

**INTERNATIONAL GENERAL INSURANCE COMPANY  
(EUROPE) SE**  
**(formerly R&Q EPSILON INSURANCE COMPANY SE)**

Annual Report and Financial Statements  
31 December 2021

INTERNATIONAL GENERAL INSURANCE COMPANY (EUROPE) SE  
(formerly R&Q EPSILON INSURANCE COMPANY SE)  
Annual Report and Financial Statements – 31 December 2021

---

	<b>Pages</b>
Directors' Report	1 - 6
Statement of Profit or Loss and other Comprehensive Income	7 - 8
Statement of Financial Position	9
Statement of Changes in Equity	10
Statement of Cash Flows	11
Notes to the Financial Statements	12 - 44
Independent Auditor's Report	45 - 50

## Directors' Report

The Directors present their report and the audited Financial Statements of International General Insurance Company (Europe) SE (the "Company"), formerly known as R&Q Epsilon Insurance Company SE for the year ended 31 December 2021.

### Principal activities

The Company's principal activity is that of carrying on business of insurance and reinsurance in accordance with the Insurance Business Act, 1998, (Chapter 403, Laws of Malta). The principal activity of the Company is to provide insurance and reinsurance in the following classes: Aviation, Marine, Financial Institutions, Energy, Engineering, Property, Contingency, Political Violence, Casualty and Legal Expenses.

### Corporate Governance

The Company continues to make endeavours to ensure that it complies with the requirements of the Malta Financial Services Authority guidelines and to exceed these where it deems necessary so as to ensure that high standards are met in this area.

### The Board of Directors

The Board meets regularly, at least on a quarterly basis, to review the performance to date and to assess the position of the Company at that time. The members are a mix of appointees of the shareholders, together with an independent member who bring with them international experience in various areas of the business. During the meetings senior officials of the Company make detailed presentations to the Board members for their evaluation and assessment of performance and progress. All members of the Board are circulated with the same level of management information including detailed financial performance reports, investments reports, actuarial reports, compliance reports as well as other key performance indicators together with the minutes of the meetings. The Board also meets to discuss strategy and set strategic direction for the Company.

### Background information

The Company was founded in the Netherlands on 12 April 1845 as Assurantie Maatschappij tegen Brandschade which subsequently became Assurantie Maatschappij tegen Brandschade en op het Leven de Nederlanden van 1845. There were subsequent name changes on 1 December 1921, 14 March 1930 and 6 April 1978 when it became Nationale-Nederlanden Internationale Schadeverzekering N.V. On 3 October 2018 the Company changed its legal structure to a European public limited company (Societas Europaea), via a merger with Gelre PLC, the Company's subsidiary, which was a UK public company formed for the purpose of conversion to a Societas Europaea. Nationale-Nederlanden Internationale Schadeverzekering S.E. was the surviving company following the merger and Gelre PLC is no longer listed at Companies House.

On 28 February 2019, the Company was sold to Randall & Quilter II Holdings Limited and the Company was subsequently renamed to R&Q Epsilon Company SE and changed its name again on 22 August 2019 to R&Q Epsilon Insurance Company SE.

R&Q Epsilon Insurance Company SE was formed via a merger with Gelre N.V registered in the Netherlands as a Societas Europaea. R&Q Epsilon Insurance Company SE was redomiciled from the United Kingdom to Malta on 16 March 2020, when it was registered with the Malta Business Registry.

### Review of Business

On 25 June 2021, the Company was purchased by International General Insurance Co. Ltd. which is a limited liability company registered and incorporated in Bermuda under the Companies Act of 1981 and licensed as a Class 3B insurer by the Bermuda Monetary Authority to write a range of specialty classes of general insurance and reinsurance business. The Company was then subsequently renamed to International General Insurance Company (Europe) SE on 13 July 2021.

## **Directors' Report** - continued

### Review of Business - continued

Previously, R&Q Epsilon Insurance Company SE's principal activity was the run-off of its direct insurance risks in the Dutch Aviation Pool ("DAP"). There have been no new claims notified since 2009. Since the take-over by IGI, and following its authorisation by the Malta Financial Services Authority on the 13 July 2021, the Company now serves as the Brexit solution of the International General Insurance Holdings Limited Group ("IGI" or "the Group") to underwrite commercial insurance risks located in the European Economic Area through Freedom of Services.

IGI has its operational headquarters in Amman, Jordan and other than in Malta, offices in London, Dubai, Casablanca and Kuala Lumpur. IGI is listed on Nasdaq Capital Markets.

Since the take-over by IGI and following its authorisation by the Malta Financial Services Authority on the 13 July 2021, the Company operates as the Group's European business unit underwriting commercial insurance risks located in the European Economic Area through Freedom of Services from Malta.

The Company is rated "A" (Stable) by AM Best and "A-" (Stable) by S&P.

From 13 July 2021 to the end of the 2021 financial year, the Company wrote €8.4m in premium income but due to the limited trading window, earned premium closed at €1.8m although still producing a positive balance of €97k on the technical account. After the allocation of other administrative and general expenses, the Company produced a loss before tax of €973k.

Total Assets as at the end of the period stood at €27,540k. The Financial Position at 31 December 2021, as disclosed in the Statement of Financial Position on page 9 at this date reflects a satisfactory state of affairs, in particular a net asset position of €12,540k.

### **Result and dividends**

The result for the period is set out in the Statement of Profit or Loss and other Comprehensive Income on pages 7 and 8. The loss for the period before tax amounted to €973. During the period under review no dividend was distributed. Total comprehensive profit for the period under review was €25k.

### **Principal risks and uncertainty**

The Company's business involves the acceptance and management of risk. The Company has in place a risk management process which is undertaken in accordance with both the IGI Group Management Framework and Solvency II. This is used to manage capital requirements and to ensure appropriate financial strength and capital adequacy support business growth, and meets the requirements of the shareholder, regulators, rating agencies, and obligations to policyholders.

The Company maintains a system of governance which is commensurate to the nature, scale and complexity of the Company's operation. The mainstay of the system of governance is the risk management system, which is designed to ensure that all the material risks are identified, managed and mitigated.

The principal risks from the Company's general insurance business arise from fluctuations in the timing, frequency and severity of claims compared to our expectations, inadequate reinsurance protection and inadequate reserving. The Company manages these risks through its underwriting, reserving and reinsurance policies that are approved by the Board of Directors after having considered the Underwriting Committee's advice.

For further information in relation to risks and risk management refer to note 5 "Management of insurance and financial risk".

## **Directors' Report – continued**

### **Culture, values and standards**

Culture, values and standards underpin how a company creates and sustains value over the longer term and are key elements of how it maintains a reputation for high standards of business conduct. They also guide and assist in decision making and thereby help promote a company's success, recognising, amongst other things, the likely consequences of any decision in the long term and wider stakeholder considerations.

Our values are to be reliable and trusted partners to our clients, our shareholders, our people and our communities. These are values that foster transparency, collaboration and mutual respect built on innovation, genuity and integrity.

### **Community and environment**

The Company is committed to being a responsible business whose behaviour is aligned with the expectations of the Company's employees, clients, shareholders, regulators, communities and society as a whole. The Company's approach is to use its position to create positive change for the people and communities that it interacts with, which has involved participation and sponsorships of charities and charitable events at Group level.

The Company's commitment to corporate and social responsibility has always been a central part of the Group's long-term strategy; it is rooted in our values and forms our corporate character. The Company invests in our communities and supports charitable causes and events that are associated with our values and give in many ways.

The IGI Group takes this responsibility seriously and when the world around us began to feel the significant impact of the COVID-19 pandemic, we stepped up in ways that we felt would make a difference to those who are in the business of helping others.

Diversity and inclusion continue to be a critical focus, where our people are spread across many regions and cultures. We believe that by seeking input and embracing our differences, focusing on mutual respect, inclusion and empowerment, it helps us to make better and more purposeful decisions as an organisation.

### **Significant events during the year**

During 2021, the Company's operations were stable with no notable disruptions encountered impacting either business continuity or operational resilience. Depending on the Covid-19 number of cases and Government restrictions and advice, staff at all levels and in all functions, including where these are outsourced, were able to work remotely wherever practical, and to limit the need for gatherings of staff so far possible. The Company's IT facilities have ensured that all of the Company's operations have been maintained allowing the Company to function as normal. These flexible operational changes may continue to be required until it is required.

During 2021, Management have monitored the impact that the Covid-19 pandemic has on the Company, the insurance industry and the economics in which the Company operates.

The Board has been kept fully apprised of Covid-19 developments throughout from both a financial and operational standpoint and frequent dialogue has been maintained to ensure oversight of the Company's approach.

The Company is well positioned to experience a manageable impact from Covid-19 particularly in respect of its underwriting portfolio which is not materially exposed to the classes of business which are largely impacted by Covid-19.

## **Directors' Report – continued**

### **Significant events during the year – continued**

Since the Company employs a simple investment strategy, there has been no material impact to its investment portfolio.

### **Events after the reporting date**

There were no events or transactions which took place after the financial reporting date which would require disclosure or adjustment to the financial statements. The war in Ukraine and the various sanctions imposed on Russia are not expected to have any material impact on the performance and results of the Company.

### **Future developments**

There remains high level uncertainty with political risk threatening global growth through trade wars and protectionism as well as the ongoing threat of COVID-19. The Company therefore intends to build on firmer pricing in some lines of business and to continue to look for opportunities to find acceptable books of business to underwrite without sacrificing underwriting discipline.

### **Statement of Directors' Responsibilities for the Financial Statements**

The Directors are required by the Maltese Insurance Business Act, 1998 and the Maltese Companies Act (Cap. 386) to prepare Financial Statements which give a true and fair view of the state of affairs of the Company as at the end of each reporting period and of the profit or loss for that period. In addition, the directors are required to ensure that the Company has, at all times, complied with and observed the various requirements of the Insurance Business Act (Cap. 403 of the Laws of Malta).

In preparing the Financial Statements, the Directors are responsible for:

- ensuring that the Financial Statements have been drawn up in accordance with International Financial Reporting Standards as adopted by the EU;
- selecting and applying appropriate accounting policies;
- making accounting estimates that are reasonable in the circumstances;
- ensuring that the Financial Statements are prepared on the going concern basis unless it is inappropriate to presume that the Company will continue in business as a going concern.

