CONTENT **PAGE**

MEMBERS OF THE COUNCIL AND THE BOARD OF DIRECTORS, THE INDEPENDENT AUDITORS

Council

Name, Surname	*Position*
Andrew John Burke	Chairman of the Council
Kestutis Serpytis	Member of the Council
Kaido Kepp	Member of the Council
Miriam Assumpta Connole	Deputy of Chairman of the Council (since 02.11.2010)
Ditte Marstrand Wulf	Member of the Council (since 02.11.2010)
Helle Meineche	Deputy of Chairman of the Council (until 02.11.2010)
Miriam Assumpta Connole	Member of the Council (until 02.11.2010)

Board

Name, Surname	*Position*
Uldis Dzintars	Member of the Board
Madara Melnmate	Member of the Board
Aivars Vilnītis	Member of the Board
Kristians Pudans	Member of the Board (since 05.08.2010)
Dmitrij Nosko	Member of the Board (since 14.05.2010)
Inga Ezera	Member of the Board (since 14.05.2010)
Tauseef Shaffi Chaudhry	Chairman of the Board (since 09.02.2011)
Iain Kennedy	Member of the Board (since 14.05.2010)
Tara Jane Kneafsey	Chairman of the Board (until 03.12.2010)

Name and address of the independent auditor and responsible certified auditor:

Deloitte Audits Latvia SIA
Licence No. 43
Gredu 4a
Riga, LV-1019
Latvia

Responsible certified auditor:
Jelena Mihejenkova
Certified auditor
Certificate No.166

REPORT OF THE COUNCIL AND THE BOARD OF DIRECTORS

CEO comment
2010 was a great milestone in the history of Balta. Numerous undertakings towards Balta integration within RSA Group started to deliver impact on business and reputation, to name few: claims lean project, introduction of world class financial planning models and risk assessment techniques exploited by RSA worldwide.

Despite internal developments the non-life insurance market greatly suffered due to the general economic situation in Latvia, which raises challenging questions for many insurers. However, Balta has come through these tough times in a very strong financial position – we keep our market share, we demonstrate profitable financial performance and we have successfully adapted our business to the current economic situation.

Strategic initiatives are expected to deliver in 2011
During 2010 several unique internal transformations took place in Balta which allowed us to streamline sales activities throughout the year keeping our market share.

In the lead of CEO Tara Kneafsey, during 2010 Balta introduced the Underwriting project streamlining risk evaluation process; within sales an internal structural transformation program was developed with an aim of more efficient sales resources application; restructuring of the Strategy, Marketing and Customer Insights Department. After T.Kneafsey has been appointed to a new role within the UK business of RSA, new CEO with solid international insurance business background was appointed. These activities are to sustain our competitiveness and leading position in the Latvian market in 2011.

Key financial data
Balta gross written premiums in the end of the financial year reached LVL 31.3 million, which has dropped by 25% comparing with the previous year. We believe that this is in line with the general insurance market drop, hence Balta is to keep 22% market share. Balta profit before taxes is LVL 1.7 million, which is driven by the investment income. Balta follows conservative investment policy allocating investments in investment grade bonds.

RSA market expertise
RSA Group business planning models support Balta especially in this tough time for the Latvian insurance market. Balta benefits from RSA Group’s strengths and 300 years underwriting and claims expertise in ensuring that local skills and capabilities are aligned with the best practice.

Macroeconomic and regulatory environment
Except few indicators, market starts to deliver signs of relative stability and economical development. However, tiny economic upturn in Latvia is far too slow. Unfortunately neither consumption, nor investments or governmental spending pick up significantly. Hence, the demand for insurance services develops very slowly and product penetration stays low.

Insurers also are to face Solvency II requirements in the near future, which could increase pressure on capital requirements and increase risk awareness in industry. Balta in cooperation with RSA Group has streamlined introduction of these requirements internally and will be amongst the first insurers approaching for development and approval of Internal Model for Solvency II requirements.

Great claims service achievements
In 2010 there were several major cataclysms – starting with remarkable snow volume in winter time (193 claims requests received, losses reached approximately LVL 140 thousand), floods in spring time (212 claims requests received, losses reached LVL 235 thousand) and several storms in summer time (782 claims requests received, losses reached LVL 440 thousand). The most serious claim’s issue insurers were involved in was a large storm on August that caused great losses and damages to many parts of Europe, including Latvia. In relation to the losses caused by this storm Balta received 250 claim requests for the total sum of losses reaching LVL 150 thousand. We believe that streamlined and respected claims service delivered by Balta has ranked us as the Most honest insurer within the research done by SKDS and business portal LETA.

Corporate social responsibility
As part of society Balta has a strong sense of corporate social responsibility in giving back to the community. In Latvia Balta is donating staff time to Big Cleanup event working together with project partner organization “Footprints”, donating blood to Latvian Red Cross, promoting safe driving initiatives in cooperation with our partner Safe Driving School, and teaching new skills to children organising five Christmas charity events in orphanages nationwide.

REPORT OF THE COUNCIL AND THE BOARD OF DIRECTORS (continued)

Within the Excellent Service Award in 2010 Balta was ranked in finance industries TOP 3 together with two banks – Swedbank and Parex Bank, thus recognizing Balta as the best service leading insurance company. The evaluation was done by Latvian residents and business organizations. In research done by Organization "Working Day Latvia", Balta is recognized as the most attractive employer in 2010 among insurers.

Financial risk management
The operations of Balta, especially investment management activities, are exposed to a range of financial risks. The most important components of this financial risk are credit risks, liquidity risks and market risks, which include interest rate risks and currency risks Balta management has set policies that limit possible financial risks in order to reduce the potential effect on the Company's financial situation. In managing credit risks, Balta complies with stipulated limits regarding deals with one trading partner or similar trading partner groups, as well as deposit issuer credit ratings. Liquidity risks are managed by placing funds in high liquidity financial instruments and keeping funds in credit institution payment accounts, as well as by planning cash flow from insurance, administration and investment activities. To manage market risks, maturity analysis, duration analysis and sensitivity analysis are performed and limits in currency positions are set. Financial risks are reviewed at least once a year. The asset management commission regularly supervises the compliance of deals under risk to limits.

Balta constantly receives requests for insurance claim payments. To maintain liquidity and reduce cash flow risk Balta performs certain activities, namely, controlling cash flows from direct insurance operations and balancing them with investment cash flows. Hence a minimal amount of cash necessary for claims payments is assured.

Distribution of dividends
Balta's own funds essentially exceed fulfilment of solvency margin requirements, thus the Board promotes the distribution of dividends in the amount of LVL 5.2 million from retained earnings as of 31.12.2008. After distribution of dividends Balta's own funds shall exceed the required claims by more than two times. We believe that it is sufficient to form a stable capital base for the coverage of customer claims.

The management of Balta propose to transfer the profit for 2010 in the amount LVL 1.3 million to retained earnings as undistributed. The proposed dividend pay out is planned to be covered from previous year retained earnings.

Post balance sheet events
During the period between the last day of the financial year and the date of signing of this report there have been no significant events that would have a material effect on the year end results.

About Balta
BALTA is a part of RSA Group, which is one of the world's leading international insurance groups with 300 years of experience. It offers the insurance services in more than 130 countries. The companies of the RSA Group include around 22 thousand employees.

Andrew John Burke	Tauseef Shaffi Chaudhry
Chairman of the Council	Chairman of the Board

17 March 2011

STATEMENT OF THE RESPONSIBILITY OF THE COUNCIL AND THE BOARD OF DIRECTORS

The Council and the Board of Directors of AAS BALTA confirms that the Financial Statements for the year ended 31 December 2010 are prepared in accordance with the International Financial Reporting Standards as adopted by EU and appropriate accounting policies, applied on a consistent basis. The Council and the Board of Directors of AAS BALTA is responsible for preparing these financial statements from the books of primary entry. The Council and the Board of Directors confirms that these Financial Statements for the year ended 31 December 2010 present fairly the financial position at the end of the reporting year, and the results of its operations and cash flows for the reporting year.

Prudent and reasonable judgements and estimates have been made by the Council and Board of Directors in the preparation of the Financial Statements for the year ended 31 December 2010.

The Council and the Board of Directors of AAS BALTA is responsible for the maintenance of proper accounting records, the safeguarding of the Company's assets and the prevention and detection of fraud and other irregularities in the Company. It is also responsible for operating the Company in compliance with the legislation of the Republic of Latvia.

Andrew John Burke
Chairman of the Council

Tauseef Shaffi Chaudhry
Chairman of the Board

17 March 2011

STATEMENT OF COMPREHENSIVE INCOME

	Note	2010	2009
Income			
Gross written premiums	3	31 326 610	41 560 839
Less: reinsurance premiums	3	(1 477 366)	(1 305 658)
Net written premiums		29 849 244	40 255 181
Change in the gross provision for unearned premiums	4	*2 359 649*	*11 321 995*
Less: change in provision for unearned premiums, reinsurers' share	4	*(799)*	*54 893*
Change in provision for unearned premiums		2 358 850	11 376 888
Net earned premiums		32 208 094	51 632 069
Interest income	5	1 360 886	1 562 011
Net fair value (losses) on financial assets at fair value through profit or loss	6	483 763	(239 713)
Other income	7	289 211	288 066
Total income		**34 341 954**	**53 242 433**
Expenses			
Gross claims paid to policyholders		(18 217 502)	(26 002 126)
Claims settlement expense		(2 406 043)	(2 060 895)
Less: recovered loss amount		1 507 776	1 729 027
Gross claims paid	8	(19 115 769)	(26 333 994)
Less: reinsurers' share	8	451 715	392 363
Net claims paid		(18 664 054)	(25 941 631)
Change in gross provision for claims	9	1 455 847	(5 442 907)
Less: change in provision for claims, reinsurers' share	9	331 080	3 803 078
Net claims incurred		(16 877 127)	(27 581 460)
Client acquisition costs	10	(3 681 489)	(5 569 496)
Administrative expense	11	(12 151 675)	(14 114 276)
Other expense	12	(23 970)	(1 053 044)
Total expenses		**(32 734 261)**	**(48 318 276)**
Finance income	13	48 669	260 280
Finance expenses	14	-	(107 500)
Profit before tax		**1 656 362**	**5 076 937**
Income tax expense	15	(334 547)	(858 933)
Profit for the year		**1 321 815**	**4 218 004**
Other comprehensive income for the year			
Revaluation reserve		(6 193)	(48 509)
Total comprehensive income for the year		**1 315 622**	**4 169 495**

Notes on pages 12 to 43 are an integral part of these financial statements.

Andrew John Burke
Chairman of the Council

Tauseef Shaffi Chaudhry
Chairman of the Board

17 March 2011

STATEMENT OF FINANCIAL POSITION

	Note	31.12.2010	31.12.2009
ASSETS			
Intangible assets	16	**3 033 046**	**2 903 870**
Property, plant and equipment	17	**2 788 501**	**3 207 861**
Financial investments at fair value through profit / (loss)	18	30 781 605	33 465 468
Loans	19	15 500	33 529
Term deposits with banks	39	5 612 086	1 373 080
Total investments		**36 409 191**	**34 872 077**
Receivables due from policyholders		5 014 418	5 676 967
Receivables due from intermediaries		215 857	214 748
Direct insurance debtors	20	5 230 275	5 891 715
Reinsurance debtors	21	119 675	54 187
Total insurance and reinsurance debtors		**5 349 950**	**5 945 902**
Unearned premium reserve, reinsurers' share	4	122 017	122 816
Outstanding claims reserve, reinsurers' share	22	4 669 091	4 338 011
Reinsurers' share of insurance contract liabilities		**4 791 108**	**4 460 827**
Deferred income tax asset	23	**230 375**	**320 618**
Current tax assets	15	**905 979**	**293 670**
Accrued income and deferred expense	24	4 263 622	4 290 138
Other debtors	25	641 593	670 821
Total other debtors and other assets		**4 905 215**	**4 960 959**
Cash and cash equivalents	26	**2 432 252**	**9 242 591**
TOTAL ASSETS		**60 845 617**	**66 208 375**

Notes on pages 12 to 43 are an integral part of these financial statements.

