurred claims recovery.
- Effect of changes in the risk of reinsurers' non-performance.
- Amounts relating to accounting for onerous groups of underlying insurance contracts issued.

Reinsurance expenses are recognised similarly to insurance revenue. The amount of reinsurance expenses recognised in the reporting period depicts the transfer of received insurance contract services at an amount that reflects the portion of ceding premiums that the Company expects to pay in exchange for those services. Additionally, as the reinsurance contracts held are measured under the PAA, broker fees are included in reinsurance expenses.

For groups of reinsurance contracts held measured under the PAA, the Company recognises reinsurance expenses based on the passage of time over the coverage period of a group of contracts.

Ceding commissions of the underlying contracts issued reduce ceding premiums and are accounted for as part of reinsurance expenses.

Insurance finance income and expense

As the contracts are measured under the PAA, the main amounts within insurance finance income or expenses are:
- Interest accreted on the LIC; and
- The effect of changes in interest rates and other financial assumptions.

The Company disaggregates changes in the RA for non-financial risk between insurance service result and insurance finance income or expenses. The Company includes all insurance finance income or expenses for the year in profit or loss (that is, the profit or loss option) is applied.

(b) Revenue

Revenues comprise:
- Insurance revenue (see (a) (v));
- Interest calculated using the effective interest method (see (c)).

6 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

(c) Interest on financial instruments

Interest income and expenses are recognised in profit or loss using the effective interest method. The effective interest rate is calculated on initial recognition of a financial instrument and is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to the gross carrying amount of the financial asset or the amortised cost of the financial liability.

The calculation of the effective interest rate includes transaction costs and fees and points paid or received that are an integral part of the effective interest rate.

(d) 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.

(e) Financial assets and financial liabilities

(i) Recognition and initial measurement

The Company recognises deposits with financial institutions and loans and borrowings on the date on which they are originated. All other financial instruments (including regular-way purchases and sales of financial assets) are recognised on the trade date, which is the date on which the Company becomes a party to the contractual provisions of the instrument.

A financial asset/liability is initially measured at fair value plus, for a financial asset/liability not measured at fair value through profit or loss ("FVTPL"), transaction costs that are directly attributable to its acquisition or issue.

(ii) Classification and subsequent measurement

Classification

On initial recognition, a financial asset is classified as measured at amortised cost, fair value through other comprehensive income ("FVOCI") or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- It is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- It’s contractual terms give rise on specified dates to cash flows that are solely payment of principal and interest ("SPPI").

A financial asset is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- Held-to-maturity investments; and
- Available-for-sale financial investments.

6 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

(e) Financial assets and financial liabilities (continued)

(ii) Classification and subsequent measurement (continued)

Business model assessment

The Company assesses the objective of the business model in which a financial asset is held for each portfolio of financial assets because this best reflects the way that the business is managed and information is provided to management. The information considered includes:

- The stated policies and objectives for the portfolio and the operation of those policies in practice, including whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of assets;
- How the performance of the portfolio is evaluated and reported to the Company's management;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- The frequency, volume and timing of sales in prior periods, if any, the reasons for such sales and expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Company's stated objective for managing the financial assets is achieved and how cash flows are realised.

For all debt investments, the objective of the Company's business model is to hold until maturity. The Company considers that these securities are held within a business model whose objective is to hold assets to collect the contractual cash flows.

Assessment of whether contractual cash flows are SPPI

For the purposes of this assessment, principal is defined as the fair value of the financial asset on initial recognition. However, the principal may change over time – e.g. if there are repayments of principal.

Interest is defined as consideration for the time value of money, for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are SPPI, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Company considers:

- Contingent events that would change the amount or timing of cash flows;
- Leverage features;
- Prepayment and extension features;
- Terms that limit the Company's claim to cash flows from specified assets (e.g. non-recourse asset arrangements); and
- Features that modify consideration for the time value of money (e.g. periodic reset of interest rates).

6 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

(e) Financial assets and financial liabilities (continued)

(ii) Classification and subsequent measurement (continued)

Subsequent measurement and gains and losses

- Financial assets at FVTPL: Measured at fair value. Net gains and losses, including any interest or dividend income and foreign exchange gains and losses, are recognised in profit or loss, unless they arise from derivatives designated as hedging instruments in net investment hedges.
- Debt investments at FVOCI: Measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI and accumulated in the fair value reserve. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.
- Financial assets at amortised cost: Measured at amortised cost using the effective interest method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

(iii) Financial liabilities

Classification

Financial liabilities are classified as financial liabilities at amortised cost. The Company has no financial liabilities in any other category. Management determines the classification of financial liabilities at initial recognition. These include trade payables, marketing creditors, amount due to related parties and accrued expenses. Trade payables are classified as current liabilities due to their short term nature.

Recognition and measurement

Financial liabilities are recognized initially at fair value, net of any transaction costs. Subsequently, they are measured at amortised cost using the effective interest method.

