Klapton

Klapton Insurance Company Limited

Annual Report & Accounts 2015

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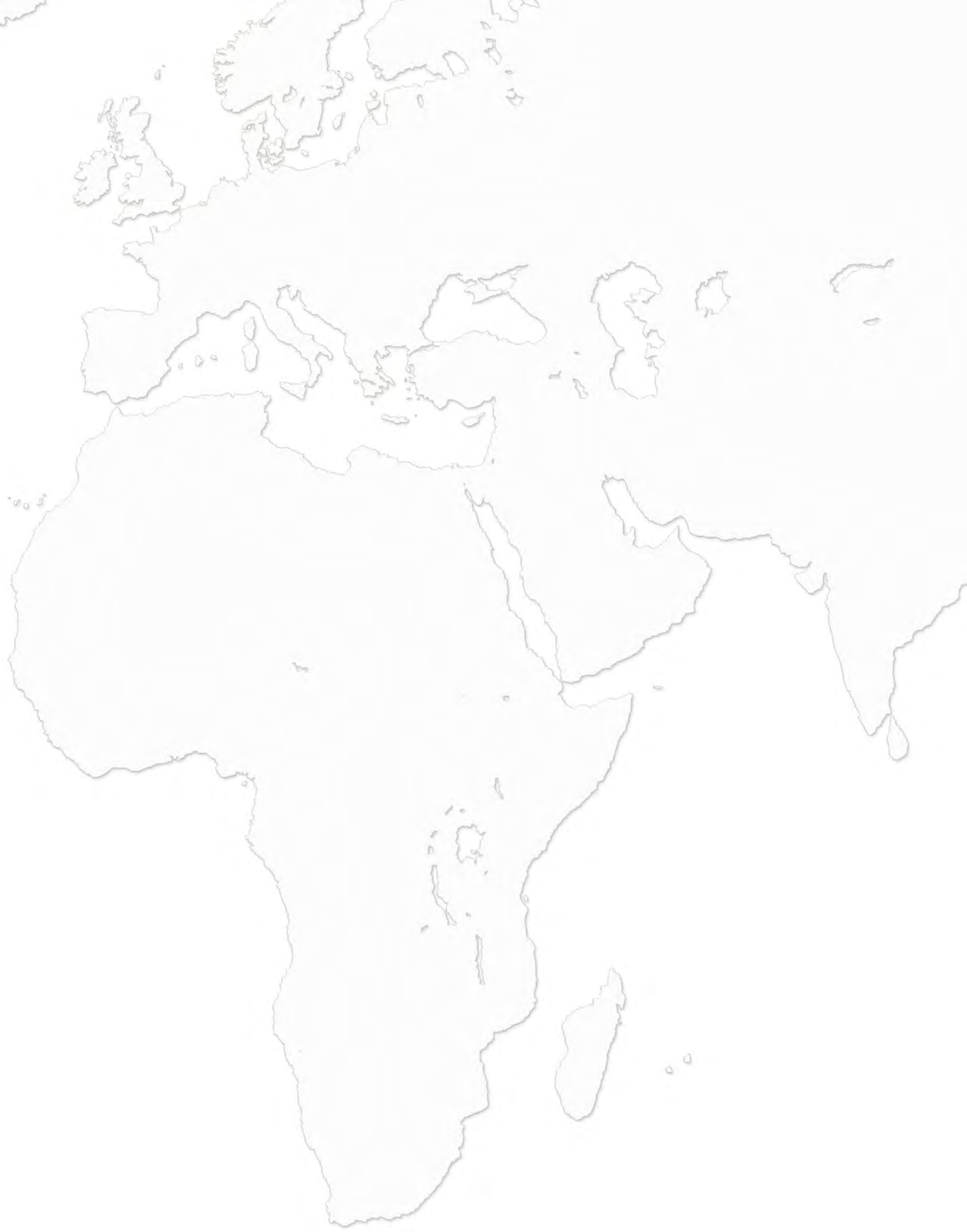
Registered Number L2001