The Directors are also responsible for designing, implementing and maintaining internal control as the Directors determine is necessary to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error, and that comply with the Companies Act (Cap. 386). They are also responsible for safeguarding the Assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Financial Statements of the Company for the period 1 January 2021 to 31 December 2021 are included in the Annual Report, which is published in hard-copy printed form and may be made available on the website of the IGI Group. The Directors are responsible for the maintenance and integrity of the Annual Report on the said website in view of their responsibility for the controls over, and the security of, the website. Access to information published on the IGI's website is available in other countries and jurisdictions, where legislation governing the preparation and dissemination of financial statements may differ from requirements or practice in Malta.

## **Directors' Report – continued**

### **Solvency II**

As of 1 January 2016, the Solvency II Directive (2009/138/EC) came into force with regulatory requirements that ascertain the level of the required regulatory capital requirement on the basis of the risks the Company is currently undertaking, in terms of the Insurance Business Act, 1998 (Chapter 403, Laws of Malta) and the applicable Insurance Rules issued under the Insurance Business Act by the Malta Financial Services Authority (MFSA). Solvency II outlines how the own funds shall be derived by converting the Statement of Financial Position from an International Financial Reporting Standards (IFRS) perspective to one where Assets and Liabilities are measured in line with their underlying economic value.

Regular monitoring of the Solvency Capital Requirements (SCR) and Minimum Capital Requirements (MCR) is considered crucial and a Capital Management Policy is in place to address the procedures and controls in this regard. This policy outlines the main drivers of the SCR.

The Company monitors its capital level on a regular basis. Based on the audited SCR calculations as at 31 December 2021, the Company complied with the capital and solvency requirements as stipulated in the rules issued by the MFSA.

### **Directors**

The Directors of the Company who served during the period up to the approval of these Financial Statements were:

Mr. Andreas Loucaides (appointed on 25 June 2021)  
Mr. Keith Mallia Milanés (appointed on 25 June 2021)  
Mr. Paul Martin (appointed on 15 July 2021)  
Mr. Clifford Murphy (appointed on 25 June 2021)  
Ms. Anna Marie Tabone (appointed on 25 June 2021)  
Mr. David Busuttil (resigned on 25 June 2021)  
Mr. Gregg Jarvis (resigned on 25 June 2021)  
Mr. Mark Langridge (resigned on 25 June 2021)  
Mr. Paul Mercieca (resigned on 25 June 2021)

In accordance with the Company's memorandum and articles of association, the Directors remain in office.

### **Company Secretary**

Wills Towers Watson Services (Malta) Limited

### **Going Concern**

The coronavirus outbreak has severely restricted the level of economic activity around the world. In response to this coronavirus outbreak, the governments of many countries, states, cities and other geographical regions have taken preventive or protective actions, such as imposing restrictions on travel and business operations and advising or requiring individuals to limit or forego their time outside their homes.

The Company's IT facilities have ensured that all of the Company's operations have been maintained allowing the Company to function as normal in the case that the Business Continuity Plan (BCP) is implemented, specifically requiring staff at all levels and in all functions to work remotely wherever practicable and to limit the need for gatherings of staff so far as possible.

## Directors' Report – continued

### Going Concern – continued

Management and the Group have performed a Covid-19 impact analysis as part of their going concern assessment using the latest available information. The analysis included modelling a number of adverse scenarios to assess the potential impact that Covid-19 may have on the Company's and Group's operations, liquidity, solvency and capital position.

With regards to the Company's investments, since the Company employs a simple investment strategy, there has been no material impact to its portfolio.

The full extent to which the Covid-19 pandemic may impact the Company's results, operations and liquidity is uncertain. However, management continues to monitor the impact that the Covid-19 pandemic has on the Company, the insurance industry and the economies in which the Company operates.

Management believes the preparation of the financial statements on a going concern basis remains appropriate and that the Company will be able to meet its regulatory solvency requirements and liabilities with sufficient liquidity

### Auditors

The auditors, PKF Assurance (Malta) Limited, have indicated their willingness to continue in office and a resolution for their reappointment will be proposed at the Annual General Meeting.

These financial statements were approved for issue by the board on 4 April 2022 and signed on its behalf by:



Keith Malla-Milanes  
Director



Clifford Murphy  
Director

Registered office

3<sup>rd</sup> Floor, Development House  
St. Anne Street  
Floriana FRN9010  
Malta

**Statement of Profit or Loss and other Comprehensive Income  
Technical Account  
For the year ended 31 December 2021**

	Notes	2021 €'000	2020 €'000
<b>Earned premiums, net of reinsurance</b>			
Gross premiums written		8,336	-
Outwards reinsurance premium		(6,560)	-
<b>Net premiums written</b>		<b>1,776</b>	-
Change in gross provision for unearned premiums		(6,566)	-
Change in the provision for unearned premiums reinsurers' share		5,076	-
<b>Net earned premiums</b>		<b>286</b>	-
<b>Claims incurred, net of reinsurance</b>			
Claims paid			
– gross amount	22	-	-
– reinsurer's share		-	-
Change in the provision for claims			
– gross amount	22	815	-
– reinsurer's share		(661)	-
<b>Claims incurred, net of reinsurance</b>		<b>154</b>	-
<b>Net operating expenses</b>	6	<b>34</b>	-
<b>Total technical charges</b>		<b>188</b>	-
<b>Balance on the technical account for general business (page 8)</b>		<b>98</b>	-

The notes on pages 12 to 44 are an integral part of the Financial Statements

**Statement of Profit or Loss and other Comprehensive Income  
 Non-Technical Account  
 For the year ended 31 December 2021**

	Notes	2021 €'000	2020 €'000
Balance on the technical account for general business (page 7)		98	-
Investment income	7	(1)	132
Investment expenses and charges	7	9	(9)
Administrative expenses	6	<b>(1,079)</b>	<b>(348)</b>
<b>Loss before tax</b>	<b>8</b>	<b>(973)</b>	<b>(225)</b>
Income tax credit	10	<b>299</b>	111
<b>Loss after tax for the financial period</b>		<b>(674)</b>	<b>(114)</b>
 <b>Other Comprehensive Income</b>			
Foreign currency translation reserve		<b>700</b>	-
<b>Total comprehensive profit / (loss) for the financial year</b>		<b>26</b>	<b>(114)</b>

The notes on pages 12 to 44 are an integral part of the Financial Statements.

**Statement of Financial Position**  
**As at 31 December 2021**


		2021 €'000	2020 €'000
	<b>Notes</b>		
<b>Assets</b>			
Property, plant and equipment	12	19	-
Investments	13	-	640
Deferred tax assets	16	416	104
Insurance and other receivables	14	6,180	651
Reinsurer's share of technical provisions	22	5,738	-
Deferred acquisition costs	15	1,512	-
Cash and cash equivalents	25	13,675	3,746
<b>Total Assets</b>		<b>27,540</b>	<b>5,141</b>
<b>Equity and Liabilities</b>			
<b>Capital and Reserves</b>			
Share capital	17	11,105	3,700
Capital Contribution reserve		855	847
Foreign Currency Conversion Reserve	18	700	-
(Accumulated losses)/Retained earnings	20	(120)	554
<b>Total Equity</b>		<b>12,540</b>	<b>5,101</b>
<b>Liabilities</b>			
Technical provisions	22	7,397	15
Deferred reinsurance commissions	23	1,510	-
Insurance and other payables	21	6,093	25
<b>Total Liabilities</b>		<b>15,000</b>	<b>40</b>
<b>Total Equity and Liabilities</b>		<b>27,540</b>	<b>5,141</b>

The notes on pages 12 to 44 are an integral part of the Financial Statements.

These Financial Statements on pages 7 to 44 were authorised for issue by the Board on 4 April 2022 and were signed on its behalf by:



Keith Maffia Milanes  
 Director



Clifford Murphy  
 Director

**Statement of Changes in Equity  
For the year ended 31 December 2021**

	Share Capital €'000	Capital Contribution Reserve €'000	Foreign Currency Translation Reserve €'000	Retained Earnings €'000	Total €'000
<b>Balance as at 1 January 2020</b>	3,088	860	-	668	4,616
<b>Total comprehensive income for the year</b>					
Loss for the year prior to currency translation reserve transfer	-	-	-	(114)	(114)
Exchange gains on conversion to functional currency	-	(13)	-	-	(13)
<b>Total comprehensive loss for the year</b>	-	(13)	-	(114)	(127)
<b>Transactions with owners</b>					
Share capital increase	612	-	-	-	612
<b>Total transactions with owners</b>	612	-	-	-	612
<b>Balance as at 31 December 2020</b>	<b>3,700</b>	<b>847</b>	<b>-</b>	<b>554</b>	<b>5,101</b>
<b>Balance as at 1 January 2021</b>	<b>3,700</b>	<b>847</b>	<b>-</b>	<b>554</b>	<b>5,101</b>
<b>Total comprehensive income for the year</b>					
Loss for the year prior to currency translation reserve transfer	-	-	-	(674)	(674)
Exchange gains on conversion to functional currency	-	8	-	-	8
Transfer of foreign currency translation reserve to profit and loss	-	-	700	-	700
<b>Total comprehensive loss for the year</b>	-	8	700	(674)	34
<b>Transactions with owners</b>					
Share capital increase	7,405	-	-	-	7,405
<b>Total transactions with owners</b>	7,405	-	-	-	7,405
<b>Balance as at 31 December 2021</b>	<b>11,105</b>	<b>855</b>	<b>700</b>	<b>(120)</b>	<b>12,540</b>

The notes on pages 12 to 44 are an integral part of the Financial Statements.

**Statement of Cash Flows**  
**For the year ended 31 December 2021**

	Notes	2021 €'000	2020 €'000
<b>Cash flows from operating activities</b>			
Cash used in operations	24	1,199	(909)
Net Interest received		-	123
<b>Net cash from / (used in) operating activities</b>		<b>1,199</b>	<b>(786)</b>
<b>Cash flows from financing activities</b>			
Proceeds from issue of share capital	17	7,405	612
<b>Net cash from in operating activities</b>		<b>7,405</b>	<b>612</b>
<b>Cash flows from investing activities</b>			
Sale of investments	13	639	-
Purchase of fixed assets	12	(22)	-
<b>Net cash from investing activities</b>		<b>617</b>	<b>-</b>
<b>Net movement in cash and cash equivalents</b>		<b>9,221</b>	<b>(174)</b>
Cash and cash equivalents at the beginning of the period		3,746	3,920
Effect of foreign exchange rate changes		708	-
<b>Cash and cash equivalents at the end of the period</b>	25	<b>13,675</b>	<b>3,746</b>

The notes on pages 12 to 44 are an integral part of the Financial Statements.

