

PREMIUM INSURANCE COMPANY LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
31 December 2024

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COMPANY INFORMATION

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Registered number

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DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2024

The Directors present PREMIUM Insurance Company Limited ("the Company") 's annual report and audited financial statements for the year ended 31 December 2024, prepared in accordance with International Financial Reporting Standards (IFRSs).

Principal activities

The Company's principal activities during the year remained unchanged, and they included providing property and liability insurance, specifically in the Slovak Republic and Czech Republic.

The Company is licensed by the Malta Financial Services Authority ("MFSA"), under the Insurance Business Act, Cap 403, to underwrite the following insurance classes:

- Class 1: Accident
- Class 2: Sickness
- Class 3: Land vehicles
- Class 4: Railway rolling stock
- Class 5: Aircraft¹
- Class 7: Goods in transit
- Class 8: Fire and natural forces
- Class 9: Other damage to property
- Class 10: Motor vehicle liability
- Class 11: Aircraft liability²
- Class 13: General liability
- Class 16: Miscellaneous financial loss

Business review

PREMIUM's core strategy remains largely unchanged since its inception – to build a profitable Slovakian and Czech focused insurer operating in the commercial and retail insurance markets in Slovakia and Czech Republic.

The Company predominantly writes industrial and commercial liability insurance. The Company is also writing an increasing volume of other classes like Household to contribute profit to the bottom line.

The Company is structured with a Head Office in Malta, a Branch in Slovakia and a Branch in Czech Republic with distribution via a network of licenced intermediaries, the majority of whom are based in Slovakia. It writes business in Slovakia and Czech Republic on a Freedom of Establishment basis, and from Malta on a Freedom of Services basis.

¹ Limited to unmanned aircrafts

² Limited to unmanned aircrafts

DIRECTORS' REPORT *(continued)*

Business review *(continued)*

During the reporting period, PREMIUM saw further significant growth in insurance revenues by 33% in comparison with the previous year. Commercial and industrial property business continued to dominate the account, with commercial liability being the second most important class of business. The Company also experienced significant growth in the retail segment of the portfolio with an increase of over 67% from the previous year.

The Company is compliant with the regulatory solvency requirements under the Solvency II regime as at 31 December 2024.

Financial Performance

The financial results for the year (page 9 and 10) reflect the Company's continued focus on operational efficiency and economic stability. Key highlights include:

	31 Dec 2024	31 Dec 2023
	EUR	EUR
Insurance revenue	37,855,787	28,401,099
Insurance service expenses	(28,921,788)	(18,660,660)
Insurance service result	4,722,970	4,322,233
Profit after tax	638,450	1,191,164
Total assets	37,269,931	27,414,406

IFRS 17 Adoption

In 2024, the Company continued its adoption of IFRS 17 Insurance Contracts, marking the second year since its implementation. IFRS 17 provides a comprehensive framework for recognising, measuring, and disclosing insurance contract liabilities, enhancing transparency and comparability across the industry. During the year, the Company refined its processes and systems to further embed IFRS 17 requirements, ensuring robust compliance and improved financial reporting. The adoption of IFRS 17 has resulted in a more consistent valuation of insurance liabilities and a clearer understanding of the Company's performance, providing enhanced insights for stakeholders.

Dividends

The directors do not recommend paying a dividend (2023: NIL).

DIRECTORS' REPORT *(continued)*

Shareholding restructuring

In 2024, the Company, with the collaboration of the Shareholders, initiated the process to change its ownership structure. As a result of this change, the Company will no longer constitute a single member company pursuant to article 212 of the Companies Act (Cap. 386 of the laws of Malta) and will transition to a four-shareholder structure. It is important to note that this restructuring will not result in any changes to the ultimate beneficial owners of the Company. Furthermore, this change will have no adverse impact on the Company's strategy, day-to-day conduct of business, financial position, or overall performance.

On the 4 March 2025, the authority issued its "no objection" for the change in shareholding. It is anticipated that the above restructuring process will be completed within the first half of 2025.

Events after the reporting date

No other significant events have occurred after the reporting date and up to the date of this report that would require adjustments to or disclosure in these financial statements.

Financial risk management

The Company is exposed to financial risk through its financial assets and liabilities. The key financial risk is that the proceeds from financial assets are insufficient to fund the obligations arising from liabilities as they fall due. The most essential components of the Company's financial risk are interest rate risk, currency risk, credit risk, and liquidity/cash flow risk.

Interest rate risk

During the financial period, the Company maintained its funds in a balanced allocation, between cash and cash deposits and various investments. The Company has adopted the prudent investment principle, and it holds an investment portfolio consisting primarily of high-quality corporate and/or government bonds. The primary market risk in the investment portfolio is interest rate risk, namely the fair value sensitivity of fixed-income security or cash to changes in interest rates. The interest rate risk will be managed through active investment portfolio management to ensure a prudent mix of fixed-income investments with a varied maturity schedule.

Currency risk

The Company's cash deposits and investment portfolio are primarily in Euro, with additional exposure to Czech Koruna (CZK), resulting in a limited currency risk.

Credit risk

Credit risk is the risk that a counterparty will be unable to pay amounts in full when due. The main areas where the Company is exposed to credit risk are amounts due from brokers, reinsurers, co-insurers, cash holdings and investment positions.

DIRECTORS' REPORT *(continued)*

Credit risk (continued)

The Company mitigates its credit risk for cash and investments by only depositing money or holding investments in entities with a sufficiently high credit rating. The credit rating required is what is demanded by the Board. In addition, assuming that a decision is taken to go ahead with a bespoke investment portfolio, the Company has investment guidelines that restrict the amount of the investment portfolio that can be placed with a single issuer and the level of investment in non-sovereign issues. In respect of reinsurance exposures, the Company, through its reinsurance broker, selects highly rated reinsurance counterparties.

Liquidity and cash flow risk

Liquidity and cash flow risk are the risks of cash not being available to pay obligations when due at a reasonable cost. The Company carefully monitors cash levels to ensure there is sufficient liquidity to meet known liabilities. The Company's directors use forecasts and budgets to monitor and control its cash flows and liquidity requirements.

Future developments

The Company will continue focusing on building brand awareness and expand its broker network in both Slovakia and Czech Republic. Growth of the Household and SME retail products in Czech Republic will further increase diversification and market penetration in this territory which will help to achieve expected growth in net premium written, and ultimately contribute to improved profitability. The Company is also looking into appointing Managing General Agents ("MGAs") to penetrate new market segments and increase market share.

The Company recognises the importance of enhancing the corporate strategy, product and service delivery to support a positive, sustainable future by integrating Environment, Social and Governance ("ESG") principles into the governance framework. The Company aims to achieve sustainability and embedding ESG factors into decision-making and processes.

The Company is monitoring the developments of the Sustainable Financial Disclosure Regulation ("SFDR"), the Corporate Sustainability Reporting Directive ("CSRD") and EU Taxonomy for Sustainable Activities Regulations to comply with the respective requirements. In 2024, the Company was not captured by the reporting rules of SFDR since PREMIUM does not offer insurance-based investment products (IBIPs) and was not captured by the CSRD because it is not a listed public-interest company and does not employ over 500 employees. However, the Company is continuously monitoring the development of the upcoming proposed changes in the SFDR and CSRD, including any changes in the respective criteria and thresholds.

The current 3-year plan is designed to sustain the successes and experience gained in the past year's trading and generate further strong growth in gross and net premiums over the plan horizon. It also maintains enhanced re-insurance protection to safeguard the Company's balance sheet and solvency coverage.

DIRECTORS' REPORT *(continued)*

Auditors

The auditors, Forvis Mazars, have indicated their willingness to continue in office and a resolution for their re-appointment will be proposed at the annual general meeting.

Statement of directors' responsibilities

The Companies Act, Cap 386, requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company as at the end of the financial year and of the profit or loss of the company for that year. In preparing these financial statements, the directors are required to:

- adopt the going concern basis unless it is inappropriate to presume that the company will continue in business;
- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- value separately the components of asset and liability items;
- report comparative figures corresponding to those of the preceding accounting period; and
- ensure that the company has complied with all the relevant sections of the Insurance Business Act, Cap. 403 throughout the year.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements have been properly prepared in accordance with the Companies Act, Cap 386. This responsibility includes designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error. They are also responsible for safeguarding the assets of the company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Approved by the board on 02 April 2025 and signed on its behalf by:



M Benko
Member of the Board



P Valent
Chief Financial Officer

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER

	NOTE	2024 EUR	2023 EUR
Insurance revenue	6	37,855,787	28,401,099
Insurance service expenses		(28,921,788)	(18,660,660)
Reinsurance recoveries (income)		(14,292,165)	(10,271,466)
Expenses on reinsurance contracts held		10,081,136	4,853,260
Insurance service result		4,722,970	4,322,233
Other investment revenue		178,977	119,109
Net impairment gain/(loss) on financial assets		357,069	107,682
Investment return		536,046	226,791
Net finance expenses from insurance contracts	8	(288,979)	(67,218)
Net finance income from reinsurance contracts	8	343,051	82,343
Net financial result		590,118	241,916
Other income		286,570	310,836
Other operating expenses		(4,540,990)	(3,316,901)
Profit before tax		1,058,668	1,558,084
Income tax expense	15	(420,218)	(366,920)
Profit for the year		638,450	1,191,164
Other comprehensive income (OCI)			
Changes in discount rates and risk adjustment	7	(345,275)	(63,345)
Total comprehensive income		(345,275)	(63,345)
Total comprehensive income for the year		293,175	1,127,819