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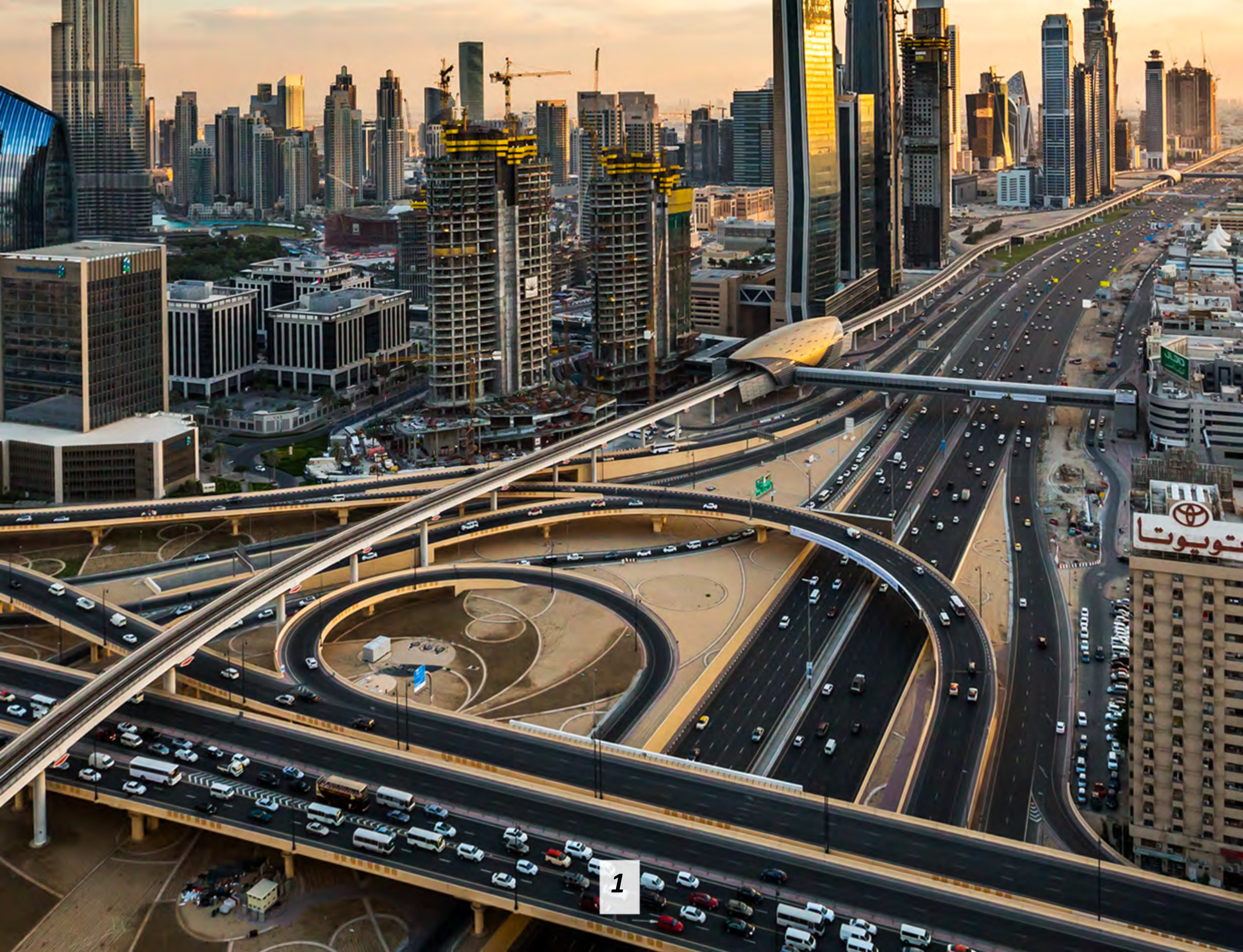


Klapton

Klapton Insurance Company Limited

Annual Report & Financial Statements

31 December 2015

Klapton

Company Background :

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

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

Klapton underwrites a diversified worldwide portfolio of energy, property, marine, engineering, casualty, financial institutions, general aviation, ports & terminals and reinsurance business with the main geographical focus being the Afro-Asian markets. However Klapton is focusing its risk appetite to more specific niche surety products, where Klapton sees its future growth.

Klapton has assets in excess of €66m as at 31 December 2015.

Klapton

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

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

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

Klapton

Klapton Management Limited
part of Global Ridgeway Holdings

Klapton Management Limited
Corporate Director

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

The company is an investor in Klapton.

Klapton

Letter From the Board of Directors

It is our pleasure to present the 2015 Annual Report of the Board of Directors for Klapton Insurance Company Limited and the financial statements for 2015, which includes the statement of financial position at 31 December 2015 and the statement of income for the financial year.

Strategic review of the year

The Board of Directors are pleased to announce the 2015 results for Klapton which show another profitable underwriting result, together with a bottom line net profit, in spite of challenging market conditions.

Gross written premium for 2015 declined by 27% from 2014, this decrease in premium income was a combination of disciplined underwriting, reduction in high risk portfolio and a continuation of the shift from EEA incoming reinsurance premiums to the core business of Afro-Asian markets which began in 2014.

Premium growth was also hampered by a number of outside factors, including the downward pressure on rates following an excess of capital. Additionally Klapton has faced increased competition from within the African markets, coupled with stiff competition from new entrants into its markets from overseas.

In spite of the pressures on premiums and pricing mentioned earlier, Klapton managed to maintain loss ratio levels to those achieved in 2014.

Gross claims paid during the year amounted to €4.7m compared to €10.1m in 2014. The claims experience for 2015 was benign with no significant claims for catastrophic losses or large losses being received. The Board attributes this fall in claims to be a direct result of the continued tightening in underwriting discipline.

Klapton also kept administrative expenses within budgeted levels and more importantly kept them aligned to the volume of activity, managing a 31% fall in administrative expenses on 2014. Although Klapton suffered from the continuation of low interest yields on its term deposits, overall investment returns were higher than 2014. The net result was a small positive return on equity for the year for the second consecutive year.

Klapton did not introduce any new lines of business in 2015; the focus was on profitable underwriting rather than volume and the Board believes this approach will ensure Klapton's continued success.

Klapton

Letter From the Board of Directors

Overview of the insurance markets in 2015

2015 was a fairly benign year in the insurance market in terms of natural catastrophic losses. Global insured losses from natural catastrophies and man-made disasters were US$32 billion, down from US$35 billion in 2014. The natural catastrophies figure of US$23 billion was well below the 10 year average of US$55 billion despite it being a year of many disaster events.

