Klapton

Klapton Insurance Company Limited

Annual Report & Accounts 2014

Registered Number L2001

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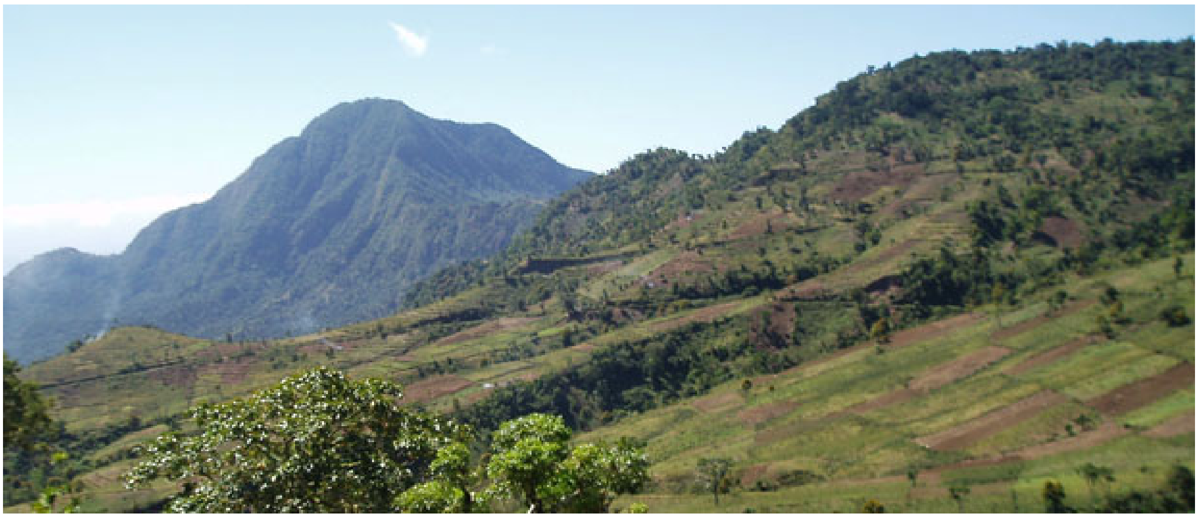
Company Background :

Klapton Insurance Company Limited ("Klapton") is registered in the Autonomous Island of Anjouan, Union of Comoros, with operations in Africa, Middle East and Asia. It has an administration service SPV in the UK.

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

Klapton underwrites a worldwide portfolio of energy, property, marine, engineering, casualty, financial institutions, general aviation, ports & terminals, political violence and non-proportional reinsurance treaty business with the main geographical focus being the Afro-Asian markets.

Klapton has assets in excess of €66m as at 31 December 2014.



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Board of Directors and Key Staff:

Mr Shay Reches
Chairman and CEO

Mr 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 Robert Bygrave
Shareholders Council Controller - Finance

A qualified Chartered Accountant for 20 years, Mr Bygrave has held a number of senior finance positions in a range of financial services organisations including Standard Chartered, Deutsche Bank and Raiffeisen International Bank.

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

NMSIM
Africa
part of Global Ridgeway Holdings

NMSIM Africa Limited

A UK investment company formed in 2011, NMSIM Africa Limited is part of the Global Ridgeway Holdings Group, and holds a range of investments and loans across Africa.

The company is an investor in and lender to Klapton.

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Letter From the Board of Directors

It is our pleasure to present the 2014 Annual Report of the Board of Directors for Klapton Insurance Company Limited and the financial statements for 2014, which includes the statement of financial position at 31 December 2014 and the statement of income for the financial year.

Strategic review of the year

In summary, the past year has been a successful one for Klapton, as we have achieved an operating profit in 2014 compared to a loss in the previous year. Although 2014 witnessed a decrease in gross written premium of 64% from 2013, net profits increased over previous year. This decrease in premium income was a combination of disciplined underwriting, reduction in high risk portfolio and a shift from EEA incoming reinsurance premium to the Afro-Asian markets.

In 2011, following a strategic review of potential opportunities, Klapton made the decision to pursue more business in the EEA region, notably in the United Kingdom. Although this change in focus led to a rise in premiums in 2012 and 2013, Klapton felt that this change was not beneficial in terms of pricing or profit margins. Therefore in 2014, the focus was shifted back to the markets of Africa and Asia, those areas in which Klapton had a long established position. Although the impact of this change in focus has led to a fall in premium income in the year, the Board believes this to be fully justified by the significant improvement in the profitability of Klapton.

