W-Safe Reinsurance Limited

Financial Statements
December 31, 2022
(Expressed in United States dollars)

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INDEPENDENT AUDITOR'S REPORT

To the Shareholder of
W-Safe Reinsurance Limited

Qualified Opinion

We have audited the financial statements of **W-Safe Reinsurance Limited** (the "Company") which comprise the statement of financial position as at December 31, 2022, and the statement of comprehensive income, statement of changes in shareholder's equity and statement of cash flows for the period from the date of incorporation on February 11, 2022 to December 31, 2022, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying financial statements presently fairly, in all material respects, the financial position of the Company as at December 31, 2022, and its financial performance and its cash flows for the period from the date of incorporation on February 11, 2022 to December 31, 2022 in accordance with International Financial Reporting Standards.

Basis for Qualified Opinion

The Company has reinsurance premium receivables with a carrying value of $4,610,300 at December 31, 2022. Included in this amount are gross reinsurance premium receivables of $831,188, which relate to policies that have expired post year end and have not been collected as of the date of this report. Management has only recorded an impairment provision of $222,740 in relation to these receivables. Management has not provided sufficient appropriate audit evidence to support the net realisable value of the remaining related reinsurance premium receivables of $608,448. Consequently, we were unable to determine whether any adjustment to this amount was necessary in the financial statements.

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 the Eastern Caribbean, 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 qualified opinion.

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism 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 management.

- Conclude on the appropriateness of management's 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.

- 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 those charged with governance 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.

Grant Thornton

Chartered Accountants
December 29, 2023
Basseterre, St. Kitts

W-Safe Reinsurance Limited

Statement of Financial Position

As at December 31, 2022

(Expressed in United States dollars)

	Notes	2022 $
Assets		
Current assets		
Cash	**8**	**592,514**
Receivables	**9**	**4,623,528**
Investment	**10**	**9,338,455**
Other current assets	**11**	**1,691,647**
		16,246,144
Non-current assets		
Due from a related party	**12**	**250,000**
Furniture and fittings		**6,064**
		256,064
Total assets		**16,502,208**
Liabilities		
Current liabilities		
Trade and other payables and accruals	**13**	**576,696**
Reinsurance contract liabilities	**14**	**7,291,505**
		7,868,201
Shareholder’s equity		
Share capital	**15**	**9,575,000**
Accumulated deficit		**(940,993)**
Total equity		**8,634,007**
Total liabilities and equity		**16,502,208**

The accompanying notes are an integral part of these financial statements.

Approved by the Board of Directors on December 29, 2023.

Director

Director

W-Safe Reinsurance Limited

Statement of Comprehensive Income

For the period from the date of incorporation on February 11, 2022 to December 31, 2022

(Expressed in United States dollars)

	Notes	2022 $
Premiums written		**10,015,435**
Change in unearned premiums		**(5,546,853)**
Earned premiums	**17**	**4,468,582**
Premiums ceded to reinsurer		**(142,008)**
Gross underwriting income		**4,326,574**
Other income		**6,616**
Expenses		
Claims expenses	**18**	**(1,940,277)**
Net acquisition costs		**(1,253,920)**
General and administrative expenses	**19**	**(2,183,803)**
		(5,378,000)
Net underwriting loss		**(1,044,810)**
Finance income/(costs)		
Interest on investment		**118,750**
Finance costs		**(14,933)**
Net finance income		**103,817**
Net loss, being total comprehensive loss for the period		**(940,993)**

The accompanying notes are an integral part of these financial statements.

W-Safe Reinsurance Limited

Statement of Changes in Shareholder's Equity

For the period from the date of incorporation on February 11, 2022 to December 31, 2022

(expressed in United States dollars)

	Note	Share capital $	Accumulated deficit $	Total $
Balance as at February 11, 2022		**–**	**–**	**–**
Transactions with owner				
Issuance of share capital	**15**	9,575,000	–	9,575,000
Comprehensive loss				
Net loss for the period		–	(940,993)	(940,993)
Balance as at December 31, 2022		**9,575,000**	**(940,993)**	**8,634,007**

The accompanying notes are an integral part of these financial statements.

W-Safe Reinsurance Limited

Statement of Cash Flows

For the period from the date of incorporation on February 11, 2022 to December 31, 2022

(expressed in United States dollars)

	Notes	2022 $
Cash flows from operating activities		
Net loss for the period		**(940,993)**
Changes in non-cash working capital:		
Allowance for doubtful accounts	**19**	**222,740**
Finance costs		**14,933**
Depreciation		**602**
Interest on investment	**10**	**(118,750)**
Operating income before working capital changes		**821,468**
Decrease/(increase) in assets:		
Receivables		**(4,846,268)**
Other current assets		**(1,691,647)**
(Decrease)/increase in liabilities:		
Trade and other payables and accruals		**576,696**
Reinsurance contract liabilities		**7,291,505**
Net cash from operating activities		**508,818**
Cash flows from investing activities		
Redemption of investment		**280,295**
Purchase of furniture and fittings		**(6,666)**
Increase in due from a related party	**12**	**(250,000)**
Purchase of investment	**10**	**(9,500,000)**
Net cash from investing activities		**(9,476,371)**
Cash flows from financing activities		
Issuance of share capital	**15**	**9,575,000**
Finance costs paid		**(14,933)**
Net cash from financing activities		**9,560,067**
Increase in cash		**592,514**
Cash beginning of period		**–**
Cash end of period		**592,514**

The accompanying notes are an integral part of these financial statements.

