ANNUAL REPORT & ACCOUNTS 2018

KLAPTON.COM
Registered Number L2001

Klapton

Klapton

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Klapton Insurance Company Limited

Annual Report & Financial Statements

31 December 2018

Klapton

Company Background :

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

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

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

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

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

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

Klapton has assets in excess of €55m as at 31 December 2018.

Klapton

Board of Directors:

Sir Bernard Zissman

Chairman and Non-Executive Director

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

Mr Shay Reches

CEO and Director

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

Mr Reches is the majority owner of Klapton.

Mr Rob Bygrave

CFO and Director

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

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

Klapton

Board of Directors:

Mr Jerry Pinkus
Reinsurance Director

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

Mr Justin Tuson
Non-Executive Director
Chairman of IT, Systems and PR Committee

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

Mr Tim Eppel
Non-Executive Director

Tim Eppel is the senior partner at a renowned London law firm, McFaddens and he is experiencd in both corporate law and in commercial litigation.

He qualified as a solicitor in 1975 and commenced his own practice in 1977, providing a range of corporate, property and commercial litigation services.

Klapton

Board Committee Chairmen:

Mr Russell Parker

Chairman of Maritime Sureties Committee (MSC)

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

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

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

Mr Danny Joffe

Chairman of Ethics, Nominations and Remuneration Committee ENR) and Member of AFI

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

Danny also works for the Hollard Insurance Company in South Africa where he heads up its legal division in the non life space. Danny sits on insurance agents and company boards in South Africa and has specialized in regulatory governance.

Klapton

Board Committee Chairmen:

Mr Jerry Pinkus
Chairman of Risk, Underwriting and Claims Committee (RUC)

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

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

Klapton

Letter From the Board of Directors

It is our pleasure to present the 2018 Annual Report of the Board of Directors for Klapton Insurance Company Limited and the financial statements for 2018, which includes the statement of financial position at 31 December 2018 and the statement of income for the financial year.

Strategic review of the year

The Board of Directors are pleased to announce that 2018 saw a rise in premium levels of 2.5% on the previous year. A particular point to mention is that Klapton has achieved a better balance of premiums across its three core lines, being sureties, inward facultative reinsurance and reinsurance treaties, whereas in 2017 premiums were driven by one-off large sureties risks. The Board intend to continue with this diversified approach into 2019, to prevent reliance on one business line.

Net claims incurred increased in 2018 from €0.5m to €1.1m, however the Board is not unduly concerned by this increase as it is to be expected given the growth in premiums over the past two years. In addition, within the 2018 claims, one was for an old risk of €0.4m and therefore not recurrent. The Board also considers that Klapton maintains strong underwriting criteria and its risk acceptance percentage remains consistent between 2017 and 2018 despite a significant rise in the number of risks being offered.

Even after taking into account the rise in claims in 2018, Klapton still improved its net underwriting profit from €0.9m to €1.1m. This is additionally pleasing as Klapton generated lower commission income in 2018, a fall of 0.5m in 2018, due to the preceding year benefitting from a one-off large commission on a structured transaction.

Klapton increased administrative expenses in line with budget, a rise from €0.5m to €0.9m. This increase was largely driven by a rise in advisory fees and staff costs as Klapton continues to enhance its Corporate Governance by the appointment of key experienced additional Board Members and the strengthening of the Audit Committees by the addition of independent members. It has now reached the objective of the Board having a majority of non-executive members and the Audit Committee's all having a majority of non-executive members/totally independent members.

Klapton maintained its credit rating from the South African agency, Global Credit Rating, part of the Carlyle Group as B- (Positive). Klapton has also been awarded in 2018 an A1- (Investment grade) short term rating and a BBB+ (Investment grade) long term rating from Bloomfield Investment Corporation, a leading rating agency in West Africa. This rating is vital as Klapton seeks to expand its business in the Francophone Africa region, where the Bloomfield rating is regarded highly.

Letter From the Board of Directors (continued)

Overview of the non-life insurance markets in 2018

The global demand for non-life insurance premiums rose by 3% in 2018, based on findings in the Swiss Re Sigma publication. This demand Is largely fuelled by strong growth in emerging markets, which saw a rise of 8% year on year. China and India achieved growth in premiums of 12% in 2018, as they both experienced a significant rise in agricultural insurance a key driver of this increase. There has also been increased premium levels in Latin America and Africa, coupled with signs of economic recovery in those regions.

In the developed markets, premiums have risen by 2%, as a consequence of the rising economic momentum in North America. In addition, there has been a hardening in rates in those lines which were affected by the catastrophic loss events which occurred in 2017, has driving up premium levels. However the UK and Japan have both seen a fall in premium levels in the motor lines due to cuts in rates. In Japan this is due to a relatively low level of claims, in the UK it is a impact of Government reforms to the personal accident compensation claims, the benefits of which insurers are passing onto their customers.

Economic losses from natural catastrophes was USD 165 billion, of which USD 85 billion (2017: USD 134 billion) were covered by insurance. Although this is significantly lower than 2017, the insured losses figures still exceeds the 10 year average of USD 71 billion. It has been noted that secondary and secondary-effect perils (independent small to mid-term events or secondary events of a primary peril) are a growing part of the natural catastrophes events.

Rates have improved moderately in 2018, with the expectation that this will be maintained into 2019. Even with this increase, it is not sufficient to close the profitability gap which continues to blight the non-life insurance sector, due to the soft market trends of the preceding years. These increases have been felt mainly in US property lines, due to the significant catastrophic loss events which affected this market in the latter part of 2017. Another area to see an improvements in rates is the Directors and Officers covers in financial lines as a response to rising litigation in this area.