There was slower growth in the global demand for non-life insurance in 2015 than in 2014, in both the advanced and emerging markets. Global non-life premiums increased by 2.5% compared to 2.8% in 2014. In the advanced countries, premium growth slowed from 1.7% in 2015 from 2.0% in the previous year. In the emerging markets, premiums grew by 5.6% in 2015 which was also slower than in previous years. In Klaptons key markets, MENA grew by around 6% and SSA by 4.5%.

The non-life reinsurance sector has reported strong underwriting results for the fourth consecutive year, due to a combination of the low natural catastrophies and a release of reserve provisions. However, as Klapton has itself experienced, there has been a continual erosion of profit margins over recent years. The expectation is that rates are close to bottoming out, so a significant further deterioration of rates and pressure on profitability is not expected to occur in

The investment environment remains incredibly challenging for both insurers and reinsurers. Across the industry, the annualised investment yield remained at 3.4% for 2015. Even eight years after the financial crisis, the returns on the main asset class, fixed-income securities see low yields being recorded. It is only due to the strong underwriting result that the RoE can be maintained.

2015 saw a further continuation in the growth pattern for mergers and acquisitions in the insurance and reinsurance markets. This is due to a number of factors, as buyers look to buy scale, benefit from cost synergies and growth and also deploy their excess capital more effectively, particularly in light of the continued low returns on other investments.

These mergers and acquisitions were mainly concluded by Bermuda based re/insurers, Lloyd's syndicates and US commercial insurance carriers, but there has also been evidence of pan-African activity. Insurers from advanced countries continue to expand in high-growth countries, but the recent slowdown in emerging markets may dampen that trend. There have been significant developments in Chinese investments in Europe and the US as they look to further their global expansion. Also Japan, due to weak local growth opportunities and investment yields have been active in other parts of Asia, US and the London market. The expectation is that smaller re/insurers will come under further pressure to consolidate in order to improve scale and their capital cost through more diversification.

Letter From the Board of Directors

Insurance markets into 2016 and beyond

Although it was a steady year for the reinsurance market in 2015, the general view for 2016 is that reinsurers will face continued pressure on rates due to the over-abundance of capital. The potential outcome of this is that these pressures will lead to insurers retaining more risk in search of yield. However, the flip side of this is that due to the fear that the benign years of natural catastrophies cannot continue indefinitely, so the forecast for 2016 is that the decline in premium rates will not be significant and have to bottom out. In mitigation, these global pressures are not felt as keenly in the African reinsurance markets, primarily due to the relative lack of sophistication of products available in Africa amongst other factors.

Furthermore, the expectation that rate softening will be short lived is due to the fact that reserving will soon prove insufficient, as the current benign loss levels are prolonging the period of reserve releases. Although it is difficult to exactly predict when this will occur, there will be a requirement to replenish and strengthen reserves. At this point, the low prices will prove unsustainable and rates must begin to harden.

In addition, the implementation of stricter solvency regulations and capital requirements may also turn the market, with the implementation of Solvency II and the tightening of credit rating agency models. Across Africa, regulations are expected to be enacted to prepare for a risk-based capital regime. In particular, South Africa is moving to a Solvency II type regime in early 2017, Kenya's new solvency framework is expected to become effective in 2016.

Given that the global economic outlook for 2016 and 2017 is more positive, the demand for non-life insurance should increase. The expectation is that global premium growth will rise by 3% in 2016 and 3.2% in 2017 from 2.5% this year.

Total insurance premiums in emerging markets grew by 8.6% in 2015, with the expectation that these will grow by up to 10% in both 2016 and 2017. Emerging Asia is likely to see the strongest annual growth of 12% in both 2016 and 2017. In the emerging markets, non-life insurance is expected to benefit from urbanisation and rising home and car ownership. Additionally concerns about environmental issues and food safety are expected to filter into higher demand for liability insurance products. In SSA, growth will remain robust, particularly in oil-importing countries, however growth in oil-exporting countries is expected to fall short of last years figures.

Letter From the Board of Directors

The global economy in 2015 and outlook for 2016

During 2015, the global economy grew by 3.1% which was a fall in growth from 3.3% in the previous year. The US economy continues to grow at a more moderate pace, with growth of 2.5% in 2015 which is slightly up on 2014. The Euro area saw higher growth rates since 2011, posting a 1.5% increase in 2015, attributable to falling energy prices, the European Central Bank's quantitative easing program and the weak euro assisting exporters. In China however growth has slowed and has shifted from being investment driven to consumption driven growth. In fact, the GDP growth in China was its worst performance for 25 years.

The economic growth in the US, coupled with falling unemployment rates, were sufficient to convince the Federal Reserve that it was finally in a position to begin to raise interest rates and in December 2015 did so by 0.25%. The expectation is that there will be further rate rises soon.

In the UK, the combination of economic growth (which exceed the Euro growth rate by 1%) and falling unemployment rates are expected to see a rate rise in 2016 by the Bank of England. However this position is not expected to be replicated across the Euro zone due to concerns over the fragile economy and risk of deflation. Therefore the European Central Bank is expected to continue its quantitative easing program and may see deposit rates cut in the near term.

In Japan, the Bank of Japan seems confident about its policy of quantitative easing on the economy, however this could ease in 2016. Inflation and wages are rising modestly in response to the policy but a strong yen and subdued external demand has impacted growth.

