Company Registration No. SE 17

FORTEGRA EUROPE INSURANCE COMPANY SE

Report
and
Financial Statements

31 December 2023

CONTENTS

GENERAL INFORMATION

Registration

Fortegra Europe Insurance Company SE (the "Company") is registered in Malta as a Societas Europeas ('SE') under the Companies Act, Cap. 386 of the Laws of Malta. The Company's registration number is SE 17. The Company is licensed by the Malta Financial Services Authority as an insurance company in terms of the Insurance Business Act, Cap. 403 of the Laws of Malta. The Company was incorporated on 1 February 2018.

Directors

Mr. Richard Kahlbaugh - Chairman
Mr. Michael F. Grasher
Mr. Michael Vrban
Mr. Sanjay Vara
Mr. Michael Gatt
Mr. Kevin Vella
Mr. Francis Colalucci
Ms. Janie Hartley

Company Secretary

Mr. Brian Borg

Registered Office

Office 13, SOHO Office, The Strand
Fawwara Building, Triq l-Imsida
Gzira, GZR 1401
Malta

Bankers

Barclays PLC
P.O. Box 9, Barclays House,
Victoria Street,
Douglas, Isle of Man,
United Kingdom, IM99 1AJ

Fifth Third Bank,
38, Fountain Square Plaza,
Cincinnati, OH 45263
United States

Auditors

Deloitte Audit Limited,
Deloitte Place,
Triq l-Intornjatur, Zone 3
Central Business District, CBD 3050
Birkirkara
Malta

DIRECTORS' REPORT

The Directors present their report and the financial statements of the Company for the year ended 31 December 2023.

Principal activity

The principal activity of the Company is the transaction of general insurance business of insurance in terms of the Insurance Business Act, 1998 (Chapter 403, Laws of Malta). The Company is licensed to transact general business falling within Class 3 - Land vehicles, Class 8 - Fire and natural forces, Class 9 - Other damage to property, Class 16 - Miscellaneous financial loss and Class 18 - Assistance.

During the course of 2023 Fortegra Europe Insurance Company P.L.C. and Fortegra Belgium NV completed a cross-border legal merger by absorption-like transaction pursuant to Directive 2005/56/EG of the European Parliament and the Council of 26 October 2005 with respect to cross-border mergers of capital companies, as transposed into Belgian law pursuant to Articles 12:7 iuncto 12:106 and following of the Belgian Companies and Associations Code and transposed into Maltese law pursuant to the Cross-Border Mergers of Limited Liability Companies Regulations (S.L.386.12 of the Laws of Malta). Upon the merger becoming effective, Fortegra Europe Insurance Company P.L.C., as the acquiring company, became a European company ("societas europaea") pursuant to Council Regulation (EC) No. 2157/2001 of 8 October 2001 on the Statute for a European Company (SE).

The accounting period covered by these financial statements consists of 12 months, from 1 January 2023 to 31 December 2023.

Results for the period

The statement of profit or loss and other comprehensive income is shown on page 5.

During the financial year under review, the Company registered a profit before tax of EUR 12,413,405 (2022: EUR 6,899,318). Insurance revenue totalled EUR 104,617,012 (2022: EUR 74,207,985) and Insurance service result from contracts issued amounted to EUR 12,517,943 (2022: EUR 7,918,587).

Dividends

A dividend of EUR 15.0 million was approved in March 2024 (2022: nil).

Risk management

The principal risks facing the Company and its policies for managing those risks are set out in Note 24 of the notes to these financial statements.

Events after the reporting date

On 7 February 2024 the Company applied under Section 55L(5) of the Financial Services and Markets Act 2000 ('FSMA') for the Financial Conduct Authority (the 'FCA') to impose certain requirements on the Company's Part 4A permissions. Within five business days from that date, the Company instructed all persons in the distribution arrangements for GAP contracts manufactured by the Company to immediately cease marketing and distributing the GAP contracts to customers based in the UK. This Voluntary Application for Imposition of Requirements, which was also entered into by all major insurer writing GAP contracts on the UK market, entails that the Company must, except with the prior written consent of the FCA, not enter into, take up or effect any GAP contracts for or with customers based in the UK, not market any GAP contracts to customers based in the UK, and not advise on or propose any GAP contracts, whether directly or through another person, to customers based in the UK. The Company is currently working through a revised product offering to be in a position to exit the Voluntary Application for Imposition of Requirements with the consent of the FCA.

DIRECTORS' REPORT

Directors

The Directors who held office during the year ended 31 December 2023 and to the date of this report are listed on page 2. In accordance with the Company's memorandum and articles of association, all the Directors are to remain in office.

Statement of Directors' responsibilities

The Maltese Companies Act, 1995 (Chapter 386, Laws of Malta) and the Insurance Business Act, 1998 (Chapter 403, Laws of Malta) requires the Directors of the Company to prepare financial statements for each financial period which give a true and fair view of the financial position of the Company as at the end of the financial period and of the profit or loss of the Company for that period in accordance with the requirements of International Financial Reporting Standards (IFRS) as adopted by the European Union (EU).

In preparing financial statements, the Directors are responsible for:

- selecting and applying appropriate accounting policies;
- making accounting estimates that are reasonable in the circumstances; and
- ensuring that the financial statements are prepared on the going concern basis unless it is inappropriate to presume that the Company will continue in business as a going concern.

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 provisions of the Maltese Companies Act, 1995 and the Insurance Business Act, 1998.

The Directors are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors, through oversight of management, are responsible to ensure that the Company establishes and maintains internal control to provide reasonable assurance with regard to reliability of financial reporting, effectiveness and efficiency of operations and compliance with applicable laws and regulations.

Management is responsible, with oversight from the Directors, to establish a control environment and maintain policies and procedures to assist in achieving the objective of ensuring, as far as possible, the orderly and efficient conduct of the Company's business. This responsibility includes establishing and maintaining controls pertaining to the Company's objective of preparing financial statements as required by the Act and managing risks that may give rise to material misstatements in those financial statements. In determining which controls to implement to prevent and detect fraud, the management considers the risks that the financial statements may be materially misstated as a result of fraud.

Auditors

Deloitte Audit Limited have indicated their willingness to continue in office and their re-appointment will be discussed at the Annual General Meeting.

