UK DEFENCE CLUB

Above & Beyond

The United Kingdom Freight Demurrage and Defence Insurance (Europe) Ltd
Report and Financial Statements for the year ended 20 February 2021

UKDC
IS MANAGED
BY **THOMAS
MILLER**

Contents

Board of Directors and Other Officers

Board of Directors

Petros Pappas
Daniel John Evans
Michael G. Pateras
Maria Savva (Appointed on 2/12/2020)
Polys Hadjioannou (Appointed on 2/12/2020)

Company Secretary

Cyproman Services Ltd

Independent Auditors

Moore Stylianou & Co Certified
Public Accountants & Registered Auditors
58 Arch. Makarios III Avenue
Iris Tower, 6th Floor, Office 602
1075 Nicosia
Cyprus

Registered Office

37 Theklas Lysioti
Gemini House, Flat 202
3030 Limassol
Cyprus

Bankers

Citibank Europe Plc (Netherlands)

Registration Number

HE399596

Management Report

Principal Activities

The Board of Directors presents its report and audited financial statements of the Company for the year ended 20 February 2021.

Principal activities and nature of operations of the Company
The Company is a 100% subsidiary of The United Kingdom Freight Demurrage and Defence Association Limited, registered in the United Kingdom.

The Company's principal activity is the provision of insurance to its policyholders against legal costs and expenses relating to the operation of ships entered with the Company as defined in the Rules of the Company. During the year under review, the Company commenced trading with insurance contracts underwritten during the last four months of the year. During the previous year, the Company was dormant.

The Company obtained its insurance license from the Cyprus Ministry of Finance on 19th June 2020.

Review of current position, future developments and performance of the Company's business
As shown in the Company's Statement of Profit or Loss on page 8, the year ended with a loss of £8,387 (2020: £2,572 loss). Despite this limited movement, the Company has commenced trading with insurance contracts underwritten during the last four months of the year. As contracts commence in the next financial year, there will be a more significant profit or loss movement next year.

The financial position, development and performance of the Company as presented in these financial statements was as expected. During the year under review only a limited number of policies were written during this first period of operations, however, following the latest renewal, the Company's policyholders' base has increased.

The Directors met on one occasion during the year under review, in order to fulfill the general and specific responsibilities entrusted to them under the Memorandum and Articles of Association. At these meetings the Directors received and discussed written and oral reports and recommendations from the Managers in policy matters.

The Company was incorporated on 4 July 2019. The Company has been licensed under Article 14 of the Insurance and Reinsurance Services and Other Related Issues Laws of 2016-2017 on 19th June 2020. During the previous year, the Company was dormant.

Principal risks and uncertainties
The Company is exposed to risks, the most significant of which are those arising from obligations to policyholders. These risks are monitored on a systemic basis and all the necessary measures are taken to prevent undue risk concentrations.

The principal risks and uncertainties faced by the Company are disclosed in notes 6, 7 and 17 of the financial statements.

Management Report (continued)

Financial Review (continued)

Impact of COVID-19 on the Company
COVID-19 emerged in December 2019, and was classified as a global pandemic in March 2020. Since the emergence of COVID-19, the Company has not seen any material impact to its business operations. The Company started writing business in October 2020. There had been no cases which directly or indirectly related to COVID-19.

Operationally, the Company has effectively implemented a remote working arrangements and was able to seamlessly continue to service its Members. From an underwriting point of view, the Company has seen no material defaults in premium obligations and the Company's most recent renewal is considered to have been conducted very successfully under remote working conditions.

As such, the Company does not consider COVID-19 to have any significant impact on its ability to continue as a going concern.

Share capital
There were no changes in the share capital of the Company during the year under review.

Corporate Governance Code
The Company applies strong governance and transparent reporting through established Board Committees, which have oversight responsibility over the internal functions of compliance, risk, audit and actuarial. The Company follows those rules effectively, in compliance with all the relevant local and international business laws that apply.

Board of Directors
The members of the Company's Board of Directors as at 20 February 2021 and at the date of this report are presented on page 1.

In accordance with the Company's articles of Association all Directors presently members of the Board retire at the forthcoming Annual General Meeting and will be eligible for re-election.

There were no significant changes in the assignment of responsibilities and remuneration of the Board of Directors.

Events after the reporting period
Any significant events that occurred after the end of the reporting period are described in note 21 of the financial statements.

Related Parties
The Company did not operate through any branches during the year.

Independent Auditors
The Independent Auditors, MOORE STYLIANOU & CO, have expressed their willingness to continue on office. A resolution proposing the reappointment and giving authority to the Board of Directors for the determination of their remuneration will be proposed at the Annual General Meeting.

By order of the Board of Directors,

Cyproman Services Ltd
Secretary
Nicosia, 28 May 2021

Independent Auditor's Report

Report on the Audit of the Financial Statements

Opinion
We have audited the financial statements of The United Kingdom Freight Demurrage and Defence Insurance (Europe) Ltd (the "Company") which are presented in pages 8 to 27 and comprise the statement of financial position as at 20 February 2021, and the statements of profit or loss and other comprehensive income, changes in equity and 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 20 February 2021, and of its financial performance and its cash flows for the year then ended in accordance with International financial Reporting standards(IFRSs) as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113.