The impact of the slight increase in rates has meant that there is an improvement in the profitability in the global non-life insurance sector in 2018. It is a mixed picture however when looking at underwriting results. For example the US Property & Casualty performed much stronger than a year ago - with an increase in premium growth, modest rate improvements, coupled with a fall in catastrophic losses led to this sector posting an underwriting profit of USD 6 Billion and a ROE of 8.8%. whereas in comparison, Canada saw a worsening erosion due to either related losses, Germany say higher catastrophe losses and the Nordic region saw higher fire and accident losses.

Rising interest rates in the US and more moderate rises pan-Europe have lead to slightly better investment returns. Investment returns will continue to improve with interest rate changes.

As a consequence of all the factors considered, the expectation is that the global non-life sector will produce a 1% return on premiums for 2018. However the key driving force in this is the significant lower loss burden from catastrophic losses.

Letter From the Board of Directors (continued)

Insurance markets outlook for 2019 and 2020 - opportunities and threats

The global economic outlook for 2019 and 2020 is expected to match the potential in the near term, although there are concerns in the advanced markets with the threat of trade wars. The forecast is for global non-life premiums to grow in the region of 3% in both 2019 and 2020, in line with the growth achieved in 2018. This key area of growth rise is emerging markets, in particular China and emerging Asia which are expected to be the driving forces for growth in non-life insurance premiums for many years, with the growth figures predicted at 8% for both 2019 and 2020. A slight slowdown in growth is expected in North America, with growth falling from 2.8% to 2.0%, however Asia-Pacific is expected to see growth rates rise from 1.2% to 3.0%.

An area which is expected to drive profitability in insurance will be continued developments in technology and data. As information becomes digitalised, it can streamline processes through the insurance chain, impacting and improving underwriting, pricing and risk acceptance decisions, together with managing the relationship with customers. Insurance policy and claim management will become more efficient as machine learning and pattern recognition are being utilised to detect false claims. As computer systems become more advanced and cognitive with the introduction of voice recognition and text reading systems, this will enable meaningful information to be automatically gathered from a range of data sources and analysed more effectively and efficiently.

An important factor which is expected to impact on premium growth is the rise in protectionist measures and trade tariffs. There is a direct correlation between the impact of higher tariffs, which will drive down global trade and the impact of this in particular on premium levels in marine and trade credit lines. Another concern is that the rise in bilateral rather than multinational trade agreements will make cross-border reinsurance transactions more costly and detract from their benefits.

Of further concern are growing examples where preferential treatment is granted to local reinsurers. Examples of this include Indonesia, where the regulator has stipulated that simple lines must be placed with domestic reinsurers, India has proposed primarily cessions to local reinsurers. In Russia, the national reinsurer has been taking advantage of the 10% share rule of compulsory cessions, using it to aggressively build market share. Across Africa many regulators have or are planning to introduce measures to ensure more remains within the ceding country.

These measures can prove counter-productive as the local reinsurers may not have the expertise to manage complex risks or have an insufficient capital base to cope with the exposure. They may then have to rely on global retrocession capacity, in particular for big-ticket risks such as energy, mining and infrastructure.

Although premium rates are expected to remain stable into 2019 and 2020, profitability will continue to be threatened by the rising claim environment, therefore the onus to maintain profitability is with strong underwriting. In addition, the ongoing low interest rate conditions will remain a challenge to investment performance.

Letter From the Board of Directors (continued)

The global economy in 2018 and outlook for 2019/20

Following a strong 2017 and first half year of 2018, global economic activity slowed somewhat in the remainder of 2018. The International Monetary Fund predicted global growth would slow from 3.6% in 2018 to 3.3% in 2019, then rise back to 3.6% in 2020 in its April 2019 report. However, the World Bank took a more pessimistic view of global growth in its January 2019 publication, ominously entitled "Darkening Skies", where it believes that growth will be significantly lower, at 2.9% in 2019 and 2.8% in 2020. The World Bank points to several factors contributing to their view - growth has weakened, trade tensions remain high and several developing economies have experienced financial stress.

In the US the growth rate was 2.8% in 2018 which was an increase from a growth rate of 2.2% in 2017. This growth is a reflection of stronger than expected domestic demand, bolstered further by fiscal stimulus and an accommodative monetary policy. A robust labour market, with unemployment at a 50 year low has fuelled the domestic demand. During 2018, tariffs were raised on USD 300 billion of imports, mostly from China, in retaliation tariffs were raised on USD 150 billion of US exports. The expectation is that the growth rate will slow to 2.0% in 2019 and fall further to 1.7% in 2020.

Growth in Europe slowed notably in 2018, to 1.9%, losing more momentum that was previously expected, due to falling consumer and business confidence. Although unemployment has fallen, inflation remains low, although there was a temporary spike due to rising energy prices. In Germany car production was disrupted by the introduction of a new emission standard. Italy's borrowing costs have increased and remain volatile, reflecting uncertainties about the country's debt. The growth projections reflect these issues, together with the impact gf monetary stimulus being withdrawn and moderation to global trade growth and forecasts show further growth falls, to 1.6% in 2019 and 1.4% in 2020.

In Japan growth slowed to 0.8% as a consequence of bad weather and natural disasters. Unemployment remains at constant levels of 7.4%, however productivity levels have fallen. The Bank of Japan continues to provide stimulus to the economy with its long term policy of keeping interest rates near to zero. The expectation is that growth with improve to 0.9% in 2019, partly as a recovery from the disruptions in 2018, however growth is expected to struggle at 0.7% in 2020, with the threat to employment growth and fiscal policy tightening.