Approved by the Board of Directors on 6 May 2024 and signed on its behalf by:

RICHARD KAHLBAUGH
Chairman

MICHAEL VRBAN
Director

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME for the year ended 31 December 2023

	Notes	2023 EUR	2022 EUR
Insurance revenue	3	**104,617,012**	74,207,985
Insurance service expenses	4	**(80,709,082)**	(60,460,218)
Insurance service result from insurance contracts issued		**23,907,930**	13,747,767
Net expenses from reinsurance contracts held	5	**(11,389,987)**	(5,829,180)
Insurance service result		**12,517,943**	7,918,587
Finance income – interest income	6	**2,316,692**	963,606
Realised gain or (loss) on Investments		**(890,206)**	-
Unrealised gain or (loss) on Investments		**867,257**	(3,058,498)
Net investment income		**2,293,743**	(2,094,892)
Insurance finance expenses/income from insurance contracts issued	6	**(4,676,498)**	1,839,784
Finance income/expenses from reinsurance contracts held		**2,114,471**	(875,301)
Net insurance finance expenses/income		**(2,562,027)**	964,483
Net insurance and investment result		**12,249,659**	6,788,178
Other income		**163,746**	111,140
Profit before tax		**12,413,405**	6,899,318
Income tax expenses	17	**(542,205)**	(498,146)
Profit for the year		**11,871,200**	6,401,172
Other comprehensive income for the year			
Items that may be reclassified subsequently to profit or loss:			
Foreign exchange differences on translation of foreign operations		**2,583,959**	3,245,209
Total comprehensive income for the year		**14,455,159**	9,646,381

The accounting policies and explanatory notes on pages 9 to 67 form an integral part of the financial statements.

STATEMENT OF FINANCIAL POSITION
as at 31 December 2023

	Notes	**2023 EUR**	2022 EUR	2021 EUR
Assets				
Cash and bank balances	19	**48,519,891**	22,087,107	26,056,253
Trade and other receivables	20	**6,956,321**	1,714,517	963,959
Investments in a subsidiary		**-**	59,692	-
Investments in financial assets	18	**98,219,633**	91,514,544	75,382,022
Asset for Insurance Acquisition Cashflows	15	**4,022,392**	4,960,552	6,311,783
Reinsurance contract assets	11	**58,988,730**	48,432,598	16,680,035
Deferred tax asset	21	**5,512**	5,401	5,701
Total assets		**216,712,479**	168,774,410	125,399,753
Liabilities				
Trade and other payables	22	**12,774,947**	3,187,727	2,291,514
Insurance contract liabilities	8	**129,121,187**	105,225,497	72,393,434
Total liabilities		**141,896,134**	108,413,224	74,684,948
Equity				
Capital and reserves				
Issued share capital	23	**6,055,455**	6,055,455	6,055,455
Capital contribution		**35,268,633**	35,268,633	35,268,633
Retained earnings		**25,066,160**	13,194,960	6,793,788
Translation reserve		**8,426,097**	5,842,138	2,596,929
Total equity		**74,816,345**	60,361,186	50,714,805
Total liabilities and equity		**216,712,479**	168,774,410	125,399,753

The accounting policies and explanatory notes on pages 9 to 67 form an integral part of the financial statements.

The financial statements on pages 5 to 67 have been authorised for issue by the Board of Directors on 6 May 2024 and signed on its behalf by:

RICHARD KAHLBAUGH
Chairman

MIKE VRBAN
Director

STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2023

	Share capital EUR	Capital contribution EUR	Retained Earnings EUR	Translation reserve EUR	Total EUR
Balance at 1 January 2022	6,055,455	35,268,633	9,803,715	2,476,825	53,604,628
Effect of adoption of IFRS 17	-	-	(3,009,927)	120,104	(2,889,823)
Restated Balance at 1 January 2022	6,055,455	35,268,633	6,793,788	2,596,929	50,714,805
Net reporting currency differences arising on translation from functional currency to presentation currency	-	-	-	3,245,209	3,245,209
Profit for the year net of tax	-	-	6,401,172	-	6,401,172
Total Comprehensive income for the year and movements in reserves	-	-	6,401,172	3,245,209	9,646,381
Balance at 31 December 2022	**6,055,455**	**35,268,633**	**13,194,960**	**5,842,138**	**60,361,186**
Balance at 1 January 2023	**6,055,455**	**35,268,633**	**13,194,960**	**5,842,138**	**60,361,186**
Net reporting currency differences arising on translation from functional currency to presentation currency	-	-	-	2,583,959	2,583,959
Profit for the year net of tax	-	-	11,871,200	-	11,871,200
Total Comprehensive income for the year and movements in reserves	-	-	11,871,200	2,583,959	14,455,159
Balance at 31 December 2023	**6,055,455**	**35,268,633**	**25,066,160**	**8,426,097**	**74,816,345**

The accounting policies and explanatory notes on pages 9 to 67 form an integral part of the financial statements.

STATEMENT OF CASH FLOWS
for the year ended 31 December 2023

	Note	2023	2022
		EUR	EUR
Operating activities			
Profit before tax		**12,413,405**	6,899,318
Adjustments for:			
Interest and investment income		**(2,316,692)**	(963,607)
Unrealised loss on investments		**(867,257)**	3,058,498
Operating profit before working capital changes		**9,229,456**	8,994,209
Movement in other receivables		**(5,241,804)**	(750,556)
Movement in deferred acquisition costs		**938,160**	1,351,231
Movement in other payables		**9,587,220**	896,213
Movement in insurance contract liabilities		**23,895,690**	32,832,063
Movement in reinsurance contract assets		**(10,556,132)**	(31,752,563)
		27,852,590	11,570,597
Cash generated from operations:			
Interest and investment income received		**2,316,692**	963,607
Net cash flows from operating activities		**30,169,282**	12,534,204
Investing activities			
Payments for financial assets at FVTPL		**(87,840,144)**	(40,234,743)
Proceeds from sale of financial assets at FVTPL		**81,489,996**	20,545,876
Investment in a subsidiary		**59,692**	(59,692)
Net cash flows used in investing activities		**(6,320,456)**	(19,748,559)
Effect of exchange rates on cash and cash equivalents		**2,583,958**	3,245,209
Net (decrease) / increase in cash and cash equivalents		**26,432,784**	(3,969,146)
Cash and cash equivalents at the beginning of the year		**22,087,107**	26,056,253
Cash and cash equivalents at the end of the year	19	**48,519,891**	22,087,107

The accounting policies and explanatory notes on pages 9 to 67 form an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF MATERIAL ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out below.