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 or our report. We remained independent of the company throughout the period of our appointment in accordance with the International Ethics Standards Board for Accountants International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA code) together with the ethical requirements that are relevant to our audit of the financial statements in Cyprus, 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.

Key audit matters incorporating the most significant risks of material misstatements, including assessed risk of material misstatements due to fraud
Key audit matters are those matters that, n 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.

Key audit matter	How our audit addressed the key audit matter
Financial statements disclosures	
The company has commenced trading operations at the end or the year and there are new areas in the financial statements for which disclosures may not be sufficient	We reviewed the company's financial statements and completed an IFRS disclosure checklist to ensure no omissions exist and results were satisfactory.

Reporting on other information
The Board of Directors is responsible for the other information. The other information comprises the information included in the Management Report, but does not include the financial statements and our auditors report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above an, 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. If, based on the work we nave performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Independent Auditor's Report (continued)

Report on the Audit of the Financial Statements

Responsibilities of the Board of Directors and those charged with governance for the Financial Statements
The Board of Directors is responsible for the preparation of financial statements that give a true and fair view in accordance win international financial reporting standards as adopted by the European Union and the requirements or the Cyprus Companies Law, Cap. 113, and for such internal control as the Board of Directors determines is necessary to enable the preparation or financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using me going concern basis of accounting unless the Board of Directors 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 auditors 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 Board of Directors.
- Conclude an the appropriateness of the Board of 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.
- 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 a true and fair view.

We communicate with the 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 identity 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

Independent Auditor's Report (continued)

Report on the Audit of the Financial Statements

communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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.

Report on Other Legal and Regulatory Requirements
Pursuant to the requirements of Article 10(2) of the EU Regulation 537/2014 we provide the following information in our Independent Auditor's Report, which is required in addition to the requirements of International Standards on Auditing.

Appointment of the Auditor and Period of Engagement
We were first appointed as auditors of the Company in 2019. Our appointment has been renewed annually by shareholder resolution representing a total period of uninterrupted engagement appointment of 2 years.

Provision of Non-audit Services
We declare that no prohibited non-audit services referred to in Article 5 of the EU Regulation 537/2014 and Section 72 of the Auditors Law of 2017 were provided. In addition, there are no non-audit services which were provided by us to the Company and which have not been disclosed in the financial statements or the Management Report.

Other Legal Requirements
Pursuant to the additional requirements of the Auditors Law of 2017, we report the following:

- In our onion, based on the work undertaken in the course or our audit, the Management Report has been prepared in accordance with the requirements of the Cyprus Companies Law, Cap 113, and the information given is consistent with financial statements.
- 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 Management Report. We have nothing to report in this respect.
- 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 corporate governance statement in relation to the information disclosed for items(iv) and (v) or subparagraph 2(a) of Article 151 of the Cyprus Companies Law, Cap. 113. We nave nothing to report in this respect.

Other Matters
This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Article 10(1) of the EU Regulation 557/2014 and section 69 of the Auditors Law of 2017 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whose knowledge this report may come to.

The engagement partner on the audit resulting in this independent auditor's report is Constantinos Schizas.

Constantinos Schizas
Certified Public Accountant and Registered Auditor

for and on behalf of
MOORE STYLIANOU & CO
Certified Public Accountants & Registered Auditors
58 Arch. Makarios III Avenue, Iris Tower, 6th Floor, Office 602, 1075 Nicosia, Cyprus
Nicosia, 28 May 2021

Accounts

Statement of Profit or Loss and Other Comprehensive Income Year ended 20 February 2021

	Notes	2021 UK£	Period from 4 July 2019 to 20 February 2020 UK£
Gross premiums written	8	3,479	-
Outward reinsurance premiums		(3,019)	-
Net premiums written and earned		460	-
Claims incurred net of reinsurance	13	(203)	-
Other operating gains	9	102	-
Net operating expenses		(8,747)	(2,572)
Loss before tax		**(8,388)**	**(2,572)**
Tax	11	-	
Net loss for the year		(8,388)	(2,572)
Other comprehensive income		-	-
Total comprehensive income for the year		**(8,388)**	**(2,572)**

The notes on pages 12 to 27 form an integral part of these financial statements.

Accounts

Statement of Financial Position
20 February 2021

	Notes	2021 UK£	2020 UK£
ASSETS			
Current assets			
Reinsurers' share of technical provisions		1,823	-
Trade and other receivables	12	89,629	-
Cash and cash equivalents	14	3,124,198	3,159,944
Total assets		**3,215,650**	**3,159,944**
EQUITY AND LIABILITIES			
Equity			
Share capital	15	10,000	10,000
Share premium		3,150,000	3,150,000
Accumulated losses		(10,960)	(2,572)
Total equity		**3,149,040**	**3,157,428**
Current liabilities			
Technical provisions		2,026	-
Trade and other payables	16	64,584	2,516
		66,610	2,516
Total equity and liabilities		**3,215,650**	**3,159,944**

On 28 May 2021, The Board of Directors of The United Kingdom Freight Demmurage and Defence Insurance (Europe) Ltd authorised these financial statements for issue.