Andrew John Burke
Chairman of the Council

Tauseef Shaffi Chaudhry
Chairman of the Board

17 March 2011

STATEMENT OF FINANCIAL POSITION (continued)

	Note	31.12.2010	31.12.2009 (Restated)
EQUITY, RESERVES AND LIABILITIES			
EQUITY AND RESERVES			
Share capital	27	4 652 067	4 652 067
Share premium		1 121 332	1 121 332
Reserve capital and other reserves	27	3 062 205	3 062 205
Revaluation reserve	28	18 450	24 643
Retained earnings		13 985 096	16 850 141
TOTAL EQUITY AND RESERVES		**22 839 150**	**25 710 388**
LIABILITIES			
Unearned premium reserve	4	14 147 441	16 507 090
Outstanding claims reserve	9	16 369 977	17 825 824
Insurance contract liabilities		**30 517 418**	**34 332 914**
Insurance liabilities		1 119 015	822 136
Reinsurance liabilities		372 227	265 213
Taxes and the state compulsory social insurance contributions	29	456 631	330 370
Accrued expense and deferred income	30	2 272 970	3 257 796
Other creditors	31	3 268 206	1 489 558
Total creditors		**7 489 049**	**6 165 073**
TOTAL LIABILITIES		**38 006 467**	**40 497 987**
TOTAL EQUITY, RESERVES AND LIABILITIES		**60 845 617**	**66 208 375**

Notes on pages 12 to 43 are an integral part of these financial statements.

Andrew John Burke
Chairman of the Council

Tauseef Shaffi Chaudhry
Chairman of the Board

17 March 2011

STATEMENT OF CHANGES IN EQUITY

	Share capital	Share premium	Reserve capital and other reserves	Retained Earnings	Revaluation reserve	Total
Balance as at 31 December 2008	**4 652 067**	**1 121 332**	**3 062 205**	**11 889 234**	**73 152**	**20 797 990**
Correction of the Retained Earnings for the periods ended 31 December 2008 *	-	-	-	450 464	-	450 464
Balance as at 31 December 2008 (Restated)	**4 652 067**	**1 121 332**	**3 062 205**	**12 339 698**	**73 152**	**21 248 454**
Profit for the year	-	-	-	4 218 004	-	4 218 004
Changes in revaluation surplus on land and buildings, net of deferred income tax	-	-	-	-	(48 509)	(48 509)
Correction of the Retained Earnings for the year ended 31 December 2009 *	-	-	-	292 439	-	292 439
Balance as at 31 December 2009 (Restated)	**4 652 067**	**1 121 332**	**3 062 205**	**16 850 141**	**24 643**	**25 710 388**
Paid dividends for 2009	-	-	-	(4 186 860)	-	(4 186 860)
Profit for the year	-	-	-	1 321 815	-	1 321 815
Changes in revaluation surplus on land and buildings, net of deferred income tax	-	-	-	-	(6 193)	(6 193)
Balance as at 31 December 2010	**4 652 067**	**1 121 332**	**3 062 205**	**13 985 096**	**18 450**	**22 839 150**

* See Note 2 for the nature and the amount of correction for each Financial Statements line item affected.

Notes on pages 12 to 43 are an integral part of these financial statements.

Andrew John Burke
Chairman of the Council

Tauseef Shaffi Chaudhry
Chairman of the Board

17 March 2011

STATEMENT OF CASH FLOWS

	Note	2010	2009
Cash flows from operating activities			
Premiums received from direct insurance		32 319 416	45 357 224
Claims paid for direct insurance		(18 217 502)	(26 002 126)
Payments received from ceded reinsurance		299 471	398 519
Payments made for ceded reinsurance		(1 345 426)	(1 230 046)
Income tax paid		(855 877)	(2 173 268)
Other expense		(13 978 625)	(18 099 375)
Net cash used in operating activities:		**(1 778 543)**	**(1 749 072)**
Cash flows from investing activities			
Sale of investments		24 459 285	28 821 646
Purchase of investments		(27 266 920)	(26 724 410)
Income from investing activities		1 843 083	2 487 437
Dividends received		-	1 712
Net cash (used in) / generated from investing activities:		**(964 552)**	**4 586 385**
Cash flows from financing activities			
Dividends paid		(4 158 754)	-
Net cash used in financing activities:		**(4 158 754)**	**-**
Result of foreign exchange rate fluctuations		**91 510**	**49 739**
Net (decrease) / increase in cash and cash equivalents		**(6 810 339)**	**2 887 052**
Cash and cash equivalents at the beginning of year		9 242 591	6 355 539
Cash and cash equivalent at the end of the year	26	**2 432 252**	**9 242 591**

Notes on pages 12 to 43 are an integral part of these financial statements.

Andrew John Burke
Chairman of the Council

Tauseef Shaffi Chaudhry
Chairman of the Board

17 March 2011

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

AAS BALTA (hereinafter "the Company") is insurance joint stock company registered in Riga, Republic of Latvia in 1992. The Company was re-registered with Commercial Register on 6 June 2002. The Company offers a wide range of non-life insurance services both for corporate clients and individuals.

Name of the Company:	Insurance joint stock company BALTA
Legal address:	Raunas Street 10/12, Riga, LV-1039
Phone, fax numbers:	(+371) 6708 2333, (+371) 6708 2345
VAT reg. number:	LV 40003049409
State Revenue Service department:	Department of large taxpayers
The major shareholder:	Codan AS (99.99%)

The shares of the Company are not listed.

These financial statements have been authorised for issue by the Board of Directors on 17 March 2011.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

In year 2010 it was identified that within the Statement of Financial Position the deferred commissions in prior periods are overstated by LVL 742 903. The error occurred due to deficiency of the business system TIA automated process. Due to materiality of the amount, the error was corrected in these Financial Statements by restatement of prior period results directly in previous period Retained Earnings. The table below illustrates the amount of the correction for each Statement of Financial Position line item affected.

	31.12.2009 (Restated)	**31.12.2009** (previously reported)
Retained earnings	16 850 141	16 107 238
Insurance liabilities	822 136	1 150 995
Other creditors	1 489 558	1 903 602
	19 161 835	**19 161 835**

2.1 Basis of presentation of the financial statements

These financial statements are prepared in accordance with International Financial Reporting Standards (hereinafter "IFRS") as adopted by the European Union (hereinafter "EU") and in accordance with regulations relevant to insurance companies issued by Financial Capital and Market Commission (hereinafter "FCMC").

At present, IFRS as adopted by the EU do not significantly differ from regulations adopted by the International Accounting Standards Board (IASB) except from the following standards, amendments to the existing standards and interpretations, which were not endorsed for use as at 31 December 2010:

- *IFRS 9 "Financial Instruments"* (effective for annual periods beginning on or after 1 January 2013).
- *Amendments to IFRS 1 "First-time Adoption of IFRS*" - Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters (effective for annual periods beginning on or after 1 July 2011).
- *Amendments to IFRS 7 "Financial Instruments: Disclosures"* - Transfers of Financial Assets (effective for annual periods beginning on or after 1 July 2011),
- *Amendments to IAS 12 "Income Taxes"* - Deferred Tax: Recovery of Underlying Assets (effective for annual periods beginning on or after 1 January 2012).

The Company anticipates that the adoption of these standards, amendments to the existing standards and interpretations will have no material impact on the financial statements of the Company in the period of initial application.

NOTES TO THE FINANCIAL STATEMENTS (continued)

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of land and buildings and the financial assets at fair value through profit or loss.

The preparation of financial statements in conformity with IFRS as adopted by the EU requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where estimates and judgements are significant to the financial statements are disclosed in Note 37.

All amounts in the financial statements are shown in Latvian Lats (LVL), unless otherwise stated.

a) Standards and Interpretations effective in the current period

The following amendments to the existing standards issued by the International Accounting Standards Board and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) adopted by the EU are effective for the current period:

- *IFRS 1 (revised) "First-time Adoption of IFRS"* adopted by the EU on 25 November 2009 (effective for annual periods beginning on or after 1 January 2010),
- *IFRS 3 (revised) "Business Combinations"* adopted by the EU on 3 June 2009 (effective for annual periods beginning on or after 1 July 2009),
- *Amendments to IFRS 1 "First-time Adoption of IFRS"* - Additional Exemptions for First-time Adopters, adopted by the EU on 23 June 2010 (effective for annual periods beginning on or after 1 January 2010),
- *Amendments to IFRS 2 "Share-based Payment"* - Group cash-settled share-based payment transactions adopted by the EU on 23 March 2010 (effective for annual periods beginning on or after 1 January 2010),
- *Amendments to IAS 27 "Consolidated and Separate Financial Statements"* adopted by the EU on 3 June 2009 (effective for annual periods beginning on or after 1 July 2009),
- *Amendments to IAS 39 "Financial Instruments: Recognition and Measurement"* - Eligible hedged items, adopted by the EU on 15 September 2009 (effective for annual periods beginning on or after 1 July 2009),
- *Amendments to various standards and interpretations "Improvements to IFRSs (2009)"* resulting from the annual improvement project of IFRS published on 16 April 2009, adopted by the EU on 23 March 2010 (IFRS 2, IFRS 5, IFRS 8, IAS 1, IAS 7, IAS 17, IAS 18, IAS 36, IAS 38, IAS 39, IFRIC 9 and IFRIC 16) primarily with a view to removing inconsistencies and clarifying wording, adopted by the EU on 23 March 2010 (effective for annual periods beginning on or after 1 January 2010),
- *IFRIC 12 "Service Concession Arrangements"* adopted by the EU on 25 March 2009 (effective for annual periods beginning on or after 30 March 2009),
- *IFRIC 15 "Agreements for the Construction of Real Estate"* adopted by the EU on 22 July 2009 (effective for annual periods beginning on or after 1 January 2010),
- *IFRIC 16 "Hedges of a Net Investment in a Foreign Operation"* adopted by the EU on 4 June 2009 (effective for annual periods beginning on or after 1 July 2009),
- *IFRIC 17 "Distributions of Non-Cash Assets to Owners"* adopted by the EU on 26 November 2009 (effective for annual periods beginning on or after 1 November 2009),
- *IFRIC 18 "Transfers of Assets from Customers"* adopted by the EU on 27 November 2009 (effective for annual periods beginning on or after 1 November 2009).

The adoption of these amendments to the existing standards has not led to any changes in the Entity's accounting policies.

b) Standards and Interpretations in issue not yet adopted by the Company

At the date of authorisation of these financial statements the following standards, revisions and interpretations adopted by the EU were in issue but not yet effective:

NOTES TO THE FINANCIAL STATEMENTS (continued)

- *Amendments to IAS 24 "Related Party Disclosures"* – Simplifying the disclosure requirements for government-related entities and clarifying the definition of a related party, adopted by the EU on 19 July 2010 (effective for annual periods beginning on or after 1 January 2011),
- *Amendments to IAS 32 "Financial Instruments: Presentation"* – Accounting for rights issues, adopted by the EU on 23 December 2009 (effective for annual periods beginning on or after 1 February 2010),
- *Amendments to IFRS 1 "First-time Adoption of IFRS"* – Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters, adopted by the EU on 30 June 2010 (effective for annual periods beginning on or after 1 July 2010),
- *Amendments to IFRIC 14 "IAS 19 – The Limit on a defined benefit Asset, Minimum Funding Requirements and their Interaction"* – Prepayments of a Minimum Funding Requirement, adopted by the EU on 19 July 2010 (effective for annual periods beginning on or after 1 January 2011),
- *Amendments to various standards and interpretations "Improvements to IFRSs (2010)"* resulting from the annual improvement project of IFRS published on 6 May 2010 (IFRS 1, IFRS 3, IFRS 7, IAS 1, IAS 27, IAS 34, IFRIC 13) primarily with a view to removing inconsistencies and clarifying wording, adopted by the EU on 18 February 2011 (most amendments are to be applied for annual periods beginning on or after 1 January 2011).
- *IFRIC 19 "Extinguishing Financial Liabilities with Equity Instruments"*, adopted by the EU on 23 July 2010 (effective for annual periods beginning on or after 1 July 2010).

The Company has elected not to adopt these standards, revisions and interpretations in advance of their effective dates. The Company anticipates that the adoption of these standards, revisions and interpretations will have no material impact on the financial statements of the Company in the period of initial application.