(Expressed in United States dollars)

1 Nature of operations

W-Safe Reinsurance Limited ("the Company") was incorporated on February 11, 2022 with License Number I-53363. The Company is duly registered to carry on Insurance Business in the class of Reinsurance from within the Island of Nevis in accordance with the provision of Section 10 of the Nevis International Insurance Ordinance. Financial Services Regulatory Commission (FSRC) is the regulatory authority.

2 General information and statement of compliance with International Financial Reporting Standards (IFRS)

The registered office of the Company is at Charlestown, Nevis having its operations across Asia and Africa. Pride Global Holdings Pte Ltd, Singapore is holding 100% shares in W-Safe Reinsurance Limited and Mr. Ashishkumar Bhatt is the ultimate beneficial owner of the company.

The financial statements have been prepared in accordance with and are in compliance with (IFRS) as issued by the International Accounting Standards Board (IASB) and interpretations of the International Financial Reporting Interpretations Committee (IFRIC), and in accordance with the going concern assumption.

3 Changes in accounting policies

3.1 New and revised standards that are effective for annual periods beginning on or after January 1, 2022

As this is the first year of operations for the Company, there were no new IFRS or IFRIC interpretations which have been adopted and were effective for annual periods beginning on or after January 1, 2022 which would impact the accounting policies in effect.

3.2 Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the Company

At the date of authorisation of these financial statements, certain new standards, and amendments to existing standards have been published by the IASB that are not yet effective and have not been adopted early by the Company. Information on those expected to be relevant to the Company's financial statements is provided below.

Management anticipates that all of the relevant pronouncements will be adopted in the Company's accounting policies for the first period beginning after the effective date of the pronouncement. New standards, interpretations and amendments not either adopted or listed below are not expected to have a material impact on the Company's financial statements.

(Expressed in United States dollars)

3 Changes in accounting policies *...continued*

3.2 Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the Company *...continued*

IFRS 17 Insurance Contracts

The IASB has recently published IFRS 17 'Insurance Contracts'. The new Standard replaces IFRS 4 which was published in 2004. This standard is effective as of January 1, 2023. IFRS 17 requires all insurance contracts to be accounted for in a consistent manner, benefiting both investors and insurance companies. Insurance obligations will be accounted for using current values instead of historical cost, ending the practice of using data from when a policy was taken out. The Standard introduces insurance contract measurement principles requiring:

- current, explicit and unbiased estimates of future cash flows;
- discount rates that reflect the characteristics of the contracts' cash flows; and
- explicit adjustment for non-financial risk.

Day one profits should be deferred as a contractual service margin and allocated systematically to profit or loss as entities provide coverage and are released from risk. Revenue is no longer equal to written premiums but to the change in the contract liability covered by consideration. A separate measurement model applies to reinsurance contracts held. Modifications are allowed for qualifying short-term contracts and participating contracts. Increased disclosure requirements also apply.

IFRS 17 is effective for reporting periods beginning on or after January 1, 2023 but may be applied earlier. The Company's management have yet to fully assess the impact of IFRS 17 on these financial statements, and is not yet in a position to provide quantified information.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Company.

3.3 New standards, amendments and interpretations to existing standards that are in effect but have not been adopted

IFRS 9 'Financial instruments'

The new standard for financial instruments introduces extensive changes to IAS 39's guidance on the classification and measurement of financial assets and introduces a new 'expected credit loss' model for the impairment of financial assets. IFRS 9 also provides new guidance on the application of hedge accounting.

At this stage the main areas of expected impact are as follows:

- the classification and measurement of the Company's financial assets will need to be reviewed based on the new criteria that considers the assets' contractual cash flows and the business model in which they are managed; and
- an expected credit loss-based impairment will need to be recognised on the Company's financial assets classified as loans and receivables.

(Expressed in United States dollars)

3 Changes in accounting policies *…continued*

3.3 New standards, amendments and interpretations to existing standards that are in effect but have not been adopted *…continued*

IFRS 9 ‘Financial instruments’ *…continued*

The new standard is required to be applied for annual reporting periods beginning on or after January 1, 2018. However, the Company elected to use the temporary exemption from applying IFRS 9 until the application of the new standard for insurance contracts, IFRS 17.

Amendments to IFRS 4 – Applying IFRS 9 ‘Financial Instruments’ with IFRS 4 ‘Insurance Contracts’

In September 2018, the IASB published ‘Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts’ which makes narrow scope amendments to IFRS 4 ‘Insurance Contracts’. The IASB issued the amendments to address the temporary accounting consequences of the different effective dates of IFRS 9 ‘Financial Instruments’ and the anticipated new insurance contracts Standard, IFRS 17. IFRS 17 has an effective date of January 1, 2023. Therefore, its mandatory effective date will be after the 2018 effective date of IFRS 9. Considerable concerns were raised over the practical challenges of insurance companies implementing both new standards on different dates as a result of the significant accounting changes. Further concerns were raised over the potential for increased volatility in profit or loss if IFRS 9’s new requirements for financial instruments come into force before the new insurance accounting rules. To address these concerns while still fulfilling the needs of users of financial statements, the IASB has responded by amending IFRS 4 and introducing the following alternatives:

- an overlay approach – an option for all entities that issue insurance contracts to adjust profit or loss for eligible financial assets by removing any additional accounting volatility that may arise as a result of IFRS 9; and
- a temporary exemption – an optional temporary exemption from applying IFRS 9 for entities whose activities are predominantly connected with insurance. These entities will be permitted to continue to apply the existing financial instrument requirements of IAS 39 until the application of IFRS 17 on January 1, 2023.