The Company experienced a challenging year with improved loss record levels, helping to provide investors a small positive return on equity, as compared to 25% loss in previous year. Our results further demonstrate that Klapton’s overall business and investment strategy present a sound and comprehensive business approach to today’s evolving reinsurance market.

Klapton did not introduce any new lines of business in 2014; rather, our aim was to focus on strengthening existing ones whilst discontinuing any business we deemed non profitable.

Overview of the insurance market in 2014

2014 was a fairly uneventful one in the insurance market, with losses at relatively benign levels, therefore strong profits were recorded by most of the regional and international reinsurers. Global insured losses from natural catastrophes and man-made disasters were US$ 35 billion, down from US$ 44 billion in 2013 and which is well below the 10 year average of US$ 64 billion. As a consequence of this and Klapton's other strategic measures it was able to outperform its budgeted loss ratio and report a lower loss ratio than in 2013.

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Letter From the Board of Directors

The global economy in 2014

During 2014, the global economy grew by 3.3%, with this growth attributable to the advanced markets strengthening. However this expansion varied considerably across the globe, with a number of economies showing weak performance. The year was also met with increased volatility on the geopolitical front in the Middle & Near East region due to continued civil strife in Iraq, Syria and Yemen.

The year also saw a large increase in volatility in the global financial markets, with oil prices dropping by approximately 50%, Europe announcing their version of quantitative easing, a strengthening US Dollar and the US Federal Reserve showing signs that a rate hike is imminent. Although these macroeconomic policies have been used to stabilize the global economy, there is still significant risks due to the slowdown in emerging markets and the impact of very low inflation in Europe.

Although these headlines have caused confusion in the energy and financial markets, Klapton was able to mitigate the volatility with a major reduction in our MENA exposures and continued geographical diversification of our insurance business lines.

Focus on Africa in 2014

The African economy grew by almost 5% in 2014. This rise is largely driven by domestic demand boosted by public consumption and public infrastructure investment, with the latter also increasingly financed by issuing international sovereign bonds. In spite of a number of factors including increased security concerns, macroeconomic imbalances and domestic supply constraints some countries - Cote D'Ivoire, Ethiopia, DR Congo, Tanzania, Mozambique and others reported growth rates in excess of 7%. The overall growth figure is mitigated by those countries most affected by the Ebola outbreak - Liberia, Sierra Leone and Guinea, which suffered tremendous human hardship and high economic costs. The middle income countries such as Morocco, Egypt and South Africa recorded more moderate to low growth rates of up to 3%.

On the supply side, many African countries have improved their investment climate and conditions for doing business, which enhance long-term growth prospects. Benin, Cote D'Ivoire, the Democratic Republic of Congo (DRC), Senegal and Togo are even in the top ten countries worldwide with the most reforms making it easier to do business. Growth on the supply side in 2014 was driven mainly by agriculture, extractive industries, construction and services and to a lesser extent by manufacturing.

So far African economies have been largely resilient to the sharp fall in commodity prices worldwide. Even though prices are lower, the production of commodities has often increased. However should commodity prices remain low or decline further, growth in resource-rich countries might slow down if the government is forced to cut spending. In mitigation, there are some positive effects as lower oil prices ease inflation, increase real incomes and strengthen export markets.

Klapton

Letter From the Board of Directors

Financial highlights for Klapton

Highlights for 2014 include:

• Gross written premium in 2014 was €11.3 million, a decrease of 64% compared to €31.3 million for 2013.
• Net Profit amounted to €0.5 million for 2014 against a loss of €(9.5) million for 2013.
• Total assets were €66.6 million at the end of 2014, compared to €75.1 million at 31st December 2013.
• Shareholders' equity rose to €40.0 million at the end of 2014, up 1% compared to €39.5 million as of 31st December, 2013.

Looking forward to 2015 and beyond

Looking forward into 2015, we intend to continue building new relationships as well as reinforcing and expanding our existing business partnerships. We will be actively seeking new business opportunities, new business lines and increasing our geographical footprint.

Our investment policy will remain very conservative, we will continue to actively manage our portfolio and look for investment opportunities which suit our risk profile.

We remain confident in forging ahead into 2015 with our broad strategy of underwriting discipline, conservative investment management and business diversification. We are extremely pleased with our current market position and 2014 results, and we plan to build on our positioning as an insurer and reinsurer in our core markets.

We would like to extend a thank you to all our clients and producers for their continued support throughout 2014. We would also like to thank our employees for their effort and contribution this year. We look forward to working together in 2015 to fulfil the visions and ambitions of the Company.