Directors: Michael G. Pateras

Managers: D. J. Evans

The notes on pages 12 to 27 form an integral part of these financial statements.

Accounts

Statement of Changes in Equity
Year ended 20 February 2021

	Notes	Share capital UK£	Share premium UK£	Accumulated losses UK£	Total UK£
Comprehensive income					
Net loss for the year		-	-	(2,572)	(2,572)
Total comprehensive income for the year		-	-	(2,572)	(2,572)
Transactions with owners					
Issue of share capital	15	10,000	3,150,000	-	3,160,000
Total transactions with owners		10,000	3,150,000	-	3,160,000
Balance at 20/21 February 2020		**10,000**	**3,150,000**	**(2,572)**	**3,157,428**
Comprehensive income					
Net loss for the year		-	-	(8,388)	(8,388)
Balance at 20 February 2021		**10,000**	**3,150,000**	**(10,960)**	**3,149,040**

Companies which do not distribute 70% of their profits after tax, as defined by the relevant tax law, within two years after the end of the relevant tax year, will be deemed to have distributed as dividends 70% of these profits. Special contribution for defence at 17% will be payable on such deemed dividends to the extent that the ultimate shareholders are both Cyprus tax resident and Cyprus domiciled. The amount of deemed distribution is reduced by any actual dividends paid out of the profits of the relevant year at any time. This special contribution for defence is payable by the Company for the account of the shareholders.

The notes on pages 12 to 27 form an integral part of these financial statements.

Accounts

Cash Flow Statement
Year ended 20 February 2021

	Notes	2021 UK£	Period from 4 July 2019 to 20 February 2020 UK£
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		(8,388)	(2,572)
		(8,388)	**(2,572)**
Changes in working capital:			
Increase in receivables		(89,629)	-
Increase in reinsurers' share of technical provisions		(1,823)	-
Decrease in technical provisions		2,026	-
Increase in trade and other payables		62,068	2,516
Cash used in operations		**(35,746)**	**(56)**
CASH FLOWS FROM INVESTING ACTIVITIES		-	-
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of share capital		-	3,160,000
Net cash generated from financing activities		-	3,160,000
Net (decrease)/increase in cash and cash equivalents		**(35,746)**	**3,159,944**
Cash and cash equivalents at beginning of the year		3,159,944	-
Cash and cash equivalents at end of the year	14	**3,124,198**	**3,159,944**

The notes on pages 12 to 27 form an integral part of these financial statements.

Notes to the Financial Statements

1. Incorporation and principal activities
The financial statements of The United Kingdom Freight Demurrage and Defence Insurance (Europe) Ltd (the "Company") for the year ended 20 February 2021 12:00GMT, were authorised for issue in accordance with a resolution of the Board of Directors on 28 May 2021.

Country of incorporation
The Company The United Kingdom Freight Demurrage and Defence Insurance (Europe) Ltd was incorporated in Cyprus on 4 July 2019 as a private limited liability company under the provisions of the Cyprus Companies Law, Cap. 113. Its registered office is at 37 Theklas Lysioti, Gemini House, Flat 202, 3030 Limassol, Cyprus.

Principal activities
The Company is a 100% subsidiary of The United Kingdom Freight Demurrage and Defence Association Limited, registered in the United Kingdom.

The Company's principal activity is the provision of insurance to its policyholders against legal costs and expenses relating to the operation of ships entered with the Company as defined in the Rules of the Company. During the year under review, the Company commenced trading with insurance contracts underwritten during the last four months of the year. During the previous year, the Company was dormant.

The Company obtained its insurance license from the Cyprus Ministry of Finance on 19th June 2020.

2. Basis of preparation
The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU) and the requirements of the Cyprus Companies Law, Cap.113. The financial statements have been prepared under the historical cost convention.

3. Adoption of new or revised standards and interpretations
During the current year the Company adopted all the new and revised International Financial Reporting Standards (IFRS) that are relevant to its operations and are effective for accounting periods beginning on 21 February 2020. This adoption did not have a material effect on the accounting policies of the Company.

The following International Financial Reporting Standards and Amendments have been issued but are not yet effective:

- IFRS 17 Insurance Contracts (applicable for accounting period commencing on or after 1 January 2023): IFRS 17 requires recognition and measurement of insurance contracts, using the building blocks of discounted probability-weighted cash flows, risk adjusted present value of the future cash flows including an amount representing the unearned profit in the insurance contracts or contractual service margin which will be recognised over the period they provide insurance coverage. An optional, simplified premium allocation approach is permitted for the liability for the remaining coverage for short duration contracts, which are often written by non-life insurers.

- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (applicable for accounting period commencing on or after 1 January 2021).

- The Company is currency assessing the impact of the amendments on its financial statements and as of the date of issue of these financial statements the impact of this amendment is not reasonably estimated, although the Company anticipates that the simplified approach will be applicable to the insurance contracts that the Company writes thus introducing limited change to the financial results of the Company.

4. Significant accounting policies
The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented in these financial statements unless otherwise stated.

Revenue
Recognition and measurement
Calls and premiums are presented net of return premiums and continuity credits and are the total receivable for the whole period of cover provided by the contracts incepted during the accounting period together with any adjustments in respect of prior accounting periods. Continuity credits represent a reduced premium amount for longstanding Members and are recognised as part of the related premium amount. There are no unearned premiums as all policies expire on or before the date of the statement of financial position.

