PREMIUM INSURANCE COMPANY LIMITED

FINANCIAL STATEMENTS

31 December 2023

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PREMIUM INSURANCE COMPANY LIMITED
COMPANY INFORMATION

Directors
M Vedej
M Benko
K Micallef
S Agius
J Stivala
P Valent (appointed on 16.11.2023)
M Klugowski (resigned on 02.08.2023)

Secretary
Ganado Services Limited

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

Bankers
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Slovak Republic

Ceskå sporitelna, a.s.
Olbrachtova 1929/62
140 OO Praha 4
Czech Republic

Ceskoslovenska obchodna banks a.s. (CSOB)
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Registered office
Level 3, CF Business Centre, Gort Street
St Julian's STJ 3016 Malta

Registered number
C 91171

PREMIUM INSURANCE COMPANY LIMITED
DIRECTORS' REPORT

The directors present their annual report together with the audited financial statements of PREMIUM Insurance Company Limited ("the Company") for the year ended 31 December 2023.

Principal activities

The Company's principal activity during the year was the provision of property and liability insurance, specifically the provision of property and liability insurance 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 7:	Goods in transit
Class 8:	Fire and natural forces
Class 9:	Other damage to property
Class 10:	Motor vehicle liability
Class 13:	General liability
Class 16:	Miscellaneous financial loss

Results

The results for the year are shown in the Statement of profit or loss and other comprehensive income on pages 9 and 10. The Company has reported a profit of EUR 1,191,164 (2022 – Loss of EUR 940,524).

Dividends

The directors do not recommend the payment of a dividend (2022 - NIL).

Business review

The Company's core strategy remains unchanged; to build a profitable Slovakian insurer operating primarily in the commercial insurance market in Slovakia and the 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.

Business review (continued)

The Company is structured with a Head Office in Malta, a Branch in Slovakia and a Branch in Czech Republic (from 01.10.2023) 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.

During the reporting period, PREMIUM saw further significant growth in Insurance revenues by 36% 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 is compliant with the regulatory solvency requirements under the Solvency II regime as at 31 December 2023.

Financial highlights:

	31 Dec 2023	31 Dec 2022 restated
	EUR	EUR
Insurance revenue	28,401,099	20,750,666
Insurance service expenses	(18,660,660)	(14,571,627)
Insurance Service Result	9,740,439	6,179,039
Profit after tax	1,191,164	(940,524)
Total assets	27,414,406	19,881,626

Events after the reporting date

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

IFRS 17

During the financial period, the Company adopted IFRS 17 for the first time. This standard brought significant changes to the accounting for insurance and reinsurance contracts. Key accounting policies have been completed and endorsed by the Board of Directors. As this standard must be applied retrospectively the first impact in the financial statements is the opening Statement of financial position as at 1 January 2022 together with the restatement of the Statement of profit or loss for 2022. Total Equity for the Company on transition date saw a reduction of EUR 62,348 with the major impact emanating from a risk adjustment of EUR 64,122. The nature of the changes in accounting policies are summarised in Note 5 of the financial statements.

Auditors

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

Future developments

The Company will continue to build brand awareness and expand its broker network. Growth of the Household and SME retail products will further increase diversification and market penetration, help to achieve expected growth in net premium written, and ultimately contribute to improved profitability.

The Company recognise 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") and EU Taxonomy for Sustainable Activities Regulations to be compliant with the respective requirements. The Company has not been captured by the reporting rules of SFDR in 2023 in view that the Company is not a listed public-interest company and does not employ over 500 employees.

The current 3-year plan is designed to sustain the successes and gained experience of the past years trading and to generate further strong growth in gross and net premiums, whilst maintaining appropriate re-insurance protection to safeguard the Company's balance sheet and solvency coverage.

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 not sufficient to fund the obligations arising from liabilities as they fall due. The most important components of financial risk for the Company are interest rate risk, currency risk, credit risk and liquidity/cash flow risk.

Liquidity/cash flow risk

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

Currency risk

All cash deposits and the investment portfolio will be held in Euro therefore the Company has very limited exposure to currency risk.

Interest rate risk

During the accounting period the Company held majority of funds in cash deposits. 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 a 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.

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, and cash investment holdings.

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, 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.

Directors

The directors of the Company who served during the period and to date and their interests in the share capital of the Company were as stated below:

	€1 Ordinary shares	
	2023 EUR	2022 EUR
M Vedej	1,875,000	1,875,000
M Benko	-	-
K Micallef	-	-
S Agius	-	-
J Stivala	-	-
P Valent (appointed on 16.11.2023)	-	-
M Klugowski (resigned on 02.08.2023)	-	-

PREMIUM INSURANCE COMPANY LIMITED
DIRECTORS' REPORT

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 8 April 2024 and signed on its behalf by:

M Vedej
Chairman

P Valent
Chief Financial Officer

PREMIUM INSURANCE COMPANY LIMITED
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2023

	Note	2023 EUR	2022 restated EUR
Contracts measured under the Premium Allocation Approach	7	28,401,099	20,750,666
Insurance revenue		28,401,099	20,750,666
Incurred claims and insurance services expenses		(18,660,660)	(14,571,627)
Insurance service expenses		(18,660,660)	(14,571,627)
Insurance service result before reinsurance contracts held		9,740,439	6,179,039
Allocation of reinsurance premiums paid		(10,271,466)	(7,355,579)
Amounts recoverable from reinsurers			
Recoveries of incurred claims and other insurance service expenses		4,853,260	3,258,531
Net expenses from reinsurance contracts		(5,418,206)	(4,097,048)
Insurance Service Result - Total		4,322,233	2,081,991
Other investment revenue		119,109	36,125
Net impairment gain/(loss) on financial assets		107,682	(774,035)
Investment return		226,791	(737,910)
Net finance expenses from insurance contracts	9	(67,218)	(83,351)
Net finance income from reinsurance contracts	9	82,343	31,920
Other financial expenses		15,125	(51,431)
Net financial result		241,916	(789,341)
		-	-
Revenue from investment management services		-	-
Other income		310,836	133,364
Other operating expenses		(3,316,901)	(2,447,652)
Other income/expenses		(3,006,065)	(2,314,288)
Profit before tax		1,558,084	(1,021,638)
Income tax expense	16	(366,920)	81,114
Profit after tax		1,191,164	(940,524)
Other comprehensive income			
Imact of discounting and RA		(63,345)	(83,114)
Total other comprehensive income		(63,345)	(83,114)
Total comprehensive income		(63,345)	(83,114)

The Company has no other recognised gains or losses other than disclosed above.

The Company has no discontinued activities in the period. Accordingly, the above results for the Company relate solely to continuing activities and include all revenues and expenses in arriving at the total comprehensive loss for the period. The loss is stated on a historical cost basis.

PREMIUM INSURANCE COMPANY LIMITED
STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2023

	Note	31 Dec 2023	31 Dec 2022 restated	1 Jan 2022 restated
ASSETS		EUR	EUR	EUR
Intangible assets	18	1,021,684	876,782	685,614
Right-of-use assets	19	1,419,642	698,766	745,310
Deferred tax assets	17	225,759	225,759	-
Property, plant & equipment held for own use	19	139,854	59,895	78,936
Financial Investments	20	9,407,579	3,828,591	4,600,126
Reinsurance Contract Assets (Premium Allocation Appr	10.11	5,540,503	5,069,036	6,231,826
Assets for remaining coverage		*(5,780,137)*	*(2,932,908)*	*(1,345,813*
Asset for incurred claims		*11,320,640*	*8,001,944*	*7,577,639*
Other debtors		62,909	53,426	90,391
Cash and cash equivalents	21	9,517,654	8,990,657	8,093,190
Other assets		78,822	78,714	30,808
Total assets		**27,414,406**	**19,881,626**	**20,556,201**
LIABILITIES AND SHAREHOLDERS' FUNDS				
Insurance contract liabilities (Premium Allocation App	10.12	17,736,473	13,403,960	13,355,478
Liability for remaining coverage		*5,976,301*	*3,836,335*	*3,639,205*
Liability for incurred claims		*11,760,172*	*9,567,626*	*9,716,273*
Lease liabilities	25	1,443,041	724,776	779,021
Other payables including taxation and social security	25	380,782	284,648	228,893
Current tax payable		294,597	144,645	
Accruals and other liabilities	26	1,590,896	482,798	328,375
Total liabilities		**21,445,789**	**15,040,828**	**14,691,767**
SHAREHOLDERS' FUNDS				
Ordinary share capital	22	7,500,000	7,500,000	7,500,000
Capital contribution	23	3,400,000	3,400,000	3,400,000
Other reserves	8	(208,807)	(145,462)	(62,348)
Profit and losss account		(4,722,576)	(5,913,741)	(4,973,216)
Total shareholders' funds		**5,968,617**	**4,840,798**	**5,864,434**
Total liabilities and shareholders' funds		**27,414,406**	**19,881,626**	**20,556,201**