Although growth in China slowed, it still achieved a robust 6.5% in 2018. Although there has been a fall in public infrastructure and other state spending this was offset by higher private investment. There has also been a slowdown in industrial production and export growth. The current account surplus is being eroded by import growth exceeding export growth. The growing trade tariff tensions and concerns about growth prospects have resulted in falls in stock market prices, the renminbi weakening and sovereign debt spreads rising. furthermore regulatory tightening to rein in shadow banking and other provisions have slowed credit growth to the non-financial sector. Growth is projected to decelerate to 6.2% in 2019 and to further moderate to 6.0% in 2020.

Letter From the Board of Directors (continued)

Focus on Middle East and North Africa ("MENA") and Sub-Saharan Africa ("SSA")

Growth in MENA improved to 1.7% in 2018, as increased oil production and prices have led to higher public spending and current account surpluses in the oil exporting countries. The impact of US sanctions on Iran however has been a significant drag on the region's overall growth. For oil importers, growth has been steadily improving due to a combination of strong domestic demand and the impact of policy reforms to reduce dependence on commodity exports and the public sector. Egypt, the largest country in the region, has seen growth in tourism and natural gas activity, a fall in unemployment and an upgrade in its sovereign rating.

The MENA region is expected to see growth rise to 1.9% in 2019 and rise to 2.7% in 2020, however these prospects vary across the region. Increased activity in Saudi Arabia and Egypt are expected to offset by further contractions in Iran as a consequence of the US imposing sanctions. Rising oil production, rising demand and fiscal easing will support the growth in oil exporting countries. In oil importing countries tourism is expected to support activity in Egypt, Morocco and Tunisia.

The recovery in SSA continues, with growth at 2.7%, which is significantly lower than the 3.2% which had previously been forecast. This is partly due to weaknesses in Angola, Nigeria and South Africa. Nigeria suffered from falling oil production which was affected by pipeline closures in mid-2018. Crop production was also disrupted by land conflicts between farmers and herders. Angola also saw a contraction in oil production due to underinvestment and main oil fields reaching maturity. South Africa saw improvements in agriculture and manufacturing, but growth remains subdued due to low business confidence and policy uncertainty.

In the Central African Economic and Monetary Community (CEMAC) oil exporters benefitted from increased production and prices. For other countries in the region, growth was driven by rising agricultural production supported by higher household consumption and public investment. In the West African Economic and Monetary Union (WAEMU), several countries including Benin, Burkina Faso , Cote d'Ivoire and Senegal saw growth exceed 6%. In East Africa, Kenya, Rwanda and Uganda saw a rise in agriculture, following prior droughts. However inflationary pressures persist in the region, with Nigeria and Angola remaining in double digits and the region faced currency deprecation due to the strengthening on the US dollar and generally a weaker investor sentiment towards emerging markets.

The expectation is that growth in SSA will rise to 3.4% in 2019 and 3.7% in 2020. This is based upon improved investment in large economies and continued growth in the non-resource-intensive countries. An improved position is expected in Nigeria, based on the assumption that oil productions recovers, similarly Angola should see new oil fields commence boosting production. In South Africa, growth is expected to be slower, due to high unemployment and limited government spending. This position may change depending on the speed of government reform implementation. For the rest of the region, growth is expected to remain robust, particularly in the fast-growing countries such as Cote d'Ivoire, Kenya and Tanzania driven by public investment and strong agricultural production.

Letter From the Board of Directors (continued)

Outlook for 2019 for Klapton

Looking forward into 2019, we have a clear focus on driving improved performance for this year and beyond. We have embarked on a process of investing in the support of new reinsurance brokerage hubs in our key markets. We believe that in building a local presence, it will strengthen the support the regional markets will provide to Klapton and show Klaptons' long-term commitment to the region. At the start of 2019, the first reinsurance brokerage, Klapton Management Africa, received regulatory approval from the Cote d'Ivoire regulator and will service the CIMA region.

We continue our focus on maintaining our strong Corporate Governance culture to ensure that it meets the required standards in modern international and peer companies. Our Risk Committees are constantly evaluated to ensure they are providing a valuable contribution to the Corporate Governance of the company. In early 2019 we established our fifth Risk Committee, the Maritime Sureties Committee, as a response to increased demand in that specialised market and we want to ensure that Klapton has the process and expertise to succeed there. We also actively seek to strengthen our Board should suitable candidates become available.

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

Klapton is also in the process of implementing a new end-to-end insurance, risk management and accounting system from a leading industry provider. This is expected to enhance our underwriting, risk acceptance and analysis capabilities significantly.

We would like to extend a thank you to all of our clients, brokers and introducers for their continued support and the confidence they have placed with Klapton in 2018. We would also like to thank our employees, advisors and claim managers for their dedication, effort and contribution this year and look forward to working together as a team to ensure we achieve our plans.

Board of Directors

Corporate Governance Statement

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

The Board

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

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

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

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

Board Committees

The Board has five specific committees: Audit, Finance, and Investment (AFI), Reinsurance,Underwriting and Claims (RUC), IT, Systems and PR (ISP), Ethics, Nominations and Remuneration (ENR) and Maritime Sureties Committee (MSC).