## Notes to the Financial Statements

### 1. Reporting Entity

With effect from 13 July 2021, the name of the Company was changed from R&Q Epsilon Insurance Company SE to International General Insurance Company (Europe) SE.

International General Insurance Company (Europe) SE (the "Company", is a European Society domiciled and registered in Malta. The Company is licenced to write Classes 1, 4, 5, 6, 7, 8, 9, 11, 12, 13, 16 and 17 on an insurance and reinsurance basis in terms of the Insurance Business Act (Chapter 403, Laws of Malta).

The registered office of the Company is Development House, St. Anne Street, Floriana, FRN 9010, Malta.

### 2. Basis of preparation

#### 2.1 Statement of compliance

The Financial Statements have been prepared and presented in accordance with the International Financial Reporting Standards as adopted by the EU ("the applicable framework"). All references in these Financial Statements to IAS, IFRS or SIC / IFRIC interpretations refer to those adopted by the EU. These Financial Statements have also been drawn up in accordance with the provisions of the Insurance Business Act, 1998 (Chapter 403, Laws of Malta) and the Companies Act (Cap. 386, Laws of Malta).

The Company presents its Statement of Financial Position broadly in order of liquidity. An analysis regarding recovery or settlement within 12 months after the reporting date (current) and more than 12 months after the reporting date (non-current) is presented in the Notes to the Financial Statements.

#### 2.2 Basis of measurement

The Financial Statements have been prepared on a historical cost basis except for financial instruments at 'fair value through profit and loss'.

The Statement of financial position is presented in order of liquidity, with additional disclosures on the current or non-current nature of the Company's assets and liabilities provided within the Notes to the Financial Statements.

#### 2.3 Standards, interpretations and amendments to published standards

##### **Standards, interpretations and amendments to published standards endorsed by the European Union effective in the current year**

The accounting policies adopted are consistent with those of the previous financial year, except for the following amendments to IFRS effective during the year: -

- Amendments to IFRS 16 Leases: COVID-19 – Related Rent Concessions beyond 30 June 2021 (issued on 31 March 2021)
- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS4 and IFRS 16 Interest Rate Benchmark Reform – Phase 2 (issued on 27 August 2020)
- Amendments to IFRS 4 Insurance Contracts – deferral of IFRS 9 (issued on 25 June 2020)

These amendments and interpretations do not have an impact on the financial statements of the Company. The Company has not early adopted any standard, interpretations or amendments that have been issued but are not yet effective.

## 2. Basis of preparation

### 2.3 Standards, interpretations and amendments to published standards - continued

#### **Standards, interpretations and amendments to published standards as adopted by the EU which are not yet effective**

Up to date of approval of these financial statements, certain new standards, amendments, and interpretations to existing standards have been published but which are not yet effective for the current reporting year and which the Company has not early adopted but plans to adopt upon their effective date.

The new and amended standards follow: - IFRS 17 Insurance Contracts (issued on 18 May 2017); including Amendments to IFRS 17 (issued on 25 June 2020) (effective for financial year beginning on or after 1 January 2023)

- Amendments to IFRS 3 Business Combinations;
- IAS 16 Property, Plant and Equipment;
- IAS 37 Provisions, Contingent Liabilities and Contingent Assets; and Annual Improvements 2018-2020 (All issued 14 May 2020) (effective for financial year beginning on or after 1 January 2022)

The changes resulting from these standards, interpretations and amendments are not expected to have a material effect on the financial statements of the Company.

#### **Standards, interpretations and amendments that are not yet endorsed by the European Union**

These are as follows:

- Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Noncurrent and Classification of Liabilities as Current or Non-current - Deferral of Effective Date (issued on 23 January 2020 and 15 July 2020 respectively)
- Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies (issued on 12 February 2021)
- Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates (issued on 12 February 2021)
- Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction (issued on 7 May 2021)
- Amendments to IFRS 17 Insurance contracts: Initial Application of IFRS 17 and IFRS 9 – Comparative Information (issued on 9 December 2021)

The Company is still assessing the impact that these new standards will have on the financial statements.

### 2.4 Covid-19 impact update

On 30 January 2020, the World Health Organisation declared the outbreak of coronavirus (Covid-19) to be a public health emergency of international concern. The coronavirus outbreak has severely restricted the level of economic activity around the world. In response to this coronavirus outbreak, the governments of many countries, states, cities and other geographical regions have taken preventive or protective actions, such as imposing restrictions on travel and business operations and advising or requiring individuals to limit or forego their time outside their homes.

The Company's IT facilities have ensured that all of the Company's operations have been maintained allowing the Company to function as normal in the case that the Business Continuity Plan (BCP) is implemented, specifically requiring staff at all levels and in all functions to work remotely wherever practicable and to limit the need for gatherings of staff so far as possible.

## **2. Basis of preparation**

### **2.4 Covid-19 impact update- continued**

The full extent to which the Covid-19 pandemic may impact the Company's results, operations and liquidity is uncertain. Management continues to monitor that the Covid-19 pandemic has on the Company, the insurance industry and the economies in which the Company operates.

Management and the Group have performed a Covid-19 impact analysis as part of their going concern assessment using the latest available information. The analysis indicates that the solvency position is and will likely remain within the Company's 'Capital Management Framework' targets with the support of the Group, if necessary. Management believes the preparation of the financial statements on a going concern basis remains appropriate and that the Company will be able to meet its regulatory solvency requirements and liabilities with sufficient liquidity.

## **3. Summary of significant accounting policies**

### **3.1 Functional and presentation currency**

With effect from 25 June 2021, the company's functional currency changed from EUR to USD. The effect of the change in functional currency has been accounted for prospectively and all items have been translated into the new functional currency using the exchange rate at the date of change.

The financial statements are presented in Euros, which is the Company's presentation currency. The presentation currency is dictated by the denomination of its share capital, being EUR.

#### **Foreign currency transactions**

Transactions in foreign currencies have been converted into the Functional Currency at the rates of exchange ruling on the date of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary Assets and Liabilities denominated in foreign currencies are recognised in the Profit or Loss account.

The results and the financial position of the Company is translated from USD "the functional currency" into EUR "the presentation currency" as follows:

- i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet; and
- ii) income and expenses for each profit and loss account are translated at average exchange rates.

All resulting exchange differences are recognised as a component of equity and are accounted for in the functional currency exchange reserve.

All foreign exchange gains and losses that relate to net claims incurred are presented in the Technical Profit or Loss account within 'Claims Incurred'. All other foreign exchange gains and losses are presented in the Profit or Loss account within 'Investment Income' or 'Investment Expense'.

Translation differences on Financial Assets and Liabilities held at fair value through Profit or Loss, are reported as part of the Fair Value Gain or Loss.

### 3. Summary of significant accounting policies - continued

#### 3.2 Property, plant and equipment

Property, plant and equipment is stated at historical cost less accumulated depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged to the profit and loss account during the financial period in which they are incurred.

Depreciation is calculated, from the month of purchase, using the straight-line method to allocate their cost to their residual values over their estimated useful lives as follows:

Computer equipment	4 years
--------------------	---------

The assets' residual values and useful lives are reviewed at each financial year-end and adjusted if appropriate. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amounts and are included in the statement of comprehensive income.

#### 3.3 Financial instruments

##### *Financial assets*

##### *Initial recognition and measurement*

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), or fair value through profit or loss (FVTPL). The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them.

Financial instruments are initially recognised on the trade date measured at their fair value. Except for financial assets and financial liabilities recorded at FVTPL, transaction costs are added to this amount.

The Company classifies all of its financial assets based on the business model for managing the assets and the asset's contractual terms. The categories include the following:

- Amortised cost
- FVOCI
- FVTPL

##### *Debt instruments measured at amortised cost*

Debt instruments are held at amortised cost if both of the following conditions are met:

- The instruments are held within a business model with the objective of holding the instrument to collect the contractual cash flows.
- The contractual terms of the debt instrument give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

The details of these conditions are outlined below:

### 3. Summary of significant accounting policies - continued

#### 3.3 Financial instruments - continued

##### *Business model assessment*

The Company determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objectives.

The Company holds financial assets to generate returns and provide a capital base to provide for settlement of claims as they arise. The Company considers the timing, amount and volatility of cash flow requirements to support insurance liability portfolios in determining the business model for the assets as well as the potential to maximise return for shareholders and future business development.

The Company's business model is not assessed on an instrument-by-instrument basis but at a higher level of aggregated portfolios that is based on observable factors such as:

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the Company's key management personnel.
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed.
- How managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected).
- Whether the expected frequency, value and timing of asset sales are also important aspects of the Company's assessment.

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Company's original expectations, the Company does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

##### *The Solely Payments of Principal and Interest (SPPI) test*

As a second step of its classification process the Company assesses the contractual terms to identify whether they meet the SPPI test.

'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortisation of the premium/discount).

The most significant elements of interest within a debt arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Company applies judgement and considers relevant factors such as the currency in which the financial assets is denominated, and the period for which the interest rate is set.

##### *Debt instruments measured at fair value through other comprehensive income*

The Company applies this category under IFRS 9 for debt instruments measured at FVOCI when both of the following conditions are met:

- The instrument is held within a business model, the objective of which is both collecting contractual cash flows and selling financial assets.
- The contractual terms of the financial asset meet the SPPI test.

These instruments largely comprise debt instruments that are intended to be held to collect contractual cash flows and which may be sold in response to needs for liquidity or in response to changes in market conditions.

### 3. Summary of significant accounting policies - continued

#### 3.3 Financial instruments - continued

##### *Financial assets measured at fair value through profit or loss*

Financial assets in this category are those assets which have been either designated by management upon initial recognition or are mandatorily required to be measured at fair value under IFRS 9. Management designates an instrument as FVTPL that otherwise meet the requirements to be measured at amortised cost or at FVOCI only if it eliminates, or significantly reduces, an accounting mismatch that would otherwise arise. Financial assets with contractual cash flows not representing solely payment of principal and interest are mandatorily required to be measured at FVTPL.

Financial assets at FVTPL are subsequently measured at fair value. Changes in fair value are recognised in the Statement of Profit or Loss. Interest income is recognised using the effective interest method.

##### *Financial assets measured at fair value through other comprehensive income*

Upon initial recognition, the Company can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Financial assets measured at fair value through other comprehensive income include equity investments. Equity investments classified as financial assets measured at fair value through other comprehensive income are those, which are not classified as financial assets measured at fair value through profit or loss.

##### *Insurance receivables*

Insurance companies' and intermediaries' receivables except for reinsurance assets are recognised when due and measured on initial recognition at the fair value of the consideration received or receivable. Subsequent to initial recognition, insurance receivables are measured at amortised cost and the carrying value of insurance receivables is reviewed for impairment and expected credit loss.