1.1 Basis of preparation

These financial statements are prepared and presented in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB) and adopted by the European Union (EU). They have also been drawn up in accordance with the provisions of the Companies Act, 1995 (Chapter 386, Laws of Malta) and the Insurance Business Act, 1998 (Chapter 403, Laws of Malta). The financial statements are prepared on a going concern basis, under the historical cost convention as modified by the fair valuation of financial assets at fair value through profit or loss.

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 2 - Critical accounting estimates and judgements in applying accounting policies).

The accounting years covered by these financial statements consists of 12 months, from 1 January 2023 to 31 December 2023.

The company adopted IFRS 17 ‘Insurance Contracts’ retrospectively from January 1, 2022; therefore the comparative figures as presented in these financial statements have been restated for the effect of the adoption of IFRS 17. The company also adopted IFRS 9 ‘Financial Instruments’ from January 1, 2023. As permitted by IFRS 9 transition provisions, the company did not restate the comparative information for the effects of adoption of IFRS 9.

Certain amounts recorded in the financial statements reflect estimates and assumptions made by the directors about insurance and reinsurance contract assets and liabilities, investment valuations, interest rates and other factors.

Standards, interpretations and amendments to published standards effective in 2023

IFRS 17 ‘Insurance Contracts’

IFRS 17 ‘Insurance Contracts’ provides comprehensive guidance on accounting for (re-)insurance contracts issued including investments contracts with discretionary participation features and reinsurance contracts held. It has a significant impact on the measurement of these contracts and the presentation of the insurance revenue and insurance service result. The impact is more pronounced for long-duration contracts, where measurement under IFRS 17 includes the recognition of a separate component of the insurance liability, contractual service margin (CSM), representing unearned profits from in-force contracts. For short duration contracts, all the liabilities for incurred claims are discounted under IFRS 17, which allows for consistency in presentation of short and long-tail businesses. IFRS 17 further introduces a risk adjustment for non-financial risk, a separate component of the liability covering the uncertainty in the amount and timing of future cashflows.

IFRS 17 introduces different measurement models for (re-)insurance contract assets and liabilities reflecting the different extent of policyholder participation in investment performance or performance of the insurance company; non-participating or indirect participating (general model or the building block approach (BBA)) and direct participating (the variable fee approach (VFA)). For short duration contracts, IFRS 17 permits a simplifies approach (the premium allocation approach (PAA)), which can be applied to contracts that have a coverage period of 12months or less or for which such simplification would produce a measurement of the liability for remaining coverage that would not differ materially from the one that would be produced by applying the BBA.

NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF MATERIAL ACCOUNTING POLICIES - Continued

IFRS 17 'Insurance Contracts' - continued

Summary of IFRS 17 transition approach and effect
The company determined the transition approach for groups of insurance contracts, depending on the availability of reasonable and supportable historic information. The company adopted a fully retrospective approach; the CSM is based on initial assumptions when groups of contracts were incepted and rolled forward to the date of transition as if IFRS 17 had always been applied.

Amendments to IAS 1 'Disclosure of Accounting Policies'

The Company has adopted the amendments to IAS 1 for the first time in the current year. The amendments change the requirements in IAS 1 with regard to disclosure of accounting policies. The amendments replace all instances of the term 'significant accounting policies' with 'material accounting policy information'. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The supporting paragraphs in IAS 1 are also amended to clarify that accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed. Accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material.

The IASB has also developed guidance and examples to explain and demonstrate the application of the 'four-step materiality process' described in IFRS Practice Statement 2.

Amendments to IAS 8 'Definition of Accounting Estimates'

The Company has adopted the amendments to IAS 8 for the first time in the current year. The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty". The definition of a change in accounting estimates was deleted.

IFRS 9 'Financial Instruments'
Financial assets and financial liabilities are recognised when the company becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially recognised at their fair value plus directly attributable transaction costs for all financial assets or financial liabilities not classified at fair value through profit or loss.

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when the company has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Financial assets are derecognised when the contractual rights to the cash flows from the financial assets expire or when the entity transfers the financial asset and the transfer qualifies for derecognition.

Financial liabilities are derecognised when they are extinguished. This occurs when the obligation specified in the contract is discharged, cancelled or expires.

An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities. Equity instruments are recorded at the proceeds received, net of direct issue costs.

NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF MATERIAL ACCOUNTING POLICIES - Continued

IFRS 9 'Financial Instruments' - Continued
Classification of financial assets

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value.

Debt instruments that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments that meet the following conditions are subsequently measured at fair value through other comprehensive income ('FVTOCI'):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and

- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

By default, all other financial assets are subsequently measured at fair value through profit or loss ('FVTPL').

Despite the aforegoing, the Company may make the following irrevocable election / designation at initial recognition of a financial asset:

- the Company may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if certain criteria are met; and

- the Company may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces a measurement or recognition inconsistency (an 'accounting mismatch').

The business model

An assessment of business models for managing financial assets is fundamental to the classification of a financial asset. The Company determines the business models at a level that reflects how groups of financial assets are managed together to achieve a particular business objective.

The Company's business model does not depend on management's intentions for an individual instrument, therefore the business model assessment is performed at a higher level of aggregation rather than on an instrument-by-instrument basis. The information considered includes: (a) the stated policies and objectives for the portfolio and the operation of those policies in practice; (b) how the performance of the portfolio is evaluated and reported to the Company's management; (c) the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed; (d) how managers of the business are compensated; and (e) the frequency, value and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

The Company classifies its financial assets into the following two categories: a) financial assets at fair value through profit or loss, and b) financial assets at amortised cost.

NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF MATERIAL ACCOUNTING POLICIES - Continued

IFRS 9 'Financial Instruments' - Continued

Debt instruments measured at amortised cost

The following financial assets are classified within this category – trade receivables, cash and bank balances and certain other debt investments.