The amendments are effective as follows:

- the overlay approach is applied when entities first apply IFRS 9 from its effective date of January 1, 2018; and
- a temporary exemption from IFRS 9 is applied for accounting periods on or after January 1, 2018.

The Company elected to use the temporary exemption from IFRS 9 on its effective date.

(Expressed in United States dollars)

4 Summary of significant accounting policies

4.1 Overall considerations

The financial statements have been prepared using the significant accounting policies and measurement bases summarised below.

4.2 Foreign currency translation

Functional and presentation currency

The financial statements are presented in United States Dollars, which is also the functional currency of the Company.

Foreign currency transactions and balances

Foreign currency transactions are translated into United States Dollars using the rates of exchange prevailing at the dates of the transactions (spot exchange rate). Foreign exchange gains and losses resulting from the settlement of such transactions and from the re-measurement of monetary items denominated in foreign currency at year-end exchange rates are recognised in the statement of comprehensive income.

Non-monetary items are not retranslated at year-end and are measured at historical cost (translated using the exchange rates at the transaction date).

4.3 Cash

Cash comprise deposit held at bank or other restricted deposit held in escrow, which are subject to an insignificant risk of changes in value.

4.4 Financial instruments

Recognition, initial measurement and derecognition

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the financial instrument and are measured initially at fair value adjusted for transaction costs. Subsequent measurement of financial assets and financial liabilities is described below. Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expired.

Classification and subsequent measurement of financial assets

For the purpose of subsequent measurement, the Company classifies its financial assets as loans and receivables. The classification is determined by management at initial recognition and depends on the purpose for which the assets were acquired.

(Expressed in United States dollars)

4 Summary of significant accounting policies *…continued*

4.4 Financial instruments *…continued*

Classification and subsequent measurement of financial assets *…continued*

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, these are measured at amortised cost using the effective interest method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial. The Company's cash, receivables, due from a related party and investment fall into this category of financial instruments.

Individually significant loans and receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default. Receivables that are not considered to be individually impaired are reviewed for impairment in groups, which are determined by reference to the industry and region of the counterparty and other shared credit risk characteristics. The impairment loss estimate is then based on recent historical counterparty default rates for each identified group.

Impairment of financial instruments

If there is objective evidence that the insurance receivable is impaired, the Company reduces the carrying amount of the insurance receivable accordingly and recognises that impairment loss in the statement of 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 also calculated under the same method used for these financial assets.

Financial liabilities

Financial liabilities are initially measured at fair value, net of transaction costs. They are subsequently measured at amortised cost using the effective interest rate method. Financial liabilities include reinsurance contract liabilities, and trade and other payables and accruals.

Financial liabilities are derecognised when they are extinguished – that is, when the obligation is discharged, cancelled or expired.

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognised amounts and there is intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

4.5 Revenue recognition

Revenue arises from the rendering of reinsurance services. Revenues are recognised when: the amount of revenue can be reliably measured; it is probable that future economic benefits will flow to the entity; and specific criteria have been met for the Company's activities. It is measured at the fair value of consideration received or receivable.

(Expressed in United States dollars)

4 Summary of significant accounting policies *…continued*

4.5 Revenue recognition *…continued*

Rendering of reinsurance services

Reinsurance premiums written are accounted for in the year in which the risks are assumed. The unearned portions of premiums relating to the period of risk extending beyond the end of the financial year are deferred to subsequent accounting periods. As long as the policy remains in force, the policy premium (revenue) is recognised over the term of the policy using the daily pro-rata method.

Interest income

Interest income is recognised in the statement of comprehensive income for all interest bearing instruments on an accrual basis using the effective interest method.

4.6 Equity, reserves and dividend distributions

Share capital represents the proceeds of shares that have been issued.

Accumulated deficit includes all current retained losses.

4.7 Income taxes

The Company is not subjected to income taxes due to the provisions outlined in the Nevis International Insurance Ordinance Part V – Taxation and Exemptions, Subsection 45. Accordingly, no provision has been made for income taxes in these financial statements.

4.8 Insurance contracts

Classification

The Company issues contracts that transfer insurance risk. Insurance contracts are those contracts that transfer significant insurance risk, where the company (the insurer) has accepted significant insurance risk from another party (policy holders), by agreeing to compensate the policy holders if a specified uncertain future event (the insured event) adversely affects the policy holders. Such contracts may also transfer financial risk. As a general guideline, the Company determines whether it has significant insurance risk by comparing benefits that would be payable if the insured event did or did not occur.

Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during this period, unless all rights and obligations are extinguished or expire.