Derecognition

Financial liabilities are derecognised when they have been redeemed or otherwise extinguished. On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

(f) Impairment of financial assets

The Company recognises loss allowances for expected credit loss ("ECL") on financial assets measured at amortised cost. The Company measures loss allowances at an amount equal to lifetime ECL, except in the following cases, for which the amount recognised is 12-month ECL:

- Debt securities that are determined to have low credit risk at the reporting date; and
- Other financial instruments (other than lease receivables) for which credit risk has not increased significantly since initial recognition.

Financial instruments for which 12-month ECL are recognised are referred to as 'Stage 1 financial instruments'. 12-month ECL are the portion of ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

Financial instruments for which lifetime ECL are recognised because of a significant increase in credit risk since initial recognition but that are not credit-impaired are referred to as 'Stage 2 financial instruments'. Lifetime ECL are the ECL that result from all possible default events over the expected life of the financial instrument.

6 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

(f) Impairment of financial assets (continued)
Financial instruments for which lifetime ECL are recognised and that are credit-impaired are referred to as 'Stage 3 financial instruments'.

In all cases, the maximum period considered when estimating ECL is the maximum contractual period over which the Company is exposed to credit risk.

Measurement of ECL
ECL are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Company in accordance with the contract and the cash flows that the Company expects to receive).

Credit-impaired financial assets
At each reporting date, the Company assesses whether financial assets measured at amortised cost and debt investments at FVOCI. A financial asset is credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:
- Significant financial difficulty of the debtor;
- A breach of contract such as a default or past-due event;
- The restructuring of an amount due to the Company on terms that the Company would not otherwise consider;
- The debtor entering bankruptcy or other financial reorganisation becoming probable; or
- The disappearance of an active market for a security because of financial difficulties.

A financial asset that has been renegotiated due to a deterioration in the borrower's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment.

Presentation of loss allowances in the statement of financial position
Loss allowances for ECL relating to financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Write-off
The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. This is generally the case when the Company determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. This assessment is carried out at the individual asset level.

Although the Company expects no significant recovery from amounts written off, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

6 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

(g) Fair values
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.

Fair values are categorised into three levels in a fair value hierarchy based on the degree to which the inputs to the measurement are observable and the significance of the inputs to the fair value measurement in its entirety:
• Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
• Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
• Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Transfers between levels of the fair value hierarchy are recognised by the Company at the end of the reporting period during which the change occurred.

(h) 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.

(i) Impairment of non-financial assets
Intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset’s carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset’s fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

6 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

(j) 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.

(k) Trade and other payables and other expenses
These amounts represent liabilities for goods and services provided to the Company prior to the end of the financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period.

(l) 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.

(m) 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.

(n) Provisions
A provision is recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as 'other finance costs'.

(o) 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. It does however suffer withholding tax on funds remitted from foreign jurisdictions and as there are no double tax treaties in place it must bear this tax as a cost.

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

6 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

(q) Contributed equity

Ordinary shares are recognised at par value and classified as 'share capital' in equity. Any amounts received over and above the par value of the shares issued are classified as 'share premium' in equity. Incremental costs directly attributable to the issue of new shares are expensed to the income statement.

7 INSURANCE SERVICE RESULT

An analysis of the insurance service result by its components (insurance revenue, insurance service expense, and net income/expenses from reinsurance contracts held) by portfolio is included in the tables below:

2024

Reportable group	Insurance revenue (PAA)	Insurance service expense	Net reinsurance income/ (expense)	Insurance service result
	€	€	€	€
Agriculture	384	(3,621)	(29)	(3,266)
Engineering	872,031	(1,027,589)	150,305	(5,253)
Financial Risks	40,063	(116,776)	(2,999)	(79,712)
Liability	37,740,051	(36,245,152)	361,740	1,856,639
Life & Health	4,337	(10,920)	(325)	(6,908)
Marine & Aviation	523,708	(1,219,294)	591,435	(104,151)
Material Damage	11,392,174	(15,438,070)	7,421,965	3,376,069
Sureties	280,591	350,777	987,891	1,619,259
Total	**50,853,339**	**(53,710,645)**	**9,509,983**	**6,652,677**

2023

Reportable group	Insurance revenue (PAA)	Insurance service expense	Net reinsurance income/ (expense)	Insurance service result
	€	€	€	€
Agriculture	113,892	(84,760)	(50,592)	(21,460)
Engineering	756,832	(1,107,040)	270,689	(79,519)
Financial Risks	(2,563)	39,920	1,139	38,496
Liability	509,552	(710,548)	82,525	(118,471)
Life & Health	3,716	(21,456)	(1,986)	(19,726)
Marine & Aviation	481,361	3,918,083	(3,310,426)	1,089,018
Material Damage	2,124,266	5,218,605	(3,934,797)	3,408,074
Sureties	7,540,705	(2,508,721)	(1,783,580)	3,248,404
Total	**11,527,761**	**4,744,083**	**(8,727,028)**	**7,544,816**

8 INTEREST REVENUE FROM FINANCIAL ASSETS NOT MEASURED AT FVTPL

	2024	2023
	€	€
Interest from deposits with financial institutions	271,922	32,701
Interest from corporate bonds and loans	434,235	511,618
Investment losses	(82,682)	-
	623,475	**544,319**

9 OTHER FINANCE INCOME

	2024	2023
	€	€
Commission fee income	285,742	464,824
Net foreign exchange (loss)/gain	858,938	(149,044)
	1,144,680	**315,780**

Commission earned represents fees charged on the portfolio transfer to Klapton Reinsurance Limited.