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER

	Note	2024 EUR	2023 EUR
ASSETS			
NON-CURRENT ASSETS			
Intangible assets	17	1,157,678	1,021,684
Right-of-use assets	18	1,881,687	1,419,642
Deferred tax assets	16	67,294	225,759
Property & equipment	18	236,016	139,854
Financial Investments	19	11,094,113	9,407,579
Reinsurance contract assets	9,11	10,736,462	5,540,503
CURRENT ASSETS			
Other receivables		103,441	62,909
Other assets		181,670	78,822
Cash and cash equivalents	20	11,811,570	9,517,654
Total assets		37,269,931	27,414,406
LIABILITIES AND SHAREHOLDERS' FUNDS			
NON-CURRENT LIABILITIES			
Insurance contract liabilities	9,10	26,062,135	17,736,473
Lease liabilities	24	1,502,342	1,119,695
CURRENT LIABILITIES			
Lease liabilities	24	466,316	323,346
Payables		470,147	380,782
Current tax payable		75,049	294,597
Other provisions	25	2,432,150	1,590,896
Total liabilities		31,008,139	21,445,789
SHAREHOLDERS' FUNDS			
Ordinary share capital	21	7,500,000	7,500,000
Capital contribution	22	3,400,000	3,400,000
Retained earnings		(4,084,126)	(4,722,576)
Other reserves	7	(554,082)	(208,807)
Total shareholders' funds		6,261,792	5,968,617
Total liabilities and shareholders' funds		37,269,931	27,414,406

Approved by the board on 02 April 2025 and signed on its behalf by:


 M Benko - Member of the Board


 P Valent - Chief Financial Officer

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER

	NOTE	2024 EUR	2023 EUR
Cash flows from operating activities			
Cash receipts from customers		40,028,326	30,755,637
Cash payments to customers		(10,952,856)	(6,700,521)
Cash payments from co-insurers		1,921,636	2,260,282
Cash payments to reinsurers		(5,906,413)	(6,120,478)
Acquisition costs cash payments		(8,662,052)	(7,184,125)
Cash payments to suppliers		(6,949,331)	(2,871,788)
Cash payments to and on behalf of employees and directors		(3,183,858)	(1,901,259)
Bank charges and interest paid		(35,497)	(34,580)
Insurance tax and other tax cash payments		(2,280,265)	(1,790,782)
Net cash from operating activities		3,979,690	6,412,386
Cash flows from investing activities			
Purchase of intangible fixed assets		(443,440)	(385,063)
Purchase of tangible fixed assets		(158,600)	(139,106)
Purchase of financial investments		(1,338,874)	(5,453,845)
Financial investment interest received		255,140	92,625
Net cash used in investing activities		(1,685,774)	(5,885,389)
Net increase in cash and cash equivalents		2,293,916	526,997
Cash and cash equivalents as at 1 January		9,517,654	8,990,657
Cash and cash equivalents as at 31 December	20	11,811,570	9,517,654

STATEMENT OF CHANGES IN EQUITY

AS AT 31 DECEMBER 2024

	NOTE	Ordinary Share Capital EUR	Capital Contribution EUR	Retained Earnings EUR	Other Reserves EUR	Total Equity and Reserves EUR
Balance as at 1 January 2023		7,500,000	3,400,000	(5,913,740)	(145,462)	4,840,798
Impact of discounting and risk adjustment		-	-	-	(144,285)	(144,285)
Finance expense		-	-	-	80,940	80,940
Profit for the year		-	-	1,191,164	-	1,191,164
Balance as at 31 December 2023		7,500,000	3,400,000	(4,722,576)	(208,807)	5,968,617
Balance as at 1 January 2024		7,500,000	3,400,000	(4,722,576)	(208,807)	5,968,617
Impact of discounting and risk adjustment		-	-	-	(128,788)	(128,788)
Net change in locked-in discount rate		-	-	-	(216,487)	(216,487)
Profit for the year		-	-	638,450	-	638,450
Balance as at 31 December 2024		7,500,000	3,400,000	(4,084,126)	(554,082)	6,261,792

The notes on pages 13 to 49 are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDING 31 DECEMBER 2024

1. GENERAL INFORMATION

The Company is a limited liability company registered under Companies Act, Cap. 386 of the Laws of Malta, with registration number C 91171. The Company is authorised to carry on general business of insurance in terms of the Insurance Business Act, Cap. 403 of the Laws of Malta.

2. BASIS OF PREPARATION

The financial statements of the Company for the year ended 31 December 2024 have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) and comply with the Companies Act, Cap. 386 of the Laws of Malta and the Insurance Business Act, Cap. 403 of the Laws of Malta.

The financial statements have been prepared on a historical cost basis, except for the following:

- Financial instruments measured at fair value through profit or loss (FVTPL) or fair value through other comprehensive income (FVOCI) in accordance with IFRS 9 *Financial Instruments*; and
- Insurance contract liabilities, which are measured in accordance with IFRS 17 *Insurance Contracts*.

Functional and Presentation Currency

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

Going concern

The Directors have assessed the Company's ability to continue as a going concern. Based on this assessment, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the financial statements have been prepared on a going-concern basis.

New standards and interpretations

The Company has adopted all applicable new and amended IFRSs and interpretations issued by the IASB that are effective for the year ended 31 December 2024.

The adoption of IFRS 17 Insurance Contracts in 2023 continues to impact the Company's financial statements. IFRS 17 establishes principles for the recognition, measurement, presentation, and disclosure of insurance contracts, providing greater transparency and consistency in reporting insurance contract liabilities and performance.

2. BASIS OF PREPARATION (continued)

Use of estimates and judgements

The preparation of financial statements in conformity with IFRSs requires management to make judgments, estimates, and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

Significant estimates and judgments applied in the preparation of these financial statements are disclosed in Note 5.

3. MATERIAL ACCOUNTING POLICIES

3.1. Insurance and Reinsurance Contracts

The Company recognizes and measures insurance contracts in accordance with IFRS 17 - Insurance Contracts, which sets out the principles for the recognition, measurement, presentation, and disclosure of insurance contracts. The following accounting policies have been applied for insurance contracts:

Classification

The Company classifies contracts as insurance contracts if they transfer significant insurance risk. Significant insurance risk is defined as the possibility of paying benefits on the occurrence of an insured event that are at least substantially greater than the benefits payable if the insured event did not occur.

The contracts can be either:

- Insurance Contracts Issued: Contracts under which the Company assumes insurance risk from policyholders.
- Reinsurance Contracts Held: Contracts under which the Company transfers insurance risk to a reinsurer.
- Investment Contracts with Discretionary Participation Features (DPF): If the Company issues insurance contracts, investment contracts with DPF are subject to IFRS 17.

Contracts that do not transfer significant insurance risk are classified as financial instruments under IFRS 9.

Recognition and Measurement

The Company applies the Premium Allocation Approach (PAA) for the measurement of all insurance contracts. The Premium Allocation Approach is a simplified measurement model that is appropriate for contracts with a coverage period of one year or less or when it provides a reasonable approximation to the General Measurement Model (GMM).

3. MATERIAL ACCOUNTING POLICIES (continued)

3.1. Insurance and Reinsurance Contracts (continued)

Recognition and Measurement (continued)

The Company assesses annually whether the Premium Allocation Approach continues to be appropriate for the contracts measured under it.

- **Liability for Remaining Coverage (LRC):** The liability for unearned premiums at the reporting date, net of acquisition costs, is recognized as a liability for remaining coverage. The liability is recognized over the coverage period as the Company provides insurance services.
- **Liability for Incurred Claims (LIC):** For claims that have been incurred but not yet settled, the liability is recognized by discounting the expected future cash flows related to claims, using the risk adjustment for non-financial risks.

The Risk Adjustment (RA) reflects the uncertainty in the amount and timing of future cash flows arising from the insurance contract. It is determined using a probability-weighted approach, taking into account the variability in claims development.

For any group of insurance contracts expected to be onerous, the Company recognizes a loss component within the liability for remaining coverage to reflect the excess of expected claims and expenses over premiums received

Revenue Recognition

Insurance and reinsurance revenue are recognized over the coverage period as services are provided, reflecting the pattern of transfer of insurance risk

- **Insurance Revenue:** Recognized as the Company provides insurance services over time. It is based on the premiums received, net of acquisition costs, spread over the contract term.
- **Reinsurance Revenue:** The Company recognizes reinsurance revenue in a manner consistent with the recognition of the related insurance revenue, reflecting the ceded risk and reinsurance coverage.

Discounting and Risk Adjustment

Insurance liabilities, including the Liability for Incurred Claims (LIC), are discounted using appropriate discount rates. The discount rate reflects the characteristics of the insurance contracts, including the duration and currency of the expected cash flows. The Risk Adjustment (RA) is included in the measurement of the insurance contract liabilities. It reflects the uncertainty of future cash flows arising from non-financial risks, such as underwriting risk.