Recognition and measurement

Insurance contracts issued are classified as short-term insurance contracts. The reinsurance risks assumed by the Company are for the insured’s casualty and property insurance contracts, which are generally one-year renewable contracts.

Casualty insurance contracts protect the insured’s customers against the risk of causing harm to third parties as a result of their legitimate activities. Damages covered include both contractual and non-contractual events. The typical protection offered is designed for employers who become legally liable to pay compensation to injured employees (employers’ liability) and for individual and business customers who become liable to pay compensation to a third party for bodily harm or property damage (public liability).

(Expressed in United States dollars)

4 Summary of significant accounting policies *…continued*

4.8 Insurance contracts *…continued*

Recognition and measurement *…continued*

Property insurance contracts mainly compensate the insured's customers for damage suffered to their properties or for the value of property lost. Customers who undertake commercial activities on their premises could also receive compensation for the loss of earnings caused by the inability to use the insured properties in their business activities (business interruption cover).

For all these contracts, premiums are recognised as revenue (earned premiums) proportionally over the period of coverage. The portion of premium received on in-force contracts that relates to unexpired risks at the reporting date is reported as the unearned premium liability.

Claims and loss adjustment expenses are charged to income as incurred based on the estimated liability for compensation owed to the reinsurance agreement holders. They include indirect claims settlement costs and arise from events that have occurred up to the balance sheet date even if they have not yet been reported to the Company. 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 analyses for the claims incurred but not reported.

These are used to estimate the expected ultimate cost of more complex claims that may be affected by external factors (such as court decisions).

Reinsurance paid for ceding insurance risk

In the normal course of business, the Company seeks to reduce the loss that may arise from severe events that may cause unfavourable underwriting results by reinsuring its risks. The Company entered into a written agreement with a reinsurer, under which the Company is compensated for losses on insurance contracts issued by the Company.

Reinsurance liabilities are primarily premiums payable for reinsurance contracts and are recognised as an expense when due. Reinsurance paid is accounted for on a basis consistent with the accounting for the underlying policies issued and the terms of the reinsurance agreement. The reinsurance premiums incurred are expensed over the period of risk of the underlying contracts.

Liability adequacy test

At each reporting date, liability adequacy tests are performed to ensure the adequacy of the contract liabilities by an independent actuary. In performing these tests, current best estimates of future contractual cash flows and claims handling expenses are used. Any deficiency is immediately charged to the statement of comprehensive income by establishing a provision for losses arising from liability adequacy tests (the unexpired risk provision).

Receivables and payables related to insurance contracts

Receivables and payables are recognised when due. These include amounts due to and from the reinsurer and insurance contract holders. Funds withheld on assumed reinsurance are receivables from the Company's cedants for cash deposits that have been retained under the terms of reinsurance agreements which are accounted for at face value.

(Expressed in United States dollars)

4 Summary of significant accounting policies *…continued*

4.8 Insurance contracts *…continued*

Receivables and payables related to insurance contracts *…continued*

If there is objective evidence that the insurance receivable is impaired, the Company reduces the carrying amount of the insurance receivable accordingly and recognises that impairment loss in the statement of 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 also calculated under the same method used for these financial assets.

The Company had an amount of $ 831,188 receivable from policies that have expired. As on 31st December 2022 the Company had created provision for $ 222,740 (i.e. 25% of the said receivable) against said receivables by charging it to the statement of profit and loss. Company believes in recovering the entire amount of $ 831,188. Still, for contingency purpose, the company has provided 25% as provision to doubtful debts.

4.9 General and administrative expenses

Operating expenses are recognised in the statement of comprehensive income upon utilisation of the service or at the date of their origin.

4.10 Provisions, contingent assets and contingent liabilities

Provisions for legal disputes, onerous contracts or other claims are recognised when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic resources will be required from the Company and amounts can be estimated reliably. Timing or amount of the outflow may still be uncertain. Provisions are not recognised for future operating losses.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. Provisions are discounted to their present values, where the time value of money is material.

Any reimbursement that the Company can be virtually certain to collect from a third party with respect to the obligation is recognised as a separate asset. However, this asset may not exceed the amount of the related provision. No liability is recognised if an outflow of economic resources as a result of present obligations is not probable. Such situations are disclosed as contingent liabilities unless the likelihood of an outflow of resources is remote.

5 Management of insurance and financial risks

The Company's activities of issuing insurance contracts expose it to a variety of insurance and financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk, liquidity risk, casualty insurance risk and property insurance risk.

Risk management is carried out by management under policies approved by the Board of Directors. The Board identifies and evaluates insurance and financial risks. The Company has not changed the processes used to manage its risks from the previous financial year.

(Expressed in United States dollars)

5 Management of insurance and financial risks *…continued*

(a) Governance framework
Professional and effective risk management is essential to maintaining a favourable financial performance for all insurance companies.

(b) Regulatory framework
The Company is regulated by the Financial Services Regulatory Commission (FSRC) which regulates, supervises and inspects all insurance companies, insurance managers, and other intermediaries operating within Nevis to ensure compliance with the provisions established in the Nevis International Insurance Regulations.