Approved by the board on 8 April 2024 and signed on its behalf by:

M Vedej - Chairman

P Valent – Chief Financial Officer

PREMIUM INSURANCE COMPANY LIMITED
STATEMENT OF CASH FLOWS THE YEAR ENDED 31 DECEMBER 2023

		2023	2022
Cash flow from operating activities	**Note**	**EUR**	**EUR**
Cash receipts from customers		30,755,637	21,218,420
Cash payments to customers		(6,700,521)	(7,789,733)
Cash payments from co-insurers		2,260,282	1,189,440
Cash payments to reinsurers		(6,120,478)	(3,060,290)
Acquisition costs cash payments		(7,184,125)	(5,330,045)
Cash payments to suppliers for goods and services		(2,871,788)	(2,040,232)
Cash payments to and on behalf of employees and directors		(1,901,259)	(1,526,271)
Bank charges and interest paid		(34,580)	(30,507)
Insurance tax and other tax cash payments		(1,790,782)	(1,337,112)
Net cash flow from operating activities		6,412,386	1,293,670
Cash flow from investing activities			
Purchase of intangible fixed assets		(385,063)	(385,380)
Purchase of tangible fixed assets		(139,106)	(41,846)
Disposal of tangible fixed assets		-	(102)
Purchase of financial investment		(5,453,845)	-
Financial investment interest received		92,625	31,125
Net cash flow used in investing activities		(5,885,389)	(396,203)
Net increase in cash held		**526,997**	**897,467**
Cash at bank and in hand as at the beginning of the year		8,990,657	8,093,190
Cash at bank and in hand as at the end of the year	**21**	**9,517,654**	**8,990,657**

PREMIUM INSURANCE COMPANY LIMITED
STATEMENT OF CHANGES IN EQUITY 31 DECEMBER 2023

	Notes	Ordinary share capital EUR	Capital contribution EUR	Other reserves EUR	Profit and loss account EUR	Total Equity and Reserves EUR
Balance as at 31 December 2021, as previously reported		7,500,000	3,400,000	-	(4,973,216)	5,926,784
Impact of initial application of IFRS17		-	-	(62,348)	-	(62,348)
Restated balance as at 1 January 2022		**7,500,000**	**3,400,000**	**(62,348)**	**(4,973,216)**	**5,864,436**
Impact of discounting and risk adjustment		-	-	(83,114)	-	(83,114)
Loss for the period		-	-	-	(940,524)	(940,524)
Restated balance as at 31 December 2022		**7,500,000**	**3,400,000**	**(145,462)**	**(5,913,740)**	**4,840,798**
Balance as at 1 January 2023		7,500,000	3,400,000	(145,462)	(5,913,740)	4,840,798
Impact of discounting and risk adjustment		-	-	(63,345)	-	(63,345)
Profit for the period		-	-	-	1,191,165	1,191,165
Balance as at 31 December 2023		**7,500,000**	**3,400,000**	**(208,807)**	**(4,722,575)**	**5,968,618**

The notes on pages 14 to 62 are integral part of these financial statements.

PREMIUM INSURANCE COMPANY LIMITED
NOTES TO THE FINANCIAL STATMENTS FOR THE YEAR ENDING 31 DECEMBER 2023

1. SUMMARY OF MATERIAL ACCOUNTING POLICIES

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

This is the first set of the Company's annual financial statements in which IFRS 17 Insurance contracts and IFRS 9 Financial Instruments have been applied. The related changes to significant accounting policies are described in Note 5 and 6.

2. 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.

3. BASIS OF PREPARATION

The principal accounting policies adopted by the Company are set out below. The directors have reviewed the accounting policies as amended by the implementation of IFRS 9 – 'Financial instruments' and IFRS 17 – 'Insurance contracts' and concluded that they are appropriate. They have been applied consistently throughout the period in the preparation of the financial statements.

The financial statements have been prepared under the historical cost convention as modified by the fair valuation of investments as disclosed in the accounting policies below and are 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 preparation of financial statements in conformity with IFRSs as adopted by the EU requires the use of certain accounting estimates. It also requires directors to exercise their judgement in the process of applying the Company's accounting policies (see Note 6 – Critical accounting judgements and key sources of estimation uncertainty).

The Company's business activities, together with the factors likely to affect its future developments, performance and review are set out in the Business Review which forms part of the directors' report. The directors' report also describes the Company's financial risk management objectives and its exposure to credit risk and liquidity risk.

Going concern

These financial statements have been prepared on a going concern basis which assumes that the Company will continue in existence for the foreseeable future.

4. SUMMARY OF MATERIAL ACCOUNTING POLICIES

IFRS 17 Insurance contracts

Recognition, measurement and presentation of insurance contracts

IFRS 17 Insurance Contracts sets out principles for the recognition, measurement, presentation and disclosure of insurance contracts issued. At the same time, the standard requires the application of similar principles to reinsurance contracts and investment contracts with discretionary participation features.

The new standard thus introduces the General Measurement Model (GMM) of insurance contracts, which is structured on the basis of the Building Block Approach (BBA). The General Measurement Model is based on Fulfilment Cash Flows (FCF), which comprise the present value of future cash flows, weighted by the probability of occurrence (Present Value of Future Cash Flows - PVFC), and the adjustment for non-financial risks (Risk Adjustment - RA) and on the expected value of the unearned profit for the services rendered (Contractual Service Margin - CSM). The adoption of a simplified approach (Premium Allocation Approach - PAA) is allowed if the contractual coverage period is less than one year or if the model used for measurement provides a reasonable approximation with respect to the Building Block Approach (BBA). The simplification applies to the measurement of the Liability for Remaining Coverage (LRC), which does not have to be broken down into PVFCF, RA and CSM, but is essentially based on the premium received net of acquisition costs. As regards the Liability for Incurred Claims (LIC), it is consistently measured by applying the General Measurement Model (GMM), where all claims incurred are discounted and the calculation of the Risk Adjustment is performed accordingly.

The Variable Fee Approach (VFA) is applied to contracts entailing the direct participation of the policyholders in an entity's financial and/or insurance results; this is an alternative model to GMM, which provides for a different treatment of changes in cash flows linked to financial variables whose impact is reported in the CSM rather than directly in the statement of comprehensive income.

The IFRS 17 also affects the presentation of revenues from insurance contracts, which no longer include the premiums written, previously included in the premiums, claims and changes in technical provisions. In addition, insurance revenues and costs for insurance services gross of reinsurance are presented with the reinsurance result included in the costs of the insurance service. Pursuant to the IFRS 17, insurance assets and liabilities are subject to discounting, with the financial effect to be included in the financial result.

On 9 December 2021, the IASB published a limited amendment to the transition requirements of IFRS 17, as regards the application of the requirements of IFRS 9 to the comparative periods. The amendment is a transition option relating to comparative information about financial assets presented on initial application of IFRS 17.

Insurance, reinsurance and investment contracts – Classification

Contracts under which the Company accepts significant insurance risk are classified as insurance contracts. Contracts held by the Company under which it transfers significant insurance risk related to underlying insurance contracts are classified as reinsurance contracts.

According to the Standard, IFRS 17 is applied to all contracts that meet the definition of an insurance contract:

a) insurance contracts, including reinsurance contracts (i.e., assumed business), issued;

b) reinsurance contracts held; and

c) investment contracts with discretionary participation features (DPF) issued if the entity also issues insurance

contracts.

The Company has no impacts on the insurance contract classification when compared to IFRS 4.

All the contracts are measured under the Premium Allocation Approach (PAA).

Insurance and reinsurance contracts

Separation of components of an insurance contract

Insurance contracts create a bundle of rights and obligations which work together to generate a package of cash flows. While some types of insurance contracts only provide insurance coverage (e.g. most short-term non-life contracts), other types of insurance contracts may contain one or more components which would be within the scope of another standard if they were separate contracts.

Some insurance contracts may contain:

- investment components (e.g., pure deposits, such as financial instruments whereby an entity receives a specified sum and undertakes to repay that sum with interest);
- goods and services components (e.g., services other than insurance contract services, such as pension administration, risk management services, asset management or custody services); and
- financial derivatives (e.g., financial derivatives, such as interest rate options or options linked to an equity index).

In certain cases, specifically defined by IFRS 17, the above-mentioned components must be separately considered and measured under another IFRS standard.