Appropriate allowances for expected credit losses ('ECLs') are recognised in profit or loss in accordance with the Company's accounting policy on ECLs.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Changes in the carrying amount as a result of foreign exchange gains or losses, impairment gains or losses and interest income are recognised in profit or loss. On derecognition, any difference between the carrying amount and the consideration received is recognised in profit or loss and is presented separately in the line item 'Gains and losses arising from the derecognition of financial assets measured at amortised cost'.

Interest income is recognised using the effective interest method and is included in the line item 'Investment income'.

Trade receivables which do not have a significant financing component are initially measured at their transaction price and are subsequently stated at their nominal value less any loss allowance for ECLs.

Financial assets measured at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI are measured at FVTPL. Specifically:

- investments in equity instruments are classified as at FVTPL. However, a Company may designate an equity investment that is neither held for trading nor a contingent consideration arising from a business combination as at FVTOCI on initial recognition.
- debt instruments that do not meet the amortised cost criteria or the FVTOCI criteria are classified as at FVTPL.

In addition, debt instruments that meet either the amortised cost criteria or the FVTOCI criteria may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities or recognising the gains and losses on them on different bases. The Company has not applied this designation.

Financial assets measured at FVTPL are subsequently measured at fair value at the end of each reporting period, with any fair value gains or losses including foreign exchange gains and losses, recognised in profit or loss.

Where applicable, dividend income is recognised with other dividend income, if any, arising on other financial assets within the line item 'Finance income – other income'. Where applicable, interest income is disclosed separately within the line item 'Finance income – interest income'. Fair value gains and losses are recognised within the line items 'Realised gain or (loss) on Investments' or 'Unrealised gain or (loss) on Investments'.

NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF MATERIAL ACCOUNTING POLICIES - Continued

IFRS 9 'Financial Instruments' - Continued

Interest income using the effective interest method

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost and at FVTOCI.

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. For financial instruments other than purchased or originated credit-impaired financial assets, the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding ECLs, through the expected life of the debt instrument, or where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition.

<u>Classification and measurement of financial assets and impairment losses</u>

The application of IFRS 9 has had no impact on the cashflows of the company.

The table below illustrates the classification and measurement of financial assets under IFRS 9 and IAS 39 at the date of initial application, 1 January 2022.

	Original measurement category under IAS 39	**New measurement category under IFRS 9**	**Original carrying amount under IAS 39**	**New carrying amount under IFRS 9**
			EUR	**EUR**
Cash and bank balances	Loans and receivables	Financial assets measured at amortised cost	22,087,107	22,087,107
Financial assets measured at FVTPL	Financial assets measured at FVTPL	Financial assets measured at FVTPL	91,514,544	91,514,544
Trade and other receivables	Loans and receivables	Financial assets measured at amortised cost	1,714,517	1,714,517

Financial liabilities and equity

Bank borrowings

Subsequent to initial recognition, interest-bearing bank loans are measured at amortised cost using the effective interest method. Bank loans are carried at face value due to their market rate of interest.

Subsequent to initial recognition, interest-bearing bank overdrafts are carried at face value in view of their short-term maturities.

Other borrowings

Subsequent to initial recognition, other borrowings are measured at amortised cost using the effective interest method unless the effect of discounting is immaterial. Any difference between the proceeds, net of transaction costs, and the settlement or redemption of other borrowings is recognised in profit or loss over the term of the borrowings.

NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF MATERIAL ACCOUNTING POLICIES - Continued

IFRS 9 'Financial Instruments' - Continued

Trade payables

Trade payables are classified with current liabilities and are stated at their nominal value unless the effect of discounting is material, in which case trade payables are measured at amortised cost using the effective interest method.

Classification and measurement of financial liabilities

The table below illustrates the classification and measurement of financial liabilities under IFRS 9 and IAS 39 at the date of initial application, 1 January 2023.

	Original measurement category under IAS 39	**New measurement category under IFRS 9**	**Original carrying amount under IAS 39**	**New carrying amount under IFRS 9**
			EUR	**EUR**
Trade and other payables	Financial liabilities at amortised cost	Financial liabilities at amortised cost	3,187,727	3,187,727

Expected Credit Losses (ECL)

The Company recognises a loss allowance for ECLs on the following – intercompany receivables, trade receivables and cash at bank.

The amount of ECLs is updated at each reporting date to reflect changes in credit risk since the initial recognition.

For trade receivables that do not contain a significant financing component (or for which the IFRS 15 practical expedient for contracts that are one year or less is applied), the Company applies the simplified approach and recognises lifetime ECL.

Where a collective basis is applied, the ECLs on these financial assets are estimated using a provision matrix based on the Company's historical credit loss experience based on the past due status of the debtors, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date.
For all other financial instruments, the Company uses the general approach and recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on the financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to 12-month ECL ('12m ECL'). The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition instead of on evidence of a financial asset being credit-impaired at the reporting date or an actual default occurring.

Lifetime ECL represents the ECLs that will result from all possible default events over the expected life of a financial instrument. In contrast, 12m ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF MATERIAL ACCOUNTING POLICIES - Continued

IFRS 9 'Financial Instruments' - Continued

If the Company has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Company measures the loss allowance at an amount equal to 12m ECL at the current reporting date.

The Company recognises an impairment gain or loss in profit or loss for all financial assets with a corresponding adjustment to their carrying, except for investments in debt instruments that are measured at FVTOCI, and does not reduce the carrying amount of the financial asset in the statement of financial position.

Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Company compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Company considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort and, where applicable, the financial position of the counterparties.

The Company regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

Forward-looking information considered includes the future prospects of the industries in which the Company's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Company's core operations.

Irrespective of the outcome of the above assessment, the Company presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Company has reasonable and supportable information, that is available without undue cost or effort, that demonstrates otherwise.

Definition of default

The Company considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the counterparty; or

- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Company, in full (without taking into account any collateral held by the Company).

Irrespective of the above analysis, the Company considers that default has occurred when a financial asset is more than 90 days past due unless the Company has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred.

NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF MATERIAL ACCOUNTING POLICIES - Continued

IFRS 9 'Financial Instruments' - Continued

Evidence that a financial asset is credit-impaired includes observable data about the following events:

a) significant financial difficulty of the issuer or the borrower;
b) a breach of contract, such as a default or past due event;
c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
e) the disappearance of an active market for that financial asset because of financial difficulties.

Write-off policy

The Company writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery.