The expectation is that the global economy will strengthen in 2016. The key threats to that forecast are the slower growth in China, lower commodity prices and rate rises by the Federal Reserve. Even taking these factors into account, the growth momentum is expected to continue to gather pace.

For emerging markets one of the key issues is US interest rate rises. The impact of this will make US assets relatively attractive and could see outflow of funds from emerging markets. In emerging Asia economic growth was strong and stable in 2015 and expectations are for more of the same in 2016, despite slowing growth in China. In India, sentiment has significantly improved due to the expectations of economic reform and liberalization by Prime Minister Modi. In Southeast Asia the strongest growth was recorded in the Philippines, Malaysia and Vietnam.

Klapton

Letter From the Board of Directors

Focus on MENA and SSA

Growth projections for MENA is expected to be dependent upon higher private consumption, the resumption of full-scale oil production in Libya and increased Iraqi crude oil exports. However growth will be restrained by continued low oil prices and also political tension particularly affecting those countries neighbouring Syria.

The growth outlook for MENA is different between the oil-exporting countries and the oil-importing countries. In the short term, oil-exporting countries have been able to maintain their spending in times of low oil prices due to the large financial reserves they have built up when oil prices were high. Should low oil prices being prolonged however, they will not be able to maintain the levels of spending and therefore there will be an impact on growth. On the flip side, oil-importing countries are benefitting from economic growth and the low oil prices.

2015 was a very challenging year for the SSA countries as a combination of events negatively impacted on the economies. Firstly there were significant falls in major commodity prices which caused a substantial loss in revenues. These falling prices had the largest impacts in the oil countries (Nigeria and Angola), copper (Zambia and the Democratic Republic of Congo) and gold (Ghana, South Africa and Mali). The second factor was the slowdown in growth in China, as China is one of the major investors and trading partners in the African economy. The third factor was a consequence of the first two factors, which led to a depreciation in almost all currencies against the US dollar. These falls were significant, the South African rand dropped by over 30% with others suffering double digit declines.

Even after taking the above impacts into account, the overall growth for SSA was 3.5%, making it still the fastest growing region after emerging Asia. There were some countries seeing growth of over 6%, including Kenya, Cote D'Ivoire and Tanzania, with Kenya's growth in particular attributable to its dynamic services sector and spending on infrastructure.

The growth outlook for SSA is projected to improve in 2016 even in light of expectations that commodities prices will remain low. Although there is still the risk of slower growth in China, 45% of African exports are to advanced economies, all of which have improving growth rates, should provide some counter-balance to China's impact. Continued growth in the region is also dependent upon capital inflows to finance infrastructure improvements and government deficits. Although currently government deficits are fairly low, this could quickly grow if foreign currency denominated borrowing grows, interest rates rise and and currencies weaken further than they have in 2015. The projected growth forecasts for two of the major markets, Nigeria (2.4%) and South Africa (0.7%) are relatively low, with South Africa a particular concern due to ongoing socio-economic and political tensions, the high unemployment rate of 25% and contractions in private and public sector investment spend. For Nigeria, the picture appears brighter as the recently-elected president is determined to address endemic corruption and the loss of oil revenues.

Klapton

Letter From the Board of Directors

Outlook for 2016 for Klapton

Looking forward into 2016, we intend to continue building new relationships as well as reinforcing and expanding our existing business partnerships. To achieve this we have made senior staff recruitments and are confident that adding these staff brings a wealth of both experience and contacts in the market which will help us achieve our aims.

Our plans for 2016 are also to focus our energies on developing the sureties and bonds programs which we are confident will be able to deliver growth whilst remaining focused on underwriting profit. In addition we are committed to investing and redeveloping our online direct sales offering which is expected to be relaunched later in 2016.