Insurance and reinsurance receivables are not in the scope of IFRS 9. However, management has adopted expected credit loss principles based on IFRS 9 for the impairment of insurance receivables as its accounting policy.

In this context, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime Expected Credit Losses (ECLs) at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

##### **Reclassification of financial assets and liabilities**

The Company does not reclassify assets subsequent to their initial recognition, apart from the exceptional circumstances in which the Company acquires, disposes of, or terminates a business line or changes its business model for managing financial assets. A change in the business model will occur only when management determines change as a result of external or internal changes which are significant to the Company's operations. Reclassifications shall all be recorded prospectively from the reclassification date.

### 3. Summary of significant accounting policies - continued

#### 3.3 Financial instruments - continued

##### ***Subsequent measurement***

For purposes of subsequent measurement, financial assets in the scope of IFRS 9 are classified in the following categories:

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss.

##### *Financial assets at amortised cost (debt instruments)*

Financial assets at amortised cost are subsequently measured using the effective interest rate (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired. The Company's financial assets at amortised cost include insurance receivables.

##### *Financial assets at fair value through OCI (debt instruments)*

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the Statement of Profit or Loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to the Statement of Profit or Loss.

##### *Financial assets designated at fair value through OCI (equity instruments)*

Gains and losses on these financial assets are never recycled to the Statement of Profit or Loss. Dividends are recognised as investment income in the Statement of Profit or Loss when the right of payment has been established, except when the Company benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

##### *Financial assets at fair value through profit or loss*

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the Statement of Financial Position at fair value with net changes in fair value recognised in the Statement of Profit or Loss.

### 3. Summary of significant accounting policies – continued

#### 3.3 Financial instruments - continued

##### ***Derecognition***

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised when:

- The rights to receive cash flows from the asset have expired, or
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

##### ***Impairment of financial assets in scope of IFRS 9***

The Company recognises an allowance for ECLs for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

Although not under the scope of IFRS 9, for insurance receivables the Company applies a simplified approach in calculating ECLs. The Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For debt instruments at fair value through OCI, the Company applies the low credit risk simplification. At every reporting date, the Company evaluates whether the debt instrument is considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort.

In making that evaluation, the Company reassesses the credit rating of the debt instrument provided by certified credit rating agencies. In addition, the Company considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

It is the Company's policy to measure ECLs on quoted bonds that are graded in the top investment categories (Average A rating) by accredited credit rating agencies on a 12-month basis. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL. The Company uses the ratings from the credit rating agencies both to determine whether the debt instrument has significantly increased in credit risk and to estimate ECLs.

The ECLs for debt instruments measured at FVOCI do not reduce the carrying amount of these financial assets in the Statement of Financial Position, which remains at fair value. Instead, an amount equal to the allowance that would arise if the assets were measured at amortised cost is recognised in OCI with a corresponding charge to the Statement of Profit or Loss. The accumulated gain recognised in OCI is recycled to the Statement of Profit or Loss upon derecognition of the assets.

### 3. Summary of significant accounting policies – continued

#### 3.3 Financial instruments - continued

##### ***Impairment of financial assets in scope of IFRS 9 - continued***

The Company considers a financial asset in default when contractual payments are 365 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off either partially or in its entirety only when the Company has stopped pursuing the recovery and there is no reasonable expectation of recovering the contractual cash flows.

In addition, the Company assesses the impairment of financial assets by reference to their post date status at 90 days, 180 days and 270 days using an appropriate ECL based methodology.

If any amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount. Any subsequent recoveries are credited to credit loss expense. There were no write offs over the periods reported in these financial statements.

For cash flow purposes the Company classifies the cash flow for the acquisition and disposal of financial assets as operating cash flows, as the purchases of these investments is funded from the net cash flows associated with the origination of insurance and investment contracts and payment of benefits and claims incurred for such insurance contracts, which are respectively treated under operating activities.

##### ***Impairment of non-financial assets***

At each reporting date, the Company reviews the carrying amounts of its non-financial assets to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash generating units.

The recoverable amount of an asset is the greater of its value in use and its fair value less costs of disposal. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is recognised if the carrying amount of an asset exceeds its recoverable amount.

Impairment losses are recognised in profit or loss. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognised.<sup>7</sup>

##### ***Financial liabilities and equity instruments***

###### ***Insurance and other payables***

Insurance and other payables are classified with current liabilities and are stated at their nominal value.

###### ***Share capital***

Shares are classified as equity when there is no obligation to transfer cash or other assets.

### **3. Summary of significant accounting policies – continued**

#### **3.4 Offsetting financial instruments**

Financial Assets and Liabilities are offset and the net amount is 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.

#### **3.5 Cash and cash equivalents**

For the purposes of the statement of cash flows, cash and cash equivalents comprise cash in hand and deposits held at call with banks, net of bank overdrafts, and other short-term highly liquid investments with original maturities of three months or less. In the Statement of Financial Position, bank overdrafts are included in borrowings.

#### **3.6 Share capital**

##### ***Ordinary shares and dividend distributions***

Ordinary shares are classified as equity. Dividend distribution to the Company's Shareholders is recognised as a Liability in the Company's Financial Statements in the period in which the dividends are declared.

#### **3.7 Insurance contracts**

The Company issues contracts that transfer significant insurance/reinsurance risk and that are classified as insurance contracts. As a general guideline, the Company defines as significant insurance risk the possibility of having to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder.

##### ***Insurance/Reinsurance contracts – General business***

The results for general business are determined on an annual basis whereby the incurred cost of claims, commission and related expenses are charged against the earned proportion of premiums, net of reinsurance as follows:

- i. Revenue is recognised on the date on which the policy is effective. Gross general insurance written premiums typically comprise the total premium receivable for the whole period of cover provided by contracts entered into during the accounting period and are recognised on the date on which the policy incepts. Premiums include any adjustments arising in the accounting period for premiums receivable in respect of business written in prior accounting periods.
- ii. Unearned premiums represent the proportion of premiums written in the year that relate to unexpired terms of policies in force at the end of each reporting period, calculated on a time apportionment basis.
- iii. Commissions and other acquisition costs that vary with and are related to securing new contracts and renewing existing contracts are deferred over the period in which the related premiums are earned. These are capitalised and shown as deferred acquisition costs ("DAC") in the Statement of Financial Position. DAC is amortised over the term of the policies as the premium is earned. All other costs are recognised as expenses when incurred.
- iv. Claims incurred comprise claims and related expenses paid in the period and changes in the provisions for outstanding claims, including provisions for claims incurred but not reported (IBNR) or not enough reported (IBNER) and related expenses, together with any other adjustments to claims from previous years. Where applicable, deductions are made for recoveries or subrogation.

### 3. Summary of significant accounting policies – continued

#### 3.7 Insurance contracts - continued

##### *Insurance/Reinsurance contracts – General business – continued*

- v. Provision is made at the period-end for the estimated cost of claims incurred but not settled at the end of each reporting period, including the cost of claims incurred but not yet reported to the Company. The estimated cost of claims includes expenses to be incurred in settling claims. The Company takes all reasonable steps to ensure that it has appropriate information regarding its claims exposures. The Company does not discount its Liabilities for unpaid claims. Liabilities for unpaid claims are estimated using the input of assessments for individual cases reported to the Company and statistical analysis for the claims incurred but not reported, and to estimate the expected ultimate cost of more complex claims that may be affected by external factors (such as court decisions).
- vi. The above method of provisioning satisfies the minimum liability adequacy that is required by IFRS 4.

##### *Receivables and payables related to insurance/reinsurance contracts*

Receivables and payables are recognised when due. These include amounts due to and from insurance contract holders, brokers and reinsurers.

If there is objective evidence that an Insurance Receivable is impaired, the Company reduces the carrying amount of the Insurance Receivable accordingly and recognises that impairment loss in the Statement of Profit or Loss and other Comprehensive Income. The Company gathers the objective evidence that an Insurance Receivable is impaired using the same process adopted for Financial Assets held at amortised cost.

The impairment loss is calculated following the same method used for these Financial Assets in Note 3.3.

##### *Reinsurance contracts held*

Contracts entered into by the Company with reinsurers under which the Company is compensated for losses on one or more contracts issued by the Company that meet the classification requirements for insurance contracts are classified as reinsurance contracts held.

The benefits to which the Company is entitled under its reinsurance contracts held, if any, are recognised as reinsurers' share of provisions or receivables from reinsurers. These assets consist of short-term balances due from reinsurers (classified within debtors), as well as longer term receivables (classified as reinsurers' share of technical provisions) that are dependent upon the expected claims and benefits arising under the related reinsured insurance contracts. Amounts recoverable from or due to reinsurers are measured consistently with the amounts associated with the reinsured insurance contracts and in accordance with the terms of each reinsurance contract. Reinsurance liabilities, if any, are primarily premiums payable for reinsurance contracts and are recognised as a liability when due and expensed over the period of cover.

The Company assesses its reinsurance assets for impairment. If there is objective evidence that the reinsurance asset is impaired, the Company reduces the carrying amount of the reinsurance asset to its recoverable amount and recognises that impairment loss in the profit and loss account.

The tax expense for the period comprises of current and deferred tax. Tax is recognised in the Statement of Profit or Loss and other Comprehensive Income, except to the extent that it relates to items recognised in Other Comprehensive Income or directly in equity.

### 3. Summary of significant accounting policies – continued

#### 3.7 Insurance contracts - continued

##### *Reinsurance contracts held – continued*

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date in the country where the Company generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provision where appropriate.

Deferred tax is recognised using the liability method for all temporary differences arising between the tax bases of Assets and Liabilities and their carrying values for Financial Reporting purposes.

However, if the deferred income tax arises from initial recognition of an Asset or Liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable Profit or Loss, it is not accounted for. Deferred tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the reporting period and are expected to apply when the related Deferred Tax Asset is realised or the Deferred Tax Liability is settled.

Deferred Tax Assets are recognised only to the extent that future taxable profit will be available such that realisation of the related tax benefit is probable.

Deferred Tax Assets and Liabilities are offset when there is a legally enforceable right to offset Current Tax Assets against Current Tax Liabilities.

#### 3.9 Provisions and contingent liabilities

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

A contingent liability is disclosed where the existence of the obligation will only be confirmed by future events or where the amount of the obligation cannot be measured with sufficient reliability.

#### 3.10 Revenue recognition

Revenue comprises the fair value for services and is recognised as follows:

(a) *Rendering of services*

Premium recognition is described in accounting policy Note 3.6 Insurance contracts dealing with insurance contracts.

