

The Charterers Mutual Assurance Association Ltd

Report and Financial Statements 31 December 2015

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Report and Financial Statements for the year ended 31 December 2015

The Charterers Mutual Assurance Association Limited ("The Association") provides mutual insurance cover against the cost of the charterer of a ship being held liable for loss or damage to the vessel chartered, its cargo, or to third parties or their property. With effect from 1 January 1999, and in response to an increasing industry-wide demand from ship operators, cover was transferred to a new and enhanced Fixed Premium scheme, "The Charterers P&I Club", underwritten by Lloyd's underwriters and administered by Michael Else and Company Limited exactly as before, but under the terms of a binding authority. The Association consequently discontinued underwriting new risks on a mutual basis with effect from 31 December 1998 and has run off the majority of the remaining liabilities. Michael Else and Company Limited are currently in discussions to transfer fully the rights and obligation in connection with the remaining claims to a third party. This transfer is expected to be completed in the next few months.

The Association is registered in England and Wales and is authorised by the Prudential Regulation Authority and Financial Conduct Authority in accordance with the Financial Services and Markets Act 2000.

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Directors, Managers, Secretary and Registered Office

Directors

Chairman: M Else

C J Else

L K Wilson

Managers

Michael Else and Company Limited

Secretary and Registered Office

Michael Else and Company Limited
65 Leadenhall Street, London, EC3A 2AD

Telephone: (020) 7702 3928

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E-mail: mail@else.co.uk

Web: www.else.co.uk

Registered number 1874472

Strategic Report

The directors have pleasure in presenting their report and the audited financial statements of The Charterers Mutual Assurance Association Limited ("the Association") for the year ended 31 December 2015.

Constitution

The Association is a company limited by guarantee and does not have a share capital. The liability of each member under their guarantee is limited to US\$8.

The members are liable for their rateable proportion of any deficiency resulting from an excess of claims and expenses over contributions. Any surplus may be retained at the discretion of the directors and applied for the purposes of the Association, or be returned to the members.

Principal activity and business review

The principal activity of the Association has been the provision of mutual insurance to ship charterers, in two classes:

Class I: Defence (legal costs and expenses)

Class II: Protection and indemnity

In response to an increasing industry-wide demand from ship operators for fixed premium P&I cover, a decision was taken in 1998 to "demutualise" the Association. The Managers proposed a scheme which would allow for the creation of a new fixed premium vehicle, "The Charterers P&I Club", with effect from 1 January 1999, combining the benefits of the service historically provided by Michael Else and Company Limited (MECO) as mutual managers with the security of conventional insurance capital provided by underwriters at Lloyd's. The Association therefore ceased underwriting new mutual risks on 31 December 1998, at which stage all existing mutual members were offered the opportunity to purchase cover from the new vehicle.

The following resolution was approved unanimously at an Extraordinary General Meeting of the Members on 15 December 1998:

"That the Company cease underwriting new business from 31 December 1998 and to entitle the Directors to utilise the reserves of the Company as at 31 December 1998 to effect insurance run-off cover and to arrange insurance cover for the benefit of members."

Three contracts have been negotiated between the Association, MECO and Lloyd's Underwriters. These contracts provide for:

- A Run-off reinsurance policy, designed to protect the Association and its Members against any possible future deterioration of the claims estimates as at 31 December 1998.
- Cover in respect of any future unforecast supplementary call liabilities of Members who have transferred, under two year policies, to the new fixed premium facility, "The Charterers P&I Club".
- A "Binder" contract, under which MECO have contracted with Lloyd's underwriters to manage the activities of the Charterers P&I Club in a role similar to that which they have historically performed as Managers to the Association.

Strategic Report *continued*

After settlement of the 22.5% supplementary calls charged and / or approved in respect of the 1996, 1997 and 1998 policy years, members who have transferred to The Charterers P&I Club, and whose accounts are up to date, will have no further liability to supplementary calls under the mutual system, any further liabilities on these open years being covered by the run-off reinsurance and supplementary call cover provided by Lloyd's underwriters. The contracts provide for an additional 10% of the 1999 Charterers P&I Club premiums becoming payable by each assured should underwriters' losses under the run-off and unforecast supplementary call protection policy exceed \$4 million but the likelihood of such a loss arising is considered remote.

The premium credit for 2015, due from Lloyd's underwriters, in respect of the run-off and supplementary call cover is \$33,563 (2014 Credit: \$17,742). This is equivalent to the profit or loss for the financial year of the Association prior to accounting for the contract.

The run-off of the Association's liabilities and recovery of outstanding assets has proceeded well during the year, and is in line with forecast.