4. Significant accounting policies (continued)

Recognition and measurement (continued)

Outward reinsurance premiums are the total payable in respect of excess of loss and quota share reinsurances for the period to which the relevant contracts relate. Quota share reinsurance premiums are subject to an agreed discount, the rate of which for each policy year is agreed with The United Kingdom Freight Demurrage and Defence Association Limited.

The agreed discount is recognised in the Statement of profit or loss and other comprehensive income when corresponding reinsurance premiums are recognised.

Revenue recognition

Claims are the legal costs and expenses of the policyholders covered by the Company. They include all claims incurred during the year, whether paid, estimated or unreported, together with internal claims, management costs and future claims management costs and adjustments for claims outstanding.

A forecast of unreported claims is based on the estimated ultimate cost of claims arising out of events which have occurred before the end of the accounting period but have not yet been reported. The Directors estimate for these future claims is based on the estimate of unreported claims on each policy year. The estimates are calculated using the loss experience of the Parent company.

The Company assesses at the end of each reporting period whether its recognised insurance liabilities are adequate using current estimates of future cash flows under its insurance contracts. If that assessment shows that the carrying amount of its insurance liabilities is inadequate, the entire deficiency is recognised in the Statement of profit or loss and other comprehensive income.

Whilst the Directors consider that the gross provisions for claims and the related reinsurance recoveries are fairly stated on the basis of information currently available, the ultimate liability will vary as a result of subsequent information and events and may result in significant adjustments to the amount provided. Any differences between the provisions and subsequent settlements are dealt with in the technical accounts of later years.

The Company enters into reinsurance contracts in the normal course of business in order to limit potential losses arising from certain exposures. Reinsurance assets include balances due from reinsurance companies for paid and unpaid losses.

Reinsurance assets are measured consistently with the amounts associated with the underlying insurance contracts and in accordance with the terms of the reinsurance contract.

Interest income

Interest income is recognised on a time-proportion basis using the effective interest method.

Foreign currency translation

(1) Functional and presentation currency

Items included in the Company's financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in United Kingdom Pounds (U$), which is the Company's functional and presentation currency.

(2) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. 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 Statement profit or loss.

Tax

Current tax liabilities and assets are measured at the amount expected to be paid to or recovered from the taxation authorities, using the tax rates and laws that have been enacted, or substantively enacted, by the reporting date.

Financial assets - Classification

From 4 July 2019, the Company classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI or through profit or loss), and
- those to be measured at amortised cost.

The classification and subsequent measurement of debt financial assets depends on: (i) the Company's business model for managing the related assets portfolio and (ii) the cash flow characteristics of the asset. On initial recognition, the Company

4. Significant accounting policies (continued)
Financial assets - Classification (continued)

may irrevocably designate a debt financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

All other financial assets are classified as measured at FVTPL.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Company has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

Financial assets - Recognition and derecognition
All purchases and sales of financial assets that require delivery within the time frame established by regulation or market convention ("regular way" purchases and sales) are recorded at trade date, which is the date when the Company commits to deliver a financial instrument. All other purchases and sales are recognised when the entity becomes a party to the contractual provisions of the instrument.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

Financial assets - Measurement
At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss. Fair value at initial recognition is best evidenced by the transaction price. A gain or loss on initial recognition is only recorded if there is a difference between fair value and transaction price which can be evidenced by other observable current market transactions in the same instrument or by a valuation technique whose inputs include only data from observable markets.

Financial assets - impairment - credit loss allowance for ECL
From 4 July 2019, the Company assesses on a forward-looking basis the ECL for debt instruments (including loans) measured at AC and FVOCI and with the exposure arising from loan commitments and financial guarantee contracts. The Company measures ECL and recognises credit loss allowance at each reporting date. The measurement of ECL reflects: (i) an unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes, (ii) time value of money and (iii) all reasonable and supportable information that is available without undue cost and effort at the end of each reporting period about past events, current conditions and forecasts of future conditions.

The carrying amount of the financial assets is reduced through the use of an allowance account, and the amount of the loss is recognised in the statement of profit or loss and other comprehensive income within "net impairment losses on financial and contract assets".

Expected losses are recognised and measured according to one of two approaches: general approach or simplified approach.

For trade receivables including trade receivables with a significant financing component and contract assets and lease receivables the Company applies the simplified approach permitted by IFRS 9, which uses lifetime expected losses to be recognised from initial recognition of the financial assets.

For all other financial asset that are subject to impairment under IFRS 9, the Company applies general approach - three stage model for impairment. The Company applies a three stage model for impairment, based on changes in credit quality since initial recognition. A financial instrument that is not credit-impaired on initial recognition is classified in Stage 1.

Financial assets in Stage 1 have their ECL measured at an amount equal to the portion of lifetime ECL that results from default events possible within the next 12 months or until contractual maturity, if shorter ("12 Months ECL"). If the Company identifies a significant increase in credit risk ("SICR") since initial recognition, the asset is transferred to Stage 2 and its ECL is measured based on ECL on a lifetime basis, that is, up until contractual maturity but considering expected prepayments, if any ("Lifetime ECL"). Refer to note 6, Credit risk section, for a description of how the Company determines when a SICR has occurred. If the Company determines that a financial asset is credit impaired, the asset is transferred to Stage 3 and its ECL is measured as a Lifetime ECL. The Company's definition of credit impaired assets and definition of default is explained in note 6, Credit risk section.