Corporate Governance Statement (continued)

Audit, Finance and Investment Committee (AFI)

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

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

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

Reinsurance, Underwriting and Claims Committee (RUC)

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

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

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

Corporate Governance Statement (continued)

IT, Systems and PR Committee (ISP)

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

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

Ethics, Nominations and Remuneration (ENR)

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

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

Klapton

Maritime Sureties Committee (MSC)

This Committee is responsible for reviewing and sanctioning new maritime covers to be provided, including assessing relevant documentation on new covers incorporating qualitative and quantitative information, market data and risk assessments. In addition it recommends and presents applicable opportunities to the underwriting team to conclude a premium rating, reinsurance and that other considerations are in place. Also to assess and develop new product covers, geographies and markets to target, monitoring and assessing existing and potential new global customers and the ongoing monitoring of existing and ongoing exposures (inc. relevant market valuations). To undertake regular reviews of the Company's agreed maritime investment strategy, ensuring these are in line with the Company's overall strategy, standards and investment criteria. Finally, ensuring adequate governance is in place to monitor all control processes and adherence/compliance to all internal and external policies.

Statement of Directors' Responsibilities

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

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

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

The Directors are also responsible for assessing the Company’s ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or has no realistic alternative but to do so. The audit of the financial statements does not relieve the directors of this responsibilities.

Board of Directors

Klapton

2018 Financial Highlights

Net underwriting profit	Gross written premiums
€1.1m	€6.1m

Bloomfield credit rating

A1- (Investment grade) - short term

BBB+ (Investment grade) - long term

GCR credit rating

B- (Positive) International Scale

Shareholder's equity

€32.5m

Total assets

€56.8m

Total cash

€22.7m

SOCIETE D'EXPERTISE COMPTABLE ET DE CONSEILS
01 BP 8168 ABIDJAN 01
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Independent Auditors' Report for the ended as at December 31st 2018

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

KLAPTON Ltd

Ladies and Gentlemen Shareholders,

We have audited the accompanying financial statements of the Company KLAPTON Ltd, which comprise the statement of financial position as at December 31st, 2018, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at December 31st, 2018, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Comments

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

Abidjan, August 9th, 2019

SOCIETE D'EXPERTISE COMPTABLE & DE CONSEILS

AKO Roger

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Legal Auditor

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Klapton

Statement of Financial Position

As at 31 December 2018

	Notes	2018 €	2017 €
Assets			
Intangible assets	4	175,372	270,586
Investments	5	19,081,073	18,936,001
Deferred policy acquisition costs	6	2,481,276	1,413,293
Insurance receivables		11,175,907	10,962,338
Other assets	7	1,119,244	1,379,735
Cash and cash equivalents	8	22,744,982	22,248,523
Total assets		**56,777,854**	**55,210,476**
Equity and Liabilities			
Equity			
Issued share capital	9	18,763,200	18,763,200
Retained earnings		13,690,193	13,159,908
Total equity		**32,453,393**	**31,923,108**
Liabilities			
Technical provisions	10	23,203,236	21,937,993
Other liabilities	11	1,121,225	1,349,375
Total liabilities		**24,324,461**	**23,287,368**
Total Equity and Liabilities		**56,777,854**	**55,210,476**

The financial statements were approved by the board of directors and authorised for issue on 30 June 2019 and they were signed on its behalf by:

S J Reches
Director
09 August 2019

The notes on pages 25 to 51 form part of these financial statements.

Klapton

Statement of Income

For the year ended 31 December 2018

	Notes	2018 €	2017 €
Gross written premiums	12	6,117,738	5,968,802
Change in unearned premiums		(2,928,141)	(4,768,115)
Gross earned premiums		**3,189,597**	**1,200,687**
Less premiums ceded	12	(279,069)	(110,708)
Net earned premiums	12	**2,910,528**	**1,089,979**
Net claims incurred	13	(1,172,117)	(439,940)
Commissions earned	14	244,873	772,467
Acquisition expenses	6	(882,437)	(536,825)
Net underwriting result		**1,100,847**	**885,681**
Investment (expense)/income	15	337,825	352,797
Administrative expenses	16	(943,873)	(768,545)
Net foreign exchange profit/(loss)		35,486	22,360
Profit for the year		**530,285**	**492,293**

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

Statement of Cash Flows

For the year ended 31 December 2018

Klapton

	Notes	2018 €	2017 €
Net cash inflow/(outflow) from operating activities	17	**532,941**	**(1,028,168)**
Cash outflow from investing activities			
Purchase of intangible fixed assets		-	-
Proceeds from sale/maturity of financial assets at amortised cost		653,325	471,211
Proceeds from sale/maturity of financial assets at fair value through OCI		-	600,000
Purchase of financial assets at amortised cost		(372,613)	-
Purchase of financial assets at fair value through OCI		(425,784)	-
Interest income		212,603	677,247
Net cash inflow/(outflow) from investing activities		**67,531**	**1,748,458**
Cash outflow from financing activities			
Repayment of loan financing		(104,013)	(381,789)
Interest expense		-	(3,989)
Net cash outflow from financing activities		**(104,013)**	**(385,778)**
Net increase/(decrease) in cash and cash equivalents		**496,459**	**334,512**
Cash and cash equivalents at the beginning of the year		22,248,523	21,914,011
Cash and cash equivalents at the end of the year		**22,744,982**	**22,248,523**

The notes on pages 25 to 51 form part of these financial statements.

1 ACTIVITIES

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

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

2 BASIS OF PREPARATION

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

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

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

3 ACCOUNTING POLICIES

Change in accounting policies

The accounting policies adopted are consistent with those of the previous financial year, except for the new and amended standards and interpretations effective as of 1 January 2018.

