

Orca Insurance Agency A/ S

Bredgade 65, 2. th., 1260 Copenhagen K

CVR no. 39 00 51 58

Annual report for 2019

Approved at the Company's annual general meeting on 11 August 2020

Chairman:


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Contents

Statement by Management on the annual report	2
Independent auditor's report	3
Management' review	5
Financial statements 1 January –31 December	7
Income statement	7
Balance sheet	8
Statement of changes in equity	10
Notes	11

Statement by Management on the annual report

Today, the Board of Directors and the Executive Board have discussed and approved the annual report of Orca Insurance Agency A/S for the financial year 1 January - 31 December 2019.

The annual report has been prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the financial position of the Company at 31 December 2019 and of the results of the Company's operations for the financial year 1 January –31 December 2019.

We recommend that the annual report be approved at the annual general meeting.

Copenhagen, 11 August 2020
Executive Board:



Lars Christian Lou Hendriksen

Board of Directors:



Alastair George Clark McKay
Chairman



Matthew Steven David
Washington



Richard Emlyn Heppell

Independent auditor's report

To the shareholders of Orca Insurance Agency A/S

Opinion

We have audited the financial statements of Orca Insurance Agency A/S for the financial year 1 January – 31 December 2019, which comprise income statement, balance sheet, statement of changes in equity and notes, including accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the financial position of the Company at 31 December 2019 and of the results of the Company's operations for the financial year 1 January – 31 December 2019 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements.

Management's responsibilities for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act 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.

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 in preparing the financial statements unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance as to 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 and additional requirements applicable in Denmark 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 the financial statements.

As part of an audit conducted in accordance with ISAs and additional requirements applicable in Denmark, we exercise professional judgement 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.

Independent auditor's report

- ▶ 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 in preparing the financial statements 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 contents of the financial statements, including the note disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

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.

Statement on the Management's review

Management is responsible for the Management's review.

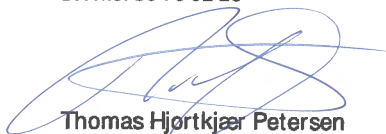
Our opinion on the financial statements does not cover the Management's review, and we do not express any form of assurance conclusion thereon.

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

Moreover, it is our responsibility to consider whether the Management's review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that the Management's review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement of the Management's review.

Copenhagen, 11 August 2020
ERNST & YOUNG
Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28



Thomas Hjortkjær Petersen
State Authorised
Public Accountant
mne33748



Management' review

Name Orca Insurance Agency A/S
Address, Postal code, City Bredgade 65, 2. th. 1260 Copenhagen

CVR no. 39005158
Established 10 October 2017
Registered office Copenhagen
Financial year 1 January – 31 December

Website <https://www.orcarisk.com/>
Board of directors Alastair George Clark McKay
Matthew Steven David Washington
Richard Emlyn Heppell

Auditors EY Godkendt Revisionspartnerselskab
Dirch Passers Allé 36, P.O. Box 250, 2000 Frederiksberg, Denmark

Management's review

The Company's activities

The Company was established on 10 October 2017.

The Company is an insurance agency that combines comprehensive marine risk engineering with tailored insurance coverage and exceptional in-house claims service. It applies an intelligent risk-based underwriting approach and deploys comprehensive risk management services. The risk-engineering department provides a flexible set of surveys, inspections and loss prevention services.

Development in activities and financial position

The income statement for the period 1 January –31 December 2019 shows a loss of DKK 13,054,572. Equity at 31 December 2019 is negative and amounts to DKK 19,607,542.

A loss in 2019 was in accordance with Management's expectations and is not unusual in the start-up phase of an insurance agency where the customer portfolio must be established.

On 30 December 2019, Neon Underwriting Limited informed the Company that it was not renewing its binding authority for the 2020 underwriting year. At the same time, the Company's immediate holding company, Neon Holdings (UK) Limited informed the Company that it was withdrawing future capital support if the Company could not secure alternative funding and underwriting capacity by 31 January 2020. No alternative funding, or third-party underwriting capacity, had been secured by that date and the Board formally placed the Company into run-off at 13 February 2020.

The Company continues to manage the business in run-off and along with Neon remains fully committed to all policyholders. All policies underwritten by the Neon Underwriting Limited Syndicate 2468 will be honoured as per their terms and conditions. Syndicate 2468 remains fully capitalised by American Financial Group, Inc and, as with every other syndicate at Lloyd's, will continue to benefit from Lloyd's full chain of security.

The Company's ultimate parent company, American Financial Group, Inc., has issued a letter of support committing to assist the company in meeting its liabilities to the extent funds are not otherwise available to the Company until 22 June 2021.

Management expects that there is sufficient liquidity to continue operating the Company.

The result for the year is negatively affected by the decision to run-off the Company. The decision has led to a write-down of the Company's property, plant and equipment and recognition of further operational lease liabilities.