Board of Directors

Statement of Financial Position

As at 31 December 2014

Klapton

	Notes	2014 €	2013 €
Assets			
Intangible assets	*4*	501,233	579,990
Investments	*5*	26,352,551	26,311,969
Deferred policy acquisition costs	*6*	629,277	1,237,955
Insurance receivables		8,417,225	8,856,215
Other assets	*7*	1,944,919	1,720,086
Cash and cash equivalents	*8*	28,760,673	36,403,406
Total assets		**66,605,878**	**75,109,621**
Equity and Liabilities			
Equity			
Issued share capital	*9*	18,763,200	18,763,200
Retained earnings		21,254,947	20,790,722
Total equity		**40,018,147**	**39,553,922**
Liabilities			
Technical provisions	*10*	25,049,072	32,479,177
Other liabilities	*11*	1,538,659	3,076,522
Total liabilities		**26,587,731**	**35,555,699**
Total Equity and Liabilities		**66,605,878**	**75,109,621**

The financial statements were approved by the board of directors and authorised for issue on 30 September 2015 and they were signed on its behalf by:

S J Reches
Director
30 September 2015

The notes on pages 9 to 24 form part of these financial statements.

Statement of Income

For the year ended 31 December 2014

	Notes	2014 €	2013 €
Gross earned premium	*12*	18,662,284	31,265,412
Less premiums ceded	*12*	(5,021,005)	(6,255,410)
Net earned premium	*12*	**13,641,279**	**25,010,002**
Investment income/(expense)	*13*	(225,074)	(1,966,682)
Commission earned	*14*	451,576	871,222
Total income		**13,867,781**	**23,914,542**
Net claims incurred	*15*	(8,338,753)	(23,259,578)
Acquisition expenses	*6*	(2,012,380)	(6,532,551)
Administrative expenses		(3,011,205)	(3,551,155)
Net foreign exchange gain/(loss)		(41,218)	(23,455)
Profit/(loss) for the year		**464,225**	**(9,452,197)**

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

Statement of Cash Flows

For the year ended 31 December 2014

Klapton

	Notes	2014 €	2013 €
Net cash (outflow)/inflow from operating activities	16	**(5,741,446)**	**3,665,309**
Cash outflow from investing activities			
Purchase of intangible fixed assets		(27,521)	(41,126)
Purchase of fair value through profit or loss investments		-	(5,850,000)
Proceeds from maturity of held to maturity investments		6,854,139	1,907,229
Purchase of held to maturity investments		(7,314,721)	(13,354,139)
Proceeds from sale of available-for-sale investments		315,000	464,345
Purchase of available-for-sale investments		(575,000)	(2,250,000)
Interest income		371,216	833,255
Net cash outflow from investing activities		**(376,887)**	**(18,290,436)**
Cash (outflow)/inflow from financing activities			
Proceeds of shares subscription		-	9,186,150
Receipt of loan financing		-	2,700,000
Repayment of loan financing		(1,524,400)	-
Net cash (outflow)/inflow from financing activities		**(1,524,400)**	**11,886,150**
Net decrease in cash and cash equivalents		**(7,642,733)**	**(2,738,977)**
Cash and cash equivalents at the beginning of the year		36,403,406	39,142,383
Cash and cash equivalents at the end of the year		**28,760,673**	**36,403,406**

The notes on pages 9 to 24 form part of these financial statements.

1 ACTIVITIES

Klapton Insurance Company Limited ("the Company") was incorporated in the Autonomous Island of Anjouan, Union of Comoros in 2005. It is a Class 2 insurer and reinsurer, regulated by the Anjouan Offshore Finance Authority. The Company's registered office is POB69, ACS, Mutsamudu, Anjouan, Union of Comoros.

The Company operates primarily in Africa, the Indian Sub-Continent 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, which was adopted in 2013.

The financial statements are prepared under the historical cost convention modified to include the measurement at fair value of financial assets held-for-sale and financial assets held for trading.

3 ACCOUNTING POLICIES

Change in accounting policies

The accounting policies adopted are consistent with those of the previous financial year, except for the new and amended standards and interpretations effective as of 1 January 2014.

The nature and impact of the new or amended standards on the Company are described below:

Amendments to IFRS 7 Disclosures - Offsetting Financial Assets and Financial Liabilities

The amendments to IFRS 7 require entities to disclose information regarding the rights of offset and related arrangements for financial instruments such as master netting agreements.