2.2 Insurance contracts

a) Premiums

Written insurance premiums consist of the premiums in contracts, which become effective during the year, irrespective of whether the premium has become due or not. All written premiums are decreased by the amount of premiums cancelled or suspended during the year.

b) Claims incurred

Claims incurred comprise claims attributable to the year and claims settlement expense. Claims paid are decreased by the amount received from salvage or subrogation.

c) Administrative expenses

Administrative expenses - are related to the collection of premiums, management of portfolios, processing of bonuses and discounts and incoming and outgoing reinsurance. They include personnel expenses and depreciation to the extent they are not included in acquisition, claims handling or investing expenses.
Administrative expenses consist of two parts:

a) direct costs such as those directly related to administrative personnel, training, etc.
b) indirect costs such as communications expenses, expenses for offices, office supplies, etc.

d) Acquisition costs

Acquisition costs of insurance contracts arise from the conclusion of insurance contracts and consists of direct costs such as commissions and expenses incurred for employees directly related to the conclusion of contracts.

e) Deferred client acquisition costs

Commissions and other acquisition costs that vary with and are related to securing new contracts and renewing existing contracts are capitalised as an intangible asset (DAC). All other client acquisition costs are recognised as expenses when incurred. The DAC is subsequently amortised over the terms of the policies as premium is earned on pro-rata basis.

NOTES TO THE FINANCIAL STATEMENTS (continued)

f) Insurance contract liabilities

Unearned premium reserve comprises written gross premium related to period from the balance sheet date to the expiry of insurance agreement to cover all claims and expenses in accordance with insurance agreements in force.

Outstanding claims reserve is an amount provided at the end of the reporting year in respect of estimated losses incurred but not yet settled. Outstanding claims reserve includes provisions for reported but not settled claims and provision for incurred but not reported claims. Outstanding claims reserve includes direct claims settlement expense, which will incur on settlement of claims incurred in the reporting and prior years. Estimated future proceeds from salvage and subrogation related to claims incurred in the reporting and prior years have been deducted from claims reserve.

2.3 Interest income and expense

Interest income and expense are recognised in the income statement for all interest bearing instruments on an accruals basis using the effective yield method based on the actual purchase price. Interest income includes coupons earned on fixed income debt securities, interest on bank deposits and other loans and accrued discounts and premiums on discounted instruments. When loans become doubtful of collection, they are written down to their recoverable amounts and interest income is thereafter recognised based on the rate of interest that was used to discount the future cash flows for the purpose of measuring the recoverable amount.

2.4 Investments

The Company classifies its financial assets in the following categories: at loans and receivables and at fair value through profit or loss. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

a) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are classified as Loans, Term deposits with banks, Insurance and Reinsurance debtors and Other debtors in the statement of financial position. See for accounting policy on Receivables from direct insurance operations.

b) Financial assets at fair value through profit or loss

All the Company's investments in securities are classified as financial assets at fair value through profit or loss. The Company's overall investment objective is to maximize its total return (i.e. interest or dividends and changes in fair value) given a low to medium level of risk and within the given restrictions for the whole portfolio. Accordingly the Company manages and evaluates the investment portfolio performance on a total return bases and financial instruments are designated as at fair value through profit or loss.

Regular purchases and sales of financial assets are recognised on the settlement date – the date on which the Company received or delivered the asset. Loans and receivables are initially recognised at fair value plus transaction costs. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the income statement. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the financial assets at fair value through profit or loss category are recognised in the income in the period in which they arise.

The fair values of quoted investments are based on current bid prices. The Company does not have investments in unquoted financial assets at fair value through profit or loss.

Interest using the actual interest method and dividends are recognised in the income statement as part of Interest and dividend income. Dividends are recognised in the income statement when the Company's right to receive payments is established.

NOTES TO THE FINANCIAL STATEMENTS (continued)

The Company assesses at each balance sheet date whether there is objective evidence that a loan or receivable or a group of those financial assets is impaired. A provision for impairment on loans and receivables is established if there is objective evidence that the Company will not be able to collect all amounts due according to the original contractual terms of respective instruments. The amount of the provision is the difference between the carrying amount and the recoverable amount, being the present value of expected cash flows, including amounts recoverable from guarantees and collateral, discounted at the original effective interest rate of respective instruments. Impairment charges are included in the income statement.

2.5 Direct insurance debtors

When amounts due from policyholders and intermediaries become overdue the policy is cancelled and respective amounts are reversed against premium written. No provisions are made with respect to amounts that have not yet become due and, accordingly, no portion of the premium is taken to income.

2.6 Intangible assets and Property, plant and equipment

Land and buildings are shown at fair value, based on periodic, but at least triennial, valuations by external independent appraisers, less subsequent depreciation for buildings. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is adjusted to the revaluated amount of the asset.

All other property, plant and equipment and intangible assets (including internally developed software) are stated at historical cost less accumulated depreciation and amortisation. Increases in the carrying amount arising on revaluation of land and buildings are credited to the revaluation surplus in shareholders' equity. Decreases that offset previous increases of the same asset are charged against fair value reserves directly in equity; all other decreases are charged to the income statement.

Land is not depreciated. Depreciation and amortisation on other assets is calculated using the straight-line method to allocate their cost or revaluated amounts to their residual values over their estimated useful life using following rates set by the management:

Buildings	2% per annum
Office equipment	20% per annum
Computer equipment	25% per annum
Internally developed software	20% per annum
Transport vehicles	20% per annum
External software	25% per annum

The assets' residual values and useful lives are reviewed at each balance sheet date and adjusted if appropriate. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when they exceed LVL 2 000 and when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Leasehold improvements above LVL 2 000 are written down on a straight line basis during leasehold period, but not longer than 5 years. Leasehold improvements below LVL 2 000 are charged to the income statement during the financial period in which they are incurred.

Gains or losses on disposals are determined by comparing carrying amount with proceeds and are credited or charged to the income statement account during the period in which they are incurred. When revaluated assets are sold, the amounts included in the revaluation surplus are transferred to income statement.

NOTES TO THE FINANCIAL STATEMENTS (continued)

2.7 Foreign currency translation

a) Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Company operates (functional currency). The financial statements are presented in Latvian Lats (LVL), which is the Company's functional and presentation currency.

b) 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 the year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement of the respective period.

	31.12.2010	**31.12.2009**
1 USD	LVL 0.535	LVL 0.489
1 GBP	LVL 0.824	LVL 0.783
1 LTL	LVL 0.203	LVL 0.204
1 EUR	LVL 0.702804	LVL 0.702804

2.8 Taxation

Corporate income tax for the reporting period is included in the financial statements based on the management's calculations prepared in accordance with Latvian Republic tax legislation.

Deferred income tax is provided for, using the liability method, on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. The deferred income tax is calculated based on currently enacted tax rates that are expected to apply when the temporary differences reverse. The principal temporary differences arise from different fixed asset depreciation rates, as well as from accrued expenses and provisions for bad and doubtful debts. The deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

2.9 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

2.10 Accruals for unused annual leave

The amount of accruals is determined by multiplying average daily salary for the last 6 month by the amount of accrued vacation days at the end of the year.

2.11 Distribution of direct and indirect income and expense by types of insurance

Client acquisition costs, which are not directly attributable to a particular unit of the Company, are allocated between types of insurance in proportion to total indirect client acquisition costs ratio to total direct client acquisition costs during the reporting year.

Administrative expenses, which relate to Company administration and are not directly attributable to a particular unit of the Company, are divided as follows:
– total indirect costs are attributed against total earned premiums in period and thus average indirect costs coefficient is obtained;
– multiplying earned premium by type of customer (legal entity or individual) in each type of insurance with average indirect costs coefficient, hence obtaining the total for indirect costs, which are attributable to corresponding type of insurance.

NOTES TO THE FINANCIAL STATEMENTS (continued)

Other technical income and expense are allocated by types of insurance at a maximum extent available and other not allocated expenses are distributed between types of insurance proportionally to the gross premiums written during the year.

2.12 Employee benefits

Short-term employee benefits, including salaries and social security contributions, bonuses and vacation benefits, are included in Administrative expenses on accrual basis. The Company calculates annual bonuses for personnel based on previous year financial results and achievement of personal goals. The accruals for personnel bonuses represent the amount accrued as at the year end.

The Company pays social security contributions to the State Social Security Fund (the Fund) on behalf of its employees in accordance with local legal requirements. The Fund is used by the State to finance pension, unemployment and other benefits. The Company is required to pay fixed contributions into the Fund and will have no legal or constructive obligations to pay further contributions relating to employee service in the current and prior period. The social security contributions are recognised as an expense on an accrual basis and are included within staff costs.

2.13 Share capital and dividend distribution

Ordinary shares are classified as equity.

Dividend distribution to the Company's shareholders is recognized as a liability in the financial statements in the period in which the dividends are approved by the Company's shareholders.

3. NET WRITTEN PREMIUMS

	2010			2009		
	Gross amount	**Reinsurers' share**	**Net amount**	**Gross amount**	**Reinsurers' share**	**Net amount**
Personal accident	1 005 889	(38 712)	967 177	1 146 611	(36 975)	1 109 636
Health	5 483 706	-	5 483 706	7 633 995	-	7 633 995
Motor own damage	8 554 504	(235 556)	8 318 948	11 572 031	(21 951)	11 550 080
Marine	24 156	(2 891)	21 265	38 372	(4 034)	34 338
Cargo	297 690	(34 396)	263 294	305 570	(46 873)	258 697
Property	10 077 285	(661 828)	9 415 457	11 801 869	(690 086)	11 111 783
General TPL	1 174 314	(117 658)	1 056 656	1 246 989	(130 005)	1 116 984
Guarantees	37 389	-	37 389	61 488	-	61 488
Financial risks	133 244	(39 071)	94 173	135 623	(3 198)	132 425
Travel accident	360 645	(4 413)	356 232	377 115	(15 102)	362 013
Obligatory motor TPL	4 177 788	(342 841)	3 834 947	7 241 176	(357 434)	6 883 742
	31 326 610	**(1 477 366)**	**29 849 244**	**41 560 839**	**(1 305 658)**	**40 255 181**

Almost all policies are issued to clients operating in Latvia.

According to the law "On Obligatory Motor Third Party Liability Insurance" and related regulations of the Cabinet of Ministers the Company has to make the following mandatory deductions from Obligatory Motor Third Party Liability insurance gross premiums:

OMTPL Guarantees Foundation	fixed sum for certain type of vehicle; in 2010 (and 2009) no payments have been made as the total assets of OMTPL Guarantees Fund exceeded LVL 14 million.
State Traffic Security Foundation	2% from signed insurance premium during the accounting period;
Motor Insurers` Bureau of Latvia	variable sum LVL 0.25 per contract and fixed sum LVL 30 000 in year or LVL 2 500 in a month.

NOTES TO THE FINANCIAL STATEMENTS (continued)

In year 2010 OMTPL mandatory deductions amounted to LVL 156 419 (2009: LVL 219 708). The gross premiums in OMTPL are shown above net of these mandatory deductions.