Financial assets written off may still be subject to enforcement activities under the Company's recovery procedures, taking into account legal advice where appropriate. Recoveries made are recognised in profit or loss as impairment gains.

Measurement and recognition of ECLs

For financial assets, the credit loss is the difference between all contractual cash flows that are due to the Company in accordance with the contract and all the cash flows that the Company expects to receive, discounted at the original effective interest rate. ECLs represent the weighted average of credit losses with the respective risks of a default occurring as the weights.

The measurement of ECLs is a function of:
- the probability of default, which is an estimate of the likelihood of default over a given time horizon estimated at a point in time,
- the loss given default, which is an estimate of the loss arising on default, taking into into consideration the cash flows expected from collateral and other credit enhancements that are part of the contractual terms and are not recognised separately,
- the exposure at default, which is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date that are permitted by the current contractual terms, including amortisation profiles and early repayment or overpayment; for loan commitments and financial guarantee contracts, the exposure includes the amount drawn down as at the reporting date, together with any additional amounts expected to be drawn down in the future by default date.

The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information, where applicable. Where applicable, the financial position of the counterparties is also taken into consideration.

Where applicable, forward-looking information considered includes the future prospects of the industries in which the Company's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Company's core operations.

Collective basis

If evidence of a significant increase in credit risk at the individual instrument level is not yet available, the Company performs the assessment of significant increases in credit risk on a collective basis by considering information on, for example, a group or sub-group of financial instruments.

NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF MATERIAL ACCOUNTING POLICIES - Continued

IFRS 9 'Financial Instruments' - Continued

Where the Company does not have reasonable and supportable information that is available without undue cost or effort to measure lifetime ECL on an individual instrument basis, lifetime ECL is measured on a collective basis.

In such instances, the financial instruments are grouped on the basis of shared credit risk characteristics, as follows:
- Nature of financial instruments;
- Past-due status;
- Nature, size and industry of debtors;
- Nature of collaterals for finance lease receivables;
- External credit ratings where available;
- Date of initial recognition;
- Remaining term to maturity;
- Geographical location of the borrower;
- The value of collateral relative to the financial asset if it has an impact on the probability of default occurring (for example, loan-to-value ratios).

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

New standards, amendments and interpretations issued but not effective for the financial year beginning 1 January 2023 and not early adopted

- IFRS 16 Lease liability in a Sale and Leaseback
- IAS 1 Classification of Liabilities as Current or Non-current
- IAS 1 Non-current Liabilities with Covenants
- IAS 7 / IFRS 7 Supplier Finance Arrangements
- IAS 21 Lack of Exchangeability

1.2 Foreign currency translation

a) Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"), being the Pound Sterling ("GBP"). The financial statements are presented in Euro ("EUR"), which is the Company's adopted presentation currency following its change in status to 'SE' *(Societas Europeas)*. Prior year comparatives have been restated to Euro from United States Dollar ("USD").

b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the rates of exchange ruling on the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the other comprehensive income.

For the purpose of presenting these financial statements, income and expenses are translated from the functional currency to Eur at the average exchange rate for the period. Assets and liabilities are translated from the functional currency to Eur at the exchange rate ruling at the date of the statement of financial position. Exchange differences are recognised in other comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF MATERIAL ACCOUNTING POLICIES – Continued

1.3 Cash and cash equivalents

Cash and cash equivalents are carried in the statement of financial position at face value. In the statement of cash flows, cash and cash equivalents include cash in hand and deposits held at call with banks. Cash and cash equivalents also include short-term highly liquid investments with original maturities of three months or less, which are stated at their fair values.

1.4 Share capital

Ordinary shares are classified as equity when there is no obligation to transfer cash or other assets.

1.5 Trade and other payables

Payables comprise obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities. Payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

1.6 Insurance contracts

An insurance contract is a contract under which one party (the issuer) accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder. In this:

- insurance risk is risk, other than financial risk, transferred from the holder of a contract to the issuer.
- financial risk is the risk of a possible future change in one or more of the following: a specified interest rate, a financial instrument price, a commodity price, a currency exchange rate, an index of prices or rates, a credit rating or credit index or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract.
- policyholder is a party that has a right to compensation under an insurance contract if an insured event occurs.
- an insured event is an uncertain future event covered by an insurance contract that creates insurance risk.

To determine whether contracts issued are insurance contracts, all substantive rights and obligations are considered, whether they arise from a contract, law or regulation. A contract is an agreement between two or more parties that creates enforceable rights and obligations. Enforceability of the rights and obligations in a contract is a matter of law. Contracts can be written, oral or implied by the insurer's customary business practices. Contractual terms include all terms in a contract, explicit or implied, but terms that have no commercial substance are disregarded (i.e. no discernible effect on the economics of the contract). Implied terms in a contract include those imposed by law or regulation. The practices and processes for establishing contracts with customers vary across legal jurisdictions, industries and entities. In addition, they may vary within one jurisdiction (for example, they may depend on the class of customer or the nature of the promised goods or services).

The company issues contracts that are accounted for in accordance with IFRS 17 Insurance Contracts.

The company accounts for these policies applying the General Model.

Recognition
A group of insurance contracts issued is recognised from the earliest of the following:

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

NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF MATERIAL ACCOUNTING POLICIES – Continued

Insurance contracts - continued

Coverage period is the period during which the company provides coverage for insured events. This period includes the coverage that relates to all premiums within the boundary of the insurance contract.

If there is no contractual due date, the first payment from the policyholder is deemed to be due when it is received. The company is required to determine whether any contracts form a group of onerous contracts before the earlier of the beginning of the coverage period of the group of contracts or the date when first payment from a policyholder in the group becomes due if facts and circumstances indicate there is such a group.

Combining a set or series of contracts

A set or series of insurance contracts with the same or a related counterparty may achieve, or be designed to achieve, an overall commercial effect. In order to report the substance of such contracts, it may be necessary to treat the set or series of contracts as a whole. For example, if the rights or obligations in one contract do nothing other than entirely negate the rights or obligations in another contract entered into at the same time with the same counterparty, the combined effect is that no rights or obligations exist.

The company does not combine a series of insurance policies into a single insurance contract for accounting purposes. Instead, the company applies a 1:1 relationship between the insurance policy and the insurance contract.