Additionally the Company has decided to use the low credit risk assessment exemption for investment grade financial assets. Refer to note 6, Credit risk section for a description of how the Company determines low credit risk financial assets.

4. Significant accounting policies (continued)

Financial assets -Reclassification
Financial instruments are reclassified only when the business model for managing those assets changes. The reclassification has a prospective effect and takes place from the start of the first reporting period following the change.

Financial assets - write-off
Financial assets are written-off, in whole or in part, when the Company exhausted all practical recovery efforts and has concluded that there is no reasonable expectation of recovery. The write-off represents a derecognition event. The Company may write-off financial assets that are still subject to enforcement activity when the Company seeks to recover amounts that are contractually due, however, there is no reasonable expectation of recovery.

Financial assets - modification
The Company sometimes renegotiates or otherwise modifies the contractual terms of the financial assets. The Company assesses whether the modification of contractual cash flows is substantial considering, among other, the following factors: any new contractual terms that substantially affect the risk profile of the asset (e.g. profit share or equity-based return), significant change in interest rate, change in the currency denomination, new collateral or credit enhancement that significantly affects the credit risk associated with the asset or a significant extension of a loan when the borrower is not in financial difficulties.

If the modified terms are substantially different, the rights to cash flows from the original asset expire and the Company derecognises the original financial asset and recognises a new asset at its fair value. The date of renegotiation is considered to be the date of initial recognition for subsequent impairment calculation purposes, including determining whether a SICR has occurred. The Company also assesses whether the new loan or debt instrument meets the SPPI criterion. Any difference between the carrying amount of the original asset derecognised and fair value of the new substantially modified asset is recognised in profit or loss, unless the substance of the difference is attributed to a capital transaction with owners.

In a situation where the renegotiation was driven by financial difficulties of the counterparty and inability to make the originally agreed payments, the Company compares the original and revised expected cash flows to assets whether the risks and rewards of the asset are substantially different as a result of the contractual modification. If the risks and rewards do not change, the modified asset is not substantially different from the original asset and the modification does not result in derecognition. The Company recalculates the gross carrying amount by discounting the modified contractual cash flows by the original effective interest rate, and recognises a modification gain or loss in profit or loss.

Cash and cash equivalents
Cash and cash equivalents comprise cash at bank.

Financial assets at amortised cost
These amounts generally arise from transactions outside the usual operating activities of the Company. These are held with the objective to collect their contractual cash flows and their cash flows represent solely payments of principal and interest. Accordingly, these are measured at amortised cost using the effective interest method, less provision for impairment. Financial assets at amortised cost are classified as current assets if they are due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current assets.

Trade payables
Trade payables are initially measured at fair value and are subsequently measured at amortised cost, using the effective interest rate method.

Offsetting financial instruments
Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal 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. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the statement of financial position.

Share capital
Ordinary shares are classified as equity. The difference between the fair value of the consideration received by the Company and the nominal value of the share capital being issued is taken to the share premium account. Share premium account can only be resorted to for limited purposes which do not include distribution of dividends and is subject to the provisions of the Cyprus Companies Law on reduction of share capital.

5. New accounting pronouncements

At the date of approval of these financial statements, standards and interpretations were issued by the International Accounting Standards Board which were not yet effective. Some of them were adopted by the European Union and others not yet. The Board of Directors expects that the adoption of these accounting standards in future periods will not have a material effect on the financial statements of the Company.

6. Financial risk management

Financial risk factors

The Company is exposed to liquidity risk, currency risk, capital risk management and other risks arising from the financial instruments it holds . The risk management policies employed by the Company to manage these risks are discussed below:

6.1 Credit risk

Credit risk is the risk of loss in the value of financial assets due to counterparties failing to meet all or part of their obligations. The Company's objective is to reduce credit risk through the risk management techniques discussed below.

The Company's exposure primarily relates to amounts recoverable from reinsurance contracts, debtors and bank balances. Exposure to reinsurance counterparties is mitigated by the Parent Company placing its excess of loss reinsurances with counterparties rated A or better thereby reducing the credit risk on the Company's reinsurance recoverables with the Parent Company. As at year end the Company had no significant exposure to receivables. Exposure to bank balances is more concentrated, with one counterparty which is mitigate through placing funds with reputable banking institutions with a strong credit rating.

The following tables provide information regarding aggregate credit risk exposure for financial assets with external credit ratings.