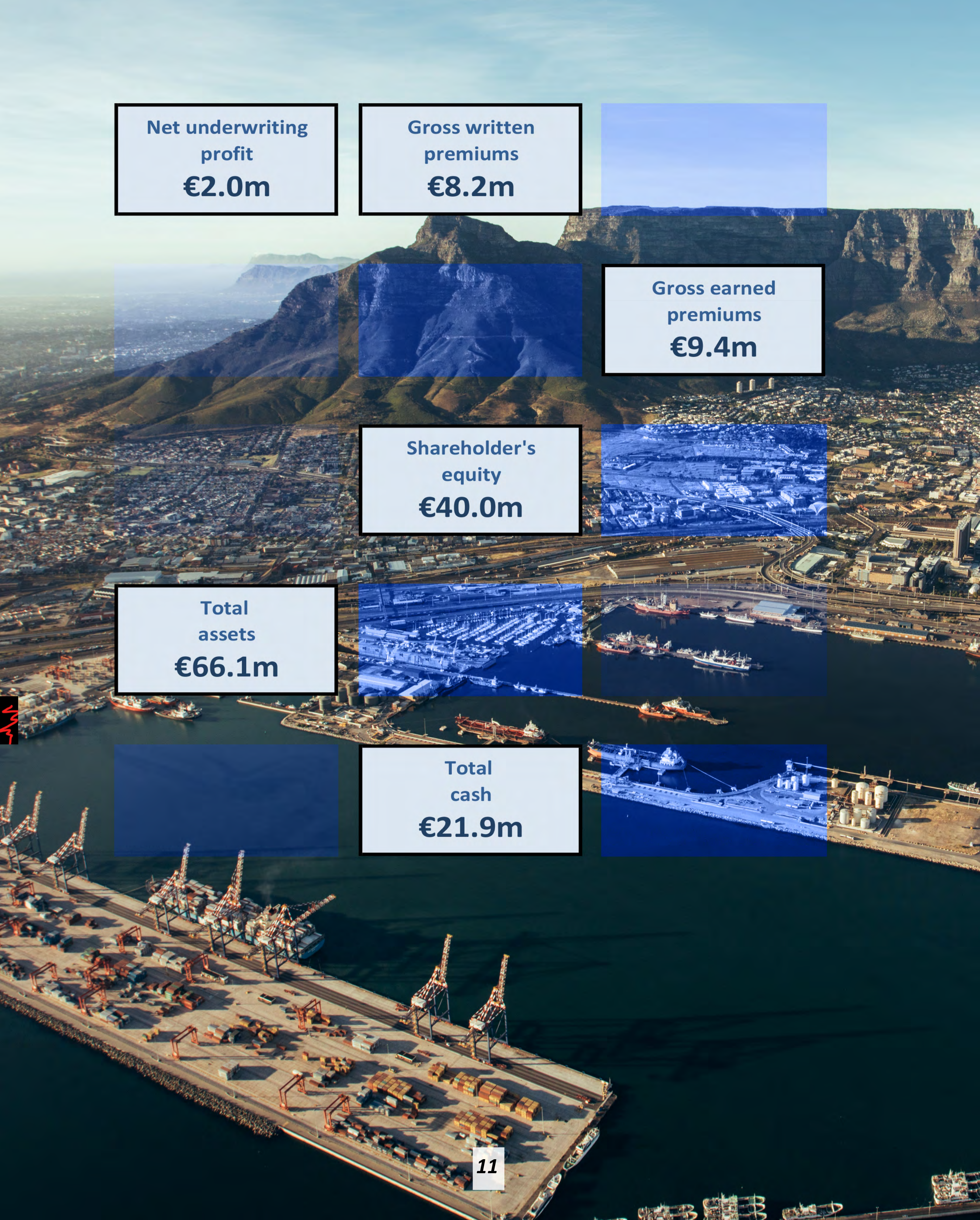
Klapton is also initiating steps towards obtaining its first credit rating which hopefully will be concluded in 2016.

We would like to extend a thank you to all our clients and producers for their continued support throughout 2015. We would also like to thank our employees for their effort and contribution this year. We look forward to working together in 2016 to fulfil the visions and ambitions of Klapton.

Board of Directors

2015 Financial Highlights

Klapton



Net underwriting profit
€2.0m

Gross written premiums
€8.2m

Gross earned premiums
€9.4m

Shareholder's equity
€40.0m

Total assets
€66.1m

Total cash
€21.9m

Klapton

Klapton Insurance

13th October 2016

Audit Department

To
Members of Klapton Insurance Company Limited:

The Audit Department of the Offshore Finance Authority audited the financial statements of Klapton Insurance Company Limited ("The Company") for the year ended 31 December 2015 which comprise the statement of financial position, the statement of income, the statement of cash flows and the related notes numbered 1 to 21.

Director's responsibility for the financial statements

The Company's directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the applicable provisions of the Anjouan Offshore Finance Authority.

Audit Department's responsibility

Our responsibility is to review the financial statements based on our standards and review. We have conducted our review in accordance with applicable law and standards. Those standards require us to comply with ethical requirements and local laws and regulations to obtain reasonable assurance whether the financial statements are free from material misstatement.

Opinion

ILE AUTONOME D'ANJOUAN
UNION DES COMORES

Solidarite - Justice - Travail

Klapton

OFFSHORE FINANCE AUTHORITY
ILE AUTONOME D'ANJOUAN
UNION DES COMORES
LE DIRECTOR GENERAL

In our opinion the Company's financial statements give a true and fair view of the financial position of the Company as at 31 December 2015 and of its profit and cash flows for the year then ended in accordance with legal and regulatory standards.

Opinion on other matters

In our opinion the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

OFFSHORE FINANCE AUTHORITY
ILE AUTONOME D'ANJOUAN
UNION DES COMORES
LE DIRECTOR GENERAL

Head of Audit Department

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Tel: + 269 349 1321
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Statement of Financial Position
As at 31 December 2015

Klapton

	Notes	2015 €	2014 €
Assets			
Intangible assets	*4*	411,518	501,233
Investments	*5*	29,690,697	26,352,551
Deferred policy acquisition costs	*6*	573,690	629,277
Insurance receivables		12,736,018	8,417,225
Other assets	*7*	797,740	1,944,919
Cash and cash equivalents	*8*	21,909,827	28,760,673
Total assets		**66,119,490**	**66,605,878**
Equity and Liabilities			
Equity			
Issued share capital	*9*	18,763,200	18,763,200
Retained earnings		21,289,022	21,254,947
Total equity		**40,052,222**	**40,018,147**
Liabilities			
Technical provisions	*10*	24,706,648	25,049,072
Other liabilities	*11*	1,360,620	1,538,659
Total liabilities		**26,067,268**	**26,587,731**
Total Equity and Liabilities		**66,119,490**	**66,605,878**

The financial statements were approved by the board of directors and authorised for issue on 31 October 2016 and they were signed on its behalf by:

S J Reches
Director
31 October 2016

The notes on pages 17 to 36 form part of these financial statements.