(b) *Interest income*

Interest income from Financial Assets not classified at fair value through Profit or Loss is recognised on a time-apportioned basis using the effective interest method. When a receivable is impaired, the Company reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument and continues unwinding the discount as interest income.

### **3. Summary of significant accounting policies – continued**

#### **3.11 Investment return**

Investment return is initially recorded in the non-technical account. A transfer is made from the nontechnical account to the general business technical account of the actual investment return on investments supporting the insurance net technical provisions.

### **4. Critical accounting estimates and judgements in applying accounting policies**

The Company makes estimates and assumptions concerning the future. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

In the opinion of the Directors, the accounting estimates and judgements made in the course of preparing these Financial Statements which are difficult, subjective or complex to a degree that would warrant their description as critical in terms of IAS 1 *Presentation of Financial Statements* are the estimates of the ultimate liability arising from claims made under insurance/reinsurance contracts and the subsequent recoveries from reinsurers as defined below:

#### *Valuation of outstanding claims and unearned premiums and commissions*

Considerable judgement by management is required in the estimation of amounts due to contract holders arising from claims made under insurance contracts and the related reinsurance recovery. Such estimates are necessarily based on assumptions about several factors involving varying, and possibly significant, degrees of judgement and uncertainty and actual results may differ from management's estimates resulting in future changes in estimated liabilities.

In particular, estimates have to be made both for the expected ultimate cost of claims reported at the reporting date and for the expected ultimate cost of claims incurred but not yet reported (IBNR) at the Statement of Financial Position date. The primary technique adopted by management in estimating the cost of notified and IBNR claims is that of using recognised actuarial techniques, the past claim settlement trends of the IGI Group and the Company's knowledge of market claim experience to predict future claims settlement trends. Claims requiring court or arbitration decisions are estimated individually. Independent loss adjustors normally estimate property claims. Management reviews its provisions for claims incurred, and claims incurred but not reported, on a quarterly basis.

Similar judgements, estimates and assumptions are employed in the assessment of adequacy of provisions for unearned premiums and unearned acquisition and reinsurance commissions.

Judgement is also required in determining whether the pattern of insurance service provided by a contract requires amortisation of unearned premiums on a basis other than time apportionment.

Actual experience will often vary from these assumptions, and any consequential adjustments to amounts previously reported will be reflected in the results of the year in which they are identified. Potential adjustments arising in the future could, if adverse, exceed the amount of Shareholders' Funds. After considering actuarial advice, the Directors believe that the liability arising from claims under insurance contracts is adequately reserved as at the end of the reporting period.

## **5. Management of insurance and financial risk**

The Company is a party to contracts that transfer insurance and/or financial risks. This section summarises these risks and the way that the Company manages them.

### **5.1 Insurance risk**

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

To manage this risk, the Company's underwriting function is conducted in accordance with a number of technical analytic protocols which include defined underwriting authorities, guidelines by class of business, rate monitoring and underwriting peer reviews.

The risk is further protected by reinsurance programmes, both with third parties and internally, which respond to various arrays of loss probabilities.

The Company has in place an exposure management system. Aggregate exposure is modelled and tested against different stress scenarios to ensure adherence to the Company's overall risk appetite and alignment with reinsurance programmes and underwriting strategies.

Loss reserve estimates are inherently uncertain. Reserves for unpaid losses form 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 has an experienced in-house actuarial team reviewing and monitoring the reserving policy and its implementation at quarterly intervals. They work closely with the underwriting and claims team to ensure an understanding of the Company's exposure and loss experience.

In order to minimise financial exposure arising from large claims, the Company, in the normal course of business, enters into contracts with other parties for reinsurance purposes. Such reinsurance arrangements provide for greater diversification of business, allow management to control exposure to potential losses arising from large risks, and provide additional capacity for growth. A significant portion of reinsurance is affected under treaty, facultative and excess-of-loss reinsurance contracts.

The Company underwrites a geographically diversified portfolio of risks with no dominant territorial exposure.

**5. Management of insurance and financial risk - continued**

**5.1 Insurance risk - continued**

An analysis of Gross written premiums by line of business is as follows:

	<b>2021</b>	<b>2021</b>	<b>2020</b>	<b>2020</b>
	<b>EUR '000</b>	<b>%</b>	<b>EUR '000</b>	<b>%</b>
Energy	671	8.05	-	-
Property	177	2.12	-	-
Engineering	974	11.69	-	-
Marine	67	0.81	-	-
Marine Liability	29	0.34	-	-
Financial Institutions	1,104	13.24	-	-
Casualty	3,546	42.54	-	-
Aviation	1,431	17.18	-	-
Ports & Terminals	109	1.30	-	-
Political Violence	228	2.73	-	-
	<b>8,336</b>	<b>100.0</b>	<b>-</b>	<b>-</b>

An analysis of Gross written premiums by country of risk is as follows:

	<b>2021</b>	<b>2021</b>	<b>2020</b>	<b>2020</b>
	<b>EUR '000</b>	<b>%</b>	<b>EUR '000</b>	<b>%</b>
Ireland	2,113	26.30	-	-
Netherlands	816	9.87	-	-
Spain	803	9.63	-	-
Malta	816	8.63	-	-
Germany	619	7.43	-	-
Sweden	481	5.77	-	-
Belgium	453	5.44	-	-
Italy	391	4.69	-	-
Norway	319	3.83	-	-
Luxembourg	224	2.69	-	-
Cyprus	242	2.90	-	-
Denmark	103	1.23	-	-
Greece	232	2.78	-	-
Other Countries	724	8.81	-	-
	<b>8,336</b>	<b>100</b>	<b>-</b>	<b>-</b>

## 5. Management of insurance and financial risk - continued

### 5.1 Insurance risk - continued

#### *Sensitivities*

The process by which the insurance contract liabilities are estimated is such that there is no single driver for which sensitivity can be meaningfully presented due to the diversified nature of the risks issued and the range of inputs in the estimation process. The analysis below therefore shows the estimated impact on gross and net insurance contracts claims liabilities and on the result before tax of an ultimate development on net claims liabilities of 10% greater than that reported in the Statement of Financial Position. The impact on gross claims liabilities assumes that recovered rates remain constant. The movement of 10% is considered a possible outcome.

	<u>%</u>	<u>Impact on gross insurance contract claims liabilities EUR '000</u>	<u>Impact on net insurance contract claims liabilities EUR '000</u>	<u>Impact on result and equity (before taxation) EUR '000</u>
<b>2021</b>	<b>+ 10</b>	<b>82</b>	<b>17</b>	<b>17</b>
2020	+ 10	-	-	-

#### *Sources of uncertainty in the estimation of future claim payments*

Claims on contracts are accounted for on a claims-occurrence basis. The Company is liable for all insured events that occurred during the term of the contract, even if the loss is discovered after the end of the contract term. As a result, the estimation of claims incurred but not reported ('IBNR') is generally subject to a greater degree of uncertainty than the estimation of the cost of settling claims already notified to the Company. Certain classes of business can take several years to develop, in particular claims involving casualty, and are therefore subject to a greater degree of uncertainty than other classes of business which are typically settled in a shorter period of time.

The Company takes all reasonable steps to ensure that it has appropriate information regarding its claims exposures. However, given the uncertainty in establishing claims provisions, it is possible that the final outcome will prove to be different from the original liability established. The liability for these contracts comprises a provision for IBNR at the Balance Sheet date (see Note 22 Technical provisions).

### 5.2 Financial risk

The Company is exposed to financial risk through its Financial Assets, Financial Liabilities and Insurance Assets and Liabilities. The key financial risk is that the proceeds from its Financial Assets are not sufficient to fund the obligations arising from its insurance risk. The most important components of this financial risk are market risk (including interest rate risk and equity risk), currency risk, credit risk and liquidity risk. The risk management policies employed by the Company to manage these risks are discussed below.

#### 5.2.1 Interest rate risk

In general, the Company is exposed to risk associated with the effects of fluctuations in the prevailing levels of market interest rates. Assets carrying variable rates expose the Company to cash flow interest rate risk. Assets carrying fixed rates expose the Company to fair value interest rate risk.

**5. Management of insurance and financial risk - continued**

**5.2.1 Interest rate risk - continued**

Assets and Liabilities exposed to interest rate risk and their maturities are analysed below:

<b>31 December 2021</b>					
	<b>Less than 1 year €'000</b>	<b>1 - 2 years €'000</b>	<b>2 - 5 years €'000</b>	<b>Over 5 years €'000</b>	<b>Total €'000</b>
<b>Variable Interest Rates</b>					
Cash and cash equivalents	13,675	-	-	-	13,675
	<b>13,675</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>13,675</b>
<b>31 December 2020</b>					
	<b>Less than 1 year €'000</b>	<b>1 - 2 years €'000</b>	<b>2 - 5 years €'000</b>	<b>Over 5 years €'000</b>	<b>Total €'000</b>
<b>Variable Interest Rates</b>					
Investments	640	-	-	-	640
Cash and cash equivalents	3,746	-	-	-	3,746
	<b>4,386</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,386</b>

Liabilities are not directly sensitive to the level of market interest rates, as they are not discounted and contractually non-interest bearing.

*Sensitivity Analysis - interest rate risk*

The sensitivity analysis for interest rate risk illustrates how changes in the fair value of future cash flows of a Financial Instrument will fluctuate because of changes in market interest rates at the reporting date.

As at 31 December 2021, given the prevailing market conditions and the Investments held by the Company at the end of the period, an increase or decrease of 25 basis points in interest rates would not have had a significant impact on the results of the Company for the period.

**5.2.2 Currency risk**

The Company has assets and liabilities denominated in major international currencies other than EUR. The Company is therefore exposed to currency risk, as the value of assets and liabilities denominated in other currencies will fluctuate due to changes in exchange rates. In line with its guidelines for investing in foreign currency the Company tries as far as possible to match its currency exposure on the assets and liabilities in order to minimise the exposure as far as possible.

**5. Management of insurance and financial risk - continued**

**5.2 Financial risk - continued**

**5.2.2 Currency risk - continued**

The table below summarises the Company's exposure to currencies:

	€'000		
	Assets in foreign currency	Liabilities in foreign currency	Net Exposure
	2021 €'000	2021 €'000	2021 €'000
Currency of exposure:			
USD	6,053	(6,501)	(448)
AUD	18	-	18
GBP	5,448	-	5,448
EUR	13,286	(421)	12,865
DKK	12	-	12
NOK	154	-	154

	€'000		
	Assets in foreign currency	Liabilities in foreign currency	Net Exposure
	2020 €'000	2020 €'000	2020 €'000
Currency of exposure:			
USD	-	(3)	(3)
GBP	3,742	(13)	3,729
EUR			

*Sensitivity Analysis – currency risk*

The sensitivity for currency risk illustrates how the assets and liabilities will fluctuate because of changes in exchange rates.