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

IAS 40 Transfer of Investment Property - Amendments to IAS 40

The amendments have provided clarification that an entity should transfer a property to, or from, investment property when, and only when, there is evidence of a change in use. A change of use occurs if property meets, or ceases to meet, the definition of investment property. A change in management's intention for the use of property does not constitute evidence of a change in use.

These amendments do not have any impact on the financial statements.

IFRS 2 Classification and Measurement of Share-based Payment Transactions - Amendments to IFRS 2

The amendments to IFRS 2 Share-based Payments are to eliminate diversity in three main areas:

a) The effects of vesting conditions on the measurement of a cash-settled share-based payment transaction;

b) The classification of a share-based payment transaction with net settlement features for withholding tax obligations; and

c) The accounting where a modification of the terms and conditions of a share-based payment transaction changes its classification from cash-settled to equity-settled.

These amendments do not have any impact on the financial statements

3 ACCOUNTING POLICIES (continued)

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 company applied IFRS 9 from 1 January 2018.

If a financial asset is a simple debt instrument and the objective of the entity's business model is to collect its contractual cash flows, then the financial asset is measured at amortised cost. If the asset is held in a business model which has the objective of collecting contractual cash flows and selling financial assets, then the financial asset is measured at fair value and amortised cost information is provided through profit and loss. If it is neither of these, then it is fair valued in both profit and loss and balance sheet. Whereas under IAS 39, the measurement categories for financial assets were held for trading, available for sale , held-to-maturity and loans and receivables at amortised cost.

The following table sets out the reclassification of financial assets from IAS 39 to IFRS 9:

Financial Assets Type	IAS 39 Classification	IFRS 9 Classification
Unquoted Bonds	Held to maturity	Amortized cost
Quoted Bonds	Available for sale	Fair value through other comprehensive income
Unquoted Equities	Available for sale	Fair value through other comprehensive income
Insurance receivables	Receivables	Insurance receivables at amortized cost

The classification and measurement requirements of IFRS 9 did not have a material impact on the financial statements.

The company has not designated any financial liabilities as fair value through profit and loss and there is no changes in classification and remeasurement for the company's financial liabilities.

3 ACCOUNTING POLICIES (continued)

IFRS 4 Applying IFRS 9 Financial Instruments with IFRS 4 - Amendments to IFRS 4

The amendments provide two options for entities that issue insurance contracts within the scope of IFRS 4:

a) An option that permits entities to reclassify, from profit or loss or other comprehensive income, some of the income or expenses arising from designated financial assets (the "overlay approach"); or

b) An optional temporary exemption from applying IFRS 9 for entities whose predominant activity is issuing contracts within the scope of IFRS 4 ("the deferral approach").

The company has applied IFRS 9 from 1 January 2018.

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.

The core principle of IFRS is delivered in the five-step model framework:

a) Identify the contract with the customer;

b) Identify the performance obligation in the contract;

c) Determine the transaction price;

d) Allocate the transaction price to the performance obligations in the contract; and

e) Recognise revenue when (or as) the entity satisfies a performance obligation.

The company concluded that its main revenue stream is covered by IFRS 4, therefore the adoption of IFRS 15 did not materially affect the financial statements or impact accounting policy.

IFRIC 22 - Foreign Currency Transactions and Advance Considerations

IFRIC 22 clarifies the accounting for transactions that include the receipt or payment of advance consideration in a foreign currency.

The Interpretation covers foreign currency transactions when an entity recognises a non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration before the entity recognises the related asset, expense or income. It does not apply when the entity measures the related asset, expense or income on initial recognition at fair value or at the fair value of the consideration received or paid at a date other than the date of initial recognition of the non-monetary asset or non-monetary liability. The Interpretation

The date of the transaction, for the purpose of determining the exchange rate, is the date of the initial recognition of the non-monetary prepayment asset or deferred income liability. If there are multiple payments or receipts in advance a date of transaction is established for each payment or receipt.

This Interpretation does not have a material impact on the company's financial statements.

3 ACCOUNTING POLICIES (continued)

Early adoption of standards

The Company did not early-adopt any new or amended standards in 2018. The Company will adopt these standards, if applicable, when they become effective:

IFRS 16 Leases

IFRS 16 specifics how an IFRS reporter will recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, which requires lessees to recognise assets and liabilities for all leases unless the term is 12 months or less or the underlying asset has a low value.

Upon lease commencement a lessee recognises the right-of-use asset and a lease liability.

The objective of the disclosure is for information to provided in the notes that, together with information provided in the statement of financial position, statement of profit or loss and statement of cash flows, gives the basis for the users to assess the effect that leases have.

This standard is effective from 1 January 2019.

IFRS 17 - Insurance Contracts

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

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

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

IFRS 17 is effective from 1 January 2022.

Amendments to IFRS 9 - Prepayment Features with Negative Compensation

Under IFRS 9 a debt instrument can be measured at amortized cost or at fair value through other comprehensive income only if the contractual cash flows are solely payments of principal and accrued interest on the principal amount outstanding (SPPI). The SPPI condition is not met if the lender has to make a settlement payment in the event of termination by the borrower. The proposed amendment to IFRS 9 removes this requirement regarding termination rights, regardless of which party pays or receives compensation.

This amendment is effective from 1 January 2019.

3 ACCOUNTING POLICIES (continued)

IFRIC 23 - Uncertainty over Income Tax Treatments

IFRIC 23 clarifies the accounting for uncertainties in income taxes and is to be applied to the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12.