The credit rating bands are provided by independent ratings agencies:

As at 20 February 2021	AA - A UK£	Not rated / not readily available UK£	Effect on OCI UK£
Reinsurers' share of technical provisions	-	1,823	1,823
Receivables from parent entity	-	67,172	67,172
Prepayments	-	21,457	21,457
Cash and cash equivalents	3,124,198	-	3,124,198
Total assets subject to credit risk	**3,124,198**	**90,452**	**3,214,650**

As at 20 February 2020	AA - A UK£	Not rated / not readily available UK£	Effect on OCI UK£
Cash and cash equivalents	3,159,944	-	3,159,944
Total assets subject to credit risk	**3,159,944**	**-**	**3,159,944**

(i) Risk management

6.2 Liquidity risk

Liquidity risk is the risk that arises when the maturity of assets and liabilities does not match. An unmatched position potentially enhances profitability, but can also increase the risk of losses. The Company has procedures with the object of minimising such losses such as maintaining sufficient cash and other highly liquid current assets.

The following tables detail the Company's remaining contractual maturity for its financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to pay. The table includes both interest and principal cash flows.

6. Financial risk management (continued)
6.2 Liquidity risk (continued)

20 February 2021	Carrying amounts UK£	Contractual cash flows UK£	3 months or less UK£	3-12 months UK£	1-2 years UK£	2-5 years UK£	More than 5 years UK£
Technical provisions	2,026	2,026	2,026	-	-	-	-
Trade and other payables	64,583	64,583	64,583	-	-	-	-
Total	**66,609**	**66,609**	**66,609**	**-**	**-**	**-**	**-**

20 February 2020	Carrying amounts UK£	Contractual cash flows UK£	3 months or less UK£	3-12 months UK£	1-2 years UK£	2-5 years UK£	More than 5 years UK£
Trade and other payables	2,516	2,516	2,516	-	-	-	-
Total	**2,516**	**2,516**	**2,516**	**-**	**-**	**-**	**-**

6.3 Currency risk
Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. Currency risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the Company's measurement currency. The Company is exposed to foreign exchange risk arising from various currency exposures primarily with respect to the US Dollar and the Euro. The Company's Management monitors the exchange rate fluctuations on a continuous basis and acts accordingly.

The carrying amounts of the Company's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

20 February 2021	Sterling UK£	US Dollar UK£	Euro UK£	Total UK£
Reinsurers' share of technical provisions	1,823	-	-	1,823
Trade and other receivables	85,572	-	4,057	89,629
Cash and cash equivalents	3,118,803	4,786	610	3,124,198
Technical provisions	(2,026)	-	-	(2,026)
Trade and other payables	-	(457)	(64,127)	(64,584)
	3,204,172	**4,329**	**(59,460)**	**3,149,040**

20 February 2020	Sterling UK£	US Dollar UK£	Euro UK£	Total UK£
Cash and cash equivalents	3,159,944	-	-	3,159,944
Trade and other payables	-	-	(2,516)	(2,516)
	3,159,944	**-**	**(2,516)**	**3,157,428**

6. Financial risk management (continued)
6.3 Currency risk (continued)

Sensitivity analysis

A 5% strengthening of the United Kingdom Pounds against the following currencies at 20 February 2021 would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

	Other equity		Profit or loss	
	2021 UK£	2020 UK£	2021 UK£	Period from 4 July 2019 to 20 February 2020 UK£
United States Dollars	-	-	(12)	-
Euro	-	-	(3,144)	(126)
	-	**-**	**(3,156)**	**(126)**

6.4 Operational risk

Operational risks relate to the failure of internal processes, systems or controls due to human or other error. In order to mitigate such risks the Company has engaged Thomas Miller Holdings Limited and Thomas Miller B.V. Cyprus Branch as managers to document all key processes and controls in a procedural manual. This manual is embedded into the organisation and available to all staff. Compliance with the procedures and controls documented within the manual is audited on a regular basis through quality control checks and the internal audit function which is directed and reviewed by the Audit and Risk Committee. A human resource manual including all key policies have also been documented.

6.5 Financial risks from climate change

Climate change increases the uncertainty about the occurrence and the impact of physical or transition risks, which can happen at any time and suddenly, with far-reaching consequence. EIOPA expects the industry to manage and mitigate sustainability risks and adopt a sustainable approach to their investments based on principles of stewardship. Insurance and Reinsurance undertakings are called to implement measures linked with climate change-related risks, especially in view of a substantial impact to their business strategy. The Company has put in place a policy and plan for the exposure, identification and management of risk relating to climate change. As a service organisation, the Company considers that there is no direct risk for the Company to climate change given that the Company insurers the legal costs that its policyholders are exposed to rather than a direct exposure to climate change and related regulations, however as part of the Company's Own Risk and Solvency Assessment ("ORSA") process under Solvency II the risks around climate change have been included in the Company s scenario analysis. In its scenario analysis, the Company has considered the impact of climate change regulation on its policyholders and how this might impact the Company both directly and indirectly, in addition to the impact that climate change may have on the Association's invested assets.

6.6 Capital risk management

Capital includes equity shares and share premium.

The Company manages its capital to ensure that it will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance.

The adequacy of the Company s capital is monitored by the Superintendent of Insurance (Ministry of Finance) in order to ensure a minimum margin for solvency. The required minimum capital is determined in order to ensure the minimum solvency margin.

The Company manages its capital base quarterly, by assessing potential deficit between the current level and the required capital to support its work. The Company fully complies with the legal capital requirements set by the Superintendent of the Insurance, during the reported accounting period, i.e. the total eligible fund of the Company were able to cover the minimum capital requirement and the solvency capital requirement at all quarter ends.