Statement of Income

For the year ended 31 December 2015

Klapton

	Notes	2015 €	2014 €
Gross written premiums	*12*	8,201,409	11,251,377
Change in unearned premiums		1,230,503	7,410,907
Gross earned premiums		**9,431,912**	**18,662,284**
Less premiums ceded	*12*	(1,048,485)	(5,021,005)
Net earned premiums	*12*	**8,383,427**	**13,641,279**
Net claims incurred	*13*	(4,043,148)	(8,338,753)
Commissions earned	*14*	-	451,576
Acquisition expenses	*6*	(2,355,445)	(2,012,380)
Net underwriting result		**1,984,834**	**3,741,722**
Investment income/(expense)	*15*	378,014	(225,074)
Administrative expenses	*16*	(2,065,242)	(3,011,205)
Net foreign exchange loss		(263,531)	(41,218)
Profit for the year		**34,075**	**464,225**

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

Statement of Cash Flows

For the year ended 31 December 2015

Klapton

	Notes	2015 €	2014 €
Net cash (outflow)/inflow from operating activities	17	**(3,576,092)**	**(5,741,446)**
Cash outflow from investing activities			
Purchase of intangible fixed assets		-	(27,521)
Proceeds from maturity of held to maturity investments		5,175,000	6,854,139
Purchase of held to maturity investments		(8,513,146)	(7,314,721)
Proceeds from sale of available-for-sale investments		-	315,000
Purchase of available-for-sale investments		-	(575,000)
Interest income		230,947	371,216
Net cash outflow from investing activities		**(3,107,199)**	**(376,887)**
Cash (outflow)/inflow from financing activities			
Repayment of loan financing		(167,555)	**(1,524,400)**
Net cash (outflow)/inflow from financing activities		**(167,555)**	**(1,524,400)**
Net decrease in cash and cash equivalents		**(6,850,846)**	**(7,642,733)**
Cash and cash equivalents at the beginning of the year		28,760,673	36,403,406
Cash and cash equivalents at the end of the year		**21,909,827**	**28,760,673**

The notes on pages 17 to 36 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 the Middle East, Africa and Asia.

2 BASIS OF PREPARATION

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

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

The financial statements are prepared under the historical cost convention modified to include the measurement at fair value of financial assets 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 2015.

The following new and revised IFRSs were effective in the current year but had no material impact on the amounts reported in these financial statements, but may impact the accounting for future transactions or arrangements:

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 measure them at fair value, through the profit or loss.

The qualification criteria for an investment entity requires an entity to:

- Obtain funds from one or more investors for the purposes of providing them with professional investment management services
- Commit to its investors that its business purpose is to invest funds solely for returns from capital appreciation, investment income or both.
- Measure and evaluate performance of substantially all of its investments on a fair value basis

The amendments to IFRS 12 and IAS 27 have introduced additional disclosure 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 improvements are effective for accounting periods beginning on or after 1 July 2014, which the Company has applied for the first time in these financial statements. These improvements include:

IFRS 2 Share-based payment

This improvement is applied prospectively and clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions.

These amendment did not impact on the financial statements or accounting policies.

IFRS 3 Business Combinations

The amendment is applied prospectively and clarifies that all contingent consideration arrangements classified as liabilities (or assets) arising from a business combination should be subsequently measured at fair value through profit or loss whether or not they fall within the scope of IAS 39.

These amendment did not impact on the financial statements or accounting policies.

IFRS 8 Operating Segments

The amendments are applied retrospectively and clarify that:

- An entity must disclose the factors used to identify the entity's reportable segments when operating segments have been aggregated and the "similar economic characteristics" used to assess whether the segments are similar; and

- An entity must report the reconciliation of segment assets to total assets only if this is regularly reported to the chief operating decision maker

These amendments did not impact on the financial statements or accounting policies.

IFRS 16 Property, Plant and Equipment and 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.

These amendments did not impact on the financial statements or accounting policies.

IAS 24 Related Party Disclosures

The amendment is applied retrospectively and clarifies that a management entity, being one which provides key management personnel services, qualifies as a related party, regardless of whether it otherwise meets related party criteria. In addition the expenses paid to a qualifying management entity must be disclosed.

Additional disclosure of related parties has been made in these financial statements.

Early adoption of standards

The Company did not early-adopt any new or amended standards in 2015. 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 15 Revenue from Contracts with Customers

IFRS 15 was issued in May 2014 and features a contract-based five-step analysis of transactions in order to determine whether, how much and when revenue is recognised. This new standard will supersede all current revenue recognition requirements under IFRS, namely IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfer of Assets from Customers and SIC-31 Revenue - Barter of Transactions involving Advertising Services.

This standard 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.

Amendments to IAS 16 and IAS 38: Clarification of Depreciation and Amortisation Methods

These amendments clarify that a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in limited circumstances to amortise intangible assets.

This standard is effective prospectively from 1 January 2016, but is not expected to have any impact on the Company, as the Company has not used a revenue-based method to amortise intangible assets.

Annual Improvements 2012-2014 Cycle

These improvements are effective from 1 January 2016 and include:

IFRS 5 Non-current Assets Held for Sale and Discontinued Operations

An asset can be disposed of either through sale (i.e. an Initial Public Offering) or to spin off and then distribute the proceeds as dividends to shareholders. The amendments clarifies that a change between these methods does not constitute a new plan of disposal.