An entity is to assume that a taxation authority with the right to examine any amounts reported to it will examine those amounts and will have full knowledge of all relevant information when doing so.

An entity has to consider whether it is probable that the relevant taxation authority will accept each tax treatment, or group of tax treatments, that it is used or plans to use in its tax filing. If it believes it is probable that a particular tax treatment is accepted then it must determine taxable profits (tax loss), tax bases, unused tax losses, unused tax credits or tax rates consistently with the tax treatment included in its income tax filings. if it is not probable then an entity has to use the most likely amount or the expected value of the tax treatment when determining taxable profits (tax loss), tax bases, unused tax losses, unused tax credits and tax rates.

IFRIC 23 is effective from 1 January 2019.

Use of estimates in preparation of financial statements

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

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

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

Definition of insurance contracts

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

3 ACCOUNTING POLICIES (continued)

Gross written premiums

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

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

Outward reinsurance premiums

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

Commission income

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

Claims

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

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

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

3 ACCOUNTING POLICIES (continued)

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

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

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

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

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

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

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

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

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

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

3 ACCOUNTING POLICIES (continued)

Financial assets (continued)

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

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

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

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

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

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

Impairment of financial assets

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

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

For debt instruments measured at FVOCI, as these are quoted bonds, the company applies the low credit risk simplificstion method and evaluates the credit risk, considering factors such as collection of contractual

3 ACCOUNTING POLICIES (continued)

Derecognition of financial assets

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

Insurance receivables

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

Cash and cash equivalents

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

Fair values

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

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

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

3 ACCOUNTING POLICIES (continued)

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

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

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

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

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

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

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

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

3 ACCOUNTING POLICIES (continued)

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

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

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

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

4 INTANGIBLE ASSETS

	Computer software/licences	
	2018	2017
	€	€
Cost		
As at 1 January	1,124,896	1,124,896
Additions	-	-
Disposals	-	-
As at 31 December	**1,124,896**	**1,124,896**
Amortisation		
As at 1 January	854,310	759,096
Charge for year	95,214	95,214
Eliminated on disposals	-	-
As at 31 December	**949,524**	**854,310**
Net Book Value	**175,372**	**270,586**

5 INVESTMENTS

	2018	2017
	€	€
Amortised cost		
Unquoted bonds and debt instruments	15,055,289	15,336,001
Fair value through other comprehensive income		
Quoted bonds and debt instruments	425,784	-
Unquoted equity investments	3,600,000	3,600,000
	4,025,784	**854,310**
	19,081,073	**16,190,311**

6 DEFERRED POLICY ACQUISITION COSTS

	2018	2017
	€	€
As at 1 January	1,413,293	53,618
Released during the year	(882,437)	(536,825)
Deferred during the year	1,950,420	1,896,500
As at 31 December	**2,481,276**	**1,413,293**

7 OTHER ASSETS

	2018	2017
	€	€
Prepayments and accrued income	656,125	484,553
Other assets	463,119	895,182
	1,119,244	**1,379,735**

8 CASH AND CASH EQUIVALENTS

	2018	2017
	€	€
Cash and bank balances	11,744,982	11,248,523
Bank deposits	11,000,000	11,000,000
	22,744,982	**22,248,523**

The bank deposits, which are primarily denominated in Euro's are made for varying periods between one month to six months (2017: between one month to six months) depending upon the immediate cash requirements of the Company.

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9 ISSUED SHARE CAPITAL

	Authorised, issued and fully paid	
	2018	2017
	€	€
24,000 shares of USD 1,000 each (Euro 782 each)	**18,763,200**	**18,763,200**

10 TECHNICAL PROVISIONS

	2018	2017
	€	€
Provision for reported claims*	15,195,249	16,903,114
Provision for claims incurred but not reported	76,922	32,371
Provisions for claims incurred but not enough reserved	16,601	16,185
	15,288,772	16,951,670
Unearned premiums**	7,914,464	4,986,323
	23,203,236	**21,937,993**

*Movement in provision for reported claims:

	2018	2017
	€	€
As at 1 January	16,903,114	20,827,331
Claims paid during the year	(1,184,599)	(3,594,013)
Provision for newly reported claims/adjustments to prior year claims	(403,522)	15,852
Foreign exchange movements	(119,745)	(346,056)
As at 31 December	**15,195,248**	**16,903,114**

**Movement in unearned premiums:

	2017	2016
	€	€
As at 1 January	4,986,323	218,208
Premiums written	6,117,738	5,968,802
Premiums earned	(3,189,597)	(1,200,687)
As at 31 December	**7,914,464**	**4,986,323**

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11 OTHER LIABILITIES

	2018	2017
	€	€
Trade creditors	925,988	1,052,362
Accrued expenses	195,237	193,000
Loans	-	104,013
	1,121,225	**1,349,375**

12 PREMIUMS

a) Written and earned premiums

	% change	2018	2017
	%	€	€
Gross written premium	2%	6,117,738	5,968,802
Gross earned premium	166%	3,189,597	1,200,687

b) Written premiums - business analysis

2018	Gross	Reinsurance	Net
	€	€	€
Inward treaty reinsurance	1,489,661	-	1,489,661
Inward facultative reinsurance	1,234,240	(96,729)	1,137,511
Sureties	2,695,678	(182,340)	2,513,338
SME	698,159	-	698,159
	6,117,738	**(279,069)**	**5,838,669**