4. UNEARNED PREMIUM RESERVE

a) Movement in unearned premium reserve

	Gross amount	Reinsurers' share	Net amount
Balance as at 31 December 2008	**27 829 085**	**(67 923)**	**27 761 162**
Change in the year	(11 321 995)	(54 893)	(11 376 888)
Balance as at 31 December 2009	**16 507 090**	**(122 816)**	**16 384 274**
Change in the year	(2 359 649)	799	(2 358 850)
Balance as at 31 December 2010	**14 147 441**	**(122 017)**	**14 025 424**

b) Changes in unearned premium reserve and distribution by type of insurance for the year 2010:

	Gross amount	Reinsurers' share	Net amount
Personal accident	(62 823)	-	(62 823)
Health	96 769	-	96 769
Motor own damage	(1 241 540)	(76 921)	(1 318 461)
Marine	(5 672)	-	(5 672)
Cargo	22 322	164	22 486
Property	(659 751)	95 147	(564 604)
General TPL	(1 771)	6 093	4 322
Guarantees	(6 458)	-	(6 458)
Financial risks	529	(8 234)	(7 705)
Travel accident	(343)	-	(343)
Obligatory motor TPL	(500 911)	(15 450)	(516 361)
	(2 359 649)	**799**	**(2 358 850)**

c) Changes in unearned premium reserve and distribution by type of insurance for the year 2009:

	Gross amount	Reinsurers' share	Net amount
Personal accident	(157 051)	-	(157 051)
Health	(782 687)	-	(782 687)
Motor own damage	(5 563 787)	-	(5 563 787)
Marine	(10 960)	-	(10 960)
Cargo	(6 794)	1 090	(5 704)
Property	(1 827 944)	(55 885)	(1 883 829)
General TPL	(118 022)	(98)	(118 120)
Guarantees	(6 929)	-	(6 929)
Financial risks	3 942	-	3 942
Travel accident	(5 203)	-	(5 203)
Obligatory motor TPL	(2 846 560)	-	(2 846 560)
	(11 321 995)	**(54 893)**	**(11 376 888)**

NOTES TO THE FINANCIAL STATEMENTS (continued)

d) Gross unearned premium reserve as at the year end:

	31.12.2010	31.12.2009
Personal accident	470 437	533 260
Health	1 885 511	1 788 742
Motor own damage	4 412 109	5 653 649
Marine	10 419	16 091
Cargo	70 153	47 831
Property	4 952 202	5 611 953
General TPL	563 853	565 624
Guarantees	16 312	22 770
Financial risks	50 461	49 932
Travel accident	10 833	11 176
Obligatory motor TPL	1 705 151	2 206 062
	14 147 441	**16 507 090**

5. INTEREST INCOME

	2010	2009
From financial investments at fair value through profit or loss:		
Government bonds	956 860	945 196
Corporate bonds	302 704	222 650
Mortgage backed debt securities	42 000	42 000
Listed shares	-	1 712
Loans and receivables:		
Deposits with banks	58 929	347 257
Loans	393	3 196
	1 360 886	**1 562 011**

6. NET FAIR VALUE PROFIT / (LOSSES) ON FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2010	2009
Government bonds	392 619	(262 841)
Mortgage backed debt securities	193 829	(43 147)
Listed shares	-	9 151
Corporate bonds	(102 685)	57 124
	483 763	**(239 713)**

	2010	2009
Realised gains / (losses):		
Government bonds	(489 064)	36 172
Corporate bonds	39 899	-
Listed shares	-	(9 254)
Unrealised gains / (losses):		
Government bonds	881 683	(299 013)
Mortgage backed debt securities	193 829	(43 147)
Listed shares	-	18 405
Corporate bonds	(142 584)	57 124
	483 763	**(239 713)**

NOTES TO THE FINANCIAL STATEMENTS (continued)

7. OTHER INCOME

	2010	2009
Revaluation gains on land and buildings (see Note 17)	82 746	-
Reinsurance commission income (see Note 34)	51 544	16 763
Changes in provisions for overdue debts	49 455	-
Income from cancellation of policies	33 703	53 985
Gain on sale of tangible assets	20 814	364
Commissions from insurance policies fronting	15 388	19 532
Income of agreement penalties	13 722	8 760
Income from rent	7 743	10 218
Expertise income	6 697	12 564
Income on sale of damaged cars	3 600	3 600
Income from Pool "BALTA-PAREX-ERGO" administration	653	1 355
Income from recalculation of social insurance tax	206	133 712
Income from Russian survey for RSA	-	4 759
Insurance claims received	-	2 205
Income from distribution of policies of Baltijas Apdrošināšanas Nams	-	457
Commissions for distribution of other insurance companies' products	-	258
Other income	2 940	19 534
	289 211	**288 066**

Distribution of other income by type of insurance has been as follows:

	2010	2009
Personal accident	6 427	4 868
Health	24 189	885
Motor own damage	97 155	93 333
Marine	340	887
Cargo	2 029	1 087
Property	82 040	124 051
General TPL	26 563	16 336
Guarantees	217	3 811
Financial risks	6 494	9 976
Travel accident	2 794	822
Obligatory motor TPL	40 963	32 010
	289 211	**288 066**

8. CLAIMS PAID

	2010			2009		
	Gross amount	**Reinsurers' share**	**Net amount**	**Gross amount**	**Reinsurers' share**	**Net amount**
Personal accident	(521 201)	129 720	(391 481)	(323 270)	-	(323 270)
Health	(4 153 223)	-	(4 153 223)	(8 095 716)	-	(8 095 716)
Motor own damage	(5 550 957)	58 660	(5 492 297)	(8 505 811)	(6 612)	(8 512 423)
Marine	(11 248)	-	(11 248)	(6 287)	-	(6 287)
Cargo	(29 732)	-	(29 732)	(96 776)	-	(96 776)
Property	(5 507 650)	241 045	(5 266 605)	(4 264 510)	392 110	(3 872 400)
General TPL	(222 990)	-	(222 990)	(265 742)	-	(265 742)
Guarantees	(10 672)	-	(10 672)	(14 458)	-	(14 458)
Financial risks	(21 134)	-	(21 134)	(26 740)	-	(26 740)
Travel accident	(87 728)	-	(87 728)	(159 428)	-	(159 428)
Obligatory motor TPL	(2 999 234)	22 290	(2 976 944)	(4 575 256)	6 865	(4 568 391)
	(19 115 769)	**451 715**	**(18 664 054)**	**(26 333 994)**	**392 363**	**(25 941 631)**

NOTES TO THE FINANCIAL STATEMENTS (continued)

9. OUTSTANDING CLAIMS RESERVE

a) Movement in outstanding claims reserve

	2010			2009		
	Gross amount	**Reinsurance**	**Net amount**	**Gross amount**	**Reinsurance**	**Net amount**
Year ended 31 December						
Notified claims	12 034 011	(4 338 011)	7 696 000	8 722 689	(534 933)	8 187 756
Incurred, but not reported	5 791 813	-	5 791 813	3 660 228	-	3 660 228
Total at beginning of year	**17 825 824**	**(4 338 011)**	**13 487 813**	**12 382 917**	**(534 933)**	**11 847 984**
Cash paid for claims settled in year	(4 776 241)	164 607	(4 611 634)	(5 375 977)	124 755	(5 251 222)
Increase in liabilities arising from current and prior year claims	3 320 394	(495 687)	2 824 707	10 818 884	(3 927 833)	6 891 051
Total change in year	(1 455 847)	(331 080)	(1 786 927)	5 442 907	(3 803 078)	1 639 829
Total at end of year	**16 369 977**	**(4 669 091)**	**11 700 886**	**17 825 824**	**(4 338 011)**	**13 487 813**
Notified claims	11 377 995	(4 669 091)	6 708 904	12 034 011	(4 338 011)	7 696 000
Incurred, but not reported	4 991 982	-	4 991 982	5 791 813	-	5 791 813
Total at end of year	**16 369 977**	**(4 669 091)**	**11 700 886**	**17 825 824**	**(4 338 011)**	**13 487 813**

b) Change in outstanding claims reserve and distribution by type of insurance for the year 2010:

	Gross amount	**Reinsurance**	**Net amount**
Personal accident	(175 529)	129 720	(45 809)
Health	(445 441)	-	(445 441)
Motor own damage	(251 403)	(23 814)	(275 217)
Marine	(2 793)	-	(2 793)
Cargo	(39 237)	-	(39 237)
Property	(542 642)	(396 837)	(939 479)
General TPL	(14 854)	-	(14 854)
Guarantees	2 014	-	2 014
Financial risks	100 424	(105 421)	(4 997)
Travel accident	11 313	-	11 313
Obligatory motor TPL	(97 699)	65 272	(32 427)
	(1 455 847)	**(331 080)**	**(1 786 927)**

c) Change in outstanding claims reserve and distribution by type of insurance for the year 2009:

	Gross amount	**Reinsurance**	**Net amount**
Personal accident	102 382	(129 720)	(27 338)
Health	219 935	-	219 935
Motor own damage	(1 332 852)	-	(1 332 852)
Marine	(1 946)	-	(1 946)
Cargo	(41 652)	-	(41 652)
Property	1 307 817	93 217	1 401 034
General TPL	(265 232)	758	(264 474)
Guarantees	15 002	-	15 002
Financial risks	(26 783)	-	(26 783)
Travel accident	(62 759)	-	(62 759)
Obligatory motor TPL	5 528 995	(3 767 333)	1 761 662
	5 442 907	**(3 803 078)**	**1 639 829**

NOTES TO THE FINANCIAL STATEMENTS (continued)

d) Gross outstanding claims reserve as at the year end:

	31.12.2010	**31.12.2009**
Personal accident	83 076	258 605
Health	476 487	921 929
Motor own damage	1 192 060	1 443 462
Marine	10 367	13 160
Cargo	76 856	116 092
Property	2 309 734	2 852 377
General TPL	590 366	605 220
Guarantees	17 774	15 759
Financial risks	266 693	166 269
Travel accident	40 330	29 017
Obligatory motor TPL	11 306 234	11 403 934
	16 369 977	**17 825 824**

10. CLIENT ACQUISITION COSTS

	2010	**2009**
Commissions and other agent related expense	(1 610 481)	(2 008 181)
Commissions to brokers and other intermediaries	(1 762 513)	(1 881 354)
Changes in deferred client acquisition costs (Note 16)	46 092	(1 198 747)
State compulsory social insurance contributions	(354 377)	(480 079)
Other client acquisition costs	(210)	(1 135)
	(3 681 489)	**(5 569 496)**

Distribution of client acquisition costs (DAC) and changes in deferred acquisition costs by type of insurance:

2010	**Client acquisition costs**	**Changes in DAC**	**Client acquisition costs, net**
Personal accident	(118 858)	11 128	(107 730)
Health	(278 844)	15 357	(263 487)
Motor own damage	(970 589)	(69 149)	(1 039 738)
Marine	(2 563)	(1 034)	(3 597)
Cargo	(23 244)	4 079	(19 165)
Property fire	(1 824 801)	17 182	(1 807 619)
General TPL	(161 103)	25 050	(136 053)
Guarantees	(574)	(909)	(1 483)
Financial risks	(19 383)	1 221	(18 162)
Travel accident	(26 095)	235	(25 860)
Obligatory motor TPL	(301 527)	42 932	(258 595)
	(3 727 581)	**46 092**	**(3 681 489)**

2009	**Client acquisition costs**	**Changes in DAC**	**Client acquisition costs, net**
Personal accident	(112 988)	(19 847)	(132 835)
Health	(327 719)	(41 441)	(369 160)
Motor own damage	(1 404 916)	(642 088)	(2 047 004)
Marine	(5 234)	(2 115)	(7 349)
Cargo	(22 252)	(5 728)	(27 980)
Property fire	(2 032 242)	(342 176)	(2 374 418)
General TPL	(133 760)	(10 878)	(144 638)
Guarantees	(4 891)	(712)	(5 603)
Financial risks	(15 534)	323	(15 211)
Travel accident	(29 954)	(370)	(30 324)
Obligatory motor TPL	(281 259)	(133 715)	(414 974)
	(4 370 749)	**(1 198 747)**	**(5 569 496)**

NOTES TO THE FINANCIAL STATEMENTS (continued)

11. ADMINISTRATIVE EXPENSE

	2010	**2009**
Salaries		
- salaries to staff	(4 409 258)	(4 857 469)
- state compulsory social insurance contributions	(990 445)	(1 129 606)
Information and communication expense	(2 602 392)	(2 705 653)
Professional services	(1 158 291)	(1 486 736)
Depreciation and amortisation	(1 058 271)	(1 345 517)
Premise maintenance and repair expense	(597 063)	(560 757)
Advertising and public relations	(388 848)	(478 318)
Rent of premises	(283 734)	(452 791)
Transport	(218 190)	(298 927)
Payments to Financial and Capital Market Commission	(172 490)	(199 038)
Office expense	(125 415)	(160 917)
Payments to Foundation of Insured Interests Protection	(115 970)	(151 315)
Administration expenses related to Claims Handling Expenses	588 620	360 828
Other administrative expense	(619 928)	(648 060)
	(12 151 675)	**(14 114 276)**

In accordance with requirements of legislation of the Republic of Latvia payments to Finance and Capital Market Commission have to be made in amount of 0.20% from gross premiums collected in Obligatory Motor Third Party Liability insurance and in amount of 0.586% from gross premiums collected in other types of insurance. Payments to Foundation of Insured Interests Protection amount to 1.000% of premiums collected from individuals in voluntary types of insurance.

At the end of year 2010, 422 employees (2009: 430) and 296 agents (2009: 300) were employed in the Company. As at 31 December 2010, 332 employees (2009: 329) and 52 agents (2009: 52) were working in the central office, and 90 (2009: 101) employees and 244 (2009: 248) agents in branches.