5.1 Insurance risk

The principal risk the Company faces under insurance contracts is that the actual claims and benefit payments or the timing thereof, differ from expectations. Therefore, the objective of the Company is to ensure that sufficient reserves are available to cover these liabilities.

In 2022, the property and casualty lines of insurance assumed by the Company included the following:

1) General and Product Liability;
2) Professional Liability;
3) Other Liability; and,
4) All Other Lines.

The Company attempts to limit its exposure to potential loss on an insurance policy, by ceding certain levels of risk to a reinsurer. The Company selects reinsurers that have a well-established capability to meet their contractual obligations. The Company's reinsurers are:

1) Nouvelle Compagnie Africaine de Reassurance;
2) Emeritusre;
3) Grand Reinsurance Co. (Grand Re); and
4) Societe Commerciale Gabonaise de Reassurance (SCG-Re).

The principal risk that the Company faces under its insurance contracts is that the actual claims and benefits payments exceed the carrying amount of the insurance liabilities. This could occur because of the frequency or severity of claims and if benefits payments are greater than estimated. Insurance events are random and the actual number and amount of claims and benefits will vary from year to year from the estimate.

Factors that aggravate insurance risk include lack of risk diversification in terms of type and amount of risk, geographical location and type of industry covered. All of the Company's insurance risk is located within the United States of America.

Sources of uncertainty in the estimation of future claim payments

Claims on the reinsurance contracts issued by the Company are payable on a claims-made basis. The Company is liable for all insured events that were reported during the term of the contract, even if the loss is unpaid at the end of the contract. The provision for outstanding claims is subject to the risk that actual claims settlement may be less than or exceed the amount reserved. Particular attention is given to those situations where the funds dedicated to future claims payments may be inadequate. The estimated costs of claims include direct expenses to be incurred in settling claims. The Company takes all reasonable steps to

(Expressed in United States dollars)

5 Management of insurance and financial risks *…continued*

5.1 Insurance risk *…continued*

Sources of uncertainty in the estimation of future claim payments

ensure that it has appropriate information regarding its claims exposures. However, given the uncertainty in establishing claims provisions, it is likely that the final outcome will prove to be different from the original liability established. The liability for these contracts comprises a provision for incurred but not reported (IBNR) and a provision for reported claims not yet paid (outstanding claims) at the reporting date. The Company engages an actuary to ensure that its loss reserves for claims incurred but not reported are adequate. The actuary uses a range of well-established actuarial methods for this purpose and determines the minimum required provision using the expected loss ratio method which calculates the IBNR based on net earned premiums for health and non-life business at loss rates which are determined giving regard to actual claims and regional statistics (40% and 46%, respectively).

Claims development

The Company employs loss (claims) development tables as a means of measuring actual claims compared with previous estimates. Claims are typically resolved within one year and are assessed on a case-by-case basis. There was several claims reported for the period from incorporation date to December 31, 2022.

All lines combined as of December 31, 2022

Reported No. of Claims #	Open No. of claims #	Cumulative paid losses $	Case reserves $	Reported incurred losses $	IBNR $	Ultimate losses $
24	17	82,749	606,795	689,544	1,176,727	1,866,271
24	**17**	**82,749**	**606,795**	**689,544**	**1,176,727**	**1,866,271**

The Company also recognised a provision for unallocated loss adjustment expenses at a rate of 5% of the claims reserves and 2.5% of the IBNR (see note 14).

5.2 Financial risk

The Company is exposed to a range of financial risks through its financial assets and financial liabilities. In particular, the key financial risk is that in the long-term its premium receipts are not sufficient to fund the obligations arising from its insurance contracts. The most important components of this financial risk are credit risk, interest rate risk and foreign currency risk.

These risks arise from open positions in interest rate and currency, all of which are exposed to general and specific market movements.

The principal technique of the Company is to match assets to the liabilities arising from insurance contracts by reference to the type and timing of benefits payable to contract holders. The Company has not changed the processes used to manage its risks from previous periods.

(Expressed in United States dollars)

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

5.2 Financial risk *...continued*

1. Credit risk

Credit risk represents the accounting loss that would be recognised at the reporting date if financial instrument counter-parties failed to perform as contracted. Financial assets which potentially expose the Company to credit risk are cash and funds withheld. The extent of the Company's exposure to credit risk in respect of these financial assets approximates their carrying values as recorded in the Company's statement of financial position. The Company evaluated the impairment allowance required for all financial assets which are either past due or impaired (notes 9, 10 and 12).
The table below summarises the maximum exposure to credit risk for the components of the statement of financial position. The maximum exposure is shown gross:

	2022 **$**
As of December 31	
Cash at banks	**592,514**
Receivables	**4,623,528**
Investment	**9,338,455**
Due from a related party	**250,000**
Total credit risk exposure	**14,804,497**

Concentration of credit risk

The credit risk exposure for cash at banks is monitored regularly. In particular, the Board of Directors carefully selects the financial institutions with which funds are deposited/invested. The general objective is to ensure that they only place funds with those entities that are financially sound depositories. At the period-end, these assets are all placed with long established, reputable local, regional and international financial institutions. Management evaluated all credit risk exposure, as of December 31, 2022 and determined provisions for doubtful accounts as deemed appropriate.