A 10% positive or negative movement in currencies is considered to be an appropriate benchmark for sensitivity purposes. An increase/ decrease of 10% in exchange rates, with all other variables held

**5. Management of insurance and financial risk – continued**

**5.2 Financial risk - continued**

**5.2.2 Currency risk – continued**

constant, would result in a positive/negative impact of €518k (2020: €373k) on the Company's post-tax results and on equity.

**5.2.3 Credit risk**

Credit risk is the risk of decreases in value when counterparties are not capable of fulfilling their obligations or when a change in their credit status takes place. Key areas where the Company is exposed to credit risk are:

- Investments and cash and cash equivalents
- Reinsurance receivables

The Investment Strategy of the Company considers the credit standing of the counterparty and control structures are in place to assess and monitor these risk thresholds.

The Company has in place credit appraisal policies and procedures for inward business and receivables from insurance transactions are monitored on an ongoing basis to restrict the Company's exposure to doubtful debts.

Reinsurers 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 has in place internal control structures to assess and monitor credit exposures and risk thresholds.

The Company's cash is placed with quality financial institutions, thereby reducing the concentration of counterparty credit risk to an acceptable level. There are no significant concentrations of credit risk within the Company apart from the internal quota share as described in Note 29.

	2021	2020
	€'000	€'000
Amounts due from R&Q Group companies, including accrued interest	-	619
Amounts due from related parties	178	-
Insurance and other receivables	6,002	32
Cash and cash equivalents	13,675	3,746
	19,855	4,397

**5. Management of insurance and financial risk – continued**

**5.2 Financial risk - continued**

**5.2.3 Credit risk - continued**

The carrying amounts disclosed above represent the maximum exposure to credit risk. These assets are analysed in the table below which includes the A.M. Best Credit Rating composite rating (or equivalent), when available. Unrated financial assets principally comprise insurance receivables for which no recognised rating is available.

<b>31 December 2021</b>					
	<b>A</b>	<b>A-</b>	<b>BBB</b>	<b>NR</b>	<b>Total</b>
	<b>€'000</b>	<b>€'000</b>	<b>€'000</b>	<b>€'000</b>	<b>€'000</b>
Amounts due from R&Q Group companies	-	-	-	-	-
Amounts due from related parties	<b>178</b>	-	-	-	<b>178</b>
Insurance and other receivables	<b>1,379</b>	-	<b>2,309</b>	<b>2,314</b>	<b>6,002</b>
Cash and cash equivalents	-	<b>13,675</b>	-	-	<b>13,675</b>

<b>31 December 2020</b>					
	<b>A</b>	<b>A-</b>	<b>BBB</b>	<b>NR</b>	<b>Total</b>
	<b>€'000</b>	<b>€'000</b>	<b>€'000</b>	<b>€'000</b>	<b>€'000</b>
Amounts due from R&Q Group companies	-	-	619	-	619
Insurance and other receivables	-	-	-	32	32
Cash and cash equivalents	3,746	-	-	-	3,746

**5.2.4 Liquidity risk**

The Company is exposed to daily calls on its available cash resources mainly from claims arising from insurance contracts. Liquidity risk is the risk that cash may not be available to pay obligations when due at a reasonable cost.

The Company continually monitors its cash and investments to ensure that the Company meets its liquidity requirements. The Company's asset allocation is designed to enable insurance liabilities to be met with current assets. All liabilities are non-interest bearing liabilities.

**5. Management of insurance and financial risk – continued**

**5.2 Financial risk - continued**

**5.2.4 Liquidity risk - continued**

The following table indicates the expected timing of cash flows arising from the Company's liabilities towards claims outstanding and related handling expenses:

	<b>Expected cash flows 31 December 2021</b>						<b>Total</b>
	<b>(undiscounted)</b>						
	<b>0-1 yr</b>	<b>1-2 yrs</b>	<b>2-3 yrs</b>	<b>3-4 yrs</b>	<b>4-5 yrs</b>	<b>&gt;5yrs</b>	
	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Technical provisions – claims outstanding	15	-	-	-	-	-	15
Reinsurance share of DAC	1,510	-	-	-	-	-	1,510
Trade and other payables	6,093	-	-	-	-	-	6,093

	<b>Expected cash flows 31 December 2020</b>						<b>Total</b>
	<b>(undiscounted)</b>						
	<b>0-1 yr</b>	<b>1-2 yrs</b>	<b>2-3 yrs</b>	<b>3-4 yrs</b>	<b>4-5 yrs</b>	<b>&gt;5yrs</b>	
	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Technical provisions – claims outstanding	15	-	-	-	-	-	15

**6. Net operating expenses**

	<b>2021</b>	<b>2020</b>
	€'000	€'000
Acquisition costs	<b>1,915</b>	-
Reinsurer's commissions	<b>(1,899)</b>	-
Deferred acquisition costs (note 15)	<b>(1,512)</b>	-
Deferred reinsurer's commissions (note 22)	<b>1,510</b>	-
Realised foreign exchange movements	<b>20</b>	-
Administrative Expenses	<b>1,079</b>	<b>348</b>
	<b>1,113</b>	<b>348</b>
<i>Allocated as follows:</i>		
Technical account	<b>34</b>	-
Non-Technical account	<b>1,079</b>	<b>348</b>
	<b>1,113</b>	<b>348</b>

**7. Investment return**

	2021 €'000	2020 €'000
<b>Investment income</b>		
Income from Financial Assets at fair value through Profit or Loss		
- Realised gains	19	102
- Interest income	-	1
- Unrealised Change in market value	(20)	29
Net exchange differences		-
	(1)	132
Other Investment Expenses	9	(9)
	9	(9)
<b>Total investment return</b>	8	123
<i>Allocated as follows:</i>		
Non-technical account	8	123

**8. General and administrative expenses**

	2021 €'000	2020 €'000
Professional fees	156	-
Employee benefit expenses (note 9)	156	-
Directors' remuneration	98	-
Other expenses	669	348
	1,079	348

Total remuneration payable to the Company's auditors and other network firms for the statutory audit of the Company's financial statements amounting to €16,000 and Solvency II audit amounting to €8,000 included in the non-technical account is equivalent to the amount accrued for (2020: €8,790) exclusive of VAT.

**9. Employee benefit expenses**

	2021 €'000	2020 €'000
Wages and salaries	103	-
Social security	5	-
Other staff costs	48	-
	156	-

**9. Employee benefit expenses - continued**

The average number of persons employed during the year was:

	2021 €'000	2020 €'000
Director	1	-
Managerial	2	-
Administrative	1	-
	<u>4</u>	<u>-</u>

**10. Income taxation**

	2021 €'000	2020 €'000
Adjustment in respect of prior period	-	1
Group relief	-	(8)
Deferred tax credit	<u>(299)</u>	<u>(104)</u>
Tax credit for the period	<u>(299)</u>	<u>(111)</u>

The Company's tax credit differs from its theoretical tax charge compiled at a rate of 35% as follows:

	2021 €'000	2020 €'000
Loss before taxation	(974)	(225)
Tax credit at 35%	(341)	(79)
<i>Adjusted for tax effect of:</i>		
Expenses not deductible for tax purposes	-	86
Non-taxable income	-	(44)
Other timing differences	42	(83)
Tax rate differential	-	8
Adjustment in respect of prior periods	-	1
	<u>(299)</u>	<u>(111)</u>

**11. Dividends**

During the year under review no dividends were declared (2020: Nil).

**12. Property, Plant and Equipment**

	<b>Computers</b>	<b>Total</b>
	<b>€ '000</b>	<b>€ '000</b>
<b>2020</b>		
<i>Gross book value</i>		
At 1 January / 31 December 2020	-	-
Accum depn.		
At 1 January / 31 December 2020	-	-
Net Book value at 31 December 2020	-	-
 <b>2021</b>		
<i>Gross book value</i>		
At 1 January 2021	-	-
Additions during the year	22	22
At 31 December 2021	22	22
Accum depn. at 1 January 2021		
	-	-
Depn. Charge for year	3	3
Accum depn. at 31 December 2021	3	3
Net Book value at 31 December 2021	19	19

**13. Financial assets at amortised cost**

The investments are summarised by measurement category in the table below.

Analysed by type of investment as follows:

	<b>2021</b>	<b>2020</b>
	<b>€'000</b>	<b>€'000</b>
Units in investment funds	-	640
Loans and receivables	-	-
Total investments	-	640

The movements for the period are summarised as follows:

	<b>2021</b>	<b>2020</b>
	<b>€'000</b>	<b>€'000</b>
Fair value balance at 16 March 2020		4,157
Fair value balance at 1 January 2021	640	
Proceeds on disposal	(639)	(3,435)
(Gain) on disposal	(19)	(102)
Fair value adjustment	20	20
Fair value balance December	-	640

All amounts held as financial assets classified at amortised cost are current in nature.

**13. Financial assets at amortised cost - continued**

**Determination of fair value and fair values hierarchy**

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities
- Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and
- Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data

Financial assets and liabilities measured using a valuation technique based on assumptions that are supported by prices from observable current market transactions are assets and liabilities for which pricing is obtained via pricing services, but where prices have not been determined in an active market, financial assets with fair values based on broker quotes, investments in private equity funds with fair values obtained via fund managers and assets that are valued using the Group's own models whereby the majority of assumptions are market observable.

Market observable inputs means that fair values are determined, in whole or in part, using a valuation technique (model) based on assumptions that are neither supported by prices from observable current market transactions in the same instrument, nor are they based on available market data. The main asset classes in this category are unlisted debt instruments. Valuation techniques are used to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date. However, the fair value measurement objective remains the same, that is, an exit price from the perspective of the Company. Therefore, unobservable inputs reflect the Company's own assumptions about the assumptions that market participants would use in pricing the asset or liability (including assumptions about risk). These inputs are developed based on the best information available, which might include the Company's own data.

**14. Insurance and other receivables**

	<b>2021</b>	<b>2020</b>
	<b>€'000</b>	<b>€'000</b>
Insurance receivables	<b>5,996</b>	32
Amounts due from entities with joint control (Note 29)	<b>178</b>	619
Prepayments and accrued income	<b>6</b>	-
	<b>6,180</b>	651

Amounts due from entities with joint control are unsecured, interest free and repayable on demand.