3. MATERIAL ACCOUNTING POLICIES (continued)

3.1. Insurance and Reinsurance Contracts (continued)

Acquisition Costs

Acquisition costs, including commissions paid to agents or brokers, are deferred and recognized as part of the liability for remaining coverage (LRC). These costs are amortized over the coverage period of the insurance contracts to which they relate.

Insurance Contracts with Investment Components

For contracts that contain both insurance and investment components, the Company separates the insurance and investment components, if they are distinct. The investment component is measured under the relevant financial instrument standard, while the insurance component is measured under IFRS 17.

If the investment component is not distinct, the entire contract is treated as an insurance contract.

Reinsurance Contracts

Reinsurance contracts are measured similarly to direct insurance contracts, but assessed individually. The Company recognizes the reinsurance contracts as assets or liabilities according separately from insurance contract liabilities.

Reinsurance recoverables are recognized for amounts expected to be received from the reinsurer in the future. These recoverables are subject to the same measurement principles and discounting as the underlying insurance liabilities.

Presentation in the Financial Statements

In accordance with IFRS 17, the Company presents the following:

- **Insurance Revenue:** Gross premiums earned from insurance contracts.
- **Insurance Service Expenses:** Claims incurred and changes in the insurance contract liabilities and operating expenses directly attributable to fulfilling insurance contract.
- **Reinsurance Result:** The net effect of reinsurance contracts, included in the insurance service expenses.

The presentation distinguishes between the insurance service result (from the provision of insurance coverage) and the financial result (from investing the insurance contract liabilities).

3. MATERIAL ACCOUNTING POLICIES (continued)

3.2. Intangible assets

Intangible assets, including software, are recognized at cost and amortized on a straight-line basis over their estimated useful lives, as follows:

- Software – over 6 years
- Website development – over 3 years

The Company assesses intangible assets for impairment whenever there is an indication that the carrying amount may not be recoverable, such as changes in technology or market conditions.

Amortisation is included in administrative expenditure.

3.3. Right-of-Use Assets and Lease Liabilities

The Company assesses at contract inception whether a contract is or contains a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration, it recognises right-of-use assets and lease liabilities for all lease arrangements under IFRS 16.

The Company applies a single recognition and measurement approach for all leases except for short-term leases and leases of low-value assets.

The Company recognises right-of-use assets, which represent the right to use the underlying assets and lease liabilities to make lease payments.

i) Right-of-use assets

The Company recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter lease term and the assets' estimated useful lives. Suppose ownership of the leased asset transfers to the Company at the end of the lease term or the cost reflects the exercise of a purchase option. In that case, depreciation is calculated using the asset's estimated useful life. The right-of-use assets are also subject to impairment.

ii) Lease liabilities

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price

3. MATERIAL ACCOUNTING POLICIES (continued)

3.3. Right-of-Use Assets and Lease Liabilities (continued)

ii) Lease liabilities (continued)

of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating the lease, if the lease term reflects the Company exercising the option to terminate. Variable lease payments that depend on an index or rate are remeasured when the underlying index or rate changes. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

The weighted average lessee's incremental borrowing rate applied to lease liabilities at the date of initial application of IFRS 16 was 5%. The Company's lease liabilities are included in note 24

iii) Short-term leases and leases of low-value assets

The Company applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., leases with a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment considered low value. Lease payments on short-term leases and low-value asset leases are recognised as straight-line expenses over the lease term.

3.4. Property and equipment

Property and equipment are measured at historical cost, less accumulated depreciation and impairment losses. Such cost includes costs directly attributable to making the asset capable of operating as intended.

Depreciation is calculated on all property and equipment at rates calculated to write off the cost, less estimated residual value, of each asset on a straight-line basis over the estimated useful lives of the assets as follows:

- Furniture and fittings – over 3 years
- Motor vehicle – over 3 years

Residual values, useful lives, and depreciation methods are reviewed annually and adjusted if necessary to reflect current conditions.

Depreciation is included in administrative expenditure.

3. MATERIAL ACCOUNTING POLICIES (continued)

3.5. Financial Instruments

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial liabilities and equity instruments are classified based on the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities.

Classification of financial assets and financial liabilities

Financial assets are classified into the following categories based on their business model and the characteristics of their contractual cash flows:

1. **Amortised Cost:** Financial assets are measured at amortised cost if the business model is to hold the asset to collect contractual cash flows, and those cash flows represent only payments of principal and interest on the principal amount outstanding.
2. **Fair Value Through Other Comprehensive Income (FVOCI):** Financial assets are classified as FVOCI if they meet the criteria for amortised cost and are held within a business model that both collects cash flows and sells the financial assets.
3. **Fair Value Through Profit or Loss (FVTPL):** All other financial assets that do not meet the criteria for classification at amortised cost or FVOCI are classified as FVTPL, including derivatives.

The classification of financial liabilities under IFRS 9 remains largely consistent with IAS 39 and is generally not expected to have a significant impact on the Company's financial statements.

Initial measurement

All financial assets and liabilities are initially measured at transaction price (which includes transaction costs) except for those classified as FVTPL, which are initially measured at fair value (excluding transaction costs), unless the arrangement constitutes a financing transaction. In cases where the arrangement constitutes a financing transaction, the asset or liability is measured at the present value of future payments discounted at a market rate of interest for a similar debt instrument.

Subsequent measurement

- **Non-current Debt Instruments:** These are subsequently measured at amortised cost using the effective interest method if they meet the following conditions:
 - Returns to the holder are either a fixed amount, a fixed rate of return, or a variable return based on an observable interest rate.
 - There is no contractual provision that could result in the holder losing the principal amount or any accrued interest.

3. MATERIAL ACCOUNTING POLICIES (continued)

3.5. Financial Instruments (continued)

Subsequent measurement (continued)

- Contractual provisions permitting prepayment or early repayment are not contingent on future events, except those designed to protect the holder against changes in credit risk or taxation.
- Short-term Debt Instruments: Financial instruments that are classified as payable or receivable within one year are measured at the undiscounted amount expected to be paid or received.

Realised and unrealised gains and losses arising from changes in the fair value of investments are presented in the profit and loss account in the period in which they arise. Interest income is recognized as earned, and related investment management expenses are recognized when incurred.

Derecognition

A financial asset is derecognized when:

- The contractual rights to the cash flows from the asset expire or are settled;
- The Company transfers substantially all of the risks and rewards of ownership of the asset to another party; or
- Despite retaining significant risks and rewards, the Company transfers control of the asset to another party, and that party can sell the asset unilaterally.

A financial liability is derecognized when the obligation specified in the contract is discharged, cancelled, or expires.

Fair value measurement

The fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The best evidence of fair value is a **quoted price** in an active market for an identical asset. If quoted prices are unavailable, the fair value is estimated using valuation techniques such as discounted cash flow models or market comparison approaches.

Impairment of financial assets

Under IFRS 9, a forward-looking expected credit loss (ECL) model is applied to financial assets measured at amortised cost, debt investments at FVOCI, and lease receivables. The Company recognises an allowance for expected credit losses over the life of the asset or over the next 12 months, depending on whether there has been a significant increase in credit risk since initial recognition.

3. MATERIAL ACCOUNTING POLICIES (continued)

3.5. Financial Instruments (continued)

Impairment of financial assets (continued)

For financial assets carried at amortised cost, impairment is calculated as the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the original effective interest rate.

For financial assets carried at cost-less impairment, the impairment loss is the difference between the carrying amount and the best estimate of the asset's recoverable amount.

If there is objective evidence of impairment, the Company tests the asset for reversal, and any reversal of impairment is recognised immediately in profit or loss, but not exceeding the original carrying value before impairment.

3.6. Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and demand deposits, as well as other short-term, highly liquid investments that are readily convertible to a known amount of money and are subject to an insignificant risk of changes in value.

3.7. Share capital

Ordinary shares are classified as equity. Amounts received over and above the par value of shares are recognised as share premiums.

3.8. Capital contribution

Amounts advanced by the shareholders by way of contributions, which do not include contractual obligation to settle in cash or another financial asset, are classified within equity.

3.9. Related party transactions

A related party transaction is a transfer of resources, services or obligations between the Company and a related party, regardless of whether a price is charged.

Parties are considered related if one party has control, joint control, or significant influence over the other party in making financial and operating decisions. The Company's key management personnel are also considered related parties.

3.10. Foreign currency translation

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the non-technical account.

3. MATERIAL ACCOUNTING POLICIES (continued)

3.10. Foreign currency translation (continued)

At each period's end, foreign currency monetary items are translated using the closing rate. For this purpose, all assets and liabilities arising from insurance contracts are monetary items. Non-monetary items measured at historical cost are translated using the exchange rates at the date of the transaction.

3.11. Taxation

A current tax liability is recognised for the tax payable on the taxable profit of the current and past periods.

A current tax asset is recognised in respect of a tax loss that can be carried back to recover tax paid in a previous period.

Deferred tax is recognised in respect of all timing differences between the recognition of income and expenses in the financial statements and their inclusion in tax assessments.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the reporting date and that are expected to apply to the reversal of the timing difference, except for revalued land and investment property where the tax rate that applies to the sale of the asset is used.

Current and deferred tax assets and liabilities are not discounted.