As the Company has no offsetting arrangements in place, or any financial assets and financial liabilities which qualify for offset. this amendment has no impact on the financial statements

Amendments to IFRS 10, IFRS 12 and IAS 27

The amendments to IFRS 10 define an investment entity and require an entity which meets this definition not to consolidate the results of subsidiaries but to state them at fair value, through the profit and loss. This is to be applied retrospectively, with transitional relief. The amendments to IFRS 12 and IAS 27 introduce additional reporting requirements for investment entities.

As the Company does not meet the investment entity qualification criteria, these amendments have no impact on the financial statements.

Annual Improvements 2010-2012 Cycle

The 2010-2012 annual improvements cycle contains an amendment to IFRS 13 Fair Value Measurement. This clarifies that short term receivables and payables with no stated interest rates can be measured at invoice value when the effect of discounting is immaterial.

The Company does not consider this amendment to have a material effect on these financial

Annual Improvements 2011-2013 cycle

The 2010-2012 annual improvements cycle contains an amendment to IFRS 1 First-time Adoption of International Financial Reporting Standards. This states that an entity may choose to apply either a current standard or a new standard that is not yet mandatory, but permits early adoption, provided either standard is applied consistently throughout the periods.

The amendment has no impact on the financial statements as the Company is an existing IFRS preparer.

Early adoption of standards

The Company did not early-adopt any new or amended standards in 2014. The Company will adopt these standards, if applicable, when they become effective:

IFRS 9 Financial Instruments

In 2014, the IASB issued the final version of IFRS 9 Financial Instruments which will replace IAS 39 Financial Instruments: Recognition and Measurement and supersede all previous versions of IFRS 9. This standard introduces new requirements for classification, measurement, impairment and hedge accounting and is effective from 1 January 2018.

The application of this standard is likely to have an impact on both classification and amounts reported in the Company's financial statements, however it is not yet practicable to provide a reasonable estimate of the amount until a more detailed review has been completed.

IFRS 8 Operating Segments

This amendment clarifies that judgements made by management in applying the aggregation criteria in paragraph 12 of IFRS 8, including a brief description of the operating segments that have been aggregated and the economic characteristics used to assess whether the segments are similar.

IAS 38 Intangible Assets

This amendment is to be applied retrospectively and clarifies that the asset may be revalued by reference to observable data on either the gross or net carrying amount. In addition, the accumulated depreciation or amortisation is the difference between the gross and carrying amounts of the asset.

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Summary of significant accounting policies

Use of estimates in preparation of financial statements

A significant degree of judgement has been used in the determination of the adequacy of provision for outstanding claims and claims incurred but not reported at the reporting date. In addition, the income statement includes estimates for premiums, claims and charges data that were not received from ceding companies at the date of the financial statements.

These estimates are based upon historical information, industry expert reports and other analytical techniques. Actual results may differ from these estimates.

Definition of insurance contracts

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

Gross earned premiums

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

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

Outward reinsurance premiums

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

Commission income

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

Claims

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

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

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

Policy acquisition costs

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

Interest income

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

Dividend income

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

Intangible assets - computer software

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

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

Financial assets

Financial assets and liabilities are recognised when the Company becomes a party to the contractual provision of the instrument. The Company classifies its financial assets into the following categories:

a) Held-to-maturity assets

Financial assets with fixed or determinable payments with fixed maturities are classified as held-to-maturity when the Company has the positive intention and ability to hold it to maturity . After initial measurement at cost, receivables are subsequently remeasured to amortised cost using the effective interest method, less allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the effective interest rate.

b) Financial assets at fair value through profit and loss

Financial assets at fair value through profit and loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. These include assets acquired for generating a profit from short-term fluctuations or securities included in a portfolio in which a pattern of short-term profit-taking exists. All related realised and unrealised gains and losses are included in the profit or loss. Interest earned whilst holding held for trading investments is reported as investment income.

c) Available-for-sale financial assets

Investment securities, be they equity or debt, which are intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity, or changes in interest rate, exchange rates or equity prices are classified as available-for-sale and are initially recognised at cost. Available for sale investments are subsequently measured at fair value with unrealised gains or losses recognised in other comprehensive income and accumulated in the fair value reserve. When the investment is realised or it is deemed to be impaired, the cumulative gain or loss previously accumulated in the fair value reserve is reclassified to the profit or loss.

Impairment of financial assets

An assessment is made of financial assets for objective evidence of impairment at the end of each accounting period. If a financial asset is deemed to have been impaired, the loss is recognised in the profit or loss for the year. Any subsequent recovery of amounts previously written off are credits to profit or loss for the year.