IFRS 17 requires separating a distinct investment component from the host contract. In fact, an investment component is distinct if, and only if, both the following conditions are met:

- the investment component and the insurance component are not highly interrelated. The two components are highly interrelated if the value of one component varies with the value of the other component and hence the entity is unable to measure each component without considering the other one. The components are also highly interrelated if the policyholder is unable to benefit from one component unless the other is also present;
- a contract with terms equivalent to the investment component is sold, or could be sold, separately in the same market or same jurisdiction.

If the investment component does not satisfy the two conditions above, it would be identified as non-distinct and IFRS 17 would apply on the contract as a whole (no separation from host contract) whereby the effect of the investment component is excluded from insurance revenue and insurance expenses.

With reference to service component, the latter is considered as a separate component when cash flows and its associated risks are not closely related with the one arising from the primary insurance contract and therefore there is no evidence of an integration between service and insurance component.

The Company does not have significant impacts on the insurance contract classification when compared to IFRS 4, nor on the separation of distinct investment components. The Company has no goods and services components nor embedded derivatives as distinct components.

The Company sells assistance service with some household policies. The insurer provides a significant service of integrating the good or service other than an insurance contract service with the insurance components into a combined output to the policyholder. The cash flows of the service are highly interrelated with the cash flows of the insurance components of the contract. Therefore, the service component is not distinct and is treated together with the host insurance contract, i.e. measured under IFRS 17.

Some insurance contracts contain several insurance risks, i.e. more than one type of insurance cover is included in one legal contract solely for the administrative convenience of the policyholder and the price is simply the aggregate of the standalone prices for the different insurance covers provided. In this case that single legal contract cannot be the most granular item under IFRS 17 and the contract components need to be unbundled. If a single contract creates two or more sets of rights and obligations that could have been created through two or more separate contracts, the Company accounts for each set as if it arose from separate contracts in order to faithfully represent the rights and obligations.

For some reinsurance contracts held, the Company identified the sliding scale commission as non-distinct investment component which is then treated and measured in scope of IFRS 17.

Level of aggregation and initial recognition

IFRS 17 requires that an entity should aggregate contracts at inception in groups for recognition, measurement, presentation and disclosure. An entity shall establish the groups at initial recognition and shall not reassess the composition of the groups subsequently.

The starting point for aggregating contracts is to identify portfolios of insurance contracts. A portfolio comprises contracts that are subject to similar risks and managed together.

The assessment of "similar risks" should take into consideration the prevailing risks of the contracts. In case the prevailing risks are similar, then two contracts can be considered as exposed to similar risks.

IFRS 17 then requires the entity to divide the contracts in each portfolio on initial recognition into the following groups:

- group of contracts that are onerous at initial recognition;
- group of contracts that at initial recognition have no significant possibility of becoming onerous subsequently; and
- group of the remaining contracts in the portfolio.

IFRS 17 prescribes that an entity cannot include contracts issued more than one year apart in the same group.

Therefore, each portfolio should be disaggregated into annual cohorts, or cohorts consisting of periods of less than one year. The Company applies the PAA for the valuation of non-life insurance contracts and reinsurance contracts and disaggregates portfolios into cohorts.

The variables used to determine unit of accounts are:

- Office,
- Line of Business,
- Risk Group,
- Underwriting Year.

Additional variable for reinsurance contracts held is RI Group (facultative, QS, surplus).

Reinsurance contracts issued have the same granularity and are grouped together with direct business.

Each combination of the values of these variables defines a unique Unit of Account.

A group of insurance contracts issued is recognized from the earliest of the following events:

- the beginning of the coverage period;
- the date when the first payment from a policyholder in the group becomes due;
- for a group of onerous contracts, when the group becomes onerous.

With reference to reinsurance contracts held, the initial recognition is set:

- at the beginning of the coverage period, except reinsurance contracts for which the initial recognition is postponed until the date that the underlying insurance contract is initially recognised;
- at the date the entity recognizes an onerous group of underlying insurance contracts if the entity entered into the related reinsurance contract at or before that date.

The Company recognises a group of insurance contracts in accordance with the Standard.

Insurance acquisition cash flows

Insurance acquisition cash flows are allocated to groups of insurance contracts using a systematic and rational method and considering, in an unbiased way, all reasonable and supportable information that is available without undue cost or effort.

If insurance acquisition cash flows are directly attributable to a group of contracts (e.g. commissions paid on issuance of a contract), then they are allocated to that group. If insurance acquisition cash flows are directly attributable to a portfolio but not to a group of contracts, then they are allocated to groups in the portfolio using a systematic and rational method.

At each reporting date, the Company revises the amounts allocated to groups to reflect any changes in assumptions that determine the inputs to the allocation method used. Amounts allocated to a group are not revised once all contracts have been added to the group.

Estimates of future cash flows

Cash flows within the boundary of a contract relate directly to the fulfilment of the contract, including those for which the Group has discretion over the amount or timing. These include payments to (or on behalf of) policyholders, insurance acquisition cash flows and other costs that are incurred in fulfilling contracts.

The Company defined main guiding principles to assess whether specific costs are directly attributable (DA) to fulfilling the contracts or not directly attributable (NDA):

1. Policy management (DA)

Costs relating to the management of insurance contracts and the provision of insurance services are 100% directly attributable. These costs are mainly claims handling costs, policy administration or follow-up acquisition costs, which are mainly for administering the contract.

2. One-off costs (NDA)

Strategic costs or one-off costs, which are extraordinary and will not repeat regularly in the future.

3. Overhead costs (DA/NDA)

Overhead costs are only attributable if they relate to fulfilling insurance services. These costs refer to the standard overheads such as Human Resources, Accounting, IT, rent, maintenance, utilities, etc.

Locked-in interest rate

The Company's IFRS17 Engine uses forward curves points according to the projected cash-flow frequency.

The source of the data is the EIOPA risk free annual spot rate:

- plus 50bp illiquidity premium by the Company,
- converted to quarterly spot rate by Asseco
- and then converted to quarterly forward rate by Asseco.

This curve is created to each quarter end as a current valuation curve.

Locked-in rates are derived from the currents rate as follows:

- if it were Period-to-period: arithmetical mean of
  - the beginning of the current period (=end of prior period)
  - and end of period curve' points
- in case of Year-to-date (current practice): arithmetical mean of the arithmetical means of the periods as calculated above for each period (quarter).

Contract boundaries

The measurement of a group of contracts includes all of the future cash flows within the boundary of each contract in the group, determined as follows.

a) Insurance contracts

Cash flows are within the contract boundary if they arise from substantive rights and obligations that exist during the reporting period in which the Company can compel the policyholder to pay premiums or has a substantive obligation to provide services (including insurance coverage and any investment services).

A substantive obligation to provide services ends when:

- the Company has the practical ability to reassess the risks of the particular policyholder and can set a price or level of benefits that fully reflects those reassessed risks; or
- the Company has the practical ability to reassess the risks of the portfolio that contains the contract and can set a price or level of benefits that fully reflects the risks of that portfolio, and the pricing of the premiums up to the reassessment date does not take into account risks that relate to periods after the reassessment date.

b) Reinsurance contracts

Cash flows are within the contract boundary if they arise from substantive rights and obligations that exist during the reporting period in which the Company is compelled to pay amounts to the reinsurer or has a substantive right to receive services from the reinsurer.

A substantive right to receive services from the reinsurer ends when the reinsurer:

- has the practical ability to reassess the risks transferred to it and can set a price or level of benefits that fully reflects those reassessed risks; or
- has a substantive right to terminate the coverage.

The contract boundary is reassessed at each reporting date to include the effect of changes in circumstances on the Company's substantive rights and obligations and, therefore, may change over time.

Measurement Model

General Model Measurement (GMM)

The GMM represents the standard measurement model envisaged by the standard for the measurement of insurance assets and liabilities.

According to the provisions of the standard, the General Measurement Model (GMM) or the Building Block Approach (BBA) was used as the basic method for measuring insurance contracts.

The Company does not use GMM to measure liability for remaining coverage for any of its insurance or reinsurance contracts.

Variable Fee Approach (VFA)

Direct participating contracts are contracts under which the Company's obligation to the policyholder is the net of:

- the obligation to pay the policyholder an amount equal to the fair value of the underlying items; and
- a variable fee in exchange for future services provided by the contracts, being the amount of the Company's share of the fair value of the underlying items less fulfilment cash flows that do not vary based on the returns on underlying items. The Company provides investment services under these contracts by promising an investment return based on underlying items, in addition to insurance coverage.

The Company has no such contracts in the portfolio and does not apply VFA.