Although reinsurance is used to manage insurance risk, this does not, however, discharge the Company's liability as primary insurer. If a reinsurer fails to pay a claim for any reason, the Company remains liable for the payment to the policyholder. The creditworthiness of the Company's reinsurer is considered on an annual basis by reviewing their financial strength prior to finalisation of any reinsurance contract.

2. Market risk

Market risk represents the potential loss that can be caused by a change in the market value of the Company's financial instruments. The Company's exposure to market risk is determined by a number of factors, including interest rates and movements in foreign exchange rates and market prices. As of December 31, 2022, the Company's exposure has been outlined below.

(Expressed in United States dollars)

5 Management of insurance and financial risks *...continued*

5.2 Financial risk *...continued*

2. Market risk ….continued

a) Foreign currency risk

Foreign currency risk is the risk the value of a financial instrument will fluctuate due to changes in foreign exchange rates. In the normal course of business, the Company may enter into transactions denominated in foreign currencies. As a result, the Company is subject to transaction and translation exposure from fluctuations in foreign exchange rates. As of December 31, 2022, the Company has several financial assets and financial liabilities denominated in foreign currencies. Exposure to foreign currency risk is mitigated by including fixed spot rates in insurance contracts issued. As at the year end, the net foreign exchange effect on financial assets and liabilities was $60,425, which was recorded in the statement of comprehensive income.

b) Interest rate risk

Interest rate risk is the risk that the value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. As at December 31, 2022, the majority of the Company's financial assets and all of its financial liabilities are non-interest bearing or have fixed interest rates. Therefore, the company is not exposed to significant interest rate risk.

The table below analyses the interest-bearing financial assets and financial liabilities of the Company based on their re-pricing periods:

	0 – 3 months $	**>3 months $**	**Non-interest bearing $**	**Total $**
Assets				
Cash	592,514	–	–	592,514
Receivables	–	–	4,623,528	4,623,528
Investment	–	9,338,455	–	9,338,455
Due from related party	–	–	250,000	250,000
Total assets	**592,514**	**9,338,455**	**4,873,528**	**14,804,497**
Liabilities				
Trade and other payables and accruals	–	–	576,696	576,696
Reinsurance contract liabilities	–	–	1,894,717	1,894,717
Total liabilities	–	–	**2,471,413**	**2,471,413**
Net re-pricing gap, December 31, 2022	**592,514**	**9,338,455**	**2,402,115**	**12,333,084**

(Expressed in United States dollars)

5 Management of insurance and financial risk *…continued*

5.2 Financial risk *…continued*

c) Price risk

Price risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from currency risk or interest rate risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Company's price risk exposure relates to financial assets and financial liabilities whose values will fluctuate as a result of changes in market prices.

As of December 31, 2022, the Company has no financial instruments classified on the statement of financial position either as available for sale or at fair value through profit or loss, thus is not exposed to price risk. The Company is not exposed to commodity price risk.

d) Liquidity risk

Liquidity risk, also referred to as funding risk, is the risk that the Company may encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at, or close to, its fair value. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, and the availability of any liquid assets. The Company’s assets held for managing liquidity risk comprise of the following:

- Cash;
- Receivables;
- Investment; and
- Due from a related party.

All of the Company’s financial liabilities are short term and are contractually due within one year of the reporting date.

5.3 Operational risk

Operational risk is the risk of loss arising from system failure, human error, fraud or external events. When controls fail to perform, operational risk can cause damage to reputation, have legal or regulatory implications or can lead to financial loss. The Company cannot expect to eliminate all operational risks, but by initiating an effective control framework and by monitoring and responding to potential risks, the Company is able to manage risks.

The Company contracts for its supervisory, general and administrative and insurance services with various service providers and professional organizations. As a result, the Company has no employees of its own. The financial statements reflect the costs of the various service providers.

(Expressed in United States dollars)

5 Management of insurance and financial risk *…continued*

5.4 Fair value estimation

Fair value amounts represent estimates of the consideration that would currently be agreed upon between knowledgeable, willing parties who are under no compulsion to act and is best evidenced by a quoted market value, if one exists.

All of the Company's financial assets and liabilities are carried at amortised cost.

	Carrying value $ 2022	Fair value $ 2022
Financial assets		
Cash	592,514	592,514
Receivables	4,623,528	4,623,528
Due from related party	250,000	219,094
Investments	9,338,455	9,338,455
Total financial assets	**14,804,497**	**14,773,591**
Financial liabilities		
Reinsurance contract liabilities	1,894,717	1,894,717
Trade and other payables and accruals	576,696	576,696
Total financial liabilities	**2,471,413**	**2,471,413**

6 Capital management

The Company's objectives when managing capital are:

- To comply with the insurance capital requirements required by the regulator in the insurance markets where the Company is licensed;
- To safeguard the Company's ability to continue as a going concern in order to provide returns for shareholder and benefits for other stakeholders; and
- To provide an adequate return to the shareholder by pricing insurance commensurately with the level of risk.

The Company's ability to pay dividends and other distributions is subject to statutory restriction.

The amount by which an insurer's total allowable assets must exceed its total liabilities is referred to as the minimum margin of solvency. The minimum margin of solvency shall be the greater of the minimum amount of paid-up capital as prescribed in the Nevis International Regulations No. 6 of 2004 and the Nevis International Insurance Ordinance, No. 1 of 2004.