Separating components from an insurance contract

An insurance contract may contain one or more components that would be within the scope of another standard if they were separate contracts. For example, an insurance contract may include an reinsurance or a service component (or both).

Embedded derivatives, investment components and/or service components are to be separated if the below criteria are met.

An embedded derivative shall be separated from the host insurance contract and accounted for as a derivative if, and only if, all of the following conditions are met:
- The economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract;
- A separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and
- The hybrid (combined) instrument is not measured at fair value with changes in fair value reported in profit or loss.

If an embedded derivative is separated, the host contract shall be accounted for as a similar free-standing contract.

Separating investment components

An investment component is the amount that an insurance contract requires the company to repay to a policyholder even if an insured event does not occur. An investment component is separated from a host insurance contract if, and only if, that investment component is distinct. 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.
- a contract with equivalent terms is sold, or could be sold, separately in the same market or the same jurisdiction, either by the company or by other parties. All information reasonably available shall be taken into account in making this determination. It is not required to undertake an exhaustive search to identify whether an investment component is sold separately.

NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF MATERIAL ACCOUNTING POLICIES – Continued

Insurance contracts - continued

An investment component and an insurance component are highly interrelated if, and only if:
- The company is unable to measure one component without considering the other. Thus, if the value of one component varies according to the value of the other, , relevant accounting standards are applied to account for the combined investment and insurance component; or
- the policyholder is unable to benefit from one component unless the other is also present. Thus, if the lapse or maturity of one component in a contract causes the lapse or maturity of the other, relevant accounting standards are applied to account for the combined investment component and insurance component. The company does not offer insurance contracts which require separating embedded derivatives or investment components.

Separating promises to transfer goods or non-insurance services

After any cash flows related to embedded derivatives and distinct investment components are separated, the company shall further separate from the host insurance contract any promise to transfer distinct goods or non-insurance services to a policyholder. The company shall account for such promises applying IFRS 15.

For the purpose of separation, the company does not consider activities that it must undertake to fulfil a contract unless it transfers a good or service to the policyholder as those activities occur. For example, the company may need to perform various administrative tasks to set up a contract. The performance of those tasks does not transfer a service to the policyholder as the tasks are performed.

A good or non-insurance service promised to a policyholder is distinct if the policyholder can benefit from the good or service either on its own or together with other resources readily available to the policyholder. Readily available resources are goods or services that are sold separately (by the company or by another entity), or resources that the policyholder has already got (from the insurer or from other transactions or events).

A good or non-insurance service that is promised to the policyholder is not distinct if:
- the cash flows and risks associated with the good or service are highly interrelated with the cash flows and risks associated with the insurance components in the contract; and
- the insurer provides a significant service in integrating the good or non-insurance service with the insurance components.

The company does not offer insurance contracts which require separating embedded derivatives or require separating promises to transfer goods or non-insurance services.

Level of aggregation

The company identifies portfolios by aggregating insurance contracts that are subject to similar risks and managed together. In grouping insurance contracts into portfolios, the company considers the similarity of risks rather than the specific labelling of product lines. The company has determined that all contracts within each product line, as defined for management purposes, have similar risks. Therefore, when contracts are managed together, they represent a portfolio of contracts.

To aggregate insurance contracts into a group of insurance contracts the following three steps are distinguished:

Portfolio of contracts

The first step in aggregating insurance contracts is to identify a portfolio of insurance contracts. A portfolio comprises contracts subject to similar risks and managed together.

NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF MATERIAL ACCOUNTING POLICIES – Continued

Insurance contracts - continued

Time buckets

Contracts issued more than one year apart cannot be part of the same group. The time interval for grouping contracts in the same group should in principle not be more frequent than annually. Contracts recognised in a certain annual reporting period are grouped together if possible. Contracts recognised outside the annual reporting period are grouped in a different annual cohort.

Levels of profitability

A portfolio of insurance contracts issued is then divided into a minimum of:
- a group of contracts that are onerous at initial recognition;
- a group of contracts that at initial recognition have no significant possibility of becoming onerous;
- a group of the remaining contracts in the portfolio.

If reasonable and supportable information exist to conclude that a set of contracts will all be in the same group, the set of contracts may be assessed to determine if the contracts are onerous and the set of contract may be assessed to determine if the contracts have no significant possibility of becoming onerous subsequently. If reasonable and supportable information does not exist to conclude that a set of contracts will all be in the same group, the group to which contracts belong needs to be determined by considering individual contracts.

A group comprises a single contract if that is the result of applying criteria above.

The recognition and measurement requirements as set out in IFRS 17 are to be applied to the groups of contracts issued determined by applying the above. The groups are established at initial recognition, and the composition of the groups shall not be reassessed subsequently. To measure a group of contracts, the fulfilment cash flows may be estimated at a higher level of aggregation than the group or portfolio, provided the appropriate fulfilment cash flows can be included in the measurement of the group, by allocating such estimates to groups of contracts. Fulfilment cash flows are explicit, unbiased and probability-weighted estimated (i.e. expected value) present value of future cash outflows minus the present value of the future cash inflows that will arise as the insurer fulfils insurance contracts, including a risk adjustment for non-financial risk.

Contract boundaries

The measurement of a group of insurance contracts includes all future cash flows expected to arise within the boundary of each contract in the group.

In determining which cash flows fall within a contract boundary, the company considers its substantive rights and obligations arising from the terms of the contract, and from applicable laws, regulations and customary business practices. The company determines that cash flows are within the boundary of a contract if they arise from substantive rights and obligations that exist during the reporting period in which the company can compel the policyholder to pay the premiums or the company has a substantive obligation to provide the policyholder with insurance contract services.

A substantive obligation to provide insurance contract services ends when the company has the practical ability to reassess the risks of a particular policyholder and, as a result, to change the price charged or the level of benefits provided for the price to fully reflect the new level of risk. If the boundary assessment is performed at a portfolio rather than individual contract level, the company must have the practical ability to reprice the portfolio to fully reflect risk from all policyholders. The company’s pricing must not take into account any risks beyond the next reassessment date.

NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF MATERIAL ACCOUNTING POLICIES – Continued

Insurance contracts - continued

In determining whether all risks have been reflected either in the premium or in the level of benefits, the company considers all risks that policyholders would transfer had the company issued the contracts (or portfolio of contracts) at the reassessment date. Similarly, the company concludes on its practical ability to set a price that fully reflects the risks in the contract or portfolio at a renewal date by considering all the risks it would assess when underwriting equivalent contracts on the renewal date for the remaining service. The assessment on the company's practical ability to reprice existing contracts takes into account all contractual, legal and regulatory restrictions. In doing so, the company disregards restrictions that have no commercial substance. The company also considers the impact of market competitiveness and commercial considerations on its practical ability to price new contracts and repricing existing contracts. The company exercises judgement in deciding whether such commercial considerations are relevant in concluding as to whether the practical ability exists at the reporting date.

Measurement of insurance contracts issued

The company measures a group of contracts on initial recognition as the sum of the expected fulfilment cash flows within the contract boundary and the contractual service margin representing the unearned profit in the contracts relating to services that will be provided under the contracts.

Fulfilment cash flows within contract boundary

The fulfilment cash flows are the current unbiased and probability-weighted estimates of the present value of the future cash flows, including a risk adjustment for non-financial risk. In arriving at a probability-weighted mean, the company considers a range of scenarios to establish a full range of possible outcomes incorporating all reasonable and supportable information available without undue cost or effort about the amount, timing and uncertainty of expected future cash flows. The estimates of future cash flows reflect conditions existing at the measurement date including assumptions at that date about the future.

The company estimates expected future cash flows for a group of contracts at a portfolio level and allocates them to the groups in that portfolio in a systematic and rational way.

When estimating future cash flows, the company includes all cash flows within the contract boundary including:

- Premiums and any additional cash flows resulting from those premiums
- Reported claims that have not yet been paid, claims incurred but not yet reported, future claims expected to arise from the policy and potential cash inflows from recoveries on future claims covered by existing reinsurance contracts
- An allocation of insurance acquisition cash flows attributable to the portfolio to which the issued contract belongs
- Claim handling costs
- Policy administration and maintenance costs including recurring commissions expected to be paid to intermediaries for policy administration services only (recurring commissions that are insurance acquisition cash flows are treated as such in the estimate of future cash flows)
- Transaction-based taxes
- An allocation of fixed and variable overheads directly attributable to the fulfilment of insurance contracts including overhead costs such as accounting, human resources, information technology and support, building depreciation, rent, and maintenance and utilities
- Other costs specifically chargeable to the policyholder under the terms of the contract

NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF MATERIAL ACCOUNTING POLICIES – Continued

Insurance contracts - continued

Discount rates

The time value of money and financial risk is measured separately from expected future cash flows with changes in financial risks recognised in profit or loss at the end of each reporting period.

The company measures the time value of money using discount rates that reflect the liquidity characteristics of the insurance contracts and the characteristics of the cash flows, consistent with observable current market prices. They exclude the effect of factors that influence such observable market prices but do not affect the future cash flows of the insurance contracts (e.g. credit risk).

The company applies the EIOPA risk-free interest rate term structures without volatility adjustments applicable to the relevant currency as discount curve. Due to the short-term nature of the insurance contracts issued by the company, it is considered that this appropriately reflects the time value of money, the characteristics of the cash flows and the liquidity characteristics of the insurance contracts of the company.

Risk adjustment for non-financial risk

The company measures the compensation it would require for bearing the uncertainty about the amount and timing of cash flows arising from insurance contracts, other than financial risk, separately as an adjustment for non-financial risk. The company uses the cost of capital method in estimating the risk adjustment at a 65% confidence level. The company applies a Cost of Capital approach for the determination of the Risk Adjustment, following the determination of the Solvency II Risk Margin, using the same SCR (Solvency Capital Requirement) as used under Solvency II.

Contractual service margin (CSM)

The CSM is a component of the overall carrying amount of a group of insurance contracts representing unearned profit that the company will recognise as it provides insurance contract services over the coverage period. At initial recognition, the company measures the CSM at an amount that, unless a group of insurance contracts is onerous, results in no gains recognised in profit or loss arising from:

- The expected fulfilment cash flows of the group
- The amount of any derecognised asset for insurance acquisition cash flows allocated to the group
- Any other asset or liability previously recognised for cash flows related to the group
- Any cash flows that have already arisen on the contracts as of that date

If a group of contracts is onerous, the company recognises a loss on initial recognition. This results in the carrying amount of the liability for the group being equal to the fulfilment cash flows, and the CSM of the group being nil. A loss component is recognised for any loss on initial recognition of the group of insurance contracts.

The company determines at initial recognition the group’s coverage units. The company then allocates the group’s CSM based on the coverage units provided in the period.

Subsequent measurement under the General Model

In estimating the total future fulfilment cash flows, the company distinguishes between those relating to already incurred claims and those relating to future service.

At the end of each reporting period, the carrying amount of the group of insurance contracts will reflect a current estimate of the liability for remaining coverage (LRC) as at that date and a current estimate of the liability for incurred claims (LIC).

NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF MATERIAL ACCOUNTING POLICIES – Continued

Insurance contracts - continued

The LRC represents the company's obligation to investigate and pay valid claims under existing contracts for insured events that have not yet occurred, amounts that relate to other insurance contract services not yet provided and other amounts not related to insurance contract services that have not yet been transferred to the LIC. The LRC is comprised of (a) the fulfilment cash flows relating to future service, (b) the CSM yet to be earned and (c) any outstanding premiums for insurance contract services already provided.

The LIC includes the company's liability to pay valid claims for insured events that have already incurred, other incurred insurance expenses arising from past coverage service and the liability for claims incurred but not yet reported. It also includes the company's liability to pay amounts the company is obliged to pay the policyholder under the contract. This includes repayment of investment components, when a contract is derecognised. The current estimate of LIC comprises the fulfilment cash flows related to current and past service allocated to the group at the reporting date.

Changes in fulfilment cash flows

At the end of each reporting period, the company updates the fulfilment cash flows for both LIC and LRC to reflect the current estimates of the amounts, timing and uncertainty of future cash flows, as well as discount rates and other financial variable.

The company has an accounting policy choice which calculates changes in fulfilment cash flows at the end of a reporting period for changes in non-financial assumptions, changes in discount rates and financial assumptions. The company first calculates the changes in discount rates and financial assumptions on the fulfilment cash flows (as expected at the beginning of the period) and then calculate changes on those cash flows from the change in non-financial assumptions.