Measurement – Contracts measured under the Premium Allocation Approach (PAA)

This is a simplified method for the measurement of insurance contracts. It can be applied for contracts having a coverage period shorter than one year or when the entity reasonably expects that such simplification would produce a measurement of the liability for remaining coverage for the entity that would not differ materially from the one that would be produced applying the GMM. Using the Premium Allocation Approach, the Liability for Remaining Coverage is equal to premiums received at initial recognition less any insurance acquisition cash flows and any amounts recognized on a pro-rata temporis basis as insurance revenue at the closing date. The GMM remains applicable for the measurement of the Liability for Incurred Claims.

The Company has assessed the average duration for groups of insurance contracts. The weighted average duration is calculated based on the actual policy duration using the annual written premium as a basis. The PAA eligibility analysis is performed taking into consideration also the materiality of the reference portfolio. The Company considers a group of insurance contracts material if its annual premium is greater than 5% of total annual premium. The eligibility for PAA application, and in particular whether the liability for remaining coverage is not materially different under PAA than under GMM, is assessed at the inception of the group of insurance contracts and does not need to be reassessed at subsequent measurement.

Further to the above conducted assessment in line with the eligibility criteria, the Company applies the Premium Allocation Approach ("PAA"). The PAA is applied by the Company to measure the liabilities for remaining coverage of all the insurance and reinsurance contracts. This is similar to the Company's previous accounting treatment.

Insurance contracts

On initial recognition of each group of contracts, the carrying amount of the liability for remaining coverage is measured as the premiums received on initial recognition minus any insurance acquisition cash flows allocated to the group at that date, and adjusted for any amount arising from the derecognition of any assets or liabilities previously recognised for cash flows related to the group (including assets for insurance acquisition cash flows). The Company has chosen not to expense insurance acquisition cash flows when they are incurred.

Subsequently, the carrying amount of the liability for remaining coverage is increased by any premiums received and the amortisation of insurance acquisition cash flows recognised as expenses and decreased by the amount recognised as insurance revenue for services provided and any additional insurance acquisition cash flows allocated after initial recognition. On initial recognition of each group of contracts, the Company expects that the time between providing each part of the services and the related premium due date is no more than a year. Accordingly, the Company has chosen not to adjust the liability for remaining coverage to reflect the time value of money and the effect of financial risk.

If at any time during the coverage period, facts and circumstances indicate that a group of contracts is onerous, then the Company recognises a loss in profit or loss and increases the liability for remaining coverage to the extent that the current estimates of the fulfilment cashflows that relate to remaining coverage exceed the carrying amount of the liability for remaining coverage.

The Company recognises the liability for incurred claims of a group of insurance contracts at the amount of the fulfilment cash flows relating to incurred claims. The future cash flows are discounted (at current rates).

The Company's criterion in determining whether a group of contracts is onerous is the combined ratio. That is, if the expected combined ratio is greater than 1, then the group of insurance contract is noted as onerous. When calculating the combined ratio, the Company considers attributable costs in line with the IFRS17 cost allocation methodology.

Reinsurance contracts

The Company applies the same accounting policies to measure a group of reinsurance contracts, adapted where necessary to reflect features that differ from those of insurance contracts.

If a loss-recovery component is created for a group of reinsurance contracts measured under the PAA, then the Company adjusts the carrying amount of the asset for remaining coverage instead of adjusting the CSM.

Derecognition and contract modification

The Company derecognises a contract when it is extinguished – i.e. when the specified obligations in the contract expire or are discharged or cancelled.

The Company also derecognises a contract if its terms are modified in a way that would have changed the accounting for the contract significantly had the new terms always existed, in which case a new contract based on the modified terms is recognised.

Presentation and Disclosure

The Company presents separately in the statement of financial position the carrying amount of portfolios of:

- insurance contracts issued that are assets;
- insurance contracts issued that are liabilities;
- reinsurance contracts held that are assets; and
- reinsurance contracts held that are liabilities.

The Company disaggregates the amounts recognised in the statement of profit or loss and other comprehensive income into:

- an insurance service result, comprising insurance revenue and insurance service expenses; and
- insurance finance income or expenses.

Insurance revenue – Contracts measured under the PAA

For contracts measured under the PAA, the insurance revenue for each period is the amount of expected premium receipts for providing services in the period. The Company allocates the expected premium receipts to each period on the following bases:

- construction business: the expected timing of incurred insurance service expenses; and
- other contracts: the passage of time.

Insurance service expenses

Insurance service expenses arising from insurance contracts are recognised in profit or loss generally as they are incurred. They exclude repayments of investment components and comprise the following items.

- Incurred claims and other insurance service expenses.
- Amortisation of insurance acquisition cash flows: For contracts measured under the PAA, the Company amortises insurance acquisition cash flows on a straight-line basis over the coverage period of the group of contracts.
- Losses on onerous contracts and reversals of such losses.
- Adjustments to the liabilities for incurred claims that do not arise from the effects of the time value of money, financial risk and changes therein.
- Impairment losses on assets for insurance acquisition cash flows and reversals of such impairment losses.

Net income (expenses) from reinsurance contracts held

Net expenses from reinsurance contracts comprise an allocation of reinsurance premiums paid less amounts recovered from reinsurers.

The Company recognises an allocation of reinsurance premiums paid in profit or loss as it receives services under groups of reinsurance contracts.

For contracts measured under the PAA, the allocation of reinsurance premiums paid for each period is the amount of expected premium payments for receiving services in the period.

For a group of reinsurance contracts covering onerous underlying contracts, the Company establishes a loss-recovery component of the asset for remaining coverage to depict the recovery of losses recognised:

- on recognition of onerous underlying contracts, if the reinsurance contract covering those contracts is entered into before or at the same time as those contracts are recognised; and
- for changes in fulfilment cash flows of the group of reinsurance contracts relating to future services that result from changes in fulfilment cash flows of the onerous underlying contracts.

The loss-recovery component determines the amounts that are subsequently presented in profit or loss as reversals of recoveries of losses from the reinsurance contracts and are excluded from the allocation of reinsurance premiums paid. It is adjusted to reflect changes in the loss component of the onerous group of underlying contracts, but it cannot exceed the portion of the loss component of the onerous group of underlying contracts that the Company expects to recover from the reinsurance contracts.

Insurance finance income and expenses

Insurance finance income and expenses comprise changes in the carrying amounts of groups of insurance and reinsurance contracts arising from the effects of the time value of money, financial risk and changes therein.

The Company presents insurance finance income or expenses in profit or loss.

IFRS 9 Financial Instruments

Classification of financial assets and financial liabilities

IFRS 9 includes three principal classification categories for financial assets: measured at amortised cost, FVOCI and FVTPL. The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. IFRS 9 eliminates the previous IAS 39 categories of held-to-maturity investments, loans and receivables, and available-for-sale financial assets. Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of IFRS 9 are not separated. Instead, the hybrid financial instrument as a whole is assessed for classification. IFRS 9 has not had a significant effect on the Company's accounting policies for financial liabilities.

Impairment of financial assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with a forward-looking 'expected credit loss' model. The new impairment model applies to financial assets measured at amortised cost, debt investments at FVOCI and lease receivables. Under IFRS 9, credit losses are recognised earlier than under IAS 39.

Tangible assets

Tangible assets are stated at cost less accumulated depreciation and accumulated impairment losses. Such cost includes costs directly attributable to making the asset capable of operating as intended.

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

Furniture and fittings – over 3 years

Motor vehicle – over 3 years

Depreciation is included in administrative expenditure.

Intangible assets

Intangible assets acquired separately are capitalised at cost. Subsequent to initial recognition, intangible assets are stated at cost less accumulated amortisation and accumulated impairment

Intangible assets are amortised on a straight line basis over their estimated useful. The carrying value of intangible assets is reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable.

Software – over 6 years

Website development – over 3 years

Amortisation is included in administrative expenditure.

Leases

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.

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 lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

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 of the lease term and the estimated useful lives of the assets. If 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, depreciation is calculated using the estimated useful life of the asset. 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 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 do not depend on an index or a rate are recognised as expenses (unless they are 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 other payables including taxation and social security (see Note 22).

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., those leases that have 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 that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Financial instruments

Financial assets and liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument. Financial liabilities and equity instruments are classified according to 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.