Insurance and other receivables are all classified as current assets. All insurance and other receivables are unsecured, interest free and repayable on demand. The carrying amount disclosed above approximates fair value at the end of the reporting date.

**14. Insurance and other receivables - continued**

The ageing analysis of the insurance receivables which were past due but not impaired as at year end is as follows:

	2021 €'000	2020 €'000
Within credit terms or not yet due	3,341	32
Not more than 3 months overdue	2,206	-
More than 3 months overdue	449	619
	<u>5,996</u>	<u>651</u>

**15. Deferred acquisition costs**

	2021 €'000	2020 €'000
Opening balance	-	-
Amount credited during the year	1,512	-
Closing balance	<u>1,512</u>	<u>-</u>

**16. Deferred tax asset**

	2021 €'000	2020 €'000
At beginning of reporting year/ period	104	-
Deferred tax asset recognised in profit and loss (Note 10)	299	104
Effect of FX translation	13	-
	<u>416</u>	<u>104</u>

Deferred income taxes are calculated on all temporary differences under the liability method using a principal tax rate of 35%.

The balance at 31 December is made up as follows:

	2021 €'000	2020 €'000
Temporary difference on accelerated depreciation	(1)	-
Temporary differences on unabsorbed allowances and tax losses	270	37
Temporary difference on provision for foreign exchange differences	147	75
Temporary difference on investments valuations	-	(8)
	<u>416</u>	<u>104</u>

**16. Deferred tax asset - continued**

The Company did not have unrecognised deferred income tax assets that could be carried forward against future taxable income as at 31 December 2021 and 2020 respectively.

**17. Share capital**

	<b>2021</b>	<b>€'000</b>
<b>Authorised share capital</b>		
4,000,000 Ordinary 'A' shares of € 5.00 each	<b>20,000</b>	
	<hr/>	<b>20,000</b>
<b>Issued fully paid up</b>		
2,221,000 Ordinary 'A' shares of € 5.00 each	<b>11,105</b>	
	<hr/>	<b>11,105</b>
		<hr/>
		<b>2020</b>
		<b>€'000</b>
<b>Authorised share capital</b>		
617,640 Ordinary 'A' shares of € 5.00 each	<b>3,088</b>	
122,360 Ordinary 'A' shares of € 5.00 each	<b>612</b>	
	<hr/>	<b>3,700</b>
<b>Issued fully paid up</b>		
617,640 Ordinary 'A' shares of € 5.00 each	<b>3,088</b>	
122,360 Ordinary 'A' shares of € 5.00 each	<b>612</b>	
	<hr/>	<b>3,700</b>
		<hr/>

Following the change in shareholding, on 25 June 2021 the Company's share capital increased by €7,405,000 in order to be able to maintain an adequate Solvency II ratio in line with the approval received from the MFSA.

**18. Other reserves**

	<b>2021</b>	<b>2020</b>
	<b>€</b>	<b>€</b>
<b>Functional currency exchange reserve</b>		
At beginning of year	-	-
Exchange differences resulting from translation to presentation during the year	<b>700</b>	-
	<hr/>	<hr/>
	<b>700</b>	-
	<hr/>	<hr/>

The movements during the year are accounted for in Other Comprehensive Income. Functional currency exchange reserve represents movements in the exchange of the reporting currency of those assets and liabilities held by cellular operations in the currency it operates in; the functional currency.

## 19. Capital Management Objectives

The Company's objectives when managing capital are:

- to comply with the insurance capital requirements required by the Maltese insurance regulator ("MFSA");
- to safeguard the Company's ability to continue as a going concern so that it can continue to provide returns for Shareholders and benefits for other Stakeholders;
- to maintain financial strength to support new business growth and,
- to provide an adequate return to Shareholders by pricing insurance contracts commensurately with the level of risk.

The Solvency II Directive (2009/138/EC) utilises a risk-based approach that ascertains the level of the required regulatory capital to be held on the basis of the risks that the Company is or can be exposed to. Solvency II sets out the approach to be undertaken in order to establish the amount of Solvency II own funds, namely by converting the Statement of Financial Position from an IFRS perspective to one where assets and liabilities are measured in line with their underlying economic value.

The Solvency II regulations are highly embedded in the Company's operations and regular monitoring of the Solvency Capital Requirement ('SCR') and the Minimum Capital Requirement ('MCR') is considered crucial. To this effect, a Capital Management Policy, outlining the main drivers of the SCR, was put in place to address the procedures and controls in this regard. In the case of any identified breaches with the SCR and MCR, the Directors have put in place a capital plan aimed at ensuring that the Company will restore its level of own funds to one which covers both the SCR and MCR.

Under Solvency II, the Company is required to hold regulatory capital for its general business in compliance with the Insurance Rules issued by the MFSA. The Company's Minimum Capital Requirement Absolute Floor stands at €3,700,000 as per paragraph 5.6.4 of Chapter 5 ('Valuation of Assets and Liabilities, Technical Provisions, Own Funds, SCR, MCR and Investment Rules') of Part B of the Insurance Rules.

At 31 December 2021, the Company's audited eligible own funds adequately covered the required SCR, resulting in a ratio of eligible own funds to SCR of 290% (2020: 312%).

The Company is sufficiently capitalised and was fully compliant with the regulatory capital requirements throughout the financial period under review. These regulatory capital requirements are stipulated by the MFSA and are in line with the Solvency II requirements.

## 20. Retained earnings

The retained earnings balance represents the amount available for dividend distribution to the ordinary shareholders except for any amount that is not distributable in terms of the solvency capital requirements which the Company is required to adhere to in terms of the Insurance Business Act (Cap. 403) and any amount that is not distributable under the Maltese Companies Act (Cap. 386), to the extent that it represents unrealised profits.

## 21. Insurance and other payables

	2021 €'000	2020 €'000
Amounts due to entities with joint control (Note 29)	810	-
Amounts due from parent company	4,860	-
Trade payables	105	-
Accruals and other payables	318	25
	6,093	25

Amounts due to subsidiaries are current by nature, have no fixed date of repayment, bear no security and are interest free.

## 22. Technical provisions

The Company was originally set up to participate as a direct insurer of the Dutch Aviation Pool (DAP). This pool has been in run off for some considerable time, so development triangles are not provided. Since the Company was purchased by the IGI Group, there has not been sufficient claims development to require the disclosure of development triangles.

	Period ended 31 December 2021		
	Gross €'000	Reinsurance €'000	Net €'000
Unearned Premiums	6,567	5,076	1,491
Outstanding Claims:			
- Notified claims	15	15	-
- Incurred but not reported (IBNR) / Incurred but not enough reported (IBNER)	815	647	168
<b>Total technical provisions</b>	<b>7,397</b>	<b>5,738</b>	<b>1,659</b>
a) Unearned premiums			
Balance at 1 January 2021	-	-	-
Premium written	8,336	6,660	1,676
Premium earned	1,769	1,584	185
<b>Balance at 31 December 2021</b>	<b>6,567</b>	<b>5,076</b>	<b>1,491</b>
b) Outstanding claims and IBNR			
Balance at 1 January 2021	15	-	15
Movement in liabilities -arising from current period claims	800	647	153
<b>Balance at 31 December 2021</b>	<b>815</b>	<b>647</b>	<b>168</b>

**22. Technical provisions - continued**

	Period ended 31 December 2020		
	Gross €'000	Reinsurance €'000	Net €'000
Unearned Premiums	-	-	-
Outstanding Claims:			
- Notified claims	-	-	-
- Incurred but not reported (IBNR) / Incurred but not enough reported (IBNER)	15	-	15
<b>Total technical provisions</b>	<b>15</b>	<b>-</b>	<b>15</b>
a) Unearned premiums			
Balance at 1 January 2020	-	-	-
Premium written	-	-	-
Premium earned	-	-	-
<b>Balance at 31 December 2020</b>	<b>-</b>	<b>-</b>	<b>-</b>
b) Outstanding claims and IBNR			
Balance at 1 January 2020	15	-	15
Claims settled during the period	-	-	-
Movement in liabilities			
-arising from prior period claims	-	-	-
-arising from current period claims	-	-	-
Currency Exchange	-	-	-
<b>Balance at 31 December 2020</b>	<b>15</b>	<b>-</b>	<b>15</b>

**23. Deferred reinsurance commission**

	2021 €'000	2020 €'000
At beginning of reporting year	-	-
Amount debited during the year (Note 6)	1,510	-
<b>At end of reporting year</b>	<b>1,510</b>	<b>-</b>

**24. Cash used in operations**

	2021 €'000	2020 €'000
<b>Loss before tax</b>	<b>(973)</b>	<b>(114)</b>
<i>Adjusted for:</i>		
Investment return	-	(123)
Depreciation	3	-
<i>Movements in:</i>		
Technical Provisions	7,382	-
Deferred reinsurance commission	1,510	-
RI share of technical provisions	(5,738)	-
Deferred acquisition costs	(1,512)	-
Insurance and other receivables	(5,529)	82
Insurance and other payables	6,068	(190)
Intercompany loans and receivables	-	(542)
Foreign Exchange differences	(12)	(22)
Cash used in operations	<b>1,199</b>	<b>(909)</b>

**25. Cash and cash equivalents**

Cash and cash equivalents included in the statement of cash flows comprise the following amounts in the statement of financial position:

	2021 €'000	2020 €'000
Cash at bank	<b>13,675</b>	3,746
At floating rates	<b>13,675</b>	3,746

The Company earns interest at regular market rates. The above balances are considered to be current in nature.

**26. Statutory information**

The Company is a European company and is incorporated in Malta. Until 25 June 2021, the ultimate parent company of the Company was Randall & Quilter Investments Holdings Ltd. Following the change in shareholding, the ultimate parent company of the Company is International General Insurance Holdings Ltd., a company registered in Bermuda with its registered address at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda. The Company's immediate parent company is International General Insurance Co. Ltd., a company registered in Bermuda with its registered address at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda.

**27. Commitments and contingencies**

There are no commitments or contingencies at the reporting date.

**28. Events after the reporting date**

There were no events or transactions which took place after the financial reporting date which would require disclosure or adjustment to the financial statements. The war in Ukraine and the various sanctions imposed on Russia are not expected to have any material impact on the performance and results of the Company.

**29. Related party activities**

The Company formed part of the R&Q Group until 25 June 2021. All companies forming part of the R&Q Group were related parties to the Company up to 25 June 2021 since these Companies were all ultimately under common control.