In respect of receivables, objective evidence of impairment arises where there is significant financial difficulty of the counterparty, when there is a default or delay in the interest or principal payments. The impairment calculation is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate computed at initial recognition.

For other assets the Company would evaluate other factors, such as normal volatility in share prices for quoted equities and the future cash flows and discount factors for unquoted equities.

Derecognition of financial assets
The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

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

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

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

Where there is not an active market, fair value can be determined by reference to a recent arm's length transaction, current market value of a similar instrument or discounted cash flow.

If fair value cannot be measured reliably, the instrument should be measured at cost, being the amount paid or received for the instrument, including direct transaction costs.

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, the Euro is the most prominent.

Translation of foreign currencies
Transactions in foreign currencies are initially recorded at the respective exchange rate prevailing at the date of the transaction. Any 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 are translated using the exchange rates at the time of the transaction or that at the determination of fair value.

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

Going concern

The Company's forecasts and projections provide the directors with reasonable expectations that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

4 INTANGIBLE ASSETS

	Computer software/licences	
	2014	2013
	€	€
Cost		
As at 1 January	1,053,378	1,012,252
Additions	27,521	41,126
Disposals	-	-
As at 31 December	**1,080,899**	**1,053,378**
Amortisation		
As at 1 January	473,388	372,263
Charge for year	106,278	101,125
Eliminated on disposals	-	-
As at 31 December	**579,666**	**473,388**
Net Book Value	**501,233**	**579,990**

5 INVESTMENTS

	2014	2013
	€	€
Held to maturity		
Fixed rate securities held to maturity	16,987,551	16,526,969
Fair value through profit or loss		
Quoted equity investments at fair value through profit or loss	5,850,000	5,850,000
Available-for-sale		
Unquoted equity investments at cost less impairment losses	3,515,000	3,935,000
	26,352,551	**26,311,969**

Unquoted equity investments are carried at cost because their fair value cannot be determined as the range of reasonable fair value estimates is significant and the probabilities of the various estimates cannot be reasonably assessed.

6 DEFERRED POLICY ACQUISITION COSTS

	2014 €	2013 €
As at 1 January	1,237,955	2,392,394
Released during the year	(2,012,380)	(6,532,551)
Deferred during the year	1,403,702	5,378,112
As at 31 December	**629,277**	**1,237,955**

7 OTHER ASSETS

	2014 €	2013 €
Prepayments and accrued income	1,903,497	1,662,152
Other assets	41,422	57,934
	1,944,919	**1,720,086**

8 CASH AND CASH EQUIVALENTS

	2014 €	2013 €
Cash and bank balances	13,509,500	18,953,281
Bank deposits	15,251,173	17,450,125
	28,760,673	**36,403,406**

The bank deposits, which are primarily denominated in Euro's are made for varying periods between one month to one year (2013: between one month to one year) depending upon the immediate cash requirements of the Company.

9 ISSUED SHARE CAPITAL

	Authorised, issued and fully paid	
	2014 €	2013 €
24,000 shares of USD 1,000 each (Euro 782 each)	**18,763,200**	**18,763,200**

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10 TECHNICAL PROVISIONS

	2014 €	2013 €
Provision for reported claims	20,449,074	18,979,693
Provision for claims incurred but not reported	1,125,137	1,172,700
Provisions for claims incurred but not enough reserved	562,600	1,221,816
Long term trust	-	781,800
	22,136,811	22,156,009
Unearned premiums	2,912,261	10,323,168
	25,049,072	**32,479,177**

The long term trust was a specific reserve established for the EEA portfolio. As the Company has significantly reduced its exposure in that region it is the view of the Directors that the provision is no longer required and therefore it was released to the profit or loss in 2014.

11 OTHER LIABILITIES

	2014 €	2013 €
Trade creditors	215,173	242,078
Accrued expenses	147,886	134,444
Other creditors	1,175,600	2,700,000
	1,538,659	**3,076,522**

Other creditors comprises a loan taken from a shareholder in the Company, NMSIM Africa Limited which is repayable by the end of 2015.