Financial assets and liabilities

Initial measurement

All financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value (which is normally the transaction price excluding transaction costs), unless the arrangement constitutes a financing transaction. If an arrangement constitutes a finance transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Subsequent measurement

Non-current debt instruments which meet the following conditions are subsequently measured at amortised cost using the effective interest method:

a) Returns to the holder are (i) a fixed amount; or (ii) a fixed rate of return over the life of the instrument; or (iii) a variable return that, throughout the life of the instrument, is equal to a single referenced quoted or observable interest rate; or (iv) some combination of such fixed rate and variable rates, providing that both rates are positive.
b) There is no contractual provision that could, by its terms, result in the holder losing the principal amount or any interest attributable to the current period or prior periods.
c) Contractual provisions that permit the issuer to prepay a debt instrument or permit the holder to put it back to the issuer before maturity are not contingent on future events, other than to protect the holder against the credit deterioration of the issuer or a change in control of the issuer, or to protect the holder or issuer against changes in relevant taxation or law.
d) There are no conditional returns or repayment provisions except for the variable rate return described in (a) and prepayment provisions described in (c).

Debt instruments that are classified as payable or receivable within one financial year and which meet the above conditions are measured at the undiscounted amount of the cash or other consideration expected to be paid or received, i.e. net of impairment.

Realised and unrealised gains and losses arising from changes in the fair value of investments are presented in the non-technical profit and loss account in the period in which they arise. Interest income is recognised when earned. Investment management and other related expenses are recognised when incurred.

Derecognition

Financial assets are derecognised when and only when a) the contractual rights to the cash flows from the financial asset expire or are settled, b) the Company transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or c) the Company, despite having retained some significant risks and rewards of ownership, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer.

Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

Fair value measurement

The best evidence of fair value is a quoted price for an identical asset in an active market. When quoted prices are unavailable, the price of a recent transaction for an identical asset provides evidence of fair value as long as there has not been a significant change in economic circumstances or a significant lapse of time since the transaction took place. If the market is not active and recent transactions of an identical asset on their own are not a good estimate of fair value, the Company estimates the fair value by using a valuation technique.

Impairment of financial instruments measured at amortised cost or cost

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

For financial assets carried at cost less impairment, the impairment loss is the difference between the asset's carrying amount and the best estimate of the amount that would be received for the asset if it were to be sold at the reporting date.

Where indicators exist for a decrease in impairment loss, and the decrease can be related objectively to an event occurring after the impairment was recognised, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired financial asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised. The amount of the reversal is recognised in profit and loss immediately.

Cash and cash equivalents

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

Share capital

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

Capital contribution

Amounts advances 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. Balances which containing obligation to transfer recourses are classified as liability.

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. Key management personnel of the Company are also considered to be related parties.

Foreign currency translation

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.

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.

At each period 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.

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 a temporary mandatory relief from deferred tax accounting for the impacts of the global minimum top-up tax required under Pillar II legislation. Should the Company be in-scope, it will account for it as a current tax when it is incurred.

5. CHANGES IN MATERIAL ACCOUNTING POLICIES

Initial Application of an International Financial Reporting Standard

The Company has adopted the following new and amended IFRS and IFRIC interpretations as of 1 January 2023:

- Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies (issued on 12 February 2021) (effective on 1 January 2023)

Although the amendments did not result in any changes to the accounting policies themselves, they impacted the accounting policy information disclosed in the financial statements.

The amendments require the disclosure of 'material' rather than 'significant' accounting policies. The amendments also provide guidance on the application of materiality to disclosure of accounting policies, assisting entities to provide useful, entity specific accounting policy information that users need to understand other information in the financial statements.

Management reviewed the accounting policies and made updates to the information disclosed in the Material accounting policies (2022 – Significant accounting policies) in certain instances in line with these amendments.

- Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates (issued on 12 February 2021) (effective on 1 January 2023)

The amendments to IAS 8 focus entirely on accounting estimates with the definition of a change in accounting estimates being replaced with a definition of accounting estimates. Accounting estimates are now defined as "monetary amounts in financial statements that are subject to measurement uncertainty".

Accounting estimates arise when accounting policies require items in financial statements to be measured in a way that involves measurement uncertainty. The amendments clarify that a change in accounting estimate that results from new information or new developments is not the correction of an error and that the effects of a change in an input or a measurement method used to derive an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors.

The effect of the change relating to the current period is recognised as income or expense in the current period. The effect, if any, on future periods is recognised as income or expense in those future periods.
The application of these amendments did not have a material effect on the company's/group consolidated/financial statements.

- IFRS 17 Insurance Contracts (issued on 18 May 2017); including Amendments to IFRS 17 (issued on 25 June 2020) (effective on 1 January 2023) and

- Amendments to IFRS 17 Insurance contracts: Initial Application of IFRS 17 and IFRS 9 – Comparative Information (issued on 9 December 2021) (effective date 1 January 2023)

IFRS 17 Insurance Contracts replaced IFRS 4 Insurance Contracts. The Standard establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts within the scope of the Standard. The objective of IFRS 17 is to ensure that an entity provides relevant information that faithfully represents those contracts. This information gives a basis for users of financial statements to assess the effect that insurance contracts have on the entity's financial position, financial performance and cash flows.

The amendment is a transition option relating to comparative information about financial assets presented on initial application of IFRS 17. The amendment is aimed at helping entities to avoid temporary accounting mismatches between financial assets and insurance contract liabilities, and therefore improve the usefulness of comparative information for users of financial statements.

The directors are of the opinion that these amendments will not have a material impact on the financial statements of the company.

- Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction (issued on 7 May 2021) (effective on 1 January 2023)

The amendments narrow the scope of the recognition exemption in paragraph 15 of IAS 24 (recognition exemption) so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.

The directors are of the opinion that these amendments will not have a material impact on the financial statements of the company.

- Amendments to IAS 12, Income taxes: International Tax Reform – Pillar Two Model Rules (issued 23 May 2023) (effective on 1 January 2023)

The amendment introduces a temporary, mandatory exemption from accounting for deferred taxes resulting from the introduction of the global minimum taxation and targeted disclosures in the notes for effected entities.

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 to published standards as adopted by the EU in issue but not yet effective for financial periods beginning on 1 January 2023:

- Amendments to IAS 1, Presentation of Financial Statements: Classification of Liabilities as Current or Non-current (issued on 23 January 2020), Classification of Liabilities as Current or Non-current - Deferral of Effective Date (issued on 15 July 2020) and Non-Current Liabilities with Covenants (issued on 31 October 2020) (effective on 1 January 2024)

The amendments requires that a right to defer settlement for at least 12 months must exist at the reporting date and have substance. This right may be subject to compliance with conditions specified in a loan arrangement and only those existing at the reporting date are to be considered. However, information about conditions or covenants that apply in future periods are to be disclosed. Also, liabilities relating to convertible debt may become current. The amendments apply retrospectively.

The directors are of the opinion that these amendments will not have a material impact on the financial statements of the company.

- Amendments to IFRS 16, Leases: Lease liability in a sale and leaseback (issued on 22 September 2022) (effective on 1 January 2024)

The narrow scope amendment impact how a seller-lessee accounts for variable payments that arise in a sale-and-leaseback transaction. The amendments introduce a new accounting model for variable payments and requires seller-lessees to reassess and potentially restate retrospectively as from date of application of IFRS 16.

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 International Accounting Standards Board (IASB) but not yet adopted by the European Union:

- Amendments to IAS 7, Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures: Supplier Finance Arrangements (issued on 25 May 2023)

- Amendments to IAS 21, The Effects of Changes in Foreign Exchange Rates: Lack of Exchangeability (issued 15 August 2023)

The Directors are assessing the impact that the adoption of these Financial Reporting Standards will have in the financial statements of the Company in the period of initial application.

The Company has initially applied IFRS 17 and IFRS 9, including any consequential amendments to other standards, from 1 January 2023. These standards have brought significant changes to the accounting for insurance and reinsurance contracts and financial instruments. As a result, the Company has restated certain amounts in the statement of financial position as at 1 January 2022.

Except for the changes below, the Company has consistently applied all the accounting policies as set out in Note 1 to all periods presented in these financial statements.

The nature and effects of the key changes in the Company's accounting policies resulting from its adoption of IFRS 17 and IFRS 9 are summarised below.

IFRS 17 Transition

IFRS 17 is applied starting from the 1 January 2023. However, the transition date is identified by the beginning of the annual reporting period immediately preceding the date of initial application (i.e., 1 January 2022).

IFRS 17 envisages the following methods to recognize and measure insurance and reinsurance contracts for transition purposes:

- Full Retrospective Approach (FRA): this method requires the Company:
  - to identify, recognise and measure each group of insurance and reinsurance contracts as if IFRS 17 had always been applied;
  - to identify, recognise and measure any assets for insurance acquisition cash flows as if IFRS 17 had always applied;
  - to derecognise any existing balances that would not exist had IFRS 17 always applied; and
  - to recognise any resulting net difference in equity,
- Modified Retrospective Approach (MRA): if FRA is impracticable, an entity can choose to apply MRA that introduces a set of simplifications to the general Standard's requirements having regard to the level of aggregation, discount rate, recognition of CSM and allocation of insurance finance income and expenses. However, the objective of the Modified Retrospective Approach, similarly to the Fully Retrospective Approach, is to determine CSM at initial recognition (allowing for some simplification) and to carry it forward to the transition date;
- Fair Value Approach (FVA): if FRA is impracticable, an entity can choose to apply FVA. This transition method relies on the possibility to determine the contractual service margin at the transition date as the difference between the fair value of a group of insurance contracts at that date and the fulfilment cash flows measured at that date.