Distribution of administrative expense by type of insurance has been as follows:

	2010	**2009**
Personal accident	(420 946)	(399 219)
Health	(1 732 443)	(1 935 264)
Motor own damage	(3 293 438)	(4 247 182)
Marine	(9 515)	(11 675)
Cargo	(88 747)	(85 418)
Property	(3 926 444)	(3 842 204)
General TPL	(402 315)	(376 556)
Guarantees	(15 467)	(18 786)
Financial risks	(40 655)	(29 546)
Travel accident	(194 382)	(171 705)
Obligatory motor TPL	(2 027 323)	(2 996 721)
	(12 151 675)	**(14 114 276)**

12. OTHER EXPENSE

	2010	**2009**
Disposal of property, plant and equipment	(3 428)	(4 996)
Impairment losses on land and buildings (see Note 16)	-	(939 098)
Changes in provisions for overdue debts	-	(72 224)
LTAB uncompensated administrative expenses	-	(483)
LTAB uncompensated claims of Obligatory motor TPL	-	(245)
Other expense	(20 542)	(35 998)
	(23 970)	**(1 053 044)**

NOTES TO THE FINANCIAL STATEMENTS (continued)

Distribution of other expense by type of insurance has been as follows:

	2010	2009
Personal accident	(765)	(33 124)
Health	(3 189)	(147 966)
Motor own damage	(5 998)	(319 560)
Marine	(18)	(425)
Cargo	(163)	(6 312)
Property	(7 143)	(274 957)
General TPL	(737)	(32 080)
Guarantees	(29)	-
Financial risks	(75)	-
Travel accident	(639)	(12 663)
Obligatory motor TPL	(5 214)	(225 957)
	(23 970)	**(1 053 044)**

13. FINANCE INCOME

	2010	2009
Interest on cash and cash equivalents	23 312	260 280
Gain from foreign currency fluctuations	25 357	-
	48 669	**260 280**

14. FINANCE EXPENSES

	2010	2009
Losses from foreign currency fluctuations	-	(107 500)
	-	**(107 500)**

15. INCOME TAX EXPENSE

	2010	2009
Current tax for the reporting year	(243 235)	(1 152 011)
Change in deferred income tax balances (Note 23)	(91 312)	293 078
Total income tax expense	**(334 547)**	**(858 933)**

At the end of December 2010 the Company has corporate income tax assets at the amount of LVL 905 979 (31.12.2009: LVL 293 670).

Corporate income tax differs from the theoretically calculated tax amount that would arise applying the rate stipulated by the law to profit before taxation:

	2010	2009
Profit before tax	**1 656 362**	**5 076 937**
Theoretically calculated tax at a tax rate of 15%	(248 454)	(761 541)
Expenses not deductible for tax purposes	(257 518)	(134 981)
Non-taxable income	170 525	22 159
Tax discount for donations	1 969	11 134
Deferred Taxation of Revaluation of property surplus trough Equity	(1 069)	4 296
Current tax charge	**(334 547)**	**(858 933)**

Effective income tax in 2010 is 20.2% (2009: 16.9%)

NOTES TO THE FINANCIAL STATEMENTS (continued)

16. INTANGIBLE ASSETS

	Deferred client acquisition costs	External Software	Internally developed software	Total
At 1 January 2009				
Cost	3 163 578	4 036 752	97 612	7 297 942
Accumulated amortisation	-	(2 960 486)	-	(2 960 486)
Net book amount	**3 163 578**	**1 076 266**	**97 612**	**4 337 456**
Year ended 31 December 2009				
Opening net book amount	3 163 578	1 076 266	97 612	4 337 456
Additions	4 350 995	87 115	245 796	4 683 906
Disposals	(5 549 742)	(53 982)	-	(5 603 724)
Amortisation charge	-	(554 223)	(13 527)	(567 750)
Amortisation on disposed assets	-	53 982	-	53 982
Closing net book amount	1 964 831	609 158	329 881	2 903 870
At 1 January 2010				
Cost	1 964 831	4 069 885	343 408	6 378 124
Accumulated amortisation	-	(3 460 727)	(13 527)	(3 474 254)
Net book amount	**1 964 831**	**609 158**	**329 881**	**2 903 870**
Year ended 31 December 2010				
Opening net book amount	1 964 831	609 158	329 881	2 903 870
Additions	3 727 581	47 067	535 916	4 310 564
Disposals	(3 681 489)	-	-	(3 681 489)
Amortisation charge	-	(436 602)	(63 297)	(499 899)
Closing net book amount	2 010 923	219 623	802 500	3 033 046
At 31 December 2010				
Cost	2 010 923	4 116 952	879 324	7 007 199
Accumulated amortisation	-	(3 897 329)	(76 824)	(3 974 153)
Net book amount	**2 010 923**	**219 623**	**802 500**	**3 033 046**

17. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings	Leasehold improve-ments	Transport vehicles	Computer equipment	Furniture and fittings	Total
At 1 January 2009						
Cost	3 198 739	663 218	976 391	1 755 933	1 066 991	7 661 272
Accumulated depreciation	(503 430)	(236 526)	(279 074)	(1 238 701)	(499 261)	(2 756 992)
Net book amount	**2 695 309**	**426 692**	**697 317**	**517 232**	**567 730**	**4 904 280**
Year ended 31 December 2009						
Opening net book amount	2 695 309	426 692	697 317	517 232	567 730	4 904 280
Additions	-	-	35 229	16 922	39 273	91 424
Disposals	-	(13 932)	(3 186)	(188 522)	(216 479)	(422 119)
Depreciation charge: to equity	(2 152)	-	-	-	-	(2 152)
Depreciation charge: to income statement	(57 855)	(116 937)	(192 211)	(225 182)	(185 583)	(777 768)
Depreciation on disposed assets	-	5 075	3 138	187 209	212 843	408 265
Impairment losses: charged to equity	(54 971)	-	-	-	-	(54 971)
Impairment losses: charged to income statement	(939 098)	-	-	-	-	(939 098)
Closing net book amount	1 641 233	300 898	540 287	307 659	417 784	3 207 861

NOTES TO THE FINANCIAL STATEMENTS (continued)

	Land and buildings	Leasehold improve-ments	Transport vehicles	Computer equipment	Furniture and fittings	Total
At 1 January 2010						
Cost or valuation	2 204 670	649 286	1 008 434	1 584 333	889 785	6 336 508
Accumulated depreciation	(563 437)	(348 388)	(468 147)	(1 276 674)	(472 001)	(3 128 647)
Net book amount	**1 641 233**	**300 898**	**540 287**	**307 659**	**417 784**	**3 207 861**
Year ended 31 December 2010						
Opening net book amount	1 641 233	300 898	540 287	307 659	417 784	3 207 861
Additions	-	-	29 950	124 609	42 699	197 258
Disposals	-	(55 559)	(123 443)	(10 932)	(77 029)	(266 963)
Depreciation charge: to equity	(743)	-	-	-	-	(743)
Depreciation charge: to income statement	(36 459)	(113 021)	(172 678)	(173 532)	(175 704)	(671 394)
Depreciation on disposed assets	-	55 559	106 163	10 058	74 475	246 255
Revaluation surplus: charged to income statement	92 452	-	-	-	-	92 452
Impairment losses: charged to equity	(6 519)	-	-	-	-	(6 519)
Impairment losses: charged to income statement	(9 706)	-	-	-	-	(9 706)
Closing net book amount	1 680 258	187 877	380 279	257 862	282 225	2 788 501
At 31 December 2010						
Cost or valuation	2 280 897	600 515	914 941	1 698 404	857 057	6 351 814
Accumulated depreciation	(600 639)	(412 638)	(534 662)	(1 440 542)	(574 832)	(3 563 313)
Net book amount	**1 680 258**	**187 877**	**380 279**	**257 862**	**282 225**	**2 788 501**

All property was for Company's own use.

The Company's land and buildings were revaluated as at 31 December 2010 and 2009. The valuation was made by external independent appraiser on the basis of open market value. Revaluation surplus in total LVL 92 452 (2009: LVL 0) and impairment losses in total LVL 9 706 (2009: LVL 939 098) were recognised to the income statement and LVL 6 519 (2009: LVL 57 123) were debited to the revaluation surplus in the equity, gross of deferred income tax.

If land and buildings were stated on a historical cost basis, the amounts would be as follows:

	31.12.2010	**31.12.2009**
Cost	4 041 728	4 041 728
Accumulated impairment losses	(1 877 854)	(1 868 148)
Accumulated depreciation	(597 744)	(561 285)
Net book amount	**1 566 130**	**1 612 295**

NOTES TO THE FINANCIAL STATEMENTS (continued)

18. FINANCIAL INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	31.12.2010 Carrying amount of investment	Cost	31.12.2009 Carrying amount of investment	Cost
Latvian government bonds	4 721 581	4 475 779	3 762 244	4 362 350
German government bonds	8 340 326	8 208 591	8 242 440	8 232 137
French government bonds	-	-	1 088 742	1 032 226
Austrian government bonds	388 308	381 693	-	-
Swedish government bonds	1 498 307	1 480 051	-	-
Netherland government bonds	3 113 866	3 020 671	6 260 941	6 148 446
Danish government bonds	1 313 609	1 285 852	2 517 508	2 524 152
Finish government bonds	2 572 989	2 539 660	4 549 990	4 506 095
Corporate bonds	7 997 332	7 884 911	6 402 145	6 185 718
Mortgage backed debt securities	835 287	786 980	641 458	786 980
	30 781 605		**33 465 468**	

The split between current and non-current financial investments at fair value through profit or loss is included in Note 39. Financial investments at fair value through profit or loss in total LVL 30.8 million (31.12.2009: LVL 33.5 million) are in Level 1 fair value hierarchy level.

19. LOANS

	31.12.2010 Current	Non-current	Total	31.12.2009 Current	Non-current	Total
Loans to employees	300	-	300	13 936	-	13 936
Loans secured by a car pledge	323	-	323	4 393	322	4 715
Mortgage loans	14 877	-	14 877	13 981	897	14 878
	15 500	**-**	**15 500**	**32 310**	**1 219**	**33 529**

According to the Company's policy, the mortgage and pledge for the loan is insured for the loan issuers' benefit.

20. DIRECT INSURANCE DEBTORS

	31.12.2010	31.12.2009
Gross receivables from direct insurance operations	5 338 918	6 029 116
Provisions for overdue receivables from direct insurance operations	(108 643)	(137 401)
	5 230 275	**5 891 715**

21. REINSURANCE DEBTORS

	31.12.2010	31.12.2009
Gross receivables from reinsurance operations	121 901	56 413
Provisions for overdue receivables from reinsurance operations	(2 226)	(2 226)
	119 675	**54 187**

22. OUTSTANDING CLAIMS RESERVE, REINSURERS' SHARE

The reinsurers' share of outstanding claims reserve include LVL 3 769 920 (2009: LVL 3 847 851) reserved for MTPL insurance case in Ireland. Most of the remaining part represents MTPL insurance case in Germany in the amount of LVL 309 234 (2009: LVL 323 290), BI insurance case in the amount of LVL 105 421 (2009: LVL 0) and Property insurance case in the amount of LVL 409 200 (2009: LVL 0). Remaining reserve represent LVL 75 316 (2009: LVL 166 870).

NOTES TO THE FINANCIAL STATEMENTS (continued)

23. DEFERRED INCOME TAX ASSET

	2010	2009
Deferred income tax asset as at the beginning of the year	(320 618)	(18 927)
Deferred income tax changes recognised to the income statement (see Note 15)	91 312	(293 078)
Deferred income tax credited to equity (see Note 28)	(1 069)	4 296
Deferred income tax adjustment to prior years	-	(12 909)
Deferred income tax asset as at the end of the year	**(230 375)**	**(320 618)**

Deferred income tax is calculated from the following temporary differences between assets and liabilities and their values for the purpose of the calculations of corporate income tax:

	31.12.2010	31.12.2009
Temporary difference on depreciation of property, plant and equipment	115 216	125 859
Temporary difference on revaluation of buildings charged to Equity (see Note 28)	3 227	4 296
Temporary difference for accrued expense	(321 593)	(412 456)
Temporary difference for provisions on overdue debtors	(27 225)	(38 317)
Deferred income tax asset as at the end of the year	**(230 375)**	**(320 618)**

24. ACCRUED INCOME AND DEFERRED EXPENSE

	31.12.2010	31.12.2009
Prepayment to IBM for Transition & Transformation services *	3 653 921	3 653 921
Repair works	295 077	378 059
Prepayments for software maintenance	158 298	161 628
Prepayments for reinsurance	76 394	-
Deferred commission expense	37 249	55 290
Prepayments for rent	21 478	24 146
Prepayments for insurance	4 671	4 007
Other deferred expense	16 534	13 087
	4 263 622	**4 290 138**

* - according to the IT outsourcing agreement with IBM, AAS "Balta" has made a prepayment to IBM for Transition & Transformation services. This payment will be amortised to expenses within the term of the contract. LVL 361 thousand of this amount will be amortised to expenses within 12 months from the balance sheet date, LVL 3 293 thousand will be amortised in following periods.