10 ADMINISTRATIVE EXPENSES

	2024	2023
	€	€
Staff costs	2,712,304	2,170,201
Legal and professional fees	1,982,857	1,614,104
Amortisation of intangible assets	26,783	19,928
Computer, telephone and other office expenses	128,562	125,328
Bank charges and other fees	149,531	259,350
Other expenses	95,634	94,267
	5,095,671	**4,283,178**
Non-directly attributable admin expenses	3,469,012	2,832,947
Directly attributable admin expenses* (note 17)	1,626,659	1,450,231
Total administrative expenses	**5,095,671**	**4,283,178**

*Directly attributable admin expenses largely consist of fixed and variable costs such as personnel expenses, travel, professional fees incurred by the underwriting department.

11 CASH AND CASH EQUIVALENTS

	2024	2023
	€	€
Cash at hand and in bank	4,089,576	5,073,543
	4,089,576	**5,073,543**

12 FINANCIAL INVESTMENTS AT AMORTISED COST

	2024	2023
	€	€
Financial investments		
Fixed term deposits	43,467,376	18,009,503
Corporate bonds and loans	15,073,584	15,605,133
	58,540,960	**33,614,636**
Reconciliation		
Opening balance	33,614,636	35,922,525
Additions during the year	27,018,398	2,788,170
Interest accrued during the year	706,157	544,319
Interest received during the year	(683,216)	(824,148)
Maturities during the year	(2,115,015)	(4,816,230)
At 31 December	**58,540,960**	**33,614,636**

13 OTHER ASSETS

	2024	2023
	€	€
Prepayments	71,085	66,308
Other assets	351,555	1,040,272
	422,640	**1,106,580**

14 INTANGIBLE ASSETS

	2024	2023
Computer software/licences	€	€
Cost		
As at 1 January	1,280,227	1,187,263
Additions	37,332	92,964
Disposals	-	-
As at 31 December	**1,317,559**	**1,280,227**
Amortisation		
As at 1 January	1,146,256	1,126,330
Charge for year	26,783	19,926
Eliminated on disposals	-	-
As at 31 December	**1,173,039**	**1,146,256**
Net Book Value	**144,520**	**133,971**

15 ISSUED SHARE CAPITAL

	2024	2023
Authorised, issued and fully paid	€	€
23,870 shares of USD 1,000 each (Euro 782 each) (2023: 23,920 shares)	**18,661,566**	**18,700,656**

During the year 50 shares of USD 1,000 were repurchased by the Company at a cost of USD 2,800 per share (2023: 40 shares at a cost of USD 2,800 per share).

16 OTHER LIABILITIES

	2024	2023
	€	€
Trade creditors	2,321,905	511,546
Accrued expenses	33,158	25,806
	2,355,063	**537,352**

17 INSURANCE CONTRACT LIABILITIES

(i) Composition of the statement of financial position - Insurance contracts

Analysis of the amounts presented on the statement of financial position for insurance contracts is shown in the table below, along with the presentation of current and non-current portions of balances:

	2024	
Reportable group	**Insurance contract liabilities**	**Reinsurance contract assets**
	€	€
Agriculture	(916,332)	(15)
Engineering	2,397,093	792,532
Financial Risks	111,849	(1,562)
Liability	16,614,064	(583,242)
Life & Health	60,350	(169)
Marine & Aviation	4,014,312	2,467,581
Material Damage	14,874,073	9,002,417
Sureties	13,151,496	30,928,256
Total	**50,306,905**	**42,605,798**

	2023	
Reportable group	**Insurance contract liabilities**	**Reinsurance contract assets**
	€	€
Agriculture	(990,438)	(53,186)
Engineering	2,179,448	257,516
Financial Risks	23,433	1,197
Liability	(345,380)	164,163
Life & Health	58,297	(1,735)
Marine & Aviation	3,542,363	2,243,642
Material Damage	7,240,070	873,722
Sureties	12,337,666	30,025,245
Total	**24,045,459**	**33,510,564**

Detailed reconciliations of changes in insurance contract balances during the reporting periods are included in the subsequent notes.

17 INSURANCE CONTRACT LIABILITIES (continued)

(ii) Reconciliation of the liability for remaining coverage and the liability for incurred claims

The table below provides a reconciliation from the opening to the closing balances of the LRC and LIC. The reconciliation excludes insurance acquisition cashflow assets and other pre-recognition cashflows.