Results

As explained above the free reserves of the Association at 31 December 1998, as adjusted for subsequent results have been used to purchase insurance run-off and supplementary call cover for the benefit of members. As such any movement in the operating results each year is offset by a corresponding movement in the premiums and recoveries due to/from reinsurers. The Association therefore made neither profit nor loss for the financial year, and carries forward a nil balance on reserves at 31 December 2015.

Reinsurance

The reinsurance programmes for policy years up to and including 1998, all placed with Lloyd's, members of the Institute of London Underwriters, Munich Re will continue to provide the Association with cover throughout the run-off period.

Supplementary calls

The supplementary calls of 22.5% on classes I and II for the 1996, 1997 and 1998 policy years were charged in December 1998, June 1999 and December 1999 respectively. All three years remain open but the directors are presently estimating a nil closing call for these years. Members who have transferred across to the new fixed premium facility and whose accounts are up to date also benefit from supplementary call cover in respect of their exposure to further calls on these years.



Lee Wilson
For and behalf the board.

15/3/2016

Directors' report and Statement of Directors' responsibilities

Future developments

It is now more than 16 years since the Association ceased trading and there are two claims files open. In the circumstances both the managers and directors are in agreement that steps should now be taken to close the remaining files in order to proceed to wind up the affairs of the Association as soon as practical.

The company is in discussions with the PRA and FCA about agreeing a plan of action to bring finality to the current position. The next steps include:

- The Board will circulate potential interested parties to identify claims not previously reported, this is despite having received legal advice that no claims could arise for which the mutual is liable.
- It is the plan to transfer the two remaining claims to QBE via a Novation agreement.
- On the assumption that no claims arise seek approval for de-registration from the PRA and FCA
- then it is proposed that a liquidator be appointed and the company will enter a members voluntary liquidation,
- Dissolve the company.

Directors

A full list of the present directors of the Association is shown on page 2.

The directors are ex-officio members of the Association and are individually liable for their guarantee amounts of US\$8.

Statement of directors' responsibilities

The directors are responsible for preparing the Annual Report, Strategic Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the Association and of the profit or loss for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed; and,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Association will continue in business. As explained in note 1 to the financial statements, the directors do not believe the going concern basis to be appropriate and these financial statements have not been prepared on that basis.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Association's transactions and disclose with reasonable accuracy at any time the financial position of the Association and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Managers

The managers of the Association throughout the year were Michael Else and Company Limited.

Statement as to disclosure of information to auditors

So far as each of the directors is aware at the time the report is approved:

- there is no relevant audit information of which the Association's auditors are unaware, and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.


Directors' report and Statement of Directors' responsibilities *continued*

Events after the year end

There were no significant events after the year end.

The company is in discussions with the PRA and FCA about agreeing a plan of action to bring finality to the current position. The next steps include:

- The Board will circulate potential interested parties to identify claims not previously reported, this is despite having received legal advice that no claims could arise for which the mutual is liable.
- It is the plan to transfer the two remaining claims to QBE via a Novation agreement.
- On the assumption that no claims arise seek approval for de-registration from the PRA and FCA
- then it is proposed that a liquidator be appointed and the company will enter a members voluntary liquidation,
- Dissolve the company.

 15/3/2016

By order of the board

For Michael Else & Company Ltd

Independent Auditors' Report

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF CHARTERERS MUTUAL ASSURANCE ASSOCIATION LIMITED

We have audited the financial statements of The Charterers Mutual Assurance Association Limited for the year ended 31 December 2015 which are set out on pages 9 to 17. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Association's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Association's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Association and the Association's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Boards (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Association's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2015 and of its result for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

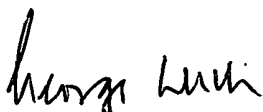
In our opinion the information given in the Strategic Report and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Auditors' Report *continued*

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.



George Luck, Senior Statutory Auditor
For and on behalf of Moore Stephens LLP, Statutory Auditor