25. OTHER DEBTORS

	31.12.2010	31.12.2009
Receivables from salvage debtors	504 172	587 133
Provisions for overdue salvage debtors	(114 078)	(149 593)
Receivables from related companies	130 253	62 128
Receivables from others insurance companies	48 232	12 909
Receivables from Pool "BALTA-PAREX-ERGO"	23 481	23 559
Receivables from suitable scrap buyers	23 049	72 219
Receivables for claims regulation	10 327	1 912
Receivables from Motor Insurers' Bureau of Latvia	2 923	2 901
Receivables from agents	2 502	10 871
Other debtors	90 541	121 513
Accruals for overdue debtors	(79 809)	(74 731)
	641 593	**670 821**

Other debtors are due within 12 months from the balance sheet date and carry no interest.

NOTES TO THE FINANCIAL STATEMENTS (continued)

26. CASH AND CASH EQUIVALENTS

	31.12.2010	31.12.2009
Cash at bank	1 177 503	4 723 857
Bank deposits with original maturity of three months or less	1 254 749	4 518 734
	2 432 252	**9 242 591**

The effective interest rate for 2010 on bank deposits with original maturity of three months or less was 0.5% (2009: 1.06%) and has an average maturity of 31 (2009: 29) days.

27. SHARE CAPITAL AND RESERVES

a) Issued and fully paid share capital

The total authorised number of ordinary shares is 4 652 067 (2009: 4 652 067), with nominal value of LVL 1 per share (2009: LVL 1 per share). All issued shares are fully paid.

The Company's shares are not listed.

b) Major shareholder

The major shareholder of the Company with 4 651 714 (2009: 4 651 714) or 99.99% (2009: 99.99%) shares is Codan AS (Denmark).

The reserves have been created by transferring profits from retained earnings to these reserves during the previous years in accordance with applicable Latvian law and shareholders' decisions. These reserves can not be distributed to shareholders.

28. REVALUATION RESERVE

	31.12.2010	31.12.2009
Revaluation surplus for land and buildings	21 677	28 939
Deferred income tax arising on revaluation of land and buildings	(3 227)	(4 296)
Total	**18 450**	**24 643**

29. TAXES AND THE STATE COMPULSORY SOCIAL INSURANCE CONTRIBUTIONS

	31.12.2010	31.12.2009
State compulsory social insurance contributions	176 555	194 321
Personal income tax	114 223	112 985
Value added tax	165 674	22 880
Unemployment risk duty	179	184
Total	**456 631**	**330 370**

During the year the following tax payments have been made:

	2010	2009
State compulsory social insurance payments	2 182 637	2 544 532
Personal income tax	1 442 374	1 533 751
Corporate income tax	855 877	2 173 268
Value added tax	449 060	182 596
Property tax	16 945	14 673
Unemployment risk duty	2 191	2 485
	4 949 084	**6 451 305**

NOTES TO THE FINANCIAL STATEMENTS (continued)

30. ACCRUED EXPENSES AND DEFERRED INCOME

	31.12.2010	31.12.2009
Accruals for Group entities expenses	640 875	1 103 130
Accruals for personnel bonuses	585 233	498 873
Accruals for unused annual leave	394 728	670 622
Next period written premium for long term policies *	112 235	498 703
Accruals for intermediary commissions	111 859	16 310
Unearned reinsurance commissions	15 754	8 361
Accruals for other expenses	411 257	460 770
Other deferred income	1 029	1 027
	2 272 970	**3 257 796**

* - comparative amount in total LVL 499 thousands includes received advance payments from insurance clients for policies that will be in force in periods after December 31, 2010 in total LVL 331 thousand. In the financial statements for 2010 these liabilities in total LVL 384 thousand have been classified under Insurance liabilities.

31. OTHER CREDITORS

	31.12.2010	31.12.2009 (Restated)
Liability to related companies	2 098 141	527 160
Payable to IBM Latvia	362 083	108 577
Deferred commissions payable*	353 195	376 623
Personnel	285 645	330 989
Liability to Finance and Capital Market Commission	70 401	73 375
Liability for payments to Motor Insurers' Bureau of Latvia	30 868	30 226
Other creditors	67 873	42 608
	3 268 206	**1 489 558**

* - deferred commissions payable represent amounts calculated for commission expense that is not yet due. Settlement payments for these amounts should be made after full payment of policies. In year 2010 it was identified that within the Statement of Financial Position prior period balance is overstated by LVL 414 044. See Note 2 for more details on the nature and the amount of correction for each Financial Statements line item affected.

32. DIVIDENDS PER SHARE

In 2010 dividends in total LVL 4 186 860 (or LVL 0.90 per share) have been paid to the shareholders of AAS BALTA, no dividends were paid in 2009. The amount of dividends that will be proposed at the Annual Shareholders' Meeting is LVL 5 210 315 (or LVL 1.12 per share).

33. MANDATORY PAYMENTS

Types of mandatory payments made during the year:

	2010	2009
Motor Insurers' Bureau of Latvia	155 777	267 529
Finance and Capital Market Commission	291 435	312 389
	447 212	**579 918**

NOTES TO THE FINANCIAL STATEMENTS (continued)

34. RESULTS OF THE CEDED REINSURANCE

	2010	2009
Reinsurers' share in premiums (see Note 3)	(1 477 366)	(1 305 658)
Reinsurers' share in changes in unearned premiums (see Note 4)	(799)	54 893
Reinsurers' share in claims (see Note 8)	451 715	392 363
Reinsurers' share in changes in provision for claims (see Note 9)	(331 080)	(3 803 078)
Reinsurers' commission income (see Note 7)	51 544	16 763
Net result of ceded reinsurance activities:	**(1 305 986)**	**(4 644 717)**

35. RELATED PARTY TRANSACTION

A party is related to the Company if:

(a) directly, or indirectly through one or more intermediaries, the party:
- controls, is controlled by, or is under common control with, the Company (this includes parents, subsidiaries and fellow subsidiaries);
- has an interest in the Company that gives it significant influence over the Company; or
- has joint control over the Company;

(b) the party is an associate (as defined in IAS 28 Investments in Associates) of the Company;
(c) the party is a joint venture in which the Company is a venturer;
(d) the party is a member of the key management personnel of the Company or its parent;
(e) the party is a close member of the family of any individual referred to in (a) or (d);
(f) the party is an entity that is controlled, jointly controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e).

The Parent company of the Company is Codan AS (Denmark). The ultimate parent company of the Company is RSA (UK). Lietuvos Draudimas (Lithuania) is a subsidiary of Codan AS. Codan Forsikring AS Eesti filiaal is a branch of Codan AS in Estonia.

During the reporting year the following transactions were carried out with related parties:

a) Transactions with related parties

<u>*Reinsurance and fronting insurance*</u>

	2010	2009
RSA:		
Fronting insurance premiums	(135 633)	(161 698)
Reinsurance premiums ceded	(79 953)	(58 188)
Fronting insurance commissions received	23 433	21 198
Fronting insurance claims	241 045	267 545
Fronting insurance salvage	-	(45 454)
Change of fronting insurance unearned premium reserve	3 864	(19 507)
Change of fronting insurance deferred client acquisition costs	1 144	48
Change of fronting insurance claim reserve	(84 898)	(14 823)
	(30 998)	**(10 879)**
Codan AS:		
Reinsurance premiums ceded	(74 832)	(197 186)
Reinsurance commissions paid	(10 326)	(12 794)
Reinsurance commissions received	14 859	18 088
Change of reinsurance unearned premium reserve	89 306	(36 252)
Change of reinsurance deferred client acquisition costs	(8 312)	3 007
Change of reinsurance paid to reinsurance intermediaries	(656)	2 106
	10 039	**(223 031)**

NOTES TO THE FINANCIAL STATEMENTS (continued)

Other transactions

	2010	2009
RSA:		
Management consulting services	(1 305 008)	(1 302 254)
IT consultation	(106 042)	(25 056)
Other services	(88 410)	(72 270)
Training for employees	(10 724)	(35 738)
Income of consultation	3 541	17 779
Cost compensation	2 491	26 499
Recruitment services	-	(10 422)
Income from Russian insurance market survey	-	4 759
	(1 504 152)	**(1 396 703)**
Codan AS:		
Cost compensation	-	895
	-	**895**
Lietuvos Draudimas:		
Compensation of reinsurance agreement	54 566	-
Management consulting services	-	(150 414)
	54 566	**(150 414)**
Codan Forsikring AS Eesti filiaal:		
Income from consultation	12 901	32 914
	12 901	**32 914**
Direct:		
Income from consultation	220	-
	220	**-**
RSA Insurance (Asia & Middle East)		
Income from consultation	1 493	-
	1 493	**-**

b) Balances with related parties

There are the following outstanding balances with related parties as at the end of the year:

	31.12.2010	31.12.2009
Fronting insurance claims reserves with RSA	108 101	23 203
Fronting insurance claims with RSA	28 642	1 708
Recovered loss amounts with RSA	-	(45 454)
Fronting insurance premiums RSA	(36 708)	(52 884)
Fronting insurance unearned premium reserve	29 647	33 510
Fronting insurance deferred client acquisition costs	(1 193)	(48)
Recovered loss amounts with Lietuvos Draudimas	146	146
Reinsurance with Codan AS	(72 028)	(86 813)
Receivables from Codan Forsikring AS Eesti filial	18 768	13 078
Receivables from Lietuvos Draudimas	54 580	13
Receivables from RSA	56 685	49 037
Receivables from Direct	220	-
Liabilities to Lietuvos Draudimas	-	(31 023)
Liabilities to RSA	(2 739 016)	(1 445 742)
	(2 552 156)	**(1 541 269)**

c) Key management remuneration

In year 2010 the Company has paid remuneration to the Board of Directors in the amount of LVL 562 thousands (2009: LVL 465 thousands).

NOTES TO THE FINANCIAL STATEMENTS (continued)

36. CONTINGENT LIABILITIES AND COMMITMENTS

a) General claims

In the normal course of business, the Company constantly receives requests for claim payments. Such claims have been reviewed by the Company's management who is of the opinion that no material unprovided losses will be incurred.

b) Litigation

The Company, like all other insurers, is subject to litigation in the normal course of its business. As at 31 December 2010 there were 19 (2009: 28) open legal claims against the Company amounting to LVL 1 446 thousands (2009: LVL 968 thousands). The management is of the opinion that no material unprovided losses will be incurred.

In addition to above, in 2009 were initiated litigations against the Company by three former employees. Accrual for still opened two claims at the end of the year is not made since the Company's management is of the opinion that there is insignificant probability of negative outcome for the Company.

c) Capital commitments

The Company does not have any capital commitments as at 31 December 2010.

The Company does not have any non-cancellable operating leases as at 31 December 2010, these can usually be terminated at one to six months notice. Total minimal commitment for lease payments as at 31 December 2010 amounts to LVL 76 thousands (31.12.2009: LVL 87 thousands).

The Company has concluded an agreement with SIA IBM Latvia on outsourcing of IT services, total contingent liability as at 31.12.2010 amounts to LVL 961 thousands (31.12.2009: LVL 998 thousands).

d) Tax contingency

The local tax authorities have power to examine tax position of the Company for the previous 3 years. The Company's Management believes that the outcome of tax authority's examination will not result in a material impact on the Company's results and operations or financial position.

37. ACCOUNTING ESTIMATES AND JUDGEMENTS

The Company makes estimates and assumptions that affect the reported amount of assets and liabilities within the next financial year. The estimation of the ultimate liability arising from claims made under insurance contracts is the Company's most critical accounting estimate.

The provisions for reported but not settled claims (RBNS) are based on claims handler estimate for each individual claim. In cases when a claim is reported but the estimate is not prepared yet, the average claim amount in the corresponding business line is used as an initial reserve.

The provision for incurred but not reported claims (IBNR) is calculated using chain – ladder method on claims paid or claims incurred development triangles. In business lines where there is not enough statistics or statistical data fluctuate to a considerable extent to use chain – ladder method, the reserve is calculated using Bornhuetter - Ferguson or expected ultimate method.