2024		**Liability for remaining coverage**		**Liability for incurred claims**		**Total**
		Non-onerous	Loss component	Risk adjustment for non-fin risk	Present value of future cashflows	
	Note	€	€	€	€	€
Opening (asset)/liabilities as at 1 January		**(9,018,451)**	**-**	**5,216,318**	**27,847,592**	**24,045,459**
Insurance revenue		**(50,853,339)**	**-**	**-**	**-**	**(50,853,339)**
Insurance service expenses						
Claims incurred		-	-	-	37,726,802	**37,726,802**
Insurance acquisition cashflow amortisation		14,077,907	-	-	-	**14,077,907**
Directly attributable admin expenses	10	-	-	-	1,626,659	**1,626,659**
Changes in the FCF relating to LIC		-	-	279,277	-	**279,277**
Losses on onerous contracts and reversals		-	-	-	-	**-**
Total		**14,077,907**	**-**	**279,277**	**39,353,461**	**53,710,645**
Net finance expenses from insurance contracts		-		-	-	**-**
Effects of movements in exchange rates (P/L)		-	-	-	-	**-**
Impairment		-	-	-	-	**-**
Total changes in the statement of profit or loss		**(36,775,432)**	**-**	**279,277**	**39,353,461**	**2,857,306**
Effects of movements in exchange rates (OCI)		**-**	-	-	-	**-**
Cash flows						
Net premiums received		51,773,855	-	-	-	**51,773,855**
Claims, commissions and directly attributable expenses paid		(15,681,129)	-	-	(12,688,586)	**(28,369,715)**
Total cash flows		**36,092,726**	**-**	**-**	(12,688,586)	**23,404,140**
Insurance contract liabilities as at 31 December		**(9,701,157)**	**-**	**5,495,595**	**54,512,467**	**50,306,905**

17 INSURANCE CONTRACT LIABILITIES (continued)

(ii) Reconciliation of the liability for remaining coverage and the liability for incurred claims (continued)

2023		**Liability for remaining coverage**		**Liability for incurred claims**		**Total**
		Excluding loss component	Loss component	Risk adjustment for non-fin risk	Present value of future cashflows	
	Note	€	€	€	€	€
Opening (asset)/liabilities as at 1 Jan		**(9,836,298)**	**-**	**8,002,354**	**42,720,991**	**40,887,047**
Insurance revenue		**(11,527,761)**	**-**	**-**	**-**	**(11,527,761)**
Insurance service expenses						
Claims incurred		-	-	-	(5,637,534)	**(5,637,534)**
Insurance acquisition cashflow amortisation		2,229,256	-	-	-	**2,229,256**
Directly attributable admin expenses	10	-	-	-	1,450,231	**1,450,231**
Change in risk adjustment		-	-	(2,786,036)	-	**(2,786,036)**
Losses on onerous contracts and reversals		-	-	-	-	**-**
Total		**2,229,256**	**-**	**(2,786,036)**	**(4,187,303)**	**(4,744,083)**
Net finance expenses from insurance contracts		-		-	-	**-**
Effects of movements in exchange rates (P/L)		-	-	-	-	**-**
Impairment		-	-	-	-	**-**
Total changes in the statement of profit or loss		**(9,298,505)**	**-**	**(2,786,036)**	**(4,187,303)**	**(16,271,844)**
Effects of movements in exchange rates (OCI)		**-**	-	-	-	**-**
Cash flows						
Net premiums received		11,360,801	-	-	-	**11,360,801**
Claims, commissions and directly attributable expenses paid		(1,244,449)	-	-	(10,686,096)	**(11,930,545)**
Total cash flows		**10,116,352**	**-**	**-**	(10,686,096)	**(569,744)**
Insurance contract liabilities as at 31 Dec		**(9,018,451)**	**-**	**5,216,318**	**27,847,592**	**24,045,459**

18 REINSURANCE CONTRACT ASSETS

(i) Reconciliation of the reinsurance asset for remaining coverage and asset for incurred claims

The table below provides a reconciliation from the opening to the closing balances of the reinsurance asset for LRC and LIC. The reconciliation excludes insurance acquisition cashflow assets and other pre-recognition cashflows.

2024	**Assets for remaining coverage**		**Asset for incurred claims**		**Total**
	Excluding loss component	Loss recovery Component	Risk adjustment for non-fin risk	Present value of future cashflows	
	€	€	€	€	€
Opening (asset)/liability as at 1 Jan	**1,861,888**	**-**	**(5,580,525)**	**(29,791,927)**	**(33,510,564)**
Allocation of reinsurance premium	**392,891**	**-**	**-**	**-**	**392,891**
Insurance service income					
Adjustments in FCF relating to LIC	-	-	(1,452,171)	-	**(1,452,171)**
Losses on onerous contracts and reversals	-	-	-	-	**-**
	-	**-**	**(1,452,171)**	**-**	**(1,452,171)**
Net income/(expenses) from reinsurance contracts					
Insurance recoveries on claims incurred	-	-	-	-	**-**
Retrocession expenses	-	-	-	(8,450,702)	**(8,450,702)**
Effects of movements in exchange rates	-	-	-	-	**-**
	-	**-**	-	(8,450,702)	**(8,450,702)**
Total changes in the statement of profit or loss	**392,891**	**-**	**(1,452,171)**	**(8,450,702)**	**(9,509,982)**
Cash flows					
Retrocession expenses paid	(283,467)	-	-	-	**(283,467)**
Insurance recoveries on paid claims	-	-	-	698,215	**698,215**
Total cash flows	**(283,467)**	**-**	**-**	**698,215**	**414,748**
Retrocession contract (asset)/liability as at 31 Dec	**1,971,312**	**-**	**(7,032,696)**	**(37,544,414)**	**(42,605,798)**