The Company applied Modified Retrospective Approach (MRA) to all portfolios of non-life insurance and to all reinsurance contracts. The listed portfolios are short-term contracts measured by applying PAA.

The reasons for applying MRA are as follows:

- historical information necessary for the calculation is not available in the appropriate form or at the required level of granularity due to changes of IT systems in the Company,

- historical information on assumptions and estimates as well as changes in these assumptions and estimates are not available,
- obtaining such information would require excessive effort and cost.

The Company has applied the transition provisions in IFRS 17 and has not disclosed the impact of the adoption of IFRS 17 on each financial statement line item. The effects of adopting IFRS 17 on the financial statements at 1 January 2022 are presented in the statement of changes in equity.

IFRS 9 Transition

Changes in accounting policies resulting from the adoption of IFRS 9 have been applied retrospectively, except as described below.

– The comparative period has been restated. However, information about financial instruments that had already been derecognised at 1 January 2022 continues to be reported in accordance with IAS 39 for the comparative period.

- The following assessments have been made on the basis of the facts and circumstances that existed at 1 January 2022.

– The determination of the business model within which a financial asset is held.

– The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL.

– If a financial asset had low credit risk at 1 April 2023, then the Company determined that the credit risk on the asset had not increased significantly since initial recognition.

As permitted by IFRS 7, the Company has not disclosed information about the line-item amounts that are reported in accordance with the classification and measurement (including impairment) requirements of IFRS 9 for 2022 and those that would have been reported in accordance with the classification and measurement requirements of IAS 39 for 2023.

The adoption of IFRS 9 has not had a material impact on the Company's basic or diluted EPS for the year ended 31 December 2023. Details of the changes and implications resulting from the adoption of IFRS 9 are presented below.

6. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

Contract boundaries

Most of Company's insurance contracts are one-year contracts, except for some contracts covering construction business which are multi-year contracts. Contract boundaries are defined by its coverage, taking into account the terms and conditions and the possibility to reprice.

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

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.

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.

Impairment of financial assets

Impairment of financial assets – assessing whether event or changes in circumstances indicate the carrying amount may not be recoverable.

The Company does not consider any of its financial assets to be impaired.

Leased assets

Leased assets – at inception the Company assesses agreements that transfer the right to use assets. The assessment considers whether the arrangements is, or contains, a lease based on the substance of the agreement.

7. INSURANCE REVENUES

Insurance revenue	Non-life 2023	Non-life 2022
Contracts measured under the PAA	28,401,099	20,750,666
Total insurance revenue	28,401,099	20,750,666

8. OTHER RESERVES

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

	2023 EUR	2022 EUR	2021 EUR
Other reserves	208,807	145,462	62,348

The above balance mainly relates to discounting and risk adjustments.

9. NET FINANCIAL RESULT

Net financial result	2023 Non-life	2022 Non-life
Interest accreted	(238,443)	5,370
Insurance: Effect of changes in interest rates and other financial assumptions	(25,928)	(216,923)
Total net finance expenses from insurance contracts	(264,371)	(211,553)
Reinsurance: Interest accreted	176,955	(5,057)
Reinsurance: Effect of changes in interest rates and other financial assumptions	21,601	191,565
Total net finance expenses from reinsurance contracts	198,556	186,508
	(65,815)	(25,045)
Amounts recognised in profit or loss	(146,755)	(101,521)
Amounts recognised in OCI	80,940	76,476
	-	-
Net finance expenses from insurance contracts		
Recognised in profit or loss	(67,218)	(83,351)
Recognised in OCI	197,152	294,904
Net finance expenses from REinsurance contracts	-	-
Recognised in profit or loss	82,343	31,920
Recognised in OCI	(116,212)	(218,428)

10. INSURANCE AND REINSURANCE CONTRACTS

Below follows an overview of insurance and reinsurance contracts:

	2023	2022 restated
Insurance contracts		
Insurance contracts liabilities		
-Insurance contract balances	17,736,473	13,403,960
TOTAL	**17,736,473**	**13,403,960**
Reinsurance contracts		
Reinsurance contracts assets	(5,540,503)	(5,069,036)
TOTAL	**(5,540,503)**	**(5,069,036)**

PREMIUM INSURANCE COMPANY LIMITED
NOTES TO THE FINANCIAL STATMENTS FOR THE YEAR ENDING
31 DECEMBER 2023

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

Insurance contracts - Analysis by remaining coverage and incurred claims	2023				2022			
	Liability for remaining coverage				Liability for remaining coverage			
	Excluding loss component	Loss component	Liability for incurred claims	**Total**	Excluding loss component	Loss component	Liability for incurred claims	**Total**
Opening assets	-	-	-	-	-	-	-	-
Opening liabilities	3,836,335	-	9,567,626	13,403,960	3,639,205	-	9,716,273	13,355,478
Net opening balance	3,836,335	-	9,567,626	13,403,960	3,639,205	-	9,716,273	13,355,478
Changes in the statement of profit or loss and OCI								
Insurance revenues								
Contracts under the modified retrospective transition approach	(275,356)	-	-	**(275,356)**	(5,149,475)	-	-	**(5,149,475)**
Other contracts	(28,125,743)	-	-	**(28,125,743)**	(15,601,191)	-	-	**(15,601,191)**
TOTAL	**(28,401,099)**	-	-	**(28,401,099)**	**(20,750,666)**	-	-	**(20,750,666)**
Insurance service expenses								
Incurred claims and other insurance service expenses	-	-	11,797,718	**11,797,718**	-	-	9,471,338	**9,471,338**
Amortisation of insurance acquisition cash flows	6,862,942	-	-	**6,862,942**	5,100,289	-	-	**5,100,289**
Adjustments to liabilities for incurred claims	-	-	-	-	-	-	-	-
TOTAL	**6,862,942**	-	**11,797,718**	**18,660,660**	**5,100,289**	-	**9,471,338**	**14,571,627**
Investment components and premium refunds	-	-	-	-	-	-	-	-
Insurance service result	**(21,538,157)**	-	**11,797,718**	**(9,740,439)**	**(15,650,377)**	-	**9,471,338**	**(6,179,039)**
Net Finance expenses from insurance contracts	-	-	264,370	**264,370**	-	-	211,553	**211,553**
Effect of movements in exchabge rates								
Total changes in the statement of profit or loss and OCI	**(21,538,157)**	-	**12,062,088**	**(9,476,069)**	**(15,650,377)**	-	**9,682,891**	**(5,967,487)**
Changes in the statement of profit or loss and OCI								
Premiums received	29,328,379	-	-	**29,328,379**	20,855,060	-	-	**20,855,060**
Claims and other insurance service expenses paid, including investment componer	-	-	(9,869,542)	**(9,869,542)**	-	-	(9,831,538)	**(9,831,538)**
Insurance acquisition cash flows	(5,650,256)	-	-	**(5,650,256)**	(5,007,553)	-	-	**(5,007,553)**
Total cash flows	**23,678,123**	-	**(9,869,542)**	**13,808,581**	**15,847,507**	-	**(9,831,538)**	**6,015,969**
Transfer to other items in the statements of financial position	-	-	-	-	-	-	-	-
Net closing balance	**5,976,301**	-	**11,760,172**	**17,736,473**	**3,836,335**	-	**9,567,626**	**13,403,961**
Closing Assets	-	-	-	-	-	-	-	-
Closing Liabilities	5,976,301	-	11,760,172	17,736,473	3,836,335	-	9,567,626	**13,403,960**
Net closing balance	**5,976,301**	-	**11,760,172**	**17,736,473**	**3,836,335**	-	**9,567,626**	**13,403,960**

PREMIUM INSURANCE COMPANY LIMITED
NOTES TO THE FINANCIAL STATMENTS FOR THE YEAR ENDING
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12. REINSURANCE CONTRACTS – ANALYSIS BY REMAINING COVERAGE AND INCURRED CLAIMS