This standard is not expected to have any impact on the Company.

IFRS 7 Financial Instruments: Disclosures: Servicing Contracts

The amendment provides clarification on whether servicing agreements constitute continued involvement in the financial asset, which would then require disclosure on that financial asset in the financial statements.

This standard is not expected to have any impact on the Company.

IAS 34 Interim Financial Reporting

The amendment clarifies the meaning of disclosure of information "elsewhere in the interim financial report". Amendments are proposed to paragraph 16A of IAS 34 to clarify the meaning of disclosure of information "elsewhere in the interim financial report" and require the inclusion of a cross-reference from the interim financial statements to the location of this information.

This amendment is not expected to have any impact on the Company as it is not required to prepare interim financial statements.

Amendments to IAS 1 Disclosure Initiative

These amendments clarify:

- Materiality. information should not be obscured by aggregation or providing immaterial information. Materiality considerations apply to all parts of the financial statements. Even when a standard requires a specific disclosure, materiality considerations do apply.

- Statement of financial position and statement of profit or loss and other comprehensive income. Introduce a clarification that the list of line items to be presented in these statements can be disaggregated and aggregated as relevant. Clarify that an entity's share of OCI of equity-accounted associates and joint ventures should be presented in aggregate as single line items based on whether or not it will be subsequently reclassified to profit or loss.

- Notes. The amendments add additional examples of possible ways of ordering the notes to clarify the understandability and comparability should be considered when determining the order of notes and to demonstrate that the notes need not be presented in the order so far listed in paragraph 114 of IAS 1.

Use of estimates in preparation of financial statements

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

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

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

Definition of insurance contracts

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

Gross written premiums

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

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

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

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

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

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

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

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

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

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

Intangible assets - computer software

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

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

Financial assets

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

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, held-to-maturity investments or available-for-sale financial assets. The Company determines the classification of its financial assets at initial recognition. The subsequent measurement of financial assets depends on their classification as follows:

a) Held-to-maturity investments

Held-to-maturity investments are those 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 the investment to maturity.

After initial measurement at cost, held-to-maturity investments 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. The amortisation and losses arising from impairment of held-to-maturity investments are recognised in the profit or loss.

b) Financial assets at fair value through profit or 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.

Investments classified as fair value through profit of loss are initially recognised at cost and then are subsequently remeasured to fair value based upon quoted bid prices or dealer price quotations, without any deductions for transaction costs.

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 investments

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 financial 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. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the asset, the Company retains its retained interest in the asset and an associated liability for amounts it may have to pay.

Insurance receivables

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

Cash and cash equivalents

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

Fair values

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

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

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

Financial liabilities

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

Financial liabilities at FVTPL

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

Other financial liabilities

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

Derecognition of financial liabilities

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

Offsetting

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

Functional and presentational foreign currencies

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

Translation of foreign currencies

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

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

Taxation

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

Dividends

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

Comparatives

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

Going concern

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

4 INTANGIBLE ASSETS

	Computer software/licences	
	2015	2014
	€	€
Cost		
As at 1 January	1,080,899	1,053,378
Additions	-	27,521
Disposals	-	-
As at 31 December	**1,080,899**	**1,080,899**
Amortisation		
As at 1 January	579,666	473,388
Charge for year	89,715	106,278
Eliminated on disposals	-	-
As at 31 December	**669,381**	**579,666**
Net Book Value	**411,518**	**501,233**

5 INVESTMENTS

	2015	2014
	€	€
Held to maturity		
Fixed rate securities held to maturity*	20,325,697	16,987,551
Fair value through profit or loss		
Quoted equity investments at fair value through profit or loss	-	5,850,000
Available-for-sale		
Unquoted equity investments at cost less impairment losses	9,365,000	3,515,000
	29,690,697	**26,352,551**

*Maturity of these securities was as follows	2015	2014
	€	€
Less than one year	-	-
One year - five years	10,317,698	7,765,896
Over 5 years	10,000,000	9,221,655
	20,317,698	**16,987,551**

The weighted average effective interest rate on these securities was 1.88% (2014: 1.63%).

6 DEFERRED POLICY ACQUISITION COSTS

	2015	2014
	€	€
As at 1 January	629,277	1,237,955
Released during the year	(2,355,445)	(2,012,380)
Deferred during the year	2,299,858	1,403,702
As at 31 December	**573,690**	**629,277**

7 OTHER ASSETS

	2015	2014
	€	€
Prepayments and accrued income	756,827	1,903,497
Other assets	40,913	41,422
	797,740	**1,944,919**

8 CASH AND CASH EQUIVALENTS

	2015	2014
	€	€
Cash and bank balances	10,909,827	13,509,500
Bank deposits	11,000,000	15,251,173
	21,909,827	**28,760,673**

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	
	2015	2014
	€	€
24,000 shares of USD 1,000 each (Euro 782 each)	**18,763,200**	**18,763,200**

10 TECHNICAL PROVISIONS

	2015	2014
	€	€
Provision for reported claims*	22,413,269	20,449,074
Provision for claims incurred but not reported	407,747	1,125,137
Provisions for claims incurred but not enough reserved	203,874	562,600
	23,024,890	22,136,811
Unearned premiums**	1,681,758	2,912,261
	24,706,648	**25,049,072**