18 REINSURANCE CONTRACT ASSETS (continued)

(i) Reconciliation of the reinsurance asset for remaining coverage and asset for incurred claims (continued)

2023	Assets for remaining coverage		Asset for incurred claims		Total
	Excluding loss component	Loss recovery Component	Risk adjustment for non-fin risk	Present value of future cashflows	
	€	€	€	€	€
Opening (asset)/liability as at 1 Jan	**409,434**	**-**	**(6,690,657)**	**(35,718,426)**	**(41,999,649)**
Allocation of reinsurance premium	**1,860,449**	**-**	**-**	**-**	**1,860,449**
Insurance service income					
Adjustments in FCF relating to LIC	-	-	1,110,132	-	**1,110,132**
Losses on onerous contracts and reversals	-	-	-	-	**-**
	-	**-**	**1,110,132**	**-**	**1,110,132**
Net income/(expenses) from reinsurance contracts					
Insurance recoveries on claims incurred	-	-	-	-	**-**
Retrocession expenses	-	-	-	5,756,448	**5,756,448**
Effects of movements in exchange rates	-	-	-	-	**-**
	-	**-**	-	5,756,448	**5,756,448**
Total changes in the statement of profit or loss	**1,860,449**	**-**	**1,110,132**	**5,756,448**	**8,727,029**
Cash flows					
Retrocession expenses paid	(407,995)	-	-	-	**(407,995)**
Insurance recoveries on paid claims	-	-	-	170,051	**170,051**
Total cash flows	**(407,995)**	**-**	**-**	**170,051**	**(237,944)**
Retrocession contract (asset)/liability as at 31 Dec	**1,861,888**	**-**	**(5,580,525)**	**(29,791,927)**	**(33,510,564)**

19 RISK MANAGEMENT

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

Underwriting 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.

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.

(i) *Concentration of underwriting risk*
The Company has a number of cedants with a wide geographical dispersal which reduces concentration risk preventing over-exposure in any one geographic region. In addition, concentration risk is reduced through underwriting of business in various classes and types of business.
The Company underwrites insurance revenue in the following geographical regions:

- North America
- Africa
- Asia and Latin America
- Middle East and Europe

(ii) *Sensitivity analysis*
The sensitivity of profit or loss and equity to the changes in underwriting risk variables arises mainly from the changes in fulfilment cash flows relating to loss components. As contracts are measured under the PAA only the LIC component of insurance liabilities is sensitive to possible changes in underwriting risk variables. The table below analyses profit or loss and equity would have increased if changes in underwriting risk relating to the material variable of the Company being, claims incurred, that were reasonably possible at the reporting date had occurred.

19 RISK MANAGEMENT (continued)

Underwriting risk (continued)
(ii) *Sensitivity analysis (continued)*

2024	€ **LIC as at 31 December**	€ **Impact on LIC**	€ **Impact on PBIT**	€ **Impact on Equity**
Insurance contract liabilities	50,306,905			
Reinsurance contract assets	(42,605,798)			
Net insurance contract liabilities	**7,701,107**			
Unpaid claims- 5% increase				
Insurance contract liabilities		2,515,345	(2,515,345)	(2,515,345)
Reinsurance contract assets		(2,130,290)	2,130,290	2,130,290
Net insurance contract liabilities		**385,055**	**(385,055)**	**(385,055)**

2023	€ **LIC as at 31 December**	€ **Impact on LIC**	€ **Impact on PBIT**	€ **Impact on Equity**
Insurance contract liabilities	24,045,459			
Reinsurance contract assets	(33,510,564)			
Net insurance contract assets	**(9,465,105)**			
Unpaid claims- 5% increase				
Insurance contract liabilities		1,202,273	(1,202,273)	(1,202,273)
Reinsurance contract assets		(1,675,528)	1,675,528	1,675,528
Net insurance contract assets		**(473,255)**	**473,255**	**473,255**

It should be noted that a significant portion of the Company's directly attributable expenses such as personnel costs and amortisation charges on the core insurance system are fixed costs in nature and as such no material sensitivity is expected from expenses.

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 has exposures to the following risks:
a) Credit risk;
b) Liquidity risk; and
c) Market risk

19 RISK MANAGEMENT (continued)

Financial risk (continued)
a) Credit risk (continued)
Credit risk is the risk of financial loss to the Company if a counterparty to a reinsurance contract or financial instrument fails to meet its contractual obligations, and arises principally from the Company's reinsurance contract assets and investments in debt securities.

i) Credit risk management
Credit risk is mitigated by the following:
- Establishing the structure for the approval and renewal of contracts in line with credit policies, authorisation limits are allocated to the business with large exposures being approved according to set guidelines. The Company has a large number of cedants with a wide geographical dispersal and industries which reduces concentration risk.