Claims settlement reserve is calculated from RBNS and IBNR reserves as a proportion which is taken from the claims handler expenses share in paid claims amount in last 12 month in each business line.

Reserves for recoverable amounts are calculated from RBNS reserves as a proportion which is taken from the salvage and subrogation share in paid claims during the last 12 month in each business line.

The Company annually performs premium deficiency test to ensure that no losses are transferred to next periods. As at the 31 December 2010 there is no premium deficiency detected. For premium deficiency tests are considered claims and direct costs.

NOTES TO THE FINANCIAL STATEMENTS (continued)

38. INSURANCE RISK MANAGEMENT

The Company issues contracts that transfer insurance risk. This section summarises these risks and the way the Company manages them.

The risk under any one insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the very nature of an insurance contract, this risk is random and therefore unpredictable.

For a portfolio of insurance contracts where the theory of probability is applied to pricing and provisioning, the principal risk that the Company faces under its insurance contracts is that the actual claims payments exceed the carrying amount of the insurance liabilities. This could occur because the frequency or severity of claims is greater than estimated. Insurance events are random and the actual number and amount of claims will vary from year to year from the level established using statistical techniques.

Experience shows that the larger the portfolio of similar insurance contracts, the smaller the relative variability about the expected outcome will be. In addition, a more diversified portfolio is less likely to be affected by a change in any subset of the portfolio. The Company has developed its insurance underwriting strategy to diversify the type of insurance risks accepted and within each of these categories to achieve a sufficiently large population of risks to reduce the variability of the expected outcome.

The frequency and severity of claims can be affected by several factors. The most significant are the increasing level of awards for the damage suffered, and the increase in the number of claim cases. Estimated inflation is also a significant factor due to increased increment rate of inflation.

The Company manages these risks through its underwriting strategy, adequate reinsurance arrangements and proactive claims handling.

The underwriting strategy attempts to ensure that the underwritten risks are well diversified in terms of type and amount of risk, industry and geography.

<u>Types of insurance contracts</u>

Motor third party liability insurance.
It is a compulsory insurance type, whose policy conditions and indemnification rules are prescribed by the Motor Third Party Liability Insurance Act and other related legislation. Insurance premiums for motor third party liability are determined individually for each customer based on several both customer as well as vehicle based risk criteria. In Latvia, a unified criterion for evaluating the road traffic accident history of a particular vehicle owner – the bonus malus system – is also available.

Most of motor third party liability insurance indemnities are made up of indemnities for property damage and lump sum personal injuries mostly medical treatment costs and temporary incapacity for work benefits. However, long-term indemnities may also be possible, such as pensions and permanent incapacity for work benefits which may be paid out over decades.

Accident insurance
The accident insurance is a money compensation for the death, permanent incapacity for work or trauma arising from an accident. Also refund of costs for medical treatment as well as medical expenses, caused by injury. In addition it is possible to get daily allowances for time spend in hospital and having medical treatment. The insurance amounts are set out on the insurance policy and generally they are not more than 25 thousands lats for death or permanent incapacity for work and 6 lats per day for daily allowances. Typical losses are generally small and they are indemnified as lump sums.

Death events rarely occur on the basis of accident insurance contracts.

Travel insurance
The travel insurance indemnifies for the medical treatment costs incurred during a trip if such costs are caused by an illness or an accident started during the trip. It is also possible to insure a baggage, to purchase insurance against trip cancellations, travel interruptions and delays as well as GTPL or personal accident coverage.

NOTES TO THE FINANCIAL STATEMENTS (continued)

The indemnity limit for the medical treatment and repatriation costs of passenger is limited to 100 thousands lats. A larger risk is related to potential natural disasters in holiday areas or transport crashes, where the number of injured is large. The reinsurance program covers indemnifies for losses exceeding 70 thousands lats per occurrence.

Typical losses are generally small and they are indemnified as lump sums. The amount of an indemnity depends on the location of the loss occurrence and the number of claims depends on the season.

Casco insurance
The insurance indemnifies for losses which arise from damage to the vehicle, destruction, theft or robbery of it. Several additional insurance covers may also be purchased which are related to insured vehicle. Insurance premiums are determined individually for each customer based on several both customer as well as vehicle based risk criteria. Product package can contain several additional insurance covers – road assistance and replacement car, for instance. Value of insured vehicles commonly does not exceed 50 thousands lats. More than two thirds of losses by amount accumulate from the damage to vehicles sustained in road traffic accidents.

Property insurance, business interruption insurance and building risks insurance
Property insurance covers losses arisen because of fire, weather, leakage of liquid or steam, explosion, malicious acts by third parties (robbery, burglary) or collision. There is a possibility for individuals (private persons) to insure their contents (property) and civil third party liability additionally to private property insurance.
Business interruption insurance covers lost business profits and fixed costs incurred, which arise from the realisation of any risk covered by property insurance of a company. Upon the sale of that insurance type, it is considered to be particularly important take into account the reliability of customers and transparency of financial statements.

Larger losses arise from fire risks, which in turn give rise to indemnification for business interruptions. The loss is particularly large if the property (buildings and structures with movables in them) insured to a full extent is destroyed and this leads to a business interruption indemnity until the production object is again put in operation.

The most frequently realised risks for private property include leakage of liquid or steam, fire and weather losses (storm, snowing and flood). The largest losses usually are because of fire.

General liability insurance
This insurance provides coverage for bodily injury and property damage caused to a third party by an insured person, due to its activity or inactivity. In respect of property damages only direct loses are covered, but in respect of bodily injuries direct as well as consequential loses are covered, such as unearned income because of temporary or permanent inability and allowances for dependents. Upon the assessment/ selection of liability insurance risks, it is particularly important to take into account the specifics of customer's commercial activity and customer's turnover.

Health insurance
The health insurance product is offered to companies who purchase health insurance for their employees. The risk covers health insurance indemnities like expenses for doctor visits, hospital expenses, medicaments.

Due to the type of a mass product and large number of small indemnifies along with proper management the risk from this product is small.

Concentration by industry
The concentration of insurance risks by industry do not exceed 20% for an industry, therefore we do consider the risk concentration is at the acceptable level.

Reinsurance contracts
The benefits to which the Company is entitled under its reinsurance contracts held are recognised as reinsurance assets.

These assets consist of short-term balances due from reinsurers as well as longer term receivables that are dependent on the expected claims and benefits arising under the related reinsured insurance contracts.

NOTES TO THE FINANCIAL STATEMENTS (continued)

Amounts recoverable from or due to reinsurers are measured consistently with the amounts associated with the reinsured insurance contracts and in accordance with the terms of each reinsurance contract. Reinsurance liabilities are primarily premiums payable for reinsurance contracts and are recognised as an expense when due.

The Company assesses its reinsurance assets for impairment on a regular basis. If there is objective evidence that the reinsurance asset is impaired, the Company reduces the carrying amount of the reinsurance asset to its recoverable amount and recognises that impairment loss in the income statement.

<u>Sensitivity to insurance risk</u>
Based on the fact that the Company provides non-life insurance, terms and conditions of insurance contracts, have no material effect on the amount, timing and uncertainty of the insurer's future cash flows.

<u>Concentration by territory</u>
All insurance contracts have been issued only in Latvia. The insured risk territorial coverage is mainly Latvia except travel policies and OMTPL policies in cases of abroad insurance accidents.

Geographical concentration of financial assets and liabilities as at year end (all amounts in thousands of LVL):

Year 2010	**Latvia**	**OECD countries**	**Other countries**	**Total**
Financial assets				
Financial investments at fair value through profit or loss	5 557	25 225	-	30 782
Loans	16	-	-	16
Term deposits with banks	5 612	-	-	5 612
Insurance and reinsurance debtors	5 230	120	-	5 350
Reinsurers' share of outstanding claims reserve	-	4 669	-	4 669
Cash and cash equivalents	2 432	-	-	2 432
Other debtors and accrued income	471	127	81	679
Total financial assets	**19 318**	**30 141**	**81**	**49 540**
Financial liabilities				
Outstanding claims reserve	(16 370)	-	-	(16 370)
Creditors and accrued expense	(4 195)	(3 140)	(25) -	(7 360)
Total financial liabilities	**(20 565)**	**(3 140)**	**(25)**	**(23 730)**
Net financial assets / (liabilities) as at 31 December 2010	**(1 247)**	**27 001**	**56**	**25 810**

Year 2009 (Restated)	**Latvia**	**OECD countries**	**Other countries**	**Total**
Financial assets				
Financial investments at fair value through profit or loss	4 403	28 198	864	33 465
Loans	34	-	-	34
Term deposits with banks	1 373	-	-	1 373
Insurance and reinsurance debtors	5 892	54	-	5 946
Reinsurers' share of outstanding claims reserve	-	4 338	-	4 338
Cash and cash equivalents	9 243	-	-	9 243
Other debtors and accrued income	646	49	31	726
Total financial assets	**21 591**	**32 639**	**895**	**55 125**
Financial liabilities				
Outstanding claims reserve	(17 826)	-	-	(17 826)
Creditors and accrued expense	(3 917)	(1 709)	(31)	(5 657)
Total financial liabilities	**(21 743)**	**(1 709)**	**(31)**	**(23 483)**
Net financial assets / (liabilities) as at 31 December 2009	**(152)**	**30 930**	**864**	**31 642**

NOTES TO THE FINANCIAL STATEMENTS (continued)

Reinsurance coverage
The reinsurance arrangements include excess and catastrophe coverage. The effect of such reinsurance arrangements is that the Company for each insurance risk has following own retention:

Maximum own retention:

	2010	**2009**
Personal accident & Travel medical expense	70 280	70 280
Motor own damage	70 280	70 280
Cargo	105 421	105 421
Hull, CMR	105 421	105 421
Property	702 804	702 804
General TPL	140 561	140 561

Liability adequacy test
At each balance sheet date, liability adequacy tests are performed to ensure the adequacy of the contract liabilities net of related deferred acquisition costs (DAC) assets. In performing these tests, current best estimates of future contractual cash flows are used. Any deficiency is immediately charged to income statement initially by writing off DAC and by subsequently establishing a provision for losses arising from liability adequacy tests (the unexpired risk provision).

39. FINANCIAL RISK MANAGEMENT

The operations of the Company and investment management activities in particular expose it to a variety of financial risks, including credit risk, liquidity risks and market risks, which include interest rate risks, currency risks, as well as fair value risks. The Company's management seeks to minimise potential adverse effects of financial risks on the financial performance of the Company by placing limits on the level of exposure that can be taken.

39.1. Credit risk

The Company takes on exposure to credit risk which is the risk that counterparty will be unable to pay amounts in full when due. The Company structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one issuer of securities, debtor, borrower, or group of the above. Such risks are monitored on a revolving basis and subject to an annual or more frequent review. Actual exposures against limits are monitored regularly.