150 Aldersgate Street
London
EC1A 4AB

Date: 15 March 2016

Statement of Income and Retained Earnings for the year ended 31 December 2015
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	Notes	2015 US\$	2014 US\$
<i>Discontinued operations</i>			
<u>TECHNICAL ACCOUNT - GENERAL BUSINESS</u>			
Earned calls, net of reinsurance			
Gross calls written	2	-	-
Outward run-off reinsurance premiums credit	10	33,563	17,742
Total written net calls, net of reinsurance		33,563	17,742
Investment income	4	51	27
TOTAL TECHNICAL INCOME		33,614	17,769
Claims incurred, net of reinsurance			
Claims paid - gross		10,140	3,099
Claims paid - reinsurers' share		(11,219)	-
Claims paid - net of reinsurance		(1,079)	3,099
Provision for claims:			
Change in provision - gross	3	14,860	(3,301)
Change in provision - reinsurers' share	3	(4,301)	-
Net change in provision for claims		10,559	(3,301)
Claims incurred net of reinsurance		9,480	(202)
Net operating expenses	5	24,124	17,981
TOTAL TECHNICAL CHARGES		33,604	17,779
BALANCE ON THE GENERAL BUSINESS TECHNICAL ACCOUNT		10	(10)
<u>NON TECHNICAL ACCOUNT</u>			
Balance on the general business technical account and profit on ordinary activities before tax		10	(10)
Tax on profit on ordinary activities	6	(10)	10
RESULT FOR THE FINANCIAL YEAR		-	-
RETAINED EARNINGS AT 1 JANUARY		-	-
RETAINED EARNINGS AT 31 DECEMBER		-	-

The Association has no other comprehensive income other than that included in the income statement above and therefore a statement of other comprehensive income has not been presented.

The accompanying Notes are an integral part of the annual accounts.

Statement of Financial Position as at 31 December 2015

	Note	2015 US\$	2014 US\$
<u>ASSETS</u>			
Reinsurers' share of technical provisions			
Claims outstanding	3	33,626	29,325
Debtors			
Debtors arising out of reinsurance operations:			
Due from reinsurers		15,699	4,481
Other debtors		2,129	-
Total debtors		17,828	4,481
Other assets			
Cash at bank and in hand	11	178,961	196,224
TOTAL ASSETS		230,415	230,030
RESERVES			
Retained earnings	8	-	-
<u>LIABILITIES</u>			
Technical provisions			
Claims outstanding	3	79,356	64,496
Creditors			
Creditors arising out of direct insurance operations:			
Due to reinsurers		123,782	157,345
Other creditors including taxation and social security		8,852	-
Total creditors		132,634	157,345
Accruals and deferred income		18,425	8,189
TOTAL LIABILITIES		230,415	230,030

The accompanying Notes are an integral part of the annual accounts.

Approved at a meeting of the Board of Directors and signed on its behalf.


Lee Wilson, Director

Registered number: 1874472

The Charterers Mutual Assurance Association Limited
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<p align="center">Statement of Cash Flows for the year ended 31 December 2015</p>
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	Note	2015 US\$	2014 US\$
Net cash (outflow)/inflow from operating activities	9	(17,683)	(53,211)
Tax Paid		(2)	(2)
Net Cash (outflows)/inflows from operating activities		(17,685)	(53,213)
Cash flows from investing activities:			
Interest received		51	27
Net Cash (outflows)/inflows from investing activities		51	27
Net (Decrease)/ Increase in cash and cash equivalents		(17,634)	(53,186)
Cash and cash equivalent at the beginning of the year		196,224	249,282
Effect of exchange rate fluctuation on cash and cash equivalents		371	128
Cash and Cash equivalents at the end of the year		178,961	196,224

The accompanying Notes are an integral part of the annual accounts.

Notes to the Financial Statements for the year ended 31 December 2015

1 Accounting policies

General Information

The Association is a company limited by guarantee and does not have a share capital. The company is incorporated in United Kingdom and has the registered address at 65 Leadenhall Street, London, EC3A 2AD. Registration number is 1874472. The Association discontinued underwriting new risks on a mutual basis with effect from 31 December 1998 and has run off the majority of the remaining liabilities.

Basis of preparation

The financial statements are prepared in accordance with the Financial Reporting Standards 102 and 103 as issued by the Financial Reporting Council and provisions of Section 396 to the Companies Act 2006. The principal accounting policies adopted in the preparation of these financial statements are summarised below. These policies have been applied consistently throughout the year and to the preceding year.

The Company has adopted the following new standards which became effective for financial year beginning on or after 1 January 2015:

- (i) FRS 102 "The Financial Reporting Standard Applicable in the UK and Republic of Ireland".
- (ii) FRS 103 ""Insurance Contracts"

In accordance with FRS102 & FRS 103, the Company has applied existing accounting policies for insurance contracts. Opportunity has been taken to provide more relevant narrative information in the accounting policies and notes to support the financial statements. These clarifications have not resulted in either changes in accounting estimates or changes to any prior year numbers.

The annual basis of accounting has been applied to the financial statements, which are expressed in United States Dollars (US\$) which is the functional currency of the company.