Events after the reporting period

The outcome and potential impact on the Company's activity and the financial impact on the business due to the coronavirus outbreak are, as of the date of the approval of the annual report, uncertain given the rapid day-to-day development. On this basis, Management is currently unable to accurately assess the magnitude on the 2020 financial performance. As of the date of the approval of the annual report, the Company continues to work with its customers and the financial short-term impact has been limited. The Board of Directors monitors the situation closely.

There are no other events after the reporting period to be disclosed.



Financial statements 1 January – 31 December

Income statement

Note	DKK	2019	10 October 2017 – 31 December 2018
	Gross profit/ loss	3,430,148	-2,277,307
3	Staff costs	-12,699,034	-14,435,578
4	Amortisation, depreciation and impairment losses	-484,143	-131,514
	Profit/loss before net financials	-9,753,029	-16,844,399
			0
	Financial income	713,964	307,041
	Financial expenses	-2,503,842	-527,252
	Profit/loss before tax	-11,542,907	-17,064,610
5	Tax for the year	-1,511,665	1,511,665
	Profit/loss for the year	-13,054,572	-15,552,945
	Recommended appropriation of profit/ loss		
	Transferred to reserves under equity	-13,054,572	-15,552,945



Financial statements 1 January – 31 December

Balance sheet

Note	DKK	2019	2018
	ASSETS		
	Non-current assets		
4	Property, plant and equipment		
	Fixtures and fittings, plant and equipment	248,760	732,903
		<u>248,760</u>	<u>732,903</u>
	Financial assets		
	Deposit	126,550	423,305
5	Deferred tax	0	1,511,665
		<u>126,550</u>	<u>1,934,970</u>
	Total non-current assets	<u>375,310</u>	<u>2,667,873</u>
	Current assets		
	Receivables		
	Trade receivables	1,038,164	1,885,996
	Other receivables	432,370	460,959
	Prepayments	0	38,800
	Receivables from group entities	27,783	810,861
		<u>1,498,317</u>	<u>3,196,616</u>
	Cash	<u>10,085,748</u>	<u>7,539,206</u>
	Total current assets	<u>11,584,065</u>	<u>10,735,822</u>
	TOTAL ASSETS	<u>11,959,375</u>	<u>13,403,695</u>



Financial statements 1 January – 31 December

Balance sheet

Note	DKK	2019	2018
	EQUITY AND LIABILITIES		
	Equity		
	Share capital	1,000,000	1,000,000
	Share premium	7,999,975	7,999,975
	Retained earnings	-28,607,517	-15,552,945
	Total equity	-19,607,542	-6,552,970
	Non-current liabilities		
	Payables to group entities	18,422,843	11,578,420
	Total non-current liabilities	18,422,843	11,578,420
	Current liabilities		
	Trade payables	559,541	657,137
	Payables to group entities	8,413,786	5,673,130
	Other liabilities	3,323,359	1,330,149
	Deferred revenue	847,388	717,829
	Total current liabilities	13,144,074	8,378,245
	Total liabilities	31,566,917	19,956,665
	TOTAL EQUITY AND LIABILITIES	11,959,375	13,403,695

- 1 Going concern
- 2 Accounting policies
- 3 Staff costs
- 4 Amortisation, depreciation and impairment losses
- 5 Tax
- 6 Contractual obligations and contingencies, etc.
- 7 Related parties



Financial statements 1 January – 31 December

Statement of changes in equity

DKK	Share capital	Share premium	Retained earnings	Total
Equity at 1 January 2019	1,000,000	7,999,975	-15,552,945	-6,552,970
Profit/loss for the year	0	0	-13,054,572	-13,054,572
Equity at 31 December 2019	1,000,000	7,999,975	-28,607,517	-19,607,542

Financial statements 1 January – 31 December

Notes

1 Going concern

The Company's ultimate Parent Company, American Financial Group, Inc., has issued a letter of support for financial and other subsidies, if necessary, for its continued operations until 16 July 2021, so that it can continue its activities and fulfil its obligations, as they fall due.

Management expects that there is sufficient liquidity to continue the operation of the Company.

2 Accounting policies

The annual report of Orca Insurance Agency A/S for the financial year ended 31 December 2019 has been prepared in accordance with the provisions in the Danish Financial Statements Act applying to reporting class B entities with options from higher classes.

Income is recognised in the income statement as earned. All costs, including depreciation and write-downs, are also recognised in the income statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits will accrue to the Company and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow from the Company and the value of the liability can be measured reliably.

At initial recognition, assets and liabilities are measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

Change in accounting estimates

Management has reassessed the depreciation period on property, plant and equipment. As a consequence of the reassessment, depreciation and amortisation increased by DKK 288,576.

Foreign currency translation

On initial recognition, transactions denominated in foreign currencies are translated at the exchange rates at the transaction date. Foreign exchange differences arising between the exchange rate at the transaction date and the rate at the date of payment are recognised in the income statement as financial income or financial expenses.