Exposure to credit risk is managed through regular analysis of the ability of issuers and borrowers and potential borrowers to meet interest and capital repayment obligations and by changing these lending limits where appropriate.

a) Maximum credit risk:

	31.12.2010	**31.12.2009**
Latvian government bonds	4 721 581	3 762 244
German government bonds	8 340 327	8 242 440
Austrian government bonds	388 308	-
Swedish government bonds	1 498 307	-
French government bonds	-	1 088 742
Netherland government bonds	3 113 866	6 260 940
Danish government bonds	1 313 609	2 517 508
Finish government bonds	2 572 989	4 549 991
Mortgage backed debt securities	835 287	641 458
Corporate bonds	7 997 331	6 402 145
Deposits with banks	5 612 086	1 373 080
Loans, shares, cash and cash equivalents	2 447 752	9 276 120
Credit risk	**38 841 443**	**44 114 668**

NOTES TO THE FINANCIAL STATEMENTS (continued)

	31.12.2010	31.12.2009
Unearned premium reserve, reinsurers' share	122 017	122 816
Outstanding claims reserve, reinsurers' share	4 669 091	4 338 011
Reinsurance debtors	119 675	54 187
Receivables due from policyholders	5 014 418	5 676 967
Receivables due from intermediaries	215 857	214 748
Other debtors	641 593	670 821
Maximum credit risk	**49 624 094**	**55 192 218**

b) Reinsurance risk breakdown by key counterparties

Reinsurer	2010 Receivables arising from reinsurance operations	S&P Rating	2009 Receivables arising from reinsurance operations	S&P Rating
Swiss Re Group	1 196 867	A+	1 235 466	A+
Munich Re Group	1 133 787	AA-	1 155 901	AA-
Hannover Re	635 545	AA-	614 659	AA-
GeneralCologne Re	321 954	AA+	313 307	AAA
SCOR Global P&C	333 965	A	195 447	A
Caisse Centrale de Reassurances	265 018	AAA	269 703	AAA
ACE Tempest Re Europe	188 496	A+	192 393	A+
Liberty Syndicate, Cologne	188 496	A+	192 393	A+
RSA	166 390	A	58 421	A
Sirius International Insurance Coropration	143 495	A-	2 124	A-
ALD Re	139 021	NR	-	-
Odyssey America Reinsurance Corporation	114 222	A-	118 760	A-
R + V	83 527	A+	3 013	A+
Lloyd`s Syndicate	-	-	134 476	A+
Other	-		28 951	
Reinsurance risk	**4 910 783**		**4 515 014**	

c) Investment breakdown by ratings as at the year end (all amounts in thousands of LVL):

Year 2010	**AAA**	**AA**	**A**	**Less than BBB**	**Non rated**	**Total**
Government bonds	10 842	6 385	-	4 722	-	21 949
Corporate bonds	495	4 150	3 352	-	-	7 997
Term deposits with banks	-	-	5 266	346	-	5 612
Mortgage backed debt securities	-	-	-	835	-	835
Loans	-	-	-	-	16	16
Total investment assets	**11 337**	**10 535**	**8 618**	**5 903**	**16**	**36 409**

Year 2009	**AAA**	**AA**	**A**	**Less than BBB**	**Non Rated**	**Total**
Government bonds	22 660	-	-	3 762	-	26 422
Corporate bonds	490	3 737	2 175	-	-	6 402
Term deposits with banks	-	385	-	988	-	1 373
Mortgage backed debt securities	-	-	-	641	-	641
Loans	-	-	-	-	34	34
Total investment assets	**23 150**	**4 122**	**2 175**	**5 391**	**34**	**34 872**

NOTES TO THE FINANCIAL STATEMENTS (continued)

39.2. Liquidity risk

The Company is exposed to regular calls on its available cash resources from claims settlements. The Board sets the minimum level of cash resources, which must be available to meet such claims.

There has been the following distinction of financial assets and financial liabilities by their remaining maturities as at the year-end (all amounts in thousands of LVL):

Year 2010	**Without maturity**	**Up to 12 months**	**1 to 5 years**	**Over 5 years**	**Total**
Financial assets					
Financial investments at fair value through profit or loss	-	6 848	23 934	-	30 782
Loans	-	16		-	16
Term deposits with banks	-	5 612	-	-	5 612
Insurance and reinsurance debtors	-	5 293	57	-	5 350
Cash and cash equivalents	1 178	1 254	-	-	2 432
Reinsurers' share of outstanding claims reserve	-	1 296	2 347	1 026	4 669
Other debtors and accrued income	-	679	-	-	679
Total financial assets	**1 178**	**20 998**	**26 338**	**1 026**	**49 540**
Financial liabilities					
Outstanding claims reserve	-	(7 602)	(5 839)	(2 929)	(16 370)
Creditors and accrued expense	-	(7 360)	-	-	(7 360)
Total financial liabilities	**-**	**(14 962)**	**(5 839)**	**(2 929)**	**(23 730)**
Net financial assets / (liabilities) as at 31 December 2010	**1 178**	**6 036**	**20 499**	**(1 903)**	**25 810**

Year 2009 (Restated)	**Without maturity**	**Up to 12 months**	**1 to 5 years**	**Over 5 years**	**Total**
Financial assets					
Financial investments at fair value through profit or loss	-	22 104	11 361	-	33 465
Loans	-	31	3	-	34
Term deposits with banks	-	1 373	-	-	1 373
Insurance and reinsurance debtors	-	5 946	-	-	5 946
Cash and cash equivalents	4 724	4 519	-	-	9 243
Reinsurers' share of outstanding claims reserve	-	1 527	2 257	554	4 338
Other debtors and accrued income	-	726	-	-	726
Total financial assets	**4 724**	**36 226**	**13 621**	**554**	**55 125**
Financial liabilities					
Outstanding claims reserve	-	(10 363)	(5 985)	(1 478)	(17 826)
Creditors and accrued expense	-	(5 657)	-	-	(5 657)
Total financial liabilities	**-**	**(16 020)**	**(5 985)**	**(1 478)**	**(23 483)**
Net financial assets / (liabilities) as at 31 December 2009	**4 724**	**20 206**	**7 636**	**(924)**	**31 642**

39.3. Market risk

The Company takes on exposure to market risks, which include interest rate risks, currency risks, as well as fair value risks. Market risks arise from open positions in interest rate, share price and currency instruments, all of which are exposed to general and specific market movements. The management sets limits on the value of risk that may be accepted, which is monitored regularly.

NOTES TO THE FINANCIAL STATEMENTS (continued)

a) Interest rate risk

The Company's exposure to interest rate risk is limited as significant part of liabilities are not bearing interest and dominant part of interest bearing financial instruments have fixed interest rates. Maturity dates are materially equal to reassessment dates on all interest bearing assets and liabilities. Weighted average effective interest rates, as applicable, for the interest bearing financial instruments excluding insurance contracts were as follows:

	2010	**2009**
German government debt securities	1.7%	0.6%
Austrian government debt securities	1.8%	-
Swedish government debt securities	1.7%	-
France government debt securities	-	0.6%
Latvian government debt securities	2.3%	13.3%
Netherland government debt securities	1.2%	0.9%
Danish government debt securities	1.7%	1.0%
Finish government debt securities	1.3%	0.8%
Other corporate debt securities	1.9%	2.0%
Mortgage backed debt securities	4.2%	13.0%
Deposits with banks	1.7%	2.0%
Loans	7.0%	7.0%

Risk measurement is regularly analysed by applying back tests and comparing revaluation profit / (loss) from positions with the respective potential risk.

Change in investment value due to market interest rate changes has been as follow:

		2010	**2009**
Market interest rate and impact on fair value	+1% - p.p.	(667 006)	(355 202)
	-1% - p.p.	691 470	336 120

b) Fair value

Fair values of financial assets and financial liabilities not reflected at their fair value do not materially differ from their carrying values.

c) Foreign exchange risk

The Company is exposed to foreign exchange risk arising from various currency exposures primarily with respect to EUR due to insurance coverage provided in this currency and GBP due to transactions with the ultimate parent company RSA. The management of the Company seeks to limit the foreign exchange risk through investment portfolio created in respective currencies in the amount equal to respective claims reserve and liabilities. EUR exchange rate has been fixed in Latvia since 2005.

NOTES TO THE FINANCIAL STATEMENTS (continued)

Split of financial assets and financial liabilities by currencies as at year end (all amounts in thousands of LVL):

Year 2010	**USD**	**EUR**	**GBP**	**LTL**	**LVL**	**Other**	**Total**
Financial assets							
Financial investments at fair value through profit or loss		25 225			5 557		30 782
Loans					16		16
Term deposits with banks	-	5 266	-	-	346	-	5 612
Insurance and reinsurance debtors	76	841	-	-	4 433	-	5 350
Cash and cash equivalents	33	263	1 255	-	881	-	2 432
Reinsurers' share of outstanding claims reserve	-	4 216	-	-	453	-	4 669
Other debtors and accrued income	-	40	-	-	639	-	679
Total financial assets	**109**	**35 851**	**1 255**	**-**	**12 325**	**-**	**49 540**
Financial liabilities							
Outstanding claims reserve	(14)	(5 278)	(17)	(8)	(10 976)	(77)	(16 370)
Creditors and accrued expense	-	(318)	(2 763)	-	(4 207)	(72)	(7 360)
Total financial liabilities	**(14)**	**(5 596)**	**(2 780)**	**(8)**	**(15 183)**	**(149)**	**(23 730)**
Net financial assets / (liabilities) as at 31 December 2010	**95**	**30 255**	**(1 525)**	**(8)**	**(2 858)**	**(149)**	**25 810**

Year 2009 (Restated)	**USD**	**EUR**	**GBP**	**LTL**	**LVL**	**Other**	**Total**
Financial assets							
Financial investments at fair value through profit or loss	-	29 062	-	-	4 403	-	33 465
Loans	-	-	-	-	34	-	34
Term deposits with banks	-	-	-	-	1 373	-	1 373
Insurance and reinsurance debtors	54	861	-	-	5 031	-	5 946
Cash and cash equivalents	5	7 381	1 197	-	660	-	9 243
Reinsurers' share of outstanding claims reserve	-	4 172	-	-	166	-	4 338
Other debtors and accrued income	-	-	-	-	726	-	726
Total financial assets	**59**	**41 476**	**1 197**	**-**	**12 393**	**-**	**55 125**
Financial liabilities							
Outstanding claims reserve	(8)	(5 399)	(1)	(11)	(12 330)	(77)	(17 826)
Creditors and accrued expense	-	(363)	(1 446)	(31)	(3 730)	(87)	(5 657)
Total financial liabilities	**(8)**	**(5 762)**	**(1 447)**	**(42)**	**(16 060)**	**(164)**	**(23 483)**
Net financial assets / (liabilities) as at 31 December 2009	**51**	**35 714**	**(250)**	**(42)**	**(3 667)**	**(164)**	**31 642**

Changes in exchange rate do not materially affect the net of financial assets and liabilities. Most part of the financial assets and liabilities is held in LVL and EUR currencies what have a fixed exchange rate. The net of non LVL and EUR financial assets and liabilities represent only 6.1% (2009: 1.3%) of Company's total net financial assets and liabilities.

40. CAPITAL RISK MANAGEMENT

Financial Capital Market Commission specifies the minimum amount and type of capital that must be held in addition to insurance liabilities. The minimum required capital (based on premium or claim volume) must be maintained at all times throughout the year. The Company has met this requirement as illustrated below.

NOTES TO THE FINANCIAL STATEMENTS (continued)

The table below summarises the required capital and the regulatory capital held. Solvency ratio shows excess of capital held over minimum required capital (all amounts in thousands of LVL):

	31.12.2010	**31.12.2009**
Minimum required capital	7 666	10 449
Regulatory capital held according to FCMC regulations	20 309	19 824
Solvency ratio (minimum required is 100%)	**265%**	**190%**

41. LOSS DEVELOPMENT TABLE

Loss development table illustrates the Company's estimate of ultimate claims outstanding for each accident year (all amounts in thousands of LVL):

	2002 and earlier	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**
Outstanding Claims, net	3 656	3 788	4 542	5 162	8 787	12 417	11 848	13 488	11 701
Outstanding Claims Reinsurer's share	(710)	(761)	(793)	(819)	(553)	(1 242)	(535)	(4 338)	(4 669)
Outstanding Claims, gross	**4 367**	**4 549**	**5 335**	**5 981**	**9 340**	**13 659**	**12 383**	**17 826**	**16 370**
Cumulative payments at the period end, gross:									
One year later	3 138	2 653	2 850	3 869	4 929	8 424	5 376	4 863	
Two years later	3 330	2 892	3 223	4 264	5 455	9 100	5 824		
Three years later	3 452	2 965	3 405	4 461	5 780	9 308			
Four years later	3 491	3 050	3 513	4 587	5 878				
Five years later	3 567	3 111	3 634	4 632					
Six years later	3 619	3 152	3 671						
Seven years later	3 656	3 182							
Eight years later	3 685								
Cumulative payments to 31 December 2010	**3 685**	**3 182**	**3 671**	**4 632**	**5 878**	**9 308**	**5 824**	**4 863**	
Outstanding Claims Reserves at the period end, gross:									
One year later	1 081	1 552	1 839	1 906	2 595	3 582	10 483	10 660	
Two years later	1 969	2 310	2 727	1 365	1 921	8 133	9 057		
Three years later	2 623	2 953	870	1 248	2 138	7 501			
Four years later	3 222	653	939	1 131	2 213				
Five years later	591	667	784	973					
Six years later	638	619	722						
Seven years later	584	561							
Eight years later	524								
Outstanding Claims Reserves as at 31 December 2010	**524**	**561**	**722**	**973**	**2 213**	**7 501**	**9 057**	**10 660**	
Run off Gross	**158**	**806**	**942**	**376**	**1 249**	**(3 150)**	**(2 498)**	**2 303**	

42. SUBSEQUENT EVENTS

There are no subsequent events since the last date of the reporting year, which would have a significant effect on the financial position of the Company as at 31 December 2010.