The Company has applied the IASB's temporary relief from deferred tax accounting related to Pillar II and will disclose the current tax effects when applicable.

3.12. Provisions and Contingent Liabilities

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of resources will be required to settle the obligation. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation, using a pre-tax discount rate.

Contingent liabilities are disclosed unless the likelihood of an outflow of resources is remote.

3.13. Other Operating Expenses

Other operating expenses are recognized on an accrual basis in the period to which they relate.

4. CHANGES IN MATERIAL ACCOUNTING POLICIES

The Company's financial statements for the year ended 31 December 2024 have been prepared in accordance with International Financial Reporting Standards (IFRSs). The accounting policies (Note 4) applied are consistent with those of the prior year, except for the following changes:

Amended Standards Adopted

The Company adopted the following amended standards and interpretations issued by the International Accounting Standards Board (IASB) that became effective for annual periods beginning on or after 1 January 2024:

- **IAS 1 – Presentation of Financial Statements: amendments relating to the classification of liabilities as current or non-current, deferral of the effective date, and non-current liabilities with covenants.**

The amendments require that a right to defer settlement for at least 12 months exist at the reporting date, and this right must have substance. This right may be subject to compliance with conditions (covenants) specified in a loan arrangement, and only conditions existing at the reporting date are to be considered. However, entities are required to disclose information about conditions or covenants that apply in future periods. The amendments also clarify that liabilities related to convertible debt may need to be classified as current. These amendments are applied retrospectively, but no material retrospective adjustments were required for the Company's financial statements.

- **IFRS 16 – Leases: amendments related to sale-and-leaseback transactions**

These amendments provide a narrow-scope revision for how seller-lessees account for variable payments arising in sale-and-leaseback transactions.

The amendments introduce a new accounting model for variable lease payments and require reassessment and potential retrospective application.

These amendments did not have a material impact on the Company's financial statements.

- **IAS 7 - Statement of Cash Flows and IFRS 7 - Financial Instruments Disclosures: amendments related to supplier finance arrangements**

These amendments require additional disclosures about supplier finance arrangements to provide transparency on the terms and impact of such arrangements on the statement of cash flows and financial position.

The amendments did not result in material changes to the Company's disclosures.

4. CHANGES IN MATERIAL ACCOUNTING POLICIES (continued)

Standards, interpretations and amendments adopted by the EU but not yet effective

The following standards and amendments have been issued and adopted by the European Union but are not yet effective for annual periods beginning on 1 January 2024:

- **IAS 21 – The Effects of Changes in Foreign Exchange Rates: Amendments regarding lack of exchangeability (effective 1 January 2025).**

The amendments specifies when a currency is exchangeable into another currency and when not. It also specifies how an entity can determine the exchange rate to apply when a currency is not exchangeable and requires additional disclosures when a currency is not exchangeable. The directors are of the opinion that these amendments will not have a material impact on the financial statements of the company.

Standards, interpretations, and amendments issued by the IASB but not yet adopted by the EU

The following standards and amendments issued by the IASB are not yet adopted by the European Union and are effective for future periods:

- **IFRS 9 and IFRS 7:** Amendments regarding the classification and measurement of financial instruments (effective 1 January 2026).
- **IFRS 1 – First-Time Adoption of IFRS:** Amendments related to hedge accounting by a first-time adopter (effective 1 January 2025).
- **IFRS 7 – Financial Instruments: Disclosures:** Amendments related to gains or losses on derecognition, deferred differences, and credit risk disclosures (effective 1 January 2025).
- **IFRS 9 – Financial Instruments:** Amendments related to lessee derecognition of lease liabilities and transaction price (effective 1 January 2025).
- **IFRS 10 – Consolidated Financial Statements:** Amendments related to the determination of a 'de facto agent' (effective 1 January 2025).
- **IAS 7 – Statement of Cash Flows:** Amendments related to the cost method (effective 1 January 2025).
- **IFRS 19 Subsidiaries without Public Accountability:** Disclosures (issued on 9 May 2024)
- **IFRS 18 Presentation and Disclosure in Financial Statements** (issued on 9 April 2024)
- **Contracts Referencing Nature-dependent Electricity – Amendment to IFRS 9 and IFRS 7** (issued on 18 December 2024).
- **Annual improvements Volume 11** (issued on 18 July 2024)

The Directors are in the process of assessing the impact of these new and amended standards on the Company's financial statements during their initial application. Based on preliminary assessments, no significant impact is anticipated; however, further analysis will be conducted as the effective dates approach.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

Critical accounting judgments are those that involve a high degree of subjectivity and complexity. These judgments include the following:

- **Classification of Insurance and Reinsurance Contracts**

Management applies judgment to assess whether contracts meet the definition of an insurance contract under IFRS 17, which requires the transfer of significant insurance risk.

- **Eligibility for the Premium Allocation Approach (PAA)**

Management determines the eligibility of insurance contracts for measurement under the PAA, based on the expected duration and pattern of cash flows.

Most of the Company's insurance contracts are one-year contracts, except for some contracts covering construction businesses, which are multi-year contracts. The coverage defines the contract boundaries, taking into account the terms and conditions and the possibility of repricing.

Each reinsurance treaty is analysed to determine the Company's substantive rights and obligations, taking into account the reinsurer's right to reassess the risk and the right to terminate the contract.

- **Identification of Onerous Contracts**

Judgment is applied to identify groups of insurance contracts that are expected to be onerous, based on projections of future cash flows.

- **Lease Classification and Modification**

Under IFRS 16, management assesses whether contracts contain a lease and evaluates the impact of lease modifications on right-of-use assets and lease liabilities.

Estimates are based on historical experience, current conditions, and assumptions about future events. The following areas involve significant estimation uncertainty:

- **Measurement of Insurance Contract Liabilities**

The estimation of future cash flows, discount rates, and risk adjustment for non-financial risk under IFRS 17 requires significant assumptions.

Estimates of future cash flows

The Company estimates the ultimate cost of settling claims incurred but unpaid at the reporting date by reviewing individual claims reported and making allowance for claims incurred but not yet reported. The ultimate cost of settling claims is estimated separately for each line of business, except for large claims, which are assessed separately from other claims.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Estimates of future cash flows (continued)

The assumptions used, including loss ratios and future claims inflation, are implicitly derived from the historical claims development data on which the projections are based, although judgement is applied to assess the extent to which past trends might not apply in the future and future trends are expected to emerge.

Discount rates

IFRS 17 requires adjusting the estimates of expected cash flows to reflect the time value of money and the financial risks associated with those cash flows to the extent that the financial risks are not already included in the cash flow estimates.

In order to comply with the market consistent approach prescribed by the principle, the Company applies a bottom-up approach to define the discount rates to apply to insurance and reinsurance contracts, consistently with Solvency 2 framework, where appropriate. The IFRS 17 discount curve, is determined as the sum of:

- a risk-free base curve (EIOPA RFR without VA); and
- 0,5% adjustment for the illiquidity premium (so-called IFRS 17 adjustment).

Risk Adjustment

The Risk Adjustment (RA) corresponds to the component of the insurance liability that captures the uncertainty the entity bears on the amount and timing of cash flows arising from non-financial risk.

Differently from Solvency 2 framework for which the Cost of Capital method is applied to quantify the Risk Margin, IFRS 17 does not prescribe a specific method to calculate the Risk Adjustment.

The Company has selected a Cost of Capital approach for Risk Adjustment calculation. This approach leverages on the outcome of the Solvency II process in order to reflect current view on the risk exposure as it includes Underwriting risks, Lapse and CAT risks. The confidence level is set to 99,5th percentile.

Investment components

The Company identifies the investment component of a contract by determining the amount that it would be required to repay to the policyholder in all scenarios with commercial substance. These include circumstances in which an insured event occurs or the contract matures or is terminated without an insured event occurring. Investment components are excluded from insurance revenue and insurance service expenses.

Investment component is present in Company's portfolio only in certain parts of sliding commissions in reinsurance contracts held.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

- **Impairment of Intangible Assets**

The recoverable amount of intangible assets is determined based on value-in-use or fair value less costs of disposal, which involves estimating future cash flows and discount rates.

- **Expected Credit Losses (ECL) on Financial Instruments**

The ECL model under IFRS 9 requires estimation of probabilities of default, loss given default, and exposure at default. These estimates incorporate macroeconomic forecasts and scenarios.

- **Fair Value Measurement**

Certain assets and liabilities are measured at fair value. All investments are classified as Level 1 in the fair value hierarchy and are measured at fair value based on quoted market prices.

- **Provisions and Contingent Liabilities**

The measurement of provisions under IAS 37 involves estimation of the amount and timing of future outflows, discounted using appropriate pre-tax rates.

- **Deferred Tax Assets and Liabilities**

Estimation is required to assess the recoverability of deferred tax assets, based on projected future taxable profits.

- **Claims Liabilities for Insurance Contracts**

For incurred claims not yet reported (IBNR), estimates are based on historical data, actuarial models, and current trends.

Management regularly evaluates the sensitivity of key estimates to changes in assumptions. The impact of changes in significant assumptions is disclosed in the relevant notes to the financial statements.

Judgments, estimates, and underlying assumptions are reviewed on an ongoing basis. Any revisions are recognised prospectively in the period in which they arise.