12 PREMIUM

a) Written and earned premium

	% change	2014	2013
	%	€	€
Gross written premium	-64%	11,251,377	31,265,412
Gross earned premium	-40%	18,662,284	31,265,412

b) Earned premium - business analysis

2014	Gross	Reinsurance	Net
	€	€	€
Credit and general insurance	8,459,178	(2,455,118)	6,004,060
Fire and accident	6,668,911	(1,344,130)	5,324,781
Marine and aviation	2,987,483	(1,013,092)	1,974,391
Other	546,712	(208,665)	338,047
	18,662,284	**(5,021,005)**	**13,641,279**

2013	Gross	Reinsurance	Net
	€	€	€
Credit and general insurance	16,332,294	(3,020,051)	13,312,243
Fire and accident	10,225,198	(1,784,564)	8,440,634
Marine and aviation	4,040,032	(1,115,699)	2,924,333
Other	667,888	(335,096)	332,792
	31,265,412	**(6,255,410)**	**25,010,002**

c) Earned premium - geographical analysis

2014	Gross	Reinsurance	Net
	€	€	€
Africa	10,958,756	(2,997,222)	7,961,534
Indian Sub-Continent	5,133,669	(1,169,878)	3,963,791
Middle East	1,789,189	(634,935)	1,154,254
Europe	780,670	(218,970)	561,700
	18,662,284	**(5,021,005)**	**13,641,279**

2013	Gross	Reinsurance	Net
	€	€	€
Africa	7,650,676	(1,970,321)	5,680,355
Indian Sub-Continent	4,298,770	(998,979)	3,299,791
Middle East	2,720,127	(878,800)	1,841,327
Europe	16,595,839	(2,407,310)	14,188,529
	31,265,412	**(6,255,410)**	**25,010,002**

13 INVESTMENT INCOME/(EXPENSE)

	2014 €	2013 €
Interest	371,216	833,255
Loss on sale of available-for-sale investments	(680,000)	(2,925,655)
Other fees and credit charges	83,710	125,718
	(225,074)	**(1,966,682)**

14 COMMISSION EARNED

	2014 €	2013 €
Commission	**451,576**	**871,222**

Commission earned represents fees due on reinsurance ceded to other insurers.

15 NET CLAIMS INCURRED

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

2014	Gross €	Reinsurance €	Net €
Credit and general insurance	4,551,698	(885,128)	3,666,570
Fire and accident	3,679,401	(775,816)	2,903,585
Marine and aviation	1,898,111	(386,985)	1,511,126
Other	356,127	(98,655)	257,472
	10,485,337	**(2,146,584)**	**8,338,753**

2013	Gross €	Reinsurance €	Net €
Credit and general insurance	21,443,718	(4,017,060)	17,426,658
Fire and accident	5,085,177	(1,284,564)	3,800,613
Marine and aviation	2,020,178	(458,000)	1,562,178
Other	400,063	70,066	470,129
	28,949,136	**(5,689,558)**	**23,259,578**

16 ADMINISTRATIVE EXPENSES

	2014	2013
	€	€
Commissions payable	1,576,963	2,121,110
Staff costs	600,485	585,197
Legal and professional fees	487,787	525,161
Amortisation of intangible assets	106,278	101,125
Computer, telephone and other office expenses	98,354	97,363
Bank charges and other fees	42,942	54,455
Loan interest	35,714	-
Other expenses	62,682	66,744
	3,011,205	**3,551,155**

16 NOTE TO THE STATEMENT OF CASH FLOWS

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

	2014	2013
	€	€
Profit/(loss) for the year	464,225	(9,452,197)
Adjustments for:		
Depreciation	106,278	101,125
Interest income	(371,216)	(833,255)
Loss on sale of available-for-sale investments	680,000	2,925,655
Working capital changes:		
Insurance receivables	438,990	5,143,404
Deferred policy acquisition costs	608,678	1,154,439
Other assets	(224,833)	(662,264)
Technical provisions	(7,430,105)	5,210,534
Other liabilities	(13,463)	77,868
Net cash (outflow)/inflow from operations	**(5,741,446)**	**3,665,309**

17 RISK MANAGEMENT

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

Insurance risk

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

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

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

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

Financial risk

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

The Company does not enter into derivative contracts.

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

a) Credit risk

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

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

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

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

b) Liquidity risk

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

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

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.

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.

e) Market price risk

Market price risk is the risk that the vale 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.

18 RELATED PARTY TRANSACTIONS

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

As at 31 December 2014, the Company had an outstanding loan due to NMSIM Africa Limited, a Director and Shareholder in the Company, of €1,175,600 (2013: €2,700,000). This loan is due to be repaid by December 2015. During 2014, interest of €35,714 (2013: €Nil) was paid in respect of this loan.

19 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.

20 POST BALANCE SHEET EVENTS

There have been no material events between 31 December 2014 and the date of this report which are required to be disclosed.