2017	Gross	Reinsurance	Net
	€	€	€
Inward treaty reinsurance	-	-	-
Inward facultative reinsurance	654,288	(41,600)	612,688
Sureties	4,746,165	(69,108)	4,677,057
SME	568,349	-	568,349
	5,968,802	**(110,708)**	**5,858,094**

12 PREMIUMS (continued)

c) Written premiums - geographical analysis

2018	Gross	Reinsurance	Net
	€	€	€
Middle East, North Africa and Asia	1,687,881	(46,969)	1,640,912
Sub Saharan Africa	3,712,789	(232,100)	3,480,689
Other	717,068	-	717,068
	6,117,738	**(279,069)**	**5,838,669**

2017	Gross	Reinsurance	Net
	€	€	€
Middle East, North Africa and Asia	563,276	(18,774)	544,502
Sub Saharan Africa	3,898,999	(91,934)	3,807,065
Other	1,506,527	-	1,506,527
	5,968,802	**(110,708)**	**5,858,094**

13 NET CLAIMS INCURRED

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

2018	Gross	Reinsurance	Net
	€	€	€
Inward treaty reinsurance	125,250		125,250
Inward facultative reinsurance	360,237	-	360,237
Sureties	134,736	-	134,736
SME	551,894	-	551,894
	1,172,117	**-**	**1,172,117**

2017	Gross	Reinsurance	Net
	€	€	€
Inward treaty reinsurance	-	-	-
Inward facultative reinsurance	47,920	-	47,920
Sureties	-	-	-
SME	392,020	-	392,020
	439,940	**-**	**439,940**

14 COMMISSION EARNED

	2018	2017
	€	€
Commission	**244,873**	**772,467**

Commission earned represents set up fees on sureties and administration and other fees charged on sureties, SME and reinsurance ceded.

15 INVESTMENT INCOME/(EXPENSE)

	2018	2017
	€	€
Interest	337,825	327,797
Profit/(loss) on sale of available-for-sale investments	-	25,000
	337,825	**352,797**

16 ADMINISTRATIVE EXPENSES

	2018	2017
	€	€
Staff costs	212,232	150,669
Legal and professional fees	414,466	427,074
Amortisation of intangible assets	95,214	95,214
Computer, telephone and other office expenses	62,916	48,422
Bank charges and other fees	42,054	15,817
Loan interest	-	3,989
Other expenses	116,991	27,360
	943,873	**768,545**

17 NOTE TO THE STATEMENT OF CASH FLOWS

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

	2018	2017
	€	€
Profit for the year	530,285	492,293
Adjustments for:		
Depreciation	95,214	95,214
Interest income	(337,825)	(327,797)
Loss on sale of available-for-sale investments	-	(25,000)
Interest expense	-	3,989
Working capital changes:		
Insurance receivables	(213,569)	(305,926)
Deferred policy acquisition costs	(1,067,983)	(1,359,675)
Other assets	385,713	(1,239,242)
Technical provisions	1,265,243	814,837
Other liabilities	(124,137)	823,139
Net cash inflow/(outflow) from operations	**532,941**	**(1,028,168)**

18 RISK MANAGEMENT

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

Insurance risk

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

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

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

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

18 RISK MANAGEMENT (continued)

Financial risk

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

The Company does not enter into derivative contracts.

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

a) Credit risk

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

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

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

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

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

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

18 RISK MANAGEMENT (continued)

Financial risk (continued)

b) Liquidity risk

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

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

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

	Less than 1 year	More than 1 year	Total
	€	€	€
2018			
Gross outstanding claims	3,318,130	11,970,642	15,288,772
Gross unearned premiums	4,224,195	3,690,269	7,914,464
Other liabilities	1,121,225	-	1,121,225
TOTAL LIABILITIES	**8,663,550**	**15,660,911**	**24,324,461**

	Less than 1 year	More than 1 year	Total
	€	€	€
2017			
Gross outstanding claims	2,834,746	14,116,924	16,951,670
Gross unearned premiums	1,388,967	3,597,356	4,986,323
Other liabilities	1,349,375	-	1,349,375
TOTAL LIABILITIES	**5,573,088**	**17,714,280**	**23,287,368**

18 RISK MANAGEMENT (continued)

Financial risk (continued)

b) Liquidity risk (continued)

Maturity analysis of assets and liabilities

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

	Less than 1 year	More than 1 year	No term	Total
	€	€	€	€
2017				
ASSETS				
Intangible assets	-	175,372	-	175,372
Investments	-	15,481,073	3,600,000	19,081,073
Deferred policy acquisition costs	1,211,296	1,269,980	-	2,481,276
Insurance receivables	8,120,634	3,055,273	-	11,175,907
Other assets	922,734	196,510	-	1,119,244
Cash and cash equivalents	22,744,982	-	-	22,744,982
TOTAL ASSETS	**32,999,646**	**20,178,208**	**3,600,000**	**56,777,854**
EQUITY AND LIABILITIES				
EQUITY				
Share capital	-	-	18,763,200	18,763,200
Retained earnings	-	-	13,690,193	13,690,193
TOTAL EQUITY	**-**	**-**	**32,453,393**	**32,453,393**
LIABILITIES				
Gross outstanding claims	3,318,130	11,970,642	-	15,288,772
Gross unearned premiums	4,224,195	3,690,269	-	7,914,464
Other liabilities	1,121,225	-	-	1,121,225
TOTAL LIABILITIES	**8,663,550**	**15,660,911**	**-**	**24,324,461**
TOTAL EQUITY AND LIABILITIES	**8,663,550**	**15,660,911**	**32,453,393**	**56,777,854**