6. INSURANCE REVENUES

	2024	2023
	EUR	EUR
Insurance revenue		
Contracts measured under the PAA	37,855,787	28,401,099
Total insurance revenue	<u>37,855,787</u>	<u>28,401,099</u>

7. OTHER RESERVES

The breakdown of other reserves presented in the balance sheet is as follows:

	2024	2023
	EUR	EUR
Opening balance	208,807	145,462
Discounting and risk adjustments	128,788	144,285
Finance expense	-	(80,940)
Net change in locked-in discount rate	216,487	-
Closing balance	<u>554,082</u>	<u>208,807</u>

The above balance mainly relates to locked-in discount rates.

8. NET FINANCIAL RESULT

	2024	2023
	EUR	EUR
Interest accreted	(304,575)	(238,443)
Insurance: effect of changes in interest rates and other financial assumptions	15,596	(25,928)
Total net finance expenses from insurance contracts	(288,979)	(264,371)
Reinsurance: Interest accreted	352,507	176,955
Reinsurance: effect of changes in interest rates and other financial assumptions	(9,456)	21,601
Total net finance expenses from reinsurance contracts	343,051	198,556
Amounts recognised in profit or loss	54,072	15,125
Amounts recognised in OCI	-	(80,940)
Net finance expenses from insurance contracts		
Recognised in profit or loss	(288,979)	(67,218)
Recognised in OCI	-	(197,152)
Net finance expenses from reinsurance contracts		
Recognised in profit or loss	343,051	82,343
Recognised in OCI	-	116,212

9. INSURANCE AND REINSURANCE CONTRACTS

Below is an overview of insurance and reinsurance contracts:

	2024	2023
	EUR	EUR
Insurance contract liabilities	26,062,135	17,736,473
TOTAL	26,062,135	17,736,473
Reinsurance contract assets	(10,736,462)	(5,540,503)
TOTAL	(10,736,462)	(5,540,503)

10. INSURANCE CONTRACTS – ANALYSIS BY REMAINING COVERAGE AND INCURRED CLAIMS

	2024				2023			
	Liability for remaining coverage			Total	Liability for remaining coverage			Total
	Excluding loss component EUR	Loss component EUR	Liability for incurred claims EUR	EUR	Excluding loss component EUR	Loss component EUR	Liability for incurred claims EUR	EUR
Opening assets	-	-	-	-	-	-	-	-
Opening liabilities	5,976,301	-	11,760,172	17,736,473	3,836,335	-	9,567,626	13,403,960
Net opening balance	5,976,301	-	11,760,172	17,736,473	3,836,335	-	9,567,626	13,403,960
Changes in the statement of profit or loss and OCI								
Insurance revenues								
Contracts under the modified retrospective transition approach	-	-	-	-	(275,356)	-	-	(275,356)
Other contracts	(37,855,787)	-	-	(37,855,787)	(28,125,743)	-	-	(28,125,743)
Total	(37,855,787)	-	-	(37,855,787)	(28,401,099)	-	-	(28,401,099)
Insurance services expenses								
Incurred claims and other insurance services expenses	-	-	15,785,940	15,785,940	-	-	11,797,718	11,797,718
Amortisation of insurance acquisition cash flows	13,135,848	-	-	13,135,848	6,862,942	-	-	6,862,942
Adjustments to liabilities for incurred claims	-	-	-	-	-	-	-	-
Total	13,135,848	-	15,785,940	28,921,788	6,862,942	-	11,797,718	18,660,660
Insurance service result	(24,719,939)	-	15,785,940	(8,933,999)	(21,538,157)	-	11,797,718	(9,740,439)

10. INSURANCE CONTRACTS – ANALYSIS BY REMAINING COVERAGE AND INCURRED CLAIMS (continued)

Net finance expenses from insurance contracts	-	-	288,979	288,979	-	-	264,370	264,370
Effect of movements in exchange rates	-	-	-	-	-	-	-	-
Total changes in the statement of profit or loss and OCI	(29,097,422)	-	16,074,919	(13,022,504)	(21,538,157)	-	12,062,088	(9,476,069)
Cashflows								
Premiums received	40,589,976	-	-	40,589,976	29,328,379	-	-	29,328,379
Claims and other insurance service expenses paid, including investment component	-	-	(9,780,054)	(9,780,054)	-	-	(9,869,542)	(9,869,542)
Insurance acquisition cash flows	(9,461,756)	-	-	(9,461,756)	(5,650,256)	-	-	(5,650,256)
Total cash flows	31,128,220	-	(9,780,054)	21,348,166	23,678,123	-	(9,869,542)	13,808,581
Transfer to other items in the statements of financial position	(4,377,483)	-	-	(4,377,483)	-	-	-	-
Net closing balance	8,007,099	-	18,055,036	26,062,135	5,976,301	-	11,760,172	17,736,473
Closing assets					-	-	-	-
Closing liabilities	8,007,099	-	18,055,036	26,062,135	5,976,301	-	11,760,172	17,736,473
Net closing balance	8,007,099	-	18,055,036	26,062,135	5,976,301	-	11,760,172	17,736,473

11. REINSURANCE CONTRACTS – ANALYSIS BY REMAINING COVERAGE AND INCURRED CLAIMS

	2024				2023			
	Liability for remaining coverage			Total	Liability for remaining coverage			Total
	Excluding loss component	Loss component	Liability for incurred claims		Excluding loss component	Loss component	Liability for incurred claims	
	EUR	EUR	EUR		EUR	EUR	EUR	
Opening assets	(5,780,137)	-	11,320,640	5,540,503	(2,932,908)	-	8,001,944	5,069,036
Opening liabilities	-	-	-	-	-	-	-	-
Net opening balance	(5,780,137)	-	11,320,640	5,540,503	(2,932,908)	-	8,001,944	5,069,036
Changes in the statement of profit or loss and OCI								
Allocation of reinsurance premium paid	(14,292,165)	-	-	(14,292,165)	(10,271,466)	-	-	(10,271,466)
Amounts recoverable from reinsurers								
Recoveries of incurred claims and other insurance services expenses	-	-	10,081,136	10,081,136	-	-	4,853,260	4,853,260
Recoveries and reversals of recoveries of losses onerous underlying contracts	-	-	-	-	-	-	-	-
Adjustments to assets for incurred claims	-	-	-	-	-	-	-	-
Total	-	-	10,081,136	10,081,136	-	-	4,853,260	4,853,260

11. REINSURANCE CONTRACTS – ANALYSIS BY REMAINING COVERAGE AND INCURRED CLAIMS (continued)

Investment components and premium refunds	(624,687)	-	624,687	-	(297,897)	-	297,897	-
Effect of changes in non-performance risk of reinsurers	-	-	-	-	-	-	-	-
Total	(14,916,852)	-	10,705,822	(4,211,030)	(10,569,363)	-	5,151,157	(5,418,206)
Net finance expenses from reinsurance contracts	-	-	343,050	343,050	-	-	198,555	198,555
Effect of movements in exchange rates	-	-	-	-	-	-	-	-
Total changes in the statement of profit or loss and OCI	(14,916,852)	-	11,048,872	(3,867,979)	(10,569,363)	-	5,349,712	(5,219,651)
Cashflows								
Premiums paid	16,269,559	-	-	16,269,559	7,722,134	-	-	7,722,134
Amounts received	-	-	(493,550)	(493,550)	-	-	(2,031,016)	(2,031,016)
Total cash flows	16,269,559	-	(493,550)	15,776,010	7,722,134	-	(2,031,016)	5,691,118
Transfer to other items in the statements of financial position	-	-	(6,712,072)	(6,712,072)	-	-	-	-
Net closing balance	(4,427,430)	-	15,163,891	10,736,462	(5,780,137)	-	11,320,640	5,540,503
Closing assets	(4,427,430)	-	15,163,891	10,736,462	(5,780,137)	-	11,320,640	5,540,503
Closing liabilities	-	-	-	-	-	-	-	-
Net closing balance	(4,427,430)	-	15,163,891	10,736,462	(5,780,137)	-	11,320,640	5,540,503

12. KEY MANAGEMENT PERSONNEL COMPENSATION

Key management personnel include individuals who have authority and responsibility for planning, directing, and controlling the activities of the entity, directly or indirectly. This includes directors (executive and non-executive) and other members of senior management.

The total compensation paid to key management personnel during the reporting period is as follows:

	2024	2023
	EUR	EUR
Short-term employee benefits	498,443	413,433
Total compensation	<u>498,443</u>	<u>413,433</u>

There were no amounts incurred for post-employment benefits, other long-term benefits, termination benefits, or share-based payments during the reporting period

13. STAFF NUMBERS

	2024	2023
Slovakia Branch staff	41	37
Czech Republic Branch staff	8	2
Headquarter office staff	4	3

14. AUDIT FEES

	2024	2023
	EUR	EUR
Services provided by the Company's auditor:		
Audit	75,732	82,315
Other assurance services	12,980	12,980

15. TAXATION

The Company is subject to corporation tax in Malta on any profits which are accrued in or derived from Malta or any passive income which is taxable. The corporation tax rate in Malta for the period ended 31 December 2024 is 35% (2023: 35%).

The Company is also subject to corporation tax in the Slovak Republic on any profits which are accrued in or derived by the branch located in the Slovak Republic or any passive income which is taxable. The corporation tax rate in Slovak Republic for the year ended 31 December 2024 is 21% (2023: 21%).