	2022 $
Minimum paid up capital as per Nevis International Business Insurance Ordinance Section 7 (1)	**200,000**
Solvency requirement computation (20% of Net Retained Premiums)	**865,315**
Required minimum margin of solvency	**865,315**

(Expressed in United States dollars)

6 Capital management*...continued*

Compliance with the minimum margin of solvency as of December 31, 2022 is determined as follows:

	2022 $
Total allowable assets	**16,502,208**
Total liabilities	**7,868,201**
Margin of solvency	**8,634,007**
Required minimum margin of solvency	**865,315**
Solvency achieved in excess of minimum margin of solvency	**7,768,692**

The minimum margin of solvency is determined as at the minimum amount of paid up capital or if greater:
(i) where net retained premium of the reinsurer does not exceed $5,000,000. The prescribed amount is 20% of net retained premiums;
(ii) where the net retained premiums of the insurer exceeds $5,000,000. The prescribed amount is $1,000,000 plus 10% of the amount by which the premium exceeds $5,000,000.

Net retained premium is defined as the gross premium income earned in respect of business during the financial year less premiums paid by the Company for approved reinsurance during the financial year.

7 Significant management judgement in applying accounting policies and estimation uncertainty

When preparing the financial statements, management makes a number of judgements, estimates and assumptions about the recognition and measurement of assets, liabilities, income and expenses.

Estimation uncertainty

Information about estimates and assumptions that have the most significant effect on the recognition and measurement of assets, liabilities, income and expenses is provided below. Actual results may be substantially different.

The ultimate liability arising from claims made under insurance contracts

The estimation of the ultimate liability arising from claims incurred under property and casualty reinsurance contracts is subject to several sources of uncertainty that need to be considered in determining the amount that the insurer will ultimately pay for such claims. Provisions are made at the year-end for the estimated cost of claims incurred but not settled at the reporting date, 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 and a deduction for any recoveries. The Company takes all reasonable steps to ensure that it has appropriate information regarding its claims exposures. These are determined based upon previous claims experience, knowledge of events and the terms and conditions of the relevant policies and on interpretation of circumstances. Particularly relevant is experience with similar cases and historical payment trends. The approach also includes the consideration of the development of loss payment trends, the levels of unpaid claims, legislative changes, judicial decisions, economic conditions and changes in medical condition of claimants.

However, given the uncertainty in establishing claims provisions, it is likely that the final outcome will prove to be different from the original liability established.

(Expressed in United States dollars)

7 Significant management judgement in applying accounting policies and estimation uncertainty*...continued*

Estimation uncertainty*...continued*

The ultimate liability arising from claims made under insurance contracts ...continued

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, where more information about the claim event is generally available. Claims IBNR may often not be apparent to the insurer until many years after the event giving rise to the claim has happened.

Actual IBNR rates for the year was 40% and 46% for health and non-life business respectively. If the IBNR rates were adjusted by +/- 5%, the change in the statement of comprehensive income would increase reported losses by approximately $222,231 or decrease by approximately $210,427.

Management engages an independent actuary to determine the minimum required loss reserve to confirm that its estimate of claim liabilities is adequate (See note 13). The ultimate liability arising from claims incurred under property and casualty insurance contracts may be mitigated by recovery arising from reinsurance contracts held.

8 Cash

	2022 **$**
Cash at bank	**92,914**
Statutory deposit	**500,000**
	592,914

Cash at bank is held with financial institutions in non-interest bearing accounts. The Company maintains a statutory deposit which is held in escrow, based on an agreement between the Company and the National Insurance Commission (NIC). The Escrow Agent can subsequently invest the statutory deposit in Government Securities per the terms of the agreement. The statutory deposit is restricted, however, the Company may apply to the NIC for approval to use these funds in settlement of a claim if the Company is technically insolvent or if it can prove that it does not have sufficient liquid assets to settle. The statutory deposit was established in December 2022.

(Expressed in United States dollars)

9 Receivables

Receivables are comprised of the following balances:

	2022 **$**
Reinsurance premium receivables	**4,833,040**
Provision for doubtful accounts	**(222,740)**
	4,610,300
Other receivables	**13,228**
	4,623,528

The Company completed an impairment assessment of its receivable balances as at the year end date. Management determined that all amounts which are past due and impaired should have a provision established at a rate of 20% to recognise the uncertainty of those collections unless there is an established right of offset with the counterparty.

The movement in the provision for doubtful accounts is as follows:

	Note	**2022** **$**
Opening balance		–
Provision during the period	**19**	**222,740**
Ending balance		**222,740**

10 Investment

	2022 **$**
Principal	**9,219,705**
Interest receivable	**118,750**
	9,338,455

On October 1, 2022, the Company invested $9,500,000 for a guaranteed fixed rate of return of 5% per annum. The maturity date is September 30, 2023 or redeemable on demand should the Company choose to exercise the right. During the period, the Company redeemed $280,925. A further $8,860,118 was redeemed after the year end date up to August 2023. Management completed an impairment assessment of the investment as at the reporting date and determined that no provision for impairment was necessary as the balance was considered to be fully recoverable.