- Reinsurance is used to manage insurance risk. However, this does not discharge the Company's liability as the primary insurer. If for any reason the reinsurer fails to pay a claim, the Company remains liable for the claims payment to the cedent. The creditworthiness of reinsurers is reviewed annually.
- The Company enters into premium payment warranties and credit terms to monitor payment obligations. The Company also has the ability to terminate insurance contract services when policyholders fail to meet their premium payment obligations.
- The Company as part of onboarding financial institutions it plans to place financial investments with, evaluates credit worthiness of financial institutions. Subsequently, the financial institutions are monitored by periodically reviewing/examining the financial statements of investees, and employing financial ratios to determine the likelihood of debt repayment and or interest/coupon payments.
- The Company's investment policy has approved maximum authorisation, allocation and diversification limits relating to the different types of financial investments.

ii) Amounts arising from Expected Credit Loss (ECL) on financial assets
Inputs, assumptions and techniques used for estimating impairment
See accounting policies in Note 6 (f) for recognition and measurement of impairment of financial assets.

Significant increase in credit risk (SICR)
When determining whether the credit risk on a financial instrument has increased significantly since initial recognition, the Company considers reasonable and supportable information that is relevant and available. This includes both qualitative and quantitative information and analysis based on the Company's experience, expert credit assessment and forward-looking information.

Quantitatively, the Company primarily identifies whether a significant increase in credit risk has occurred for an
- the remaining lifetime probability of default ("PD") as at the reporting date; with
- the remaining lifetime PD for this point in time that was estimated on initial recognition of the exposure.

Qualitatively, for debt instruments securities, if the instrument meets one or more of the following criteria:
- Significant increase in credit spread;
- Significant adverse changes in business, financial and/or economic conditions in which the borrower operates:
- Actual or expected forbearance or restructuring;
- Actual or expected significant adverse change in operating results of the borrower; and
- Significant change in collateral value (secured facilities only) that is expected to increase risk of default.

19 RISK MANAGEMENT (continued)

Financial risk (continued)
a) Credit risk (continued)
ii) Amounts arising from Expected Credit Loss ("ECL") on financial assets (continued)

Low credit risk debt instruments
The Company has used the low credit risk exemption for financial instruments when they meet the following conditions:
- The financial instrument has a low risk of default;
- The borrower is considered to have a strong capacity to meet its obligations in the near term;
- The Company expects, in the longer term, that adverse changes in economic and business conditions might, but will not necessarily, reduce the ability of the borrower to fulfil its obligations

For low credit risk financial assets, the SICR is not assessed, and the impairment allowance is calculated and the financial asset is measured using the 12-month ("12M") ECL, provided that the financial asset meets the criteria

Definition of default
The Company considers a financial instrument to be in default when:
- The borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realising security (if any is held); or
- The borrower is more than 90 days past due.

An instrument is considered to no longer be in default (that is, to have cured) when it no longer meets any of the default criteria for a consecutive period of six months. This period of six months has been determined based on an analysis that considers the likelihood of a financial instrument returning to default status after cure, using different possible cure definitions. Inputs into the assessment of whether a financial instrument is in default and their significance may vary over time to reflect changes in circumstances.

Incorporation of forward-looking information
The assessment of a SICR and the calculation of the ECL both incorporate forward-looking information. The Company has performed historical analysis and identified the key economic variables impacting credit risk and the ECL for its investment portfolio.

Where applicable, the Company formulates three economic scenarios: a baseline scenario, a best-case scenario, and a worst-case scenario. The baseline scenario assumes the macroeconomic variables stay constant or fluctuate in a non-significant manner; The best-case scenario assumes a situation where the macroeconomic variables decrease by one standard deviation of their historical distribution; and the worst-case scenario thus assumes a situation where the macroeconomic variables increase by one standard deviation of their historical distribution.

The Company's financial investments comprise of low credit risk assets which include Fixed Term Deposits, Corporate Bonds and Commercial Papers. For such assets, the forward-looking information is derived from reputable rating agencies as the external ratings agencies account for all available information including economic factors that could influence future default events in determining the ratings of sovereign and corporate entities. The ECL parameters (PD and LGD) as determined by these ratings agencies are therefore forward-looking in nature.

19 RISK MANAGEMENT (continued)

Financial risk (continued)
a) Credit risk (continued)
ii) Amounts arising from Expected Credit Loss (ECL) on financial assets (continued)

Sensitivity of ECL to future economic conditions
ECL are sensitive to judgements and assumptions made regarding the formulation of forward looking scenarios and how such scenarios are incorporated into the calculations. Management performs a sensitivity analysis on the ECL recognised on material classes of its assets that do not have a low credit risk.

As at period end, the Company's financial investments comprise of low credit risk assets which included Fixed Term Deposits, Corporate Bonds and Commercial Papers and as such the sensitivity analysis performed does not have a material adjustment to the carrying amounts of assets and liabilities that would be expected within the next financial year.