Reinsurance contracts - Analysis by remaining coverage and incurred claims	2023				2022			
	Assets for remaining coverage				Assets for remaining coverage			
	Excluding loss component	Loss component	Assets for incurred claims	Total	Excluding loss component	Loss component	Assets for incurred claims	Total
Opening assets	(2,932,908)	-	8,001,944	5,069,036	(1,345,813)	-	7,577,639	6,231,826
Opening liabilities	-	-	-	-	-	-	-	-
Net opening balance	(2,932,908)	-	8,001,944	5,069,036	(1,345,813)	-	7,577,639	6,231,826
Changes in the statement of profit or loss and OCI								
Allocation of reinsurance premium paid	(10,271,466)	-	-	(10,271,466)	(7,355,579)	-	-	(7,355,579)
Amounts recoverable from reinsurers								
Recoveries of incurred claims and other insurance service expenses	-	-	4,853,260	4,853,260	-	-	3,258,531	3,258,531
Recoveries and revearsals of recoveries of losses onerous underlying contracts	-	-	-	-	-	-	-	-
Adjustments to assets for incurred claims	-	-	-	-	-	-	-	-
TOTAL	-	-	4,853,260	4,853,260	-	-	3,258,531	3,258,531
Investment components and premium refunds	(297,897)	-	297,897	-	(213,691)	-	213,691	-
Effect of changes in non-performance risk of reinsurers	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
TOTAL	(297,897)	-	297,897	-	(213,691)	-	213,691	-
	-	-	-	-	-	-	-	-
Net expenses from reinsurance contracts	(297,897)	-	5,151,157	4,853,260	(213,691)	-	3,472,222	3,258,531
Net Finance expenses from reinsurance contracts	-	-	198,555	198,555	-	-	186,508	186,508
Effect of movements in exchange rates								
Total changes in the statement of profit or loss and OCI	(297,897)	-	5,349,712	5,051,815	(213,691)	-	3,658,730	3,445,039
Cash flows								
Premium paid	(2,549,333)	-	-	(2,549,333)	(1,373,404)	-	-	(1,373,404)
Amounts received	-	- -	2,031,016	(2,031,016)	-	-	(3,234,425)	(3,234,425)
Total cash flows	(2,549,333)	-	(2,031,016)	(4,580,349)	(1,373,404)	-	(3,234,425)	(4,607,829)
Transfer to other items in the statements of financial position	-	-	-	-	-	-	-	-
Net closing balance	(5,780,137)	-	11,320,640	5,540,503	(2,932,908)	-	8,001,944	5,069,037
Closing Assets	(5,780,137)	-	11,320,640	5,540,503	(2,932,908)	-	8,001,944	5,069,036
Closing Liabilities	-	-	-	-	-	-	-	-
Net closing balance	(5,780,137)	-	11,320,640	5,540,503	(2,932,908)	-	8,001,944	5,069,036

13. DIRECTORS' EMOLUMENTS

The following emoluments were paid to the directors during the period:

	2023	2022
	EUR	EUR
Directors' Remuneration	413,433	252,260

14. STAFF NUMBERS

	2023	2022
Branch staff	39	22
Headquarter office staff	3	4

15. AUDIT FEES

	2023	2022
	EUR	EUR
Services provided by the Company's auditor		
Audit	82,315	58,577
Other assurance services	12,980	12,980

16. 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 2023 is 35% (2022 - 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 2023 is 21% (2022 - 21%).

Analysis of charge in year	2023 EUR	2022 EUR
Profit/(Loss) for the year	1,558,084	(1,099,099)
Tax charge at Malta's statutory income tax rate of 35%	(545,329)	384,685
Adjusted for tax effect of:		
Non allowable expenses	(34,130)	(12,252)
Effect of income taxable in other jurisdictions	56,609	(2,112)
Unrecognised deferred tax movement	119,444	(262,403)
Unrecognised deferred tax movement not recognised in prior	-	245,076
Future exempt capital gains/losses	37,450	(270,912)
Permanent difference on motor vehicles	(965)	(965)
Income tax	(366,920)	81,117

17. 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:

	2023 EUR	2022 EUR
Balance at 1 January	225,759	-
Movement recognised during the year		225,759
Balance at 31 December	**225,759**	**225,759**

Temporary differences attributable to:-	2023 €	2022 €
Depreciation of fixed assets	6,281	6,281
Provisions and accruals	200,314	200,314
Payables	16,057	16,057
Other	3,107	3,107
Deferred tax asset	225,759	225,759

At 31 December 2023, the company had unused tax losses and capital allowances carried forward against future Malta taxable profits amounting to €2,089,023 (2022 - €2,089,023) and €447,207 (2022 - €720,566) respectively. The company did not recognise a deferred tax asset on these balances.

18. INTANGIBLE FIXED ASSETS

	Software	Website	Total
Cost	**EUR**	**EUR**	**EUR**
At 1 January 2023	1,422,117	25,862	1,447,979
Additions	379,303	5,760	385,063
	1,801,420	31,622	1,833,042
Depreciation			
At 1 January 2023	556,101	15,097	571,198
Charge for a year	233,779	6,381	240,160
	789,880	21,478	811,358
Net book value			
At 31 December 2023	**1,011,540**	**10,144**	**1,021,684**

	Software	Website	Total
Cost	**EUR**	**EUR**	**EUR**
At 1 January 2022	1,049,841	12,758	1,062,599
Additions	372,276	13,104	385,380
	1,422,117	25,862	1,447,979
Depreciation			
At 1 January 2022	365,877	11,108	376,985
Charge for a year	190,224	3,989	194,213
	556,101	15,097	571,198
Net book value			
At 31 December 2022	**866,016**	**10,765**	**876,781**

19. TANGIBLE FIXED ASSETS

	Right-of-use Assets	Furniture and fittings	Total
Cost	**EUR**	**EUR**	**EUR**
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			
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			
At 31 December 2023	**1,419,642**	**139,854**	**1,559,496**

	Right-of-use Assets	Furniture and fittings	Total
Cost	**EUR**	**EUR**	**EUR**
At 1 January 2022	1,121,021	182,433	1,303,454
Additions	137,012	41,846	178,858
	1,258,033	224,279	1,482,312
Depreciation			
At 1 January 2022	375,712	103,496	479,208
Charge for a year	183,556	60,887	244,443
	559,268	164,383	723,651
Net book value			
At 31 December 2022	**698,765**	**59,896**	**758,661**

20. INVESTMENTS

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

	2023 EUR	2022 EUR
Fair value through profit or loss	9,407,579	3,828,591
Analysed by type of investment as follows:		
Sovereign bonds	6,668,678	1,571,243
Corporate bonds	2,738,901	2,257,348

The movements for the year are summarised as follows:

	2023 EUR	2022 EUR
At 1 January 2023	3,828,591	4,602,626
Additions	5,471,306	-
Investment fair value movement	107,682	(774,035)
At 31 December 2023	9,407,579	3,828,591
Maturity of financial investments:		
Under 5 years	7,200,579	1,774,857
Over 5 years	2,207,000	2,053,734

21. CASH AND CASH EQUIVALENTS AT BANK AND IN HAND

	2023 EUR	2023 EUR
Cash and cash equivalents at bank	9,516,536	8,990,155
Cash in hand	1,118	502
	9,517,654	8,990,657

22. SHARE CAPITAL

	2023	2022
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.

23. CAPITAL CONTRIBUTION

During the financial year, the Company has not received an additional capital contribution from its shareholders (2022 – EUR 0)

24. CAPITAL MANAGEMENT

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

	2023	2022
	EUR	EUR
Called up share capital	7,500,000	7,500,000
Capital contribution	3,400,000	3,400,000
Retained earnings	(4,722,576)	(5,913,741)
Other reserves	(208,807)	(145,462)
	5,968,617	4,840,797

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 MFSA, 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.

25. OTHER PAYABLES INCLUDING TAXATION AND SOCIAL SECURITY

	2023 EUR	2021 EUR
Other payables	380,782	284,648
Lease liabilities	1,443,041	724,776
	1,823,823	1,009,424

Lease liabilities included in other payables

Total undiscounted minimum lease payments payable in settlement of lease liabilities	1,598,982	819,560
Less: future finance charges	(155,941)	(94,784)
Present value of lease obligations	1,443,041	724,776
Amount due:-		
Within one year	323,346	217,048
Between one and five years	1,111,754	429,359
More than five years	7,941	78,369
	1,443,041	724,776

At the financial position date, the company's undiscounted lease commitments amounted to EUR 1,598,982. The maturity of these liabilities were as follows:

	Year 1 EUR	Year 2 EUR	Year 3-5 EUR	After 5 Years EUR	TOTAL EUR
Lease commitments	382,408	329,552	879,036	7,986	1,598,982

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

	2023 EUR	2022 EUR
Depreciation on right-of-use asset	326,592	183,556
Interest on lease liabilities	70,758	37,079

Lease payments effected during the year amounted to EUR 343,066 (2022 – EUR 201,194).