Going Concern

The directors are of the view that the imminent transfer of the Association's remaining claims liabilities allows the affairs of the Association to be wound up in the near future. Consequently, the Association is no longer considered to be a going concern.

These financial statements have been prepared on a break-up basis. Therefore at 31 December 2015 all the assets are stated at the lower of carrying amount and net recoverable value and all liabilities are stated at the settlement value.

Critical accounting policies and the use of estimates

The preparation of financial statements requires the Company to select accounting policies and make estimates and assumptions that affect items reported in the income statement, statement of financial position, other primary statements and notes to the financial statements.

The provision for claims outstanding is based on information available at the balance sheet date. Significant delays are experienced in the notification and settlement of certain claims and accordingly the ultimate cost of such claims cannot be known with certainty at the balance sheet date. Subsequent information and events may result in the ultimate liability being less than, or greater than, the amount provided. Any differences between provisions and subsequent settlements are dealt with in the general business technical account of later years.

<p style="text-align: center;">Notes to the Financial Statements for the year ended 31 December 2015 <i>continued</i></p>

Critical accounting policies and the use of estimates (continued)

All estimates are based on management's knowledge of current facts and circumstances, assumptions based on that knowledge and their predictions of future events and actions. Actual results may differ from those estimates, possibly significantly.

Claims

The charge in the profit and loss account comprises claims paid during the year, together with provisions for claims notified but not agreed and claims incurred but not reported. The provision for claims outstanding includes an allowance for future claims handling costs.

Reinsurance

Excess of loss and stop loss reinsurance premiums and recoveries represent amounts payable to and recoverable from reinsuring underwriters for calls and claims reported in the profit and loss account.

Run-off reinsurance

Run-off reinsurance represents the premiums payable or receivable in respect of the run-off reinsurance and supplementary call cover entered into by the Association with Lloyd's underwriters.

Interest

Interest is accounted for on the accruals basis. It is attributed directly to the technical account, since the Association's entire assets are available for the settlement of future claims.

Operating expenses

Operating expenses comprise all expenses paid and accrued for the year.

Unearned calls

Unearned calls represent written calls relating to future accounting periods.

Deferred acquisition costs

Deferred acquisition costs represent incurred brokerage and managers' remuneration relating to future accounting periods.

Rates of exchange

Assets and liabilities are translated into United States Dollars at the rates of exchange ruling at the balance sheet date. Revenue transactions are converted at average monthly rates during the year and any exchange gain or losses are dealt with in the profit and loss account.

Deferred taxation

Provision is made in full for all taxation deferred in respect of timing differences that have originated but not reversed by the balance sheet date, except for gains on disposal of fixed assets that will be rolled over into replacement assets. No provision is made for taxation on permanent differences.

Deferred tax assets are recognised to the extent that it is more likely than not that they will be recovered.

Notes to the Financial Statements for the year ended 31 December 2015 <i>continued</i>

Recognition and derecognition of financial assets and financial liabilities

Financial assets and financial liabilities are recognised when the Company becomes party to the contractual provisions of a contract.

A financial asset is derecognised when either the contractual rights to the asset's cash flows expire, or the asset is transferred and the transfer qualifies for derecognition under a combination of risks and rewards and control tests.

A financial liability is derecognised when it is extinguished which is when the obligation in the contract is discharged, cancelled or expired.

Cash and cash equivalents

Cash and cash equivalents in the statement of financial position include cash in hand, deposits held at call with banks and other short-term highly liquid investments with a maturity of three months or less at the date of acquisition.

Debtors

Debtors are recognised initially at their fair value and are subsequently assessed for indicators of impairment at each balance sheet date. If there is objective evidence of impairment, an impairment loss is recognised through the profit and loss account.

Creditors and other financial liabilities

Creditors and other financial liabilities are recognised at their fair value.

2 Gross calls written

Gross calls represent ongoing adjustments to advance, supplementary and release calls raised in previous years (1998 - advance call for the 1998 policy year, the additional supplementary calls on the 1996 and 1997 policy years over and above the figures previously estimated and the 22.5% supplementary call on the 1998 policy year).

3 Provision for claims outstanding

	2015	2014
	US\$	US\$
Claims outstanding - gross amount:		
Amount carried forward	79,356	64,496
Amount brought forward	64,496	67,797
	<hr/>	<hr/>
Net charge/ (credit) to Profit & Loss	14,860	(3,301)
Claims outstanding - reinsurers' share:		
Amount carried forward	33,626	29,325
Amount brought forward	29,325	29,325
	<hr/>	<hr/>
Net (credit)/ charge to Profit & Loss	4,301	-
	<hr/>	<hr/>
Net charge/ (credit) to Profit & Loss	10,559	(3,301)
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Notes to the Financial Statements for the year ended 31 December 2015 <i>continued</i>

The provision for claims outstanding is available to meet claims reported but not agreed and claims incurred but not yet reported. Because claims can be subject to prolonged delays as to notification and settlement, it is not always possible to quantify with any certainty the value of claims outstanding at the balance sheet date. The directors and managers have nevertheless estimated the provisions using the latest possible information and after taking account of historical trends.