Measuring ECL – Explanation of inputs, assumptions and estimation techniques
The ECL is measured on either a 12M or lifetime basis, depending on whether a SICR has occurred since initial recognition or whether an asset is considered to be credit-impaired. The key inputs into the measurement of ECL are the term structures of the following variables:
- Probability of default ("PD"): This represents the likelihood of a borrower defaulting on its financial obligation (according to the definition of default and credit-impaired assets above), either over the next 12 months (12M PD) or over the remaining lifetime (Lifetime PD) of the obligation.
- Loss given default ("LGD"): Represents the Company's expectation of the extent of loss on a defaulted exposure. The LGD varies by type of borrower, type and seniority of claim, and availability of collateral or other credit support. The LGD is expressed as a percentage loss per unit of exposure at the time of default. The LGD is calculated on a 12M or lifetime basis, where the 12M LGD is the percentage of loss expected to be made if the default occurs in the next 12 months, and the lifetime LGD is the percentage of loss expected to be made if the default occurs over the remaining expected lifetime of the loan.
- Exposure at default ("EAD"): Is based on the amounts that the Company expects to be owed at the time of default, over the next 12 months or over the remaining lifetime.

The ECL is determined by projecting the PD, LGD and EAD for each future month and for each individual exposure or collective segment. These three components are multiplied together and adjusted for the likelihood of survival (that is, the exposure has not prepaid or defaulted in an earlier month). This effectively calculates an ECL for each future month, which is then discounted back to the reporting date and summed. The discount rate used in the ECL calculation is the original EIR or an approximation thereof.

The Lifetime PD is developed by applying a maturity profile to the current 12M PD. The maturity profile looks at how defaults develop on a financial instrument portfolio from the point of initial recognition throughout the lifetime of the financial instrument. The maturity profile is based on historical observed data, and it is assumed to be the same across all assets within a portfolio and credit grade band. This is supported by historical analysis.

Forward-looking economic information is also included in determining the 12M and lifetime PD, EAD and LGD. To determine lifetime and 12M PDs, the Company uses the PD tables supplied by international rating agencies based on the default history of obligors in the same industry and geographic region with the same credit rating. Changes in the rating for a counterparty or exposure lead to a change in the estimate of the associated PD.

19 RISK MANAGEMENT (continued)

b) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its insurance and reinsurance contracts and financial liabilities that are settled by delivering cash or another financial asset as and when they fall due. Liquidity risk arises from funds composed of illiquid assets and results from mismatches in the liquidity profile of assets and liabilities.

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 Company's objective in managing liquidity risk is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The key elements of the Company's liquidity strategy are as follows:

- Maintaining a diversified funding base and appropriate contingency facilities.
- Carrying a portfolio of highly liquid assets, diversified by currency and maturity, that can be readily converted into cash to protect against unforeseen short-term interruptions to cash flows.
- Matching, to the maximum extent possible, the cash flows of the Company's financial assets with the cash flows of insurance and investment contracts and other financial liabilities.
- Monitoring liquidity ratios.
- The Company maintains a pool of short-term liquid assets that is intended to provide sufficient liquidity in the Company as a whole to cover short-term fluctuations in the liquidity requirements of any business units. Longer-term funding is used to manage structural liquidity requirements.

Maturity of financial liabilities and assets

The table below summarizes the maturity profile of the Company's financial liabilities and financial assets at 31 December based on contractual undiscounted cash flows. Liabilities for remaining coverage measured under the PAA have been excluded from this analysis.

2024	**Up to 1 year**	**Between 1-2 years**	**Over 2 years**	**Total**
	€	€	€	€
Assets				
Cash and cash equivalents	4,089,576	-	-	4,089,576
Other assets (excluding prepayments)	37,878,100	-	-	37,878,100
LRC (insurance receivables)	15,340,096	-	-	15,340,096
Financial investments at amortised cost	44,609,795	347,225	13,583,940	58,540,960
Total financial assets	**101,917,567**	**347,225**	**13,583,940**	**115,848,732**
Liabilities				
Other liabilities	5,056,419	-	-	5,056,419
LIC (net outstanding claims incurred)	43,129,702	10,796,769	134,302	54,060,773
Total financial liabilities	**48,186,121**	**10,796,769**	**134,302**	**59,117,192**
Liquidity gap	**53,731,446**	**(10,449,544)**	**13,449,638**	**56,731,540**

19 RISK MANAGEMENT (continued)

b) Liquidity risk (continued)
Maturity of financial liabilities and assets (continued)

2023	Up to 1 year	Between 1-2 years	Over 2 years	Total
	€	€	€	€
Assets				
Cash and cash equivalents	5,073,543	-	-	5,073,543
Other assets (excluding prepayments)	34,040,618	-	-	34,040,618
LRC (insurance receivables)	14,133,162	-	-	14,133,162
Financial investments at amortised cost	19,100,971	-	14,513,664	33,614,635
Total financial assets	**72,348,294**	**-**	**14,513,664**	**86,861,958**
Liabilities				
Other liabilities	3,892,480	-	-	3,892,480
LIC (net outstanding claims incurred)	16,658,299	10,684,333	144,483	27,487,115
Total financial liabilities	**20,550,779**	**10,684,333**	**144,483**	**31,379,595**
Liquidity gap	**51,797,515**	**(10,684,333)**	**14,369,181**	**55,482,363**