6. Financial risk management (continued)

6.7 Insurance risk

The Company's risk can arise from:

1. Fluctuations in the timing, frequency and severity of claims and claims settlements relative to expectations;
2. Unexpected claims arising from a single source;
3. Inaccurate pricing of risks when underwritten;
4. Inadequate reinsurance protection;
5. Inadequate reserves.

The objective of the Company's insurance risk management process is to support the execution of effective underwriting, reinsurance and reserving strategies which are agreed and monitored by the Company's Board.

The Company establishes provisions for unpaid claims, both reported and unreported, and related expenses to cover its expected ultimate liability. These provisions are assessed with reference to the loss experience of the parent entity. In order to minimise the risk of understating the provisions the assumptions made and techniques employed are reviewed in detail by management.

The Company has started underwriting insurance contracts as of the last four months of the financial year. The 2022 policy year contracts will not be active until 20 February 2021 at 12pm noon GMT and therefore are not included within the financial statements for this year in line with UK insurance industry practice. There is therefore no risk of fluctuation in loss ratio for the year.

7. Critical accounting estimates, judgments and assumptions

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.

Critical accounting estimates and assumptions

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Critical judgements in applying the Company's accounting policies

- Impairment of financial assets
  The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Company uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on existing market conditions as well as forward looking estimates at the end of each reporting period. Details of the key assumptions and inputs used are disclosed in note 6, Credit risk section.

- Technical provisions
  Estimates are made for the expected ultimate cost of claims reported and for the expected ultimate cost of claims incurred but not yet reported at the reporting date. The Company reviews every reported claim, and the estimated insurance liability is based on the facts of each claim and on other factors that are believed to be reasonable under the circumstance. Given the uncertainty in establishing claims provisions , it is likely that the final outcome will prove to be different from the original liability established. Technical provisions are based on the best estimates of the Directors of the likely cost of individual cases, and the extent of the Company's current commitment to the cost of these cases.

  The final outcome on claims can significantly deviate from both initial estimates and the estimates as disclosed in the financial statements. There are several sources of uncertainty that need to be considered in the estimate of the liability that the Company will ultimately pay for such claims. Estimates are made for the expected ultimate cost of claims, whether reported or unreported, at the end of the reporting period. The estimates are reviewed regularly. For further details please refer to note 13.

8. Gross premium written and outward reinsurance premiums

	2021 UK£	Period from 4 July 2019 to 20 February 2020 UK£
Gross premiums written	3,479	-
Outward reinsurance premiums	(3,019)	-
Net Premiums written and earned	**460**	**-**

9. Other operating gains

	2021 UK£	Period from 4 July 2019 to 20 February 2020 UK£
Foreign exchange gains	102	-
	102	**-**

10. Expenses by nature

	2021 UK£	Period from 4 July 2019 to 20 February 2020 UK£
Auditors' remuneration for the statutory audit of annual accounts	21,152	2,516
Auditors' remuneration for other services	5,950	-
Management fees	25,961	-
Professional fees	19,719	-
Directors' remuneration	11,786	-
Other expenses	863	56
Total expenses	85,431	2,572
Agreed discount	(76,684)	-
Net operating expenses	**8,747**	**2,572**

Notes to the Financial Statements (continued)

11. Tax

The tax on the Company's results before tax differs from theoretical amount that would arise using the applicable tax rates as follows:

	2021 UK£	Period from 4 July 2019 to 20 February 2020 UK£
Loss before tax	**(8,388)**	**(2,572)**
Tax calculated at the applicable tax rates	(1,049)	(322)
Tax effect of allowances and income not subject to tax	(12)	-
Tax effect of tax loss for the year/period	1,061	322
Tax charge	**-**	**-**

The corporation tax rate is 12,5%.

Under certain conditions interest income may be subject to defence contribution at the rate of 30%. In such cases this interest will be exempt from corporation tax. In certain cases, dividends received from abroad may be subject to defence contribution at the rate of 17%.

Due to tax losses sustained in the year, no tax liability arises on the Company. Under current legislation, tax losses may be carried forward and be set off against taxable income of the five succeeding years.

12. Receivables

	2021 UK£	2020 UK£
Receivables from parent (Note 18.3)	68,172	-
Deposits and prepayments	21,457	
	89,629	**-**

The exposure of the Company to credit risk and impairment losses in relation to receivables is reported in note 6 of the financial statements.

13. Technical Provisions

	2021 UK£	2020 UK£
Technical provisions		
Gross technical provisions	2,026	-
Reinsurers' share of gross technical provisions	1,823	-
Total net technical provisions	**203**	**-**
Current	203	-

13. Technical Provisions (continued)

The nature of the business makes it very difficult to predict the likely outcome of any particular case and to estimate the cost of future claims.

The estimates for known outstanding claims are based on the best estimates of the Directors of the likely cost of individual cases, and the extent of the Company s current commitment to the cost of these cases. These estimates are as accurate as possible given the details of the cases and taking into account all the current information. The estimates are reviewed regularly.

The movement in the gross provision for claims is the difference between the provision for outstanding claims on all policy years at the beginning of the year and the equivalent provision at the end of the year, after deduction of all claims paid during the financial year and addition of new claims notified in the 2020 policy year.