After 25 June 2021, the Company formed part of the IGI Group. All companies which form part of the IGI Group are related parties to the Company from 25 June 2021 up till the reporting date since these Companies are all ultimately under common control.

There were no transactions between the Company and its Directors and Officers during the year ended 31 December 2021 (2020: Nil) which require disclosure.

Key management personnel of the Company includes all directors, both executive and non-executive. Their compensation is disclosed in Note 9 above.

***Other related party transactions***

The Company benefits from an internal 75% quota share with International General Insurance Company Limited net of external reinsurance, subject to a 10% overriding commission. The premiums, claims and expenses which have been reinsured with International General Insurance Company Limited under these reinsurance arrangements are:

	2021 €'000	2020 €'000
Premiums earned	1,010	-
Claims incurred	510	-
Commissions earned	339	-
	161	-

The balances in the Statement of Financial Position relating to this arrangement are:

	2021 €'000	2020 €'000
Reinsurer's share of technical provisions	4,980	-
Unearned commissions	(1,382)	-
Related party payables	(3,854)	-
	(256)	-

As part of a Group cost reallocation process, the Company was charged net expenses of €224k by IGI Underwriting Company Limited, a fellow subsidiary, in respect of the salary and other expenses for the secondment of an insurance underwriter.

**29. Related party activities - continued**

The balances due to or from these companies and other related parties at the Statement of Financial Position date are as follows:

	2021 €'000	2020 €'000
<b><i>Amounts owed by entities with joint interest:</i></b>		
International General Insurance Company Ltd	178	-
R&Q Group	-	619
	178	619
<b><i>Amounts owed to parent companies:</i></b>		
International General Insurance Company Ltd	4,860	-
<b><i>Amounts owed to entities with joint interest:</i></b>		
IGI Underwriting Company Ltd	535	-
International General Insurance Company (UK) Ltd	275	-
	5,670	-

**30. Rates of exchange**

The USD/EUR rates of exchange applied in these accounts are:

	2021
At 31 December	1.1326
Average for the year	1.1610

## INDEPENDENT AUDITOR'S REPORT

To the Shareholders of International General Insurance Company (Europe) SE

### Report on the Audit of the Financial Statements

#### Opinion

We have audited the financial statements of International General Insurance Company (Europe) SE (formerly known as R&Q Epsilon Insurance Company SE (the "Company"), set out on pages 8 to 44, which comprise the statement of financial position as at 31 December 2021, and the statement of profit and loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2021, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU and have been prepared in accordance with the requirements of the Companies Act, 1995 (Cap. 386, Laws of Malta) (the "Act") and the Insurance Business Act, 1998 (Cap. 403, Laws of Malta) (the "Insurance Business Act").

#### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in accordance with the Accountancy Profession (Code of Ethics for Warrant Holders) Directive issued in terms of the Accountancy Profession Act (Cap. 281) in Malta, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. For planning, we consider materiality to be the magnitude by which misstatements, including omissions, either individually or in aggregate, could reasonably be expected to influence the economic decisions of users that are taken on the basis of the financial statements. Importantly, misstatements below this level will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements. The application of these key considerations gives rise to the following level of materiality, the quantum and purpose of which is tabulated below.

Materiality Measure	How we determined it	Overall Materiality €
Financial statement materiality	Being 3% of equity as at 31 December 2021	375,000



## INDEPENDENT AUDITOR'S REPORT

To the Shareholders of International General Insurance Company (Europe) SE

### Our application of materiality – continued

We agreed with those charged with governance that we would report to the Board of Directors all audit differences in excess of €18,000 as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We reassessed materiality at the end of the audit and did not find it necessary to revise our planning materiality.

As part of designing our audit, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud. We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the Company, the accounting processes and controls, and the industry in which the Company operates.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Area	Reason	Audit Response
<p><b>Valuation and accuracy of claims outstanding and claims incurred but not reported (IBNR) and Incurred But Not Enough Reported (IBNER) provisions</b></p> <p><i>Refer to Notes 3.7 and 22 to the Company's financial statements for disclosures of related</i></p>	<p>The Company's gross insurance contract (including unearned premium reserves, notified claims and IBNR/IBNER provisions) as at 31 December 2021 is €7.4m.</p> <p>The methodologies and assumptions utilised to develop insurance technical provisions involve a significant degree of judgement. The liabilities are based on the estimated ultimate cost of all claims incurred but not settled at a given date, whether reported or not. In addition, classes of business where there is a greater length of time between initial claim event and settlement also tend to display</p>	<p>To address this risk, we have:</p> <ul style="list-style-type: none"> <li>▪ Evaluated the governance around the overall company's reserving process, including scrutiny by the Board.</li> <li>▪ Carried out performance of tests of detail to assess the completeness and integrity of the data used for the purpose of determining the future insurance liabilities.</li> <li>▪ Involved our own actuarial specialists who reviewed and challenged the methodology, models and assumptions used in arriving at the reserves for claims outstanding and IBNR/IBNER.</li> <li>▪ Recalculated the unearned premium reserve.</li> </ul>



## INDEPENDENT AUDITOR'S REPORT

To the Shareholders of International General Insurance Company (Europe) SE

<p><i>accounting policies and balances</i></p>	<p>greater variability between initial estimates and final settlements. A range of methods may be used to determine these provisions.</p> <p>We focused on this area as the underlying methods include a number of explicit and implicit assumptions relating to the expected settlement amounts and settlement patterns of claims and are subject to complex calculations including application of management's judgement which can give rise to materially different values.</p>	<p>Based on the procedures we performed, we observed that the value of the insurance gross technical provisions was reasonable and appropriate.</p>
<p><b>Recognition of Gross Written Premium</b></p> <p><i>Refer to Notes 3.7, 3.10 and 5.1 to the Company's financial statements for disclosures of related accounting policies and balances</i></p>	<p>The gross written premium generated during the year amounted to €8.3m.</p> <p>In accordance with IFRS, the income arising from these insurance contracts should only be recognised as income within the income statement when the performance conditions associated with it have been met.</p> <p>There is a risk that premium information recorded in the financial statements is incomplete or inaccurate. We focused on this area due to the business arrangement and the magnitude of business being written by coverholders.</p>	<p>We have:</p> <ul style="list-style-type: none"> <li>▪ Obtained an understanding and evaluating the design and implementation of controls that the Company has established in relation to the recognition of the gross written premium.</li> <li>▪ Read the underlying program agreements supporting the bordereaux.</li> <li>▪ Tested on a sample basis whether amounts recognised were accurate and recorded in the correct accounting period based on policy documentation and bordereaux schedules, reflecting the policies written, the document duty and levies, the commission and acquisition costs for the period.</li> <li>▪ Tested, on a sample basis, the cut off periods from the bordereaux.</li> <li>▪ Recalculated the unearned portion of revenue by selecting a sample of managing cover-holders written premium.</li> </ul> <p>Based on the procedures we performed, we observed that the recognition of insurance</p>



## INDEPENDENT AUDITOR'S REPORT

To the Shareholders of International General Insurance Company (Europe) SE

---

income was reasonable and appropriate based on the requirements of IFRS and the nature of the underlying agreements.

### Other Information

The Directors are responsible for the other information. The other information comprises the Directors' report. Our opinion on the financial statements does not cover this information.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

With respect to the Directors' Report, we also considered whether the Directors' Report includes the disclosures required by Article 177 of the Maltese Companies Act (Cap. 386). Based on the work we have performed, 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; and
- the Directors' report has been prepared in accordance with the Maltese Companies Act (Cap.386).

In addition, in light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we are required to report if we have identified material misstatements in the Directors' report. We have nothing to report in this regard.

### Responsibilities of the Directors and Those Charged with Governance

The Directors are responsible for the preparation of the financial statements that (i) give a true and fair view in accordance with IFRS as adopted by the EU, (ii) are properly prepared in accordance with the provisions of the Act and the Insurance Business Act, and (iii) for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or has no realistic alternative but to do so. Those charged with governance are responsible for overseeing the Company's financial reporting process.



## INDEPENDENT AUDITOR'S REPORT

To the Shareholders of International General Insurance Company (Europe) SE

---

### Auditor's Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern. In particular, it is difficult to evaluate all of the potential implications that COVID-19 will have on the company business and the overall economy.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.



## INDEPENDENT AUDITOR'S REPORT

To the Shareholders of International General Insurance Company (Europe) SE

---

### Auditor's Responsibilities for the Audit of the Financial Statements - continued

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

### Report on Other Legal and Regulatory Requirements

#### *Matters on which we are required to report by the Act, specific to public interest entities*

Pursuant to article 179B (1) of the Act, we report under matters not already reported upon in our 'Report on the Audit of the Financial Statements':

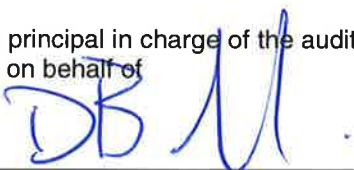
- we were first appointed to act as statutory auditor by the board of Directors on 25<sup>th</sup> November 2020 for the financial year ended 31 December 2020. Our appointment has been renewed annually by shareholder resolution representing a total uninterrupted engagement of 2 years. The Company became licensed as an insurance undertaking in terms of the Malta Insurance Business Act (Cap. 403) on 13<sup>th</sup> July 2021;
- our opinion on our audit of the financial statements is consistent with the additional report to the those charged with governance required to be issued by the Audit Regulation (as referred to in the Act); and
- we have not provided any of the prohibited services as set out in the Accountancy Profession Act (Cap. 281).

#### *Matters on which we are required to report by exception under the Companies Act*

Pursuant to articles 179(10) and 179(11) of the Maltese Companies Act (Cap. 386) Act, we have nothing to report to you with respect to the following matters:

- proper accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records; or
- we have not obtained all the information and explanations which, to the best of our knowledge and belief, we require for the purpose of our audit.

The principal in charge of the audit resulting in this independent auditor's report is Ms. Donna Greaves for and on behalf of



---

PKF Assurance (Malta) Limited  
Registered Auditors

15, Level 3, Mannarino Road, Birkirkara BKR 9080, Malta

4<sup>th</sup> April 2022

PKF Assurance (Malta) Limited ■ 15 ■ Level 3 ■ Mannarino Road ■ Birkirkara BKR 9080 ■ Malta  
Tel: +356 2148 4373 • +356 2149 3041 • Fax: +356 2148 4375 • Email: info@pkfmalta.com ■ Web: www.pkfmalta.com  
Accountancy Board Reg. No. AB/2/15/07 ■ Company Reg. No. C70069 • VAT No. MT23332001

50