18 RISK MANAGEMENT (continued)

Financial risk (continued)

b) Liquidity risk (continued)

Maturity analysis of assets and liabilities

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

	Less than 1 year	More than 1 year	No term	Total
	€	€	€	€
2017				
Intangible assets	-	270,586	-	270,586
Investments	-	15,336,001	3,600,000	18,936,001
Deferred policy acquisition costs	273,062	1,140,231	-	1,413,293
Insurance receivables	6,397,125	4,565,213	-	10,962,338
Other assets	702,495	677,240	-	1,379,735
Cash and cash equivalents	22,248,523	-	-	22,248,523
TOTAL ASSETS	**29,621,205**	**21,989,271**	**3,600,000**	**55,210,476**
EQUITY AND LIABILITIES				
EQUITY				
Share capital	-	-	18,763,200	18,763,200
Retained earnings	-	-	13,159,908	13,159,908
TOTAL EQUITY	**-**	**-**	**31,923,108**	**31,923,108**
LIABILITIES				
Gross outstanding claims	2,834,746	14,116,924	-	16,951,670
Gross unearned premiums	1,388,967	3,597,356	-	4,986,323
Other liabilities	1,349,375	-	-	1,349,375
TOTAL LIABILITIES	**5,573,088**	**17,714,280**	**-**	**23,287,368**
TOTAL EQUITY AND LIABILITIES	**5,573,088**	**17,714,280**	**31,923,108**	**55,210,476**

18 RISK MANAGEMENT (continued)

Financial risk (continued)

c) Foreign currency risk

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

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

The tables below show the various currencies in which the Company's assets and liabilities were denominated at 31 December 2018 and 2017:

	EUR	GBP	Other	Total
	€	€	€	€
2018				
ASSETS				
Intangible assets	175,372	-	-	175,372
Investments	18,484,024	-	597,049	19,081,073
Deferred policy acquisition costs	226,584	58,449	2,196,243	2,481,276
Insurance receivables	2,016,978	4,403,067	4,755,862	11,175,907
Other assets	1,119,244	-	-	1,119,244
Cash and cash equivalents	22,624,171	9,187	111,624	22,744,982
TOTAL ASSETS	**44,646,373**	**4,470,703**	**7,660,778**	**56,777,854**
LIABILITIES				
Gross outstanding claims	4,243,523	10,058,775	986,474	15,288,772
Gross unearned premiums	775,232	166,997	6,972,235	7,914,464
Other liabilities	363,802	152,419	605,004	1,121,225
TOTAL LIABILITIES	**5,382,557**	**10,378,191**	**8,563,713**	**24,324,461**
NET POSITION	**39,263,816**	**(5,907,488)**	**(902,935)**	**32,453,393**

18 RISK MANAGEMENT (continued)

Financial risk (continued)

c) Foreign currency risk (continued)

The tables below show the various currencies in which the Company's assets and liabilities were denominated at 31 December 2018 and 2017:

	EUR	GBP	Other	Total
	€	€	€	€
2017				
ASSETS				
Intangible assets	270,586	-	-	270,586
Investments	18,936,001	-	-	18,936,001
Deferred policy acquisition costs	1,413,293	-	-	1,413,293
Insurance receivables	3,643,997	4,620,131	2,698,210	10,962,338
Other assets	1,379,735	-	-	1,379,735
Cash and cash equivalents	21,323,999	10,283	914,241	22,248,523
TOTAL ASSETS	**46,967,611**	**4,630,414**	**3,612,451**	**55,210,476**
LIABILITIES				
Gross outstanding claims	206,872	15,466,546	1,278,252	16,951,670
Gross unearned premiums	4,986,323	-	-	4,986,323
Other liabilities	566,638		782,737	1,349,375
TOTAL LIABILITIES	**5,759,833**	**15,466,546**	**2,060,989**	**23,287,368**
NET POSITION	**41,207,778**	**(10,836,132)**	**1,551,462**	**31,923,108**

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

18 RISK MANAGEMENT (continued)

Financial risk (continued)

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

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

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

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

	Increase/ decrease in basis points	Effect on profit for the year (€)
2018	+50	55,000
	-75	(82,500)
2017	+50	55,000
	-75	(82,500)

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

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

19 RELATED PARTY TRANSACTIONS

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

As at 31 December 2018, the Company had no outstanding loan due to Klapton Management Limited, a shareholder in the Company (2017: €107,013), as this was repaid in 2018. During 2017, interest of €Nil (2016: €3,989) was paid in respect of this loan.

During 2018 the Company paid management and administrative services to Klapton Management Limited of €240,000 (2017: €274,324).

20 CONTINGENT LIABILITIES

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

21 POST BALANCE SHEET EVENTS

There have been no material events between 31 December 2018 and the date of this report which are required to be disclosed.

19 RELATED PARTY TRANSACTIONS

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

As at 31 December 2016, the Company had an outstanding loan due to Klapton Management Limited, a shareholder in the Company, of €485,802 (2015: €1,008,045), which loan expires on 31 December 2020. During 2016, interest of €15,859 (2015: €20,902) was paid in respect of this loan.

During 2016 the Company received management and administrative services from Global Ridgeway Management Limited of €186,377 (2015: €346,784) which is a sister company of Klapton Management Limited. Additionally, management and administrative service fees of €115,890 (2015: €Nil) were paid to Klapton Management Limited.

20 CONTINGENT LIABILITIES

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

21 POST BALANCE SHEET EVENTS

There have been no material events between 31 December 2016 and the date of this report which are required to be disclosed.