The Company is also subject to corporation tax in the Czech Republic on any profits which are accrued in or derived by the branch located in the Czech Republic or any passive income which is taxable. The corporation tax rate in Czech Republic for the year ended 31 December 2024 is 21% (2023: 19%). Since the Czech legislation allows to extend taxable period in specific cases Czech branch's first taxable period will cover a period October 2023 – December 2024.

	2024	2023
	EUR	EUR
Analysis of charge in year		
Profit for the year	1,058,668	1,558,084
Tax charge at Malta's statutory income tax rate of 35%	(370,534)	(545,329)
Adjusted for tax effect of:		
Non-allowable expenses	(134,671)	(34,130)
Effect of income taxable in other jurisdictions	(254,383)	56,609
Unrecognised deferred tax movement	83,358	119,444
Future exempt capital gains/losses	106,311	37,450
Capital allowance absorbed	122,787	-
Permanent difference on motor vehicles	21,723	(965)
Other differences	5,191	-
Income tax	<u>(420,218)</u>	<u>(366,920)</u>

16. DEFERRED TAXATION

Deferred income taxes are calculated on temporary differences under the liability method. In the current year, a deferred tax asset is recognised on temporary differences arising from Slovakia. The movement on the deferred income tax account is as follows:

	2024	2023
	EUR	EUR
Balance as at 1 January	225,759	225,759
Movement recognised during the year	(158,465)	-
Balance as at 31 December	67,294	225,759
	2024	2023
	EUR	EUR
Temporary difference attributable to:		
Depreciation of fixed assets	14,901	6,281
Provisions and accruals	7,571	200,314
Payables	44,822	16,057
Other	-	3,107
Deferred tax asset	67,294	225,759

At 31 December 2024, the Company had unused tax losses and capital allowances carried forward against future Malta taxable profits amounting to €2,259,792 (2023: €2,259,792) and €476,688 (2023: €447,207) respectively. Additionally, the Czech branch made a loss in the current financial period, with its tax losses amounting to €5,912. The Company did not recognise a deferred tax asset on these balances.

17. INTANGIBLE FIXED ASSETS

	Software EUR	Website EUR	Total EUR
Cost			
As at 1 January 2024	1,801,420	31,622	1,833,042
Additions	439,480	3,960	443,440
	<u>2,240,900</u>	<u>35,582</u>	<u>2,276,482</u>
Depreciation			
As at 1 January 2024	789,880	21,478	811,358
Charge for a year	300,718	6,728	307,446
	<u>1,090,598</u>	<u>28,206</u>	<u>1,118,804</u>
Net book value as at 31 December 2024	<u>1,150,302</u>	<u>7,376</u>	<u>1,157,678</u>
	Software EUR	Website EUR	Total EUR
Cost			
As at 1 January 2023	1,422,117	25,862	1,447,979
Additions	379,303	5,760	385,063
	<u>1,801,420</u>	<u>31,622</u>	<u>1,833,042</u>
Depreciation			
As at 1 January 2023	556,101	15,097	571,198
Charge for a year	233,779	6,381	240,160
	<u>789,880</u>	<u>21,478</u>	<u>811,358</u>
Net book value as at 31 December 2023	<u>1,011,540</u>	<u>10,144</u>	<u>1,021,684</u>

18. TANGIBLE FIXED ASSETS

	Right-of-use assets EUR	Furniture and fittings EUR	Total EUR
Cost			
As at 1 January 2024	2,305,500	363,385	2,668,885
Additions	875,692	158,600	1,034,292
	3,181,192	521,985	3,703,177
Depreciation			
As at 1 January 2024	885,858	223,531	1,109,389
Charge for a year	413,647	62,438	476,085
	1,299,505	285,969	1,585,474
Net book value as at 31 December 2024	1,881,687	236,016	2,117,703
	Right-of-use assets EUR	Furniture and fittings EUR	Total EUR
Cost			
As at 1 January 2023	1,258,033	224,279	1,482,312
Additions	1,047,467	139,106	1,186,573
	2,305,500	363,385	2,668,885
Depreciation			
As at 1 January 2023	559,268	164,383	723,651
Charge for a year	326,590	59,148	385,738
	885,858	223,531	1,109,389
Net book value as at 31 December 2023	1,419,642	139,854	1,559,496

19. INVESTMENTS

The investments are summarised by measurement category in the table below:

	2024 EUR	2023 EUR
Fair value through profit or loss	11,094,113	9,407,579
Analysed by type of investment as follows:		
Sovereign bonds	1,742,173	6,668,678
Corporate bonds	9,351,940	2,738,901

The movements for the year are summarised as follows:

At 1 January	9,407,579	3,828,591
Additions	1,338,874	5,471,306
Investment fair value movement	347,660	107,682
At 31 December	<u>11,094,113</u>	<u>9,407,579</u>
Maturity of financial investments:		
Under 5 years	9,351,940	7,200,579
Over 5 years	1,742,173	2,207,000

20. CASH AND CASH EQUIVALENTS AT BANK AND IN HAND

	2024 EUR	2023 EUR
Cash and cash equivalents at bank	11,808,941	9,516,536
Cash in hand	2,629	1,118
	<u>11,811,570</u>	<u>9,517,654</u>

21. SHARE CAPITAL

	2024 EUR	2023 EUR
Authorised:		
100,000,000 ordinary shares of €1 each	100,000,000	100,000,000
Allotted, called up and fully paid:		
7,500,000 ordinary shares of €1 each	7,500,000	7,500,000

Ordinary shares entitle the holder to voting rights at any general meeting and a share of the assets on the winding-up of the Company.

22. CAPITAL CONTRIBUTION

During the financial year, the Company has not received an additional capital contribution from its shareholders (2023: EUR 0)

23. CAPITAL MANAGEMENT

The Company defines capital in accordance with regulations prescribed by the Solvency II Directive. The Company's capital consists of:

	2024	2023
	EUR	EUR
Called up share capital	7,500,000	7,500,000
Capital contribution	3,400,000	3,400,000
Other reserves	(554,082)	(208,807)
Retained earnings	(4,084,126)	(4,722,576)
	<u>6,261,792</u>	<u>5,968,617</u>

Its objectives when managing capital are:

- to comply with legal and statutory obligations and maintain capital resources commensurate with the nature, scale and risk profile of its business;
- to provide a framework for monitoring the financial and capital position of the Company, including the procedures to be followed during periods of general financial distress, either due to internal or external events; and
- to safeguard the Company's ability to continue as a going concern.

Under the rules prescribed by the Solvency II Directive, the Company must at all times maintain assets of a value sufficient to cover its liabilities, including liabilities arising under or in connection with contracts of insurance and that there is a suitable matching of assets and liabilities.

Effective from 1 January 2016, the EU Solvency II regime introduced significant changes to the regulatory solvency rules. Under these regulations, the Company is required to maintain a Solvency II balance sheet with a surplus of assets, which must at all times be higher than both its Minimum Capital Requirement (MCR) and Solvency Capital Requirement (SCR).

The MCR of the Company is €4,000,000. During the reporting period the Company's SCR was higher than MCR.

The MCR represents the point at which the Regulator would invoke the strongest action, while the SCR is the level of capital above which no action is required, with varying degree of action required if capital lies between MCR and SCR.

Management information to monitor the Company's capital requirements and solvency position is produced and presented to the Board on a regular basis ensuring that the Company meets its capital requirements at all times.

24. LEASES

	2024	2023
	EUR	EUR
Non- current lease liabilities	1,502,342	1,119,695
Current lease liabilities	466,316	323,346
	<u>1,968,658</u>	<u>1,443,041</u>
Total undiscounted minimum lease payments payable in settlement of lease liabilities	2,200,514	1,598,982
Less: future finance charges	(231,856)	(155,941)
Present value of lease obligations	<u>1,968,658</u>	<u>1,443,041</u>
Amount due:		
Within one year	466,316	323,346
Between one and five years	1,364,355	1,111,754
More than five years	137,987	7,941
	<u>1,968,658</u>	<u>1,443,041</u>

At the financial position date, the company's undiscounted lease commitments amounted to EUR 2,200,514 (2023: EUR 1,598,982). The maturity of these liabilities is as follows:

	Year 1	Year 2	Year 3-5	After 5 Years	TOTAL
	EUR	EUR	EUR	EUR	EUR
Lease commitments	554,972	518,023	983,899	143,620	2,200,514

Lease amounts recognised in statement of profit and loss were as follows:

	2024	2023
	EUR	EUR
Depreciation on right-of-use asset	378,718	326,590
Interest on lease liabilities	108,904	70,758

Lease payments effected during the year amounted to EUR 479,987 (2023: EUR 343,066)

25. OTHER PROVISIONS

	2024 EUR	2023 EUR
Accruals	673,508	419,145
Other liabilities	1,758,642	1,171,751
	<u>2,432,150</u>	<u>1,590,896</u>

26. FINANCIAL RISK MANAGEMENT

During the financial year, the Company appointed a professional external asset manager who monitors and manages the investment portfolio of the Company.

The Company primarily trades in fixed income securities with a buy-and-hold strategy, and its assets are managed by a professional external asset manager. To manage and mitigate risk exposures, the Company may utilise derivative financial instruments exclusively for hedging purposes.