26. ACCRUALS AND OTHER LIABILITIES

	EUR	EUR
Accruals	419,145	295,857
Other liabilities	1,171,751	186,941
	1,590,896	482,798

27. FINANCIAL RISK MANAGEMENT

The Company monitors and manages the financial risks relating to the operations of the Company through internal risk reports which analyse exposures by degree and magnitude of risks. These risks include market risk (currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

The Company may seek to minimise the effects of these risks by using derivative financial instruments to hedge risk exposures. The Company does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

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 in order to manage market risk and methods to measure it.

There were no changes in the Company's market risk exposure in the financial period nor to the objectives, policies and processes for managing market risk.

Foreign currency risk management

The Company undertakes certain transactions denominated in foreign currencies. Hence, exposures to exchange rate fluctuations arise.

All cash deposits are held in Euro and majority of risk were underwritten in Euro therefore the Company has very limited exposure to currency risk.

Due to very limited exposure to currency risk the Company considers that sensitivity analysis is not required. The sensitivity analysis shown at the end of this section reflects the exposure of the Company to currency fluctuations.

Interest rate risk management

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.

Other price risk management

The Company is not exposed to price risk arising from fluctuations in the value of financial instruments as a result of changes in the market prices and the risks inherent in all investments.

The Company has no 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, and the level of investment in non-sovereign issues. 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.

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

The assets bearing credit risk:-	A- and above	BBB	Not rated	2022
	EUR	EUR	EUR	EUR
Financial investments	3,815,910	-	-	3,815,910
Cash at bank	8,990,155	-	-	8,990,155
Assets bearing credit risk	12,806,065	-	-	12,806,065

No financial assets are past due or impaired at the reporting date and management expects no significant losses from non-performance by these counterparties.

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 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.

Liquidity risk (continued)

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

	> 5 years	1 - 5 years	<1 Year	2022
Financial liabilities	**EUR**	**EUR**	**EUR**	**EUR**
Lease liabilities	78,369	429,359	217,048	724,776
Accruals and other liabilities	-	-	482,798	482,798
	78,369	429,359	699,846	1,207,574

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 2023:

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
Assets	**EUR**
Financial assets at fair value through profit or loss	9,407,579

At 31 December 2023 and 31 December 2022, the carrying amounts of payables and receivables approximated their fair values due to the short-term maturities of these assets and liabilities.

28. INSURANCE RISK MANAGEMENT

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 approved reinsurers 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.

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). A concentration of risk may also arise from a single insurance contract issued to a particular demographic type of policyholder, within a geographical location or to types of commercial business.

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 follow 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 balance sheet and profit and loss as appropriate.

	2023		2022	
	P&L effect	Equity effect	P&L effect	Equity effect
Non life				
Loss ratio upwards shock	- 16,270.94		- 72,210.10	
Loss ratio downwards shock	16,270.94		72,210.10	
Market risk				
currency shock -25% to CZK	-241,021.98		-179,029.50	
Interest rate shock upwards	-301,058.33	4,836.47	-267,600.00	21,289.25
Interest rate shock downwards	301,058.33	- 4,836.47	267,600.00	-21,289.25

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:

	31-Dec-17	31-Dec-18	31-Dec-19	31-Dec-20	31-Dec-21	31-Dec-22	31-Dec-23	Total
Gross claims	€	€	€	€	€	€	€	€
One year later		226,139	517,566	1,174,626	2,362,848	4,290,152	10,124,005	18,695,335
Two years later	83,567	63,795	625,316	1,411,145	3,318,198	2,567,672	-	8,069,692
Three years later	7,877	117,647	184,302	586,909	1,010,530	-	-	1,907,265
Four years later	11,168	108,429	49,847	155,438	-	-	-	324,883
Five years later	-	33,725	29,115	-	-	-	-	62,840
	-	-						
Cumulative claims incurred	102,612	549,735	1,406,147	3,328,118	6,691,576	6,857,823	10,124,005	29,060,016
Cumulative claims paid	-102,612	-532,882	-1,315,081	-2,889,931	-5,499,372	-4,249,510	-2,991,306	-17,580,693
Liability for incurred claims	-	**16,853**	**91,066**	**438,188**	**1,192,204**	**2,608,314**	**7,132,699**	**11,479,323**

	31-Dec-17	31-Dec-18	31-Dec-19	31-Dec-20	31-Dec-21	31-Dec-22	31-Dec-23	Total
Reinsurers' share	€	€	€	€	€	€	€	€
One year later		290,205	532,502	1,076,137	2,219,447	3,852,405	8,417,130	16,387,826
Two years later	76,695	107,139	646,408	813,126	2,549,795	1,405,930	-	5,599,092
Three years later	11,232	71,314	162,589	599,198	402,858	-	-	1,247,191
Four years later	10,019	101,538	138,575	71,283	-	-	-	321,416
Five years later		1,573	17,157	-	-	-	-	18,730
Cumulative claims incurred	97,946	571,770	1,497,231	2,559,743	5,172,099	5,258,335	8,417,130	23,574,254
Cumulative claims paid	-97,946	-478,669	-1,284,529	-1,960,639	-3,804,703	-2,749,469	-2,044,396	-12,420,350
Reinsurers' share of claims liabilit	-	**93,101**	**212,702**	**599,104**	**1,367,396**	**2,508,866**	**6,372,734**	**11,153,904**

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.

29. RELATED PARTY TRANSACTIONS

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

During the year ended 31 December 2023, TC charged the Company EUR 183,561 (2022 – EUR 162,442) for the claims handling services and administrative assistance. As at 31 December 2023, the Company owed TC EUR 41,616 (2022 – EUR 35,103

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 2023, VERTIA charged the Company EUR 0- (2022 – EUR 0) for the directors' services. As at 31 December 2023, the Company owed VERTIA EUR 0 (2022 -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 2023, RESPECT charged the Company EUR 2,651,722 (2022 – EUR 2,163,789) for the brokerage fees. As at 31 December 2023, the Company owed RESPECT EUR 1,274,329 (2022 -EUR 1,001,302).

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 8.

30. 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 čast Staré Mesto.

31. CHANGES IN COMPARATIVE FIGURES

The comparative figures were changed due to changes in accounting policies caused by new standard adopted being IFRS 17. Other changes relate to reclassifications and were also made for a fairer presentation.

The changes for 1 January 2022 and 1 January 2023 Balance Sheet are summarised in the table below.

	Audited Figures 31-Dec-21	Adjustment	Reinstated Figures 01-Jan-22
Tangible fixed assets and right-of-use assets	824,246	(824,246)	-
Tangible fixed assets	-	745,310	745,310
Property, plant & equipment held for own use	-	78,936	78,936
Financial Investments	4,589,945	10,181	4,600,126
Other debtors	100,573	(10,181)	90,391
Total assets	**27,747,533**	**(0)**	**20,556,201**

	Audited Figures 31-Dec-22	Adjustment	Reinstated Figures 31-Dec-22
Tangible fixed assets and right-of-use assets	758,661	(758,661)	-
Tangible fixed assets	-	698,766	698,766
Property, plant & equipment held for own use	-	59,895	59,895
Financial Investments	3,815,910	12,681	3,828,591
Other debtors	133,790	(80,363)	53,427
Total assets	**4,708,361**	**(67,682)**	**4,640,679**

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INDEPENDENT AUDITORS' REPORT

To the members 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 64, which comprise the statement of financial position as at 31 December 2023 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 policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2023, 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). The audit opinion is consistent with the additional report to the audit committee referred to in the Audit Regulation.

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.

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.

Valuation of liabilities arising from insurance contracts

Risk description

At 31 December 2023 the Company had liability for remaining coverage and liability for incurred claims amounting to EUR 5,976,301 and EUR 11,760,172 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.

INDEPENDENT AUDITORS’ REPORT

To the members of Premium Insurance Company Limited (continued)

Key Audit Matters (continued)

Valuation of liabilities arising from insurance contracts (continued)

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 notes 10 and 12 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. 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).

INDEPENDENT AUDITORS' REPORT

To the members of Premium Insurance Company Limited (continued)

Other Information (continued)

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.

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.

- 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.

INDEPENDENT AUDITORS' REPORT

To the members of Premium Insurance Company Limited (continued)

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

- 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.

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.

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INDEPENDENT AUDITORS' REPORT

To the members of Premium Insurance Company Limited (continued)

Report on Other Legal and Regulatory Requirements (Continued)

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 that 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 four 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

Mazars Malta
Certified Public Accountants
Office address:
The Watercourse, Level 2,
Mdina road, Zone 2, Central business district,
Birkirkara CBD2010

8 April 2024