During the year, the Company recognized interest income of $118,750 which was not paid during the financial year. The investment accrues a penalty of 0.75% per month for any delayed payments. No penalty income was earned during the financial period.

(Expressed in United States dollars)

11 Other current assets

	2022 $
Deferred acquisition cost	**1,610,655**
Unearned premium reserve – retrocessionaire's share of premiums	**80,992**
	1,691,647

12 Due from a related party

The Company issued a loan to Pride Global Holdings Pte. in the amount of $250,000. The loan is non-interest bearing and is payable on demand or matures on December 22, 2025. There is no intention to call on this loan.

Management completed an impairment assessment of the balance as at the year end date and determined that no provision for impairment was appropriate based on the Company's ability to repay the amounts due. The asset is not considered to be past due or impaired.

13 Trade and other payables and accruals

	2022 $
Accounts payable and accruals	**276,696**
Provision for bonus	**200,000**
Provision for audit fees	**100,000**
	576,696

14 Reinsurance contract liabilities

	2022 $
Unearned premiums	**5,396,788**
Claims incurred but not reported (IBNR)	**1,176,727**
Claims incurred and reported	**606,795**
Unallocated loss adjustment expense reserve	**74,006**
Retrocessionaires payable	**37,189**
	7,291,505

(Expressed in United States dollars)

14 Reinsurance contract liabilities *...continued*

The loss reserve for the (IBNR) represents the projected outstanding liabilities of the Company based on the coverage it provided, and the estimated number of enrollees and historical claims experience of the Company. The program is subject to statistical and other deviations in its loss experience, and as a result the loss reserve may or may not cover all future claims. The Company has an actuarial report completed each year to estimate outstanding losses and to ensure that the loss provision recorded by the Company is sufficient. The most recent actuarial report was for the 2022 fiscal year and was dated November 28, 2023. The estimate for the IBNR was determined based on the expected loss rate method and based on the expected loss rate method using a loss rate of 40% and 46% for health and non-life business respectively.

15 Share capital

	2022
	$
Authorised:	
100,000,000 common shares of $1.00 per share	**100,000,000**
Issued and fully paid:	
9,575,000 common shares issued	**9,575,000**

16 Related party transactions

Related party relationship exists when one party has the ability to control directly or indirectly, through one or more intermediaries, the other party or exercise significant influence over the other party in making financial and operating decisions. Such relationships also exist between or among entities under common control, with the reporting enterprise and its key management personnel, directors and shareholder.

The Company enters into transactions with related parties in in the normal course of business. The following table provides the transactions that have occurred.

	Note	**February 11, 2022 – December 31, 2022** **$**
Director fees	**19**	**178,800**
Director expenses	**19**	**150,327**
Management fees	**19**	**110,000**
		439,127

Related party transactions are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

(Expressed in United States dollars)

16 Related party transactions...*continued*

Balances
Related party balances are included in the following financial statement line items:

	2022 $
Due from a related party	250,000
Trade and other payables and accruals	189,127
	439,127

Due from related party is detailed in note 12. All other balances are non-interest bearing and have no fixed terms of repayment.

17 Earned premiums

Earned premiums that have been recognized per the following lines of business from incorporation date to December 31, 2022 are as follows:

	Written premium $	Unearned premium $	Earned premiums $
Agriculture	1,014,531	325,200	689,331
Credit and Bonds	665,236	423,197	242,039
Energy	21,343	6,562	14,781
Engineering	298,990	199,429	99,561
Fire	2,268,825	1,297,873	970,952
Personal	4,693,751	2,726,233	1,967,518
Liability	315,375	188,500	126,875
Life	14,453	8,407	6,046
Marine	295,461	138,091	157,370
Miscellaneous	8,400	4,089	4,311
Motor	4,270	1,290	2,980
Terrorism	414,800	227,982	186,818
	10,015,435	5,546,853	4,468,582

Included in unearned premiums are adjustments related to foreign currency exchange in the amount of $150,065.

(Expressed in United States dollars)

18 Claims

Claims incurred, paid and outstanding that have been recognized per the following lines of business from incorporation date to December 31, 2022 are as follows:

	Reported incurred losses $	Cumulative paid losses $	Outstanding claims $
Agriculture	250,821	81,204	169,617
Credit and Bonds	–	–	–
Energy	–	–	–
Engineering	1,900	–	1,900
Fire	412,478	–	412,478
Personal	–	–	–
Liability	21,255	–	21,255
Life	–	–	–
Marine	3,090	1,545	1,545
Miscellaneous	–	–	–
Motor	–	–	–
Terrorism	–	–	–
IBNR and unallocated loss adjustment expense reserve	1,250,733	–	1,250,733
	1,940,277	82,749	1,857,528

19 General and administrative expenses

	Notes	February 11, 2022 – December 31, 2022 $
Expenses – by nature		
Administrative fees		862,480
Staff expenses		467,765
Director fees and expenses	16	329,127
Allowance for doubtful accounts	9	222,740
Professional fees		159,402
Management fees	16	110,000
Other expenses		32,289
		2,183,803

20 Contingencies

The Company, like all other insurers, is subject to litigation in the normal course of its business. The Company is not aware of any litigation that will have a material effect on its financial statements.