The movement on net incurred claims for prior policy years was £203 (2020: -).

Development claim tables

The development of insurance liabilities provides a measure of the Company s ability to estimate the ultimate value of claims. The top half of the table below illustrates how the Company's estimate of total claims outstanding for each policy year has changed. The bottom half of the table reconciles the cumulative claims to the amount appearing in the statement of financial position.

Gross estimate of ultimate claims cost attributable to policy year:

Reporting year	**2020 /21 UK£**
At the end of the reporting year	2,026
Current estimate of cumulative claims	2,026
Cumulative payments to date	-
Gross liability recognized on balance sheet	2,026
Total gross liability relating to the last policy year	2,026
Other claims liability	-
Total gross technical provisions included on balance sheet	2,026

14. Cash and cash equivalents

Cash balances are analysed as follows:

	2021 UK£	**2020 UK£**
Cash at bank	**3,124,198**	**3,159,944**
	3,124,198	**3,159,944**

The exposure of the Company to credit risk and impairment losses in relation to cash and cash equivalents is reported in note 6 of the financial statements.

15. Share capital

	2021 Number of shares	2021 UK£	2020 Number of shares	2020 UK£
Authorised				
Ordinary shares of GBP£ 1.00	20,000	20,000	20,000	20,000
Issued				
Balance at 21 February	20,000	20,000	-	-
Issue of shares	-	-	20,000	20,000
Balance at 20 February	**20,000**	**20,000**	20,000	20,000
Not called/unpaid issued capital	**(10,000)**	**(10,000)**	(10,000)	(10,000)
Balance at 20 February	**10,000**	**10,000**	10,000	10,000

On 2 September 2019, the authorised share capital of the Company was increased by 10,000 ordinary shares of nominal value GBP£ 1.00 each.

Upon incorporation on 4 July 2019 the Company issued to the subscribers of its Memorandum of Association 10,000 ordinary shares of GBP£ 1.00 each at par which has not been called up for payment and remain unpaid as at the period end 20 February 2021.

On 2 September 2019, the Company increased its share capital by 10,000 ordinary shares at a premium. An amount of GBP£ 316 has been paid per share out of which the amount of GBP£ 1.00 represents the nominal value and the amount of GBP£ 315.00 its share premium.

16. Trade and other payables

	2021 UK£	2020 UK£
Trade payables	457	-
Other creditors	64,127	2,516
	64,584	**2,516**

The fair values of trade and other payables due within one year approximate to their carrying amounts as presented above.

17. Operating environment of the Company

On 11 March 2020, the World Health Organisation declared the Coronavirus COVID- 19 outbreak to be a pandemic in recognition of its rapid spread across the globe. Many governments are taking increasingly stringent steps to help contain, and in many jurisdictions, now delay, the spread of the virus, including: requiring self-isolation/ quarantine by those potentially affected, implementing social distancing measures, and controlling or closing borders and "locking-down" cities/regions or even entire countries. These measures have slowed down the economies both in Cyprus but globally as well with the potential of having wider impacts on the respective economies as the measures persist for a greater period of time.

This operating environment may have a significant impact on the Company's operations and financial position. Management is taking necessary measures to ensure sustainability of the Company's operations. However, the future effects of the current economic situation are difficult to predict and management's current expectations and estimates could differ from actual results.

17. Operating environment of the Company (continued)

The Company's Management is unable to predict all developments which could have an impact on the Cyprus economy and consequently, what effect, if any, they could have on the shipping industry in general and what effect, if any, on the future financial performance, cash flows and financial position of the Company once the license is obtained.

The Company's Management believes that it is taking all the necessary measures to maintain the viability of the Company and the smooth conduct of its operations in the current business and economic environment.

18. Related Parties

The Company is controlled by The United Kingdom Freight Demurrage and Defence Association Limited, incorporated in United Kingdom, which owns 100% of the Company's shares.

18.1 Directors' remuneration

The remuneration of Directors was as follows:

	2021 UK£	Period from 4 July 2019 to 20 February 2020 UK£
Directors' fees	11,786	-
	11,786	**-**

18.2 Transactions with related parties

Name	Nature of transactions	2021 UK£	Period from 4 July 2019 to 20 February 2020 UK£
The United Kingdom Freight Demurrage and Defence Association Limited	Reimbursement of expenses	76,684	-
		76,684	**-**

18.3 Receivables from related parties

Name	Nature of transactions	2021 UK£	Period from 4 July 2019 to 20 February 2020 UK£
The United Kingdom Freight Demurrage and Defence Association Limited	Reinsurance	68,172	-
		68,172	**-**

19. Contingent liabilities

The Company had no contingent liabilities as at 20 February 2021.

20. Commitments

The Company had no capital or other commitments as at 20 February 2021.

21. Events after the reporting period

There were no events after the reporting period which might have a bearing on the financial statements.

ukdefence.com

The UK Defence Club
c/o Thomas Miller Defence Ltd,
90 Fenchurch Street, London EC3M 4ST
+44 207 283 4646
tmdefence@thomasmiller.com
www.ukdefence.com

Registered in England: No. 501877
UKDC is regulated in the UK by the PRA and the FCA.
Company number: 00501877