The Company does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes, ensuring that all transactions are aligned with its long-term investment objectives and risk management framework.

Market risk

Market risk is the risk of adverse financial impact as a consequence of market movements such as currency exchange rates, interest rates and other price changes. Market risk arises due to fluctuations in both the value of assets held and the value of liabilities. The objective of the Company in managing its market risk is to ensure risk is managed in line with the Company's risk appetite.

The Company has established policies and procedures to manage market risk and methods to measure it.

The Company's market risk exposure increased during the financial period compared to 2023, primarily driven by higher investment exposure and an increased allocation to non-sovereign bonds, including corporate and bank bonds within the EEA.

Foreign currency risk

The Company engages in transactions denominated in foreign currencies, which exposes it to fluctuations in exchange rates.

The primary foreign currency risk arises from a portion of the risks being underwritten in Czech Koruna ("CZK") and cash deposits held in CZK.

26. FINANCIAL RISK MANAGEMENT (continued)

Foreign currency risk (continued)

To manage this risk, the Company has established internal procedures to monitor and mitigate currency exposure. The sensitivity analysis at the end of this section illustrates the potential impact of exchange rate fluctuations on the Company's financial position.

Interest rate risk

Interest rate risk is the risk that the value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Company exposure to interest rate risk was very limited as the Company did not hold any investment in long term debt at neither fixed nor floating interest rates.

Due to transition to IFRS17 and the requirement of discounting, the exposure to interest rate risk increased for the Company. The sensitivity analysis shown at the end of this section reflects the positive and negative change of interest rate.

Price risk

The Company's bond portfolio is managed using a buy-and-hold strategy with a short duration, which reduces its exposure to market price fluctuations. Consequently, the Company is not significantly affected by price risk resulting from market price changes, particularly those driven by interest rate movements. While all investments are subject to inherent market risks, the Company's bond portfolio strategy prioritizes long-term value preservation and seeks to minimize exposure to short-term market volatility.

The Company does not have any significant concentration of price risk.

Credit risk

Credit risk is the risk that a counterparty will be unable to pay the amounts in full when due. The main areas where the Company is exposed to credit risk are amounts due from insurance contract holders, insurance intermediaries, reinsurers and co-insurers.

The Company mitigates its credit risk for cash and investments by only depositing money or holding investments in entities with a sufficiently high credit rating. The credit rating required is that demanded by the Board. In addition, the Company has investment guidelines that restrict the amount of the investment portfolio that can be placed with a single issuer. In respect of reinsurance exposures, the Company, through its re-insurance broker, selects highly rated reinsurance counterparties.

Reinsurance contracts are used to manage insurance risk. The credit worthiness of reinsurers is considered on an annual basis by reviewing their financial strength, supported by reviewing credit grades provided by external credit agencies, other publicly available information and their recent payment history where applicable.

26. FINANCIAL RISK MANAGEMENT (continued)**Credit risk (continued)**

As of 31 December 2024, insurance receivables past due and proceeded to legal enforcement amounted to approximately EUR 2,000. Given its insignificance, no impairment was recognized at the reporting date, and management does not anticipate any significant losses due to non-performance by these counterparties.

	A- and above EUR	BBB + EUR	BBB EUR	Not rated EUR	2024 EUR
The assets bearing credit risk-					
Financial investments	7,233,250	659,531	3,201,332	-	11,094,113
Cash at bank	11,808,941	-	-	2,629	11,811,570
Assets bearing credit risk	<u>19,042,191</u>	<u>659,531</u>	<u>3,201,332</u>	<u>2,629</u>	<u>22,905,683</u>

	A- and above EUR	BBB + EUR	BBB EUR	Not rated EUR	2023 EUR
The assets bearing credit risk-					
Financial investments	9,407,579	-	-	-	9,407,579
Cash at bank	9,517,654	-	-	-	9,517,654
Assets bearing credit risk	<u>18,925,233</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>18,925,233</u>

Liquidity risk

Liquidity risk is that the Company cannot meet its obligations when they fall due. The Company maintains significant holdings in liquid funds to mitigate this risk. The Company regularly monitors forecasts and actual cash flows to control its cash flow and working capital.

The Company is exposed to liquidity risk arising from insurance co-insurers, brokers, and re-insurers. Liquidity management ensures the Company has sufficient access to funds to cover insurance claims, surrenders, withdrawals and maturing liabilities.

The Company considers the assets it holds to be more liquid than the related liabilities and that liquidity risk is not considered to be significant.

	> 5 years EUR	1-5 years EUR	<1 year EUR	2024 EUR
Financial liabilities				
Lease liabilities	138,429	1,363,252	466,977	1,968,658
Accruals and other liabilities	-	-	2,432,150	2,432,150
	<u>138,429</u>	<u>1,363,252</u>	<u>2,899,127</u>	<u>4,400,808</u>

26. FINANCIAL RISK MANAGEMENT (continued)**Liquidity risk (continued)**

	> 5 years	1-5 years	<1 year	2023
	EUR	EUR	EUR	EUR
Financial liabilities				
Lease liabilities	7,941	1,111,754	323,346	1,443,041
Accruals and other liabilities	-	-	1,590,896	1,590,896
	<u>7,941</u>	<u>1,111,754</u>	<u>1,914,242</u>	<u>3,033,937</u>

Fair values

The following table presents the assets measured in the statements of financial position at fair value by level of the following fair value measurement hierarchy at 31 December 2024:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);

Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices); and

Level 3 - Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

	Level 1
	EUR
Assets	
Financial assets at fair value through profit or loss	11,094,113

At 31 December 2024 and 31 December 2023, the carrying amounts of payables and receivables approximated their fair values due to the short-term maturities of these assets and liabilities.

Insurance risk

The Company accepts insurance risk through its insurance contracts where it assumes the risk of loss from persons or organisations that are directly subject to the underlying loss. The Company is exposed to the uncertainty surrounding the timing, frequency and severity of claims under these contracts.

The Company manages its risk via its underwriting and reinsurance strategy within an overall risk management framework. Pricing is based on assumptions which have regard to trends and past experience. Exposures are managed by having documented underwriting limits and criteria. Reinsurance is purchased to mitigate the effect of potential loss to the Company from individual large or catastrophic events and also to provide access to specialist risks and to assist in managing capital. Reinsurance policies are written with authorised reinsurance undertakings on either a proportional or excess of loss treaty basis.

Regulatory capital is also managed (though not exclusively) by reference to the insurance risk to which the Company is exposed.

26. FINANCIAL RISK MANAGEMENT (continued)**Concentration risk**

The Company primarily writes property and liability risks located in Slovak Republic and Czech Republic. The most significant risks arise from natural disasters, climate change and other catastrophes (i.e. high severity, low frequency events). Concentration risk may also arise from a single insurance contract issued to a specific demographic group, geographic location, or type of commercial business.

As the Company expands its portfolio within its operating territories, concentration risk is expected to increase due to the accumulation of exposures in specific regions or sectors. To mitigate this risk, the Company employs diversification strategies, including expanding into new lines of business, implementing reinsurance arrangements, and setting policy-level exposure limits within targeted regions or sectors.

Assumptions and sensitivities

The risks associated with insurance contracts underwritten are complex and subject to a number of variables. The Company considers that the liability for incurred claims recognised in the balance sheet is adequate. However, actual experience will differ from the expected outcome.

Below follows a sensitivity analysis modelling the impact of foreign currency fluctuation, 5% increase and decrease of the ultimate loss ratio and interest rate shock upwards and downwards on the balance sheet and profit and loss as appropriate.

	2024		2023	
	P&L effect	Equity effect	P&L effect	Equity effect
Non-life				
Loss ratio upwards shock	(284,227)	-	(16,271)	-
Loss ratio downwards shock	284,227	-	(16,271)	-
Market risk				
Currency shock -25% to CZK	(21,000)	-	(241,021)	-
Interest rate shock upwards	(171,736)	222,557	(301,058)	4,836
Interest rate shock downwards	171,736	(222,557)	301,058	(4,836)

26. FINANCIAL RISK MANAGEMENT (continued)**Claims development**

The following table shows the development of the estimated outstanding claims over a period of time in both gross and net of reinsurance basis relative to current estimates of ultimate claims costs:

	2017 EUR	2018 EUR	2019 EUR	2020 EUR	2021 EUR	2022 EUR	2023 EUR	2024 EUR	Total EUR
Gross claims									
One year later	-	209,287	503,998	957,077	1,817,071	3,805,731	7,471,730	14,044,396	28,809,290
Two years later	83,567	63,795	592,814	1,334,628	3,245,183	2,311,803	4,434,675	-	12,066,465
Three years later	7,877	117,647	184,302	586,909	983,423	359,598	-	-	2,239,756
Four years later	11,168	108,429	55,419	152,263	82,641	-	-	-	409,921
Five years later	-	33,725	19,115	79,534	-	-	-	-	132,374
Six years later	-	-	5,764	-	-	-	-	-	5,764
Cumulative claims incurred	102,612	532,883	1,361,414	3,110,411	6,128,318	6,477,131	11,906,406	14,044,396	43,663,570
Cumulative claims paid	(102,612)	(532,882)	(1,319,843)	(2,955,633)	(5,567,642)	(4,536,482)	(6,614,615)	(4,346,742)	(25,976,451)
Liability for incurred claims	-	1	41,571	154,778	560,676	1,940,649	5,291,791	9,697,653	17,687,119
	2017 EUR	2018 EUR	2019 EUR	2020 EUR	2021 EUR	2022 EUR	2023 EUR	2024 EUR	Total EUR
Reinsurers 'share									
One year later	-	156,295	420,008	678,725	1,224,374	2,144,444	5,302,041	10,849,966	20,775,853
Two years later	76,723	54,975	488,844	1,004,582	2,552,329	1,246,508	3,910,478	-	9,334,439
Three years later	6,301	108,308	155,622	443,238	382,795	322,676	-	-	1,418,939
Four years later	9,464	100,745	53,091	66,242	90,780	-	-	-	320,321
Five years later	-	30,488	16,438	81,204	-	-	-	-	128,131
Six years later	315	-	567	-	-	-	-	-	882
Cumulative claims incurred	92,803	450,812	1,134,570	2,273,990	4,250,278	3,713,628	9,212,519	10,849,966	31,978,565
Cumulative claims paid	(92,803)	(450,127)	(1,098,742)	(2,153,216)	(3,905,440)	(2,665,092)	(4,461,143)	(2,226,892)	(17,053,455)
Reinsurers 'share of claim liability	-	685	35,828	120,774	344,838	1,048,536	4,751,375	8,623,073	14,925,109

The Company discloses the claim development without the risk adjustment for consistency purposes with prior years and also due to the fact that risk adjustment is not paid out, i.e. a development of actually paid claims is presented.

27. RELATED PARTY TRANSACTIONS

TRACK CLAIM SLOVAKIA s.r.o ("TC")

During the year ended 31 December 2024, TC charged the Company EUR 199,253 (2023:EUR 183,561) for the claims handling services and administrative assistance. As at 31 December 2024, the Company owed TC EUR29,823 (2023:EUR 41,616)

TC is a company under common ownership.

Outstanding balances are unsecured and repayable during normal course of the business.

VERTIA s.r.o. ("VERTIA")

During the year ended 31 December 2024, VERTIA charged the Company EUR 13,000 (2023: EUR 0) for the directors' services. As at 31 December 2024, the Company owed VERTIA EUR 0 (2023: EUR 0).

VERTIA is wholly owned by M Vedej a director of the Company.

Outstanding balances are unsecured and repayable during normal course of the business.

RESPECT SLOVAKIA s.r.o ("RESPECT")

During the year ended 31 December 2024, RESPECT charged the Company EUR 3,320,612 (2023: EUR 2,651,722) for the brokerage fees. As at 31 December 2024, the Company owed RESPECT EUR 1,385,642 (2023: EUR 1,274,329).

RESPECT is a company under common ownership.

Outstanding balances are unsecured and repayable during normal course of the business.

DIRECTORS' FEES

Directors' fees paid during the year are disclosed in Note 12.

28. PARENT UNDERTAKING

The directors consider that the immediate and ultimate controlling party of the Company is PREMIUM INVESTMENT GROUP s.r.o. (formerly known as RESPECT INTERNATIONAL s. r. a Company registered in the Slovak Republic.

The registered address of the parent undertaking is, PREMIUM INVESTMENT GROUP, s.r.o. Šoltésovej 14 811 08 Bratislava - mestská časť Staré Mesto.

INDEPENDENT AUDITORS' REPORT

To the shareholders of PREMIUM Insurance Company Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of PREMIUM Insurance Company Limited (the Company), set out on pages 9 to 49, which comprise the statement of financial position as at 31 December 2024 and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of material accounting policy information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2024, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU (EU IFRSs) and have been prepared in accordance with the requirements of the Companies Act (Cap. 386).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants together with the ethical requirements that are relevant to our audit of the financial statements in accordance with the Accountancy Profession Directive issued in terms of the Accountancy Profession Act (Cap. 281) (APA) in Malta, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to report to our assessment of the risk of material misstatement of the financial statements.

INDEPENDENT AUDITORS' REPORT

To the shareholders of PREMIUM Insurance Company Limited (continued)

Key Audit Matters (continued)

The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Valuation of liabilities arising from insurance contracts

Risk description

At 31 December 2024 the Company had liability for remaining coverage and liability for incurred claims amounting to EUR 8,007,099 and EUR 18,055,036 respectively.

The Liability for incurred claims is measured as the total of the expected fulfilment cash flows relating to insurance events that occurred by the financial reporting date, which comprise estimates of future cash flows, adjusted to reflect the time value of money and a risk adjustment for non-financial risks. We have considered the estimate of future cash flows as a key audit matter in view of the subjectivity surrounding the determination of the estimate, that is based on claims data and an actuarial methodology which involves significant assumptions. Due to the degree of such inherent estimation uncertainty underlying the estimate of future cash flows, the amounts recognised in the statement of financial position may be different to those eventually settled. Those differences may be material.

The liability for remaining coverage is measured as the total of the expected fulfilment cash flows which comprise estimates of future cash flows within the contract boundary, adjusted to reflect the time value of money and the associated financial risks, and risk adjustment for non-financial risks. We have considered the measurement of liability for remaining coverage as a key audit matter in view of the nature and subjectivity of the estimate, and its overall inherent estimation uncertainty. The subjectivity involved relates mainly to the judgement involved in the selection of actuarial assumptions. Due to the degree of such inherent estimation uncertainty, the ultimate total settlement value may be different from the amounts provided.

How the scope of our audit responded to the risk

As part of our procedures, we evaluated the appropriateness of the Company's assumptions applied in estimating the future cash flows and the resulting estimate, for substantially all the liability for incurred claims and remaining liabilities. We have remeasured the risk adjustment and discounting rate as per our expectations based on industry knowledge and experience and compared these with the Company's results. In relation to claims data and other elements used in the estimates, we evaluated a sample to assess their relevance and reliability based on the information available to the Company at the financial reporting date.

We have also assessed the relevance of disclosures relating to the Company's liability arising from insurance contracts presented in Note 10 to the financial statements.

Other Information

The directors are responsible for the other information. The other information comprises the directors' report. Our opinion on the financial statements does not cover this information, including the directors' report.

INDEPENDENT AUDITORS' REPORT

To the shareholders of PREMIUM Insurance Company Limited (continued)

Other Information (continued)

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

With respect to the Directors' Report, we also considered whether the Directors' Report includes the disclosures required by Article 177 of the Maltese Companies Act (Cap. 386). Based on the work we have performed, in our opinion:

- the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the directors' report has been prepared in accordance with the Maltese Companies Act (Cap.386).

In addition, in light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we are required to report if we have identified material misstatements in the directors' report. We have nothing to report in this regard.

Responsibilities of the Directors

The directors are responsible for the preparation of the financial statements that give a true and fair view in accordance with IFRS as adopted by the EU, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

INDEPENDENT AUDITORS' REPORT

To the shareholders of PREMIUM Insurance Company Limited (continued)

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

- Consider the extent of compliance with those laws and regulations that directly affect the financial statements, as part of our procedures on the related financial statements items. For the remaining laws and regulations, we make enquiries of directors and other management, and inspect correspondence with the regulatory authority as well as legal correspondence. As with Fraud, there remains a higher risk of non-detection of other irregularities (whether or not these relate to an area of law directly related to the financial statements), as these may likewise involve collusion, forgery, international omissions, misrepresentations, or the override of internal controls.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the audit committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the audit committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated the audit committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

INDEPENDENT AUDITORS' REPORT

To the shareholders of PREMIUM Insurance Company Limited (continued)

Report on Other Legal and Regulatory Requirements

Under the Maltese Companies Act (Cap. 386) we are required to report to you if, in our opinion:

- We have not received all the information and explanations we require for our audit.
- Adequate accounting records have not been kept, or that returns adequate for our audit have not been received from branches not visited by us.
- The financial statements are not in agreement with the accounting records and returns.

We have nothing to report to you in respect of these responsibilities.

Additionally, the financial statements have been properly prepared in accordance with the requirements of the Insurance Business Act (Cap. 403), 1998.

Use of audit report

This report is made solely to the company's members as a body in accordance with the requirements of the Companies Act CAP 386 of the laws of Malta. Our audit work has been undertaken so that we might state to the company's members those matters that we are required to state to them in an audit's report and for no other purpose. To the full extent permitted by law we do not assume responsibility to anyone other than the company's members as a body for our audit work, for this report or for the opinions we have formed.

Appointment


We were appointed by the shareholders as auditors of PREMIUM Insurance Company Limited on 11 September 2021, as for the year ended 31 December 2020. The period of total uninterrupted engagement is five years.

Consistency with the additional report to those charged with governance

Our opinion on our audit of the financial statements is consistent with the additional report to the audit committee required to be issued by the Audit Regulation (as referred to in the Act);

Non-audit services

We have not provided any of the prohibited services as set out in the accountancy profession act.



*This copy of the audit report has been signed by
Anthony Attard (Partner) for and on behalf of*

Forvis Mazars

Certified Public Accountants

The Watercourse, Level 2,
Mdina road, Zone 2, Central business district,
Birkirkara CBD2010

2 April 2025