Receivables, payables and other monetary items denominated in foreign currencies are translated at closing rates. The difference between the exchange rates at the balance sheet date and the date at which the receivable or payable arose or was recognised in the latest financial statements is recognised in the income statement as financial income or financial expenses.

Non-current assets acquired in foreign currency are measured at the exchange rate at the transaction date.

Material recognition and measurement uncertainties

Last year, the Company recognised a deferred tax asset of DKK 1,511,665, which is primarily attributable to tax loss carryforwards.

The measurement of the deferred tax asset no longer reflects the expected utilization within 3-5 years. Therefore, there is no recognition of the deferred tax asset.

Income statement

Gross profit

The Company uses the provision in section 32 of the Danish Financial Statements Act according to which the Company's turnover is not disclosed.

The gross profit is a summary of net revenue, other operating income and administrative costs.

Financial statements 1 January – 31 December

Notes

2 Accounting policies (continued)

Staff costs

Staff costs comprise wages and salaries, including holiday allowance and pensions, and other social security costs, etc., for the Company's employees.

Financial income and expenses

Financial income and expenses comprise interest income and expense, bank fees, payables and transactions denominated in foreign currencies.

Tax for the year

Tax for the year comprises current tax for the year and changes in deferred tax. The tax expense relating to the profit/loss for the year is recognised in the income statement, and the tax expense relating to amounts directly recognised in equity is recognised directly in equity.

Balance sheet

Property, plant and equipment

On initial recognition, items of property, plant and equipment are measured at cost.

The basis of depreciation is based on the residual value of the asset at the end of its useful life and is reduced by impairment losses, if any. The depreciation period and the residual value are determined at the time of acquisition and are reassessed every year. Where the residual value exceeds the carrying amount of the asset, no further depreciation charges are recognised.

In case of changes in the depreciation period or the residual value, the effect on the depreciation charges is recognised prospectively as a change in accounting estimates.

Cost comprises the purchase price and any costs directly attributable to the acquisition until the date when the asset is available for use.

Management has reassessed the depreciation period for fixed assets following the decision to put the company into run-off. All assets will be fully depreciated by the time the Company expects to cease trading.

Leases

Payments relating to operating leases and other leases are recognised in the income statement over the term of the lease.

Financial statements 1 January – 31 December

Notes

2 Accounting policies (continued)

Receivables

Receivables are measured at amortised cost.

An impairment loss is recognised if there is objective evidence that a receivable or a group of receivables is impaired. If there is objective evidence that an individual receivable has been impaired, an impairment loss is recognised on an individual basis.

Deferred tax

Deferred tax assets, including the tax base of tax loss carry-forwards, are measured at the value at which they are expected to be utilised, either through elimination against tax on future earnings or through a set-off against deferred tax liabilities within the same legal tax entity. Any deferred net assets are measured at net realisable values.

Deferred tax is measured according to the tax rules and at the tax rates applicable at the balance sheet date when the deferred tax is expected to crystallise as current tax. Changes in deferred tax due to changes in the tax rate are recognised in the income statement.

Prepayments

Prepayments comprise expenses incurred concerning subsequent financial years.

Liabilities

Financial liabilities comprising amounts owed to credit institutions, trade payables and payables to group entities are recognised at cost at the date of borrowing, corresponding to the proceeds received less transaction costs paid. In subsequent periods, financial liabilities are measured at amortised cost.

Other liabilities are measured at net realisable value.

		10 October 2017 – 31 December 2018
DKK	2019	2018
3 Staff costs		
Wages and salaries	9,467,911	9,844,994
Pensions	1,459,044	1,550,774
Other social security costs	1,772,079	3,039,810
	12,699,034	14,435,578
Average number of full-time employees	8	7

Financial statements 1 January –31 December

Notes

4 Property, plant and equipment

DKK	Office equipment	IT equipment
Cost at 1 January 2019	694,769	169,648
Additions	0	0
Cost at 31 December 2019	694,769	169,648
Depreciation and impairment losses at 1 January 2019	77,147	54,367
Depreciation and impairment losses for the year	417,683	66,460
Depreciation and impairment losses at 31 December 2019	494,830	120,827
Carrying amount at 31 December 2019	199,939	48,821

5 Tax

DKK	2019	10 October 2017 –31 December 2018
Current tax	0	0
Change in deferred tax	-1,511,665	1,511,665
	-1,511,665	1,511,665

6 Contractual obligations and contingencies, etc.

The Company has entered into rent agreements and operating leases at the following amounts:

DKK	< 1 year	1 - 5 year	>5 years
Operating lease liabilities	912,401	318,132	0

As a consequence of the decision to place the Company into run-off, an additional lease liability of DKK 1,750,898 was recognised in 2019.

7 Related parties

Orca Insurance Agency A/S' related parties comprise the following:

Parties exercising control

Neon Holding (U.K) Limited, which exercises control.

The name and registered office of the Parent Company that prepares consolidated financial statements for the smallest group in which the Company is a subsidiary:

Neon Capital Limited, 5th Floor, 20 Gracechurch Street, London EC3V 0BG