*Movement in provision for reported claims:

	2015	2014
	€	€
As at 1 January	20,449,074	19,356,215
Claims paid during the year	(3,635,623)	(7,074,002)
Provision for newly reported claims	4,904,071	8,543,383
Foreign exchange movements	695,747	(376,522)
As at 31 December	**22,413,269**	**20,449,074**

**Movement in unearned premiums:

	2015	2014
	€	€
As at 1 January	2,912,261	10,323,168
Premiums written	8,201,409	11,251,377
Premiums earned	(9,431,912)	(18,662,284)
As at 31 December	**1,681,758**	**2,912,261**

11 OTHER LIABILITIES

	2015	2014
	€	€
Trade creditors	189,575	215,173
Accrued expenses	163,000	147,886
Loans	1,008,045	1,175,600
	1,360,620	**1,538,659**

12 PREMIUMS

a) Written and earned premiums

	% change	2015	2014
	%	€	€
Gross written premium	-27%	8,201,409	11,251,377
Gross earned premium	-49%	9,431,912	18,662,284

b) Written premiums - business analysis

2015	Gross	Reinsurance	Net
	€	€	€
Inward treaty reinsurance	6,720,658	(22,149)	6,698,509
Inward facultative reinsurance	655,260	-	655,260
Sureties	320,250	-	320,250
Other	505,241	-	505,241
	8,201,409	**(22,149)**	**8,179,260**

2014	Gross	Reinsurance	Net
	€	€	€
Inward treaty reinsurance	8,214,244	(3,051,119)	5,163,125
Inward facultative reinsurance	2,248,980	(896,003)	1,352,977
Sureties	-	-	-
Other	788,153	(225,154)	562,999
	11,251,377	**(4,172,276)**	**7,079,101**

c) Written premiums - geographical analysis

2015	Gross	Reinsurance	Net
	€	€	€
Middle East, North Africa and Asia	7,798,021	(22,149)	7,775,872
Sub Saharan Africa	215,893	-	215,893
Other	187,498	-	187,498
	8,201,412	**(22,149)**	**8,179,263**

2014	Gross	Reinsurance	Net
	€	€	€
Middle East, North Africa and Asia	8,593,112	(3,166,177)	5,426,935
Sub Saharan Africa	1,908,143	(805,974)	1,102,169
Other	750,122	(200,125)	549,997
	11,251,377	**(4,172,276)**	**7,079,101**

13 NET CLAIMS INCURRED

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

2015	Gross €	Reinsurance €	Net €
Inward treaty reinsurance	3,092,852	-	3,092,852
Inward facultative reinsurance	1,071,941	(507,920)	564,021
Sureties	-	-	-
Other	386,275	-	386,275
	4,551,068	**(507,920)**	**4,043,148**

2014	Gross €	Reinsurance €	Net €
Inward treaty reinsurance	7,072,672	(1,337,042)	5,735,630
Inward facultative reinsurance	2,384,762	(750,987)	1,633,775
Sureties	-	-	-
Other	1,027,903	(58,555)	969,348
	10,485,337	**(2,146,584)**	**8,338,753**

14 COMMISSION EARNED

	2015 €	2014 €
Commission	**-**	**451,576**

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

15 INVESTMENT INCOME/(EXPENSE)

	2015 €	2014 €
Interest	378,014	371,216
Loss on sale of available-for-sale investments	-	(680,000)
Other fees and credit charges	-	83,710
	378,014	**(225,074)**

16 ADMINISTRATIVE EXPENSES

	2015	2014
	€	€
Commissions payable	971,650	1,576,963
Staff costs	270,640	600,485
Legal and professional fees	515,748	487,787
Amortisation of intangible assets	89,715	106,278
Computer, telephone and other office expenses	92,318	98,354
Bank charges and other fees	101,678	42,942
Loan interest	20,902	35,714
Other expenses	2,591	62,682
	2,065,242	**3,011,205**

17 NOTE TO THE STATEMENT OF CASH FLOWS

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

	2015	2014
	€	€
Profit/(loss) for the year	34,075	464,225
Adjustments for:		
Depreciation	89,715	106,278
Interest income	(378,014)	(371,216)
Loss on sale of available-for-sale investments	-	680,000
Working capital changes:		
Insurance receivables	(4,318,793)	438,990
Deferred policy acquisition costs	55,587	608,678
Other assets	1,294,246	(224,833)
Technical provisions	(342,424)	(7,430,105)
Other liabilities	(10,484)	(13,463)
Net cash (outflow)/inflow from operations	**(3,576,092)**	**(5,741,446)**

18 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 decants 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.

19 RELATED PARTY TRANSACTIONS

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

As at 31 December 2015, the Company had an outstanding loan due to Klapton Management Limited, a Corporate Director and Shareholder in the Company, of €1,008,045 (2013: €1,175,600). This loan was renegotiated at the end of 2015 and replaced by a new agreement expiring by December 2020. During 2014, interest of €35,714 (2013: €35,714) was paid in respect of this loan.

During 2015 the Company received management and administrative services from Global Ridgeway Management Limited of €346,784 (2014: €Nil).

20 CONTINGENT LIABILITIES

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

21 POST BALANCE SHEET EVENTS

During April 2016, the Company received notification that a company in which it held an unquoted investment had entered administration and as a result immediately wrote down the investment to zero.