4 Investment income

	2015 US\$	2014 US\$
Income from other investments:		
Bank and deposit interest receivable	51	27
	<hr/>	<hr/>

5 Net operating expenses

Net operating expenses comprise the direct costs of running the Association, as follows:

	2015 US\$	2014 US\$
Administrative expenses	24,124	17,981
	<hr/>	<hr/>

Michael Else and Company Limited, as Manager, is a related party of the Association. There were no related party transactions.

The current directors are also same for Michael Else and Company Ltd, but no related party transactions took place.

Administrative expenses include:

	2015 US\$	2014 US\$
Directors' emoluments	-	-
Auditors' remuneration - audit services	20,881	14,422
	<hr/>	<hr/>

6 Taxation

The tax (credit)/ charge for the current year at 20% (2014 – 20%) is USD 10 (2014 – USD (10)).

7 Creditors

All creditors are payable within one year.

8 Movements in members' funds: Profit and Loss account

There was no movement in the members Retained Earnings during the year (2014: Nil).

<p style="text-align: center;">Notes to the Financial Statements for the year ended 31 December 2015 <i>continued</i></p>
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9 Statement of Cash Flows

	2015 US\$	2014 US\$
<u>Reconciliation of operating profit to net cash inflow</u>		
Operating activities:		
Profit/(loss) on ordinary activities before tax	10	(10)
Adjusted for non-cash movements:		
Effect of foreign exchange rate changes	(380)	(117)
Decrease in reinsurers' share of technical provisions	(4,301)	-
Decrease/(increase) in insurance and reinsurance debtors	(11,218)	85,678
Decrease in other debtors and prepayments	(2,129)	2,165
(Decrease)/increase in technical provisions	14,860	(3,301)
(Decrease) in insurance and reinsurance creditors	(24,711)	(17,742)
(Decrease)/increase in accruals and other creditors	10,237	(119,857)
Investment income	(51)	(27)
Net cash (outflow)/inflow from operating activities	(17,683)	(53,211)

10 Run-off reinsurance

The 2015 premium credit of \$33,563 (2014 Credit: \$17,742) is in respect of the run-off reinsurance and supplementary call cover arranged through Lloyd's underwriters. The credit is equivalent to the profit for the financial year prior to accounting for this contract.

11 Cash at Bank and in hand:

The cash and bank balance of \$178,961 (2014: \$196,224) represents funds due to the reinsurer (QBE) which were granted to the association as a float under the terms of the run off agreement.

12 Risk management

A related company, Michael Else and Company Limited, has implemented a Risk Management set of procedures for the company which is in Run-off.

A collection of processes and tools that have been put in place to ensure that the risks to which the company is exposed are identified, measured, managed, monitored and reported on a continuous basis.

<p style="text-align: center;">Notes to the Financial Statements for the year ended 31 December 2015 <i>continued</i></p>

The Company sets limits to manage material risks to ensure the risks stay within acceptable levels for the nature and size of the entity. Where risks are outside of acceptable level, actions are agreed to mitigate the exposure.

In addition to monitoring regulatory Solvency under applicable UK Prudential Regulatory Authority (PRA) regulations, the PRA also requires the Company to assess its economic capital requirements to ensure that it adequately reflects the risks facing the business. The main risks being faced by the Company are as follows:

Insurance Risk

The Company is in run-off and considers insurance risk within its general insurance activity to be the management of claims and the adequacy of reserving. The risk relates to the inherent uncertainty around the level of reserves held. All business is reinsured which provides 100% protection in relation to claims and associated expenses.

Credit Risk

Credit Risk is the risk of loss in the financial assets due to counterparties failing to meet all or part of their obligations.

Market Risk

Market Risk is the risk of adverse financial impact due to changes in future cash flows of financial instruments due to fluctuations in interest rates and market prices. The Company has no off-balance sheet transactions and has no investments.

Operational Risk

Operational Risk is the risk of adverse financial impact due to being in business and can arise from the operation's people, processes, and systems. These risks are managed through controls that are aligned with the company's risk appetite and monitored in a warning indicator system based on key risk indicators. Key Risks, Controls and Indicators are reviewed periodically.