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 2024:

2024	EUR €	USD €	Other €	Total €
ASSETS				
Cash and cash equivalents	2,761,735	544,038	783,803	4,089,576
Other assets (excluding prepayments)	-	37,878,100		37,878,100
LRC (insurance receivables)	54,336	12,332,568	2,953,192	15,340,096
Financial investments at amortised cost	33,044,810	25,457,853	38,297	58,540,960
TOTAL ASSETS	**35,860,881**	**76,212,559**	**3,775,292**	**115,848,732**
LIABILITIES				
Other liabilities	1,127,822	2,999,350	929,247	5,056,419
LIC (net outstanding claims incurred)	-	53,045,766	1,015,006	54,060,772
TOTAL LIABILITIES	**1,127,822**	**56,045,116**	**1,944,253**	**59,117,191**
NET POSITION	**34,733,059**	**20,167,443**	**1,831,039**	**56,731,541**

19 RISK MANAGEMENT (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 2023:

2023	EUR €	USD €	Other €	Total €
ASSETS				
Cash and cash equivalents	3,633,912	901,017	538,614	5,073,543
Other assets (excluding prepayments)	-	33,018,036	1,022,582	34,040,618
LRC (insurance receivables)	3,673,500	8,106,591	2,353,071	14,133,162
Financial investments at amortised cost	30,673,591	2,805,453	135,592	33,614,636
TOTAL ASSETS	**37,981,003**	**44,831,097**	**4,049,859**	**86,861,959**
LIABILITIES				
Other liabilities	60,911	3,325,060	506,509	3,892,480
LIC (net outstanding claims incurred)	-	26,470,039	1,017,076	27,487,115
TOTAL LIABILITIES	**60,911**	**29,795,099**	**1,523,585**	**31,379,595**
NET POSITION	**37,920,092**	**15,035,998**	**2,526,274**	**55,482,364**

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

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 it 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 (€)
2024	+50	217,289
	-75	(325,934)
2023	+50	90,000
	-75	(135,000)

19 RISK MANAGEMENT (continued)

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.

20 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. In addition to his contractually due remuneration for the services provided as a Director and expenses reimbursed in line with Company policy, Mr Reches received a loan from the Company which at 31 December 2024 was €1,634,854 (2023: €1,749,602).

During 2024 the Company paid management and administrative services to Klapton Management Limited, a shareholder in the Company of GBP £775,072 (2023: GBP £765,000). Klapton Management Limited also received a loan from the Company which at 31 December 2024 was €1,430,237 (2023: €846,948).

21 CAPITAL COMMITMENTS

There was no significant capital expenditure contracted for at the end of the reporting period which has not been recognised as liabilities.

22 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.

23 EVENTS OCCURING AFTER THE REPORTING PERIOD

There were no events after reporting date which could have a material impact on the annual financial statements for the Company which have not been adequately adjusted for.

24 CAPITAL MANAGEMENT

The Company's management uses regulatory capital ratios to monitor the Company's capital base. The Company's policy is to maintain a strong capital base to maintain investor, creditor and market confidence and to sustain the future development of the business.

The Company's regulator, the Anjouan Offshore Finance Authority ("OFA"), monitors capital requirements for the Company as a whole. The Regulator prescribed capital adequacy requirements (based on the IFRS 4 classification of assets and liabilities) which are computed as the higher of $100,000 or 10% of gross written premium.

Capital adequacy statement

			2024	2023
			€	€
Part	**A: Calculation of available capital requirement**			
1	**Total value of assets**		**125,205,729**	**90,366,028**
2	**Less: Total disallowed assets**		**4,318,997**	**3,504,069**
	Goodwill & other intangible assets		144,520	133,971
	Prepayments		71,085	66,308
	Deferred acquisition costs		4,103,392	3,303,790
3	**Net allowable assets: (1) - (2)**		**120,886,732**	**86,861,959**
4	**Total value of liabilities**		**73,635,737**	**38,527,254**
5	**Policyholder liabilities**			
	Unearned premium reserve		14,066,851	10,142,310
	Outstanding claims reserves		54,060,771	27,487,114
	Incurred but not reported claims		451,696	360,478
6	**Current liabilities**		5,056,419	537,352
7	**Non-current liabilities**		-	-
8	**Available capital requirement: (3) – (4)**		**47,250,995**	**48,334,705**
Part B: Calculation of minimum capital requirements				
9	**Entry minimum capital requirement:**	**$100,000**	96,614	90,588
10	**Premium based capital requirement (10% of GWP)**		5,477,788	781,549
11	**Minimum capital requirement = higher of (9) or (10)**		**5,477,788**	**781,549**
12	**Capital adequacy excess**		**41,773,207**	**47,553,156**