Experience adjustments are the difference between:
- The expected cash flow estimate at the beginning of the period and the actual cash flows for premiums received in the period (and any related cash flows paid such as insurance acquisition cash flows and insurance premium taxes)
- The expected cash flow estimate at the beginning of the period and the actual incurred amounts of insurance service expenses in the period (excluding insurance acquisition expenses)

Experience adjustments relating to current or past service are recognised in profit or loss. For incurred claims (including incurred but not reported) and other incurred insurance service expenses, experience adjustments always relate to current or past service. They are included in profit or loss as part of insurance service expenses.

Experience adjustments relating to future service are included in the LRC by adjusting the CSM. The release of the CSM depends on whether the contract does not participate, participates indirectly, or directly participates in the performance of the specified underlying items.

At the end of each reporting period, the company re-estimates the LRC fulfilment cash flows, updating for changes in assumptions relating to financial and non-financial risks.

NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF MATERIAL ACCOUNTING POLICIES – Continued

Insurance contracts - continued

Adjustments to the CSM

For insurance contracts without direct participating features, the following changes in fulfilment cash flows are considered to be related to future service and adjust (or 'unlock') the CSM of the group of insurance contracts:

- Experience adjustments relating to the premiums received in the period that relate to future service, and any related cash flows such as insurance acquisition cash flows and premium-based taxes measured at the 'locked in' discount rates applicable when the contracts in the group were initially recognised
- The change in the estimate of the present value of expected future cash flows in the liability for remaining coverage, related to non-financial variables, measured at the 'locked in' discount rates applicable when the contracts in the group were initially recognised. All financial variables are locked in at initial recognition
- Changes in the risk adjustment for non-financial risk relating to future service. The company has elected not to disaggregate the change in the risk adjustment for non-financial risk between (i) a change related to non-financial risk and (ii) the effect of the time value of money and changes in the time value of money

The following adjustments do not relate to future service and thus do not adjust the CSM:

- Changes in fulfilment cash flows for the effect of the time value of money and the effect of financial risk and changes thereof
- Changes in the fulfilment cash flows relating to the LIC
- Experience adjustments relating to insurance service expenses (excluding insurance acquisition cash flows)
- Any further increases in fulfilment cash flows relating to future coverage are recognised in profit or loss as they occur, increasing the loss component of the group of insurance contracts. Any subsequent decreases in fulfilment cash flows related to future coverage do not adjust the CSM until the loss component of the group is fully reversed through profit or loss.

At the end of the reporting period, the carrying amount of the CSM for a group of insurance contracts without direct participating features is the carrying amount at the beginning of the period adjusted for:

- The effect of any new contracts added to the group
- Interest accreted on the carrying amount of the CSM measured at the discount rates determined at initial recognition
- The changes in fulfilment cash flows related to future service, except:
    - Increases in fulfilment cash flows that exceed the carrying amount of the CSM, giving rise to a loss that results in the group of contracts becoming onerous or more onerous
    - Decreases in fulfilment cash flows that reverse a previously recognised loss on a group of onerous contracts
- The effect of any currency exchange differences on the CSM
- The amount recognised as insurance revenue because of the transfer of insurance contract services in the period, determined by the allocation of the CSM remaining at the end of the reporting period over the current and remaining coverage period

Recognition of the CSM in profit or loss

An amount of the CSM is released to profit or loss in each period during which the insurance contract services are provided.

NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF MATERIAL ACCOUNTING POLICIES – Continued

Insurance contracts – continued

In determining the amount of the CSM to be released in each period, the company follows three steps:
- Determine the total number of coverage units in the group. The amount of coverage units in the group is determined by considering the quantity of benefits provided under the contract and the expected coverage period for each contract
- Allocate the CSM at the end of the period (before any of it is released to profit or loss to reflect the insurance contract services provided in the period) equally to each of the coverage units provided in the current period and expected to be provided in the future
- Recognise in profit or loss the amount of CSM allocated to the coverage units provided during the period

The number of coverage units change as insurance contract services are provided, contracts expire, lapse or surrender and new contracts are added to the group. The total number of coverage units depends on the expected duration of the obligations that the company has from its contracts. These can differ from the legal contract maturity because of the impact of policyholder behaviour and the uncertainty surrounding future insured events.

Recognition of the CSM in profit or loss - continued

By determining a number of coverage units, the company exercises judgement in estimating the likelihood of insured events occurring and policyholder behaviour to the extent that they affect expected period of coverage in the group, the different levels of service offered across periods (e.g. policyholder exercising an option and adding an additional coverage for a previously guaranteed price) and the ‘quantity of benefits’ provided under a contract.

Coverage units

The company does not offer any contracts with direct participation features or contracts with investment components. As such, the only coverage considered is the insurance coverage. The company uses a projection of earned risk premium (corrected for expected lapse) as a measurement for the insurance coverage. It considers this an appropriate measure, as the premium projection is considered to be an appropriate representation of the projection of the maximum claim amounts.

1.7 Income tax

Tax expense comprises current and deferred tax and is recognised in the statement of comprehensive income, except to the extent that it relates to items recognised directly in equity or in other comprehensive income. The current tax expense for the period also includes any adjustment to tax charge in relation to prior financial periods.

The current tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provision where appropriate.

Fiscal consolidation

In terms of Article 3 (6) of the Consolidated Group (Income Tax) Rules (Subsidiary Legislation 123.189) (‘SL 123.189’), where the parent company makes an election in order for itself and its 95% subsidiary to form a fiscal unit (the ‘transparent subsidiary’), the parent company (the ‘principal taxpayer’) assumes the rights, duties and obligations under the Income Tax Acts relative to that fiscal unit.

NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF MATERIAL ACCOUNTING POLICIES – Continued

Income tax- continued

In terms of Article 4 (1) of SL 123.189, where a 95% subsidiary joins a fiscal unit (a) the balance of any item allowed to be carried forward thereby under the Income Tax Act, under any rules made thereunder or any other tax credits that may be carried forward in terms of any other law, and (b) the balance of any profits allocated to the tax accounts, excluding the untaxed account, of the 95% subsidiary, existing at the end of the basis year preceding that with regard to which the election for the 95% subsidiary to join the fiscal unit becomes effective, shall be considered to be a balance of the principal taxpayer as from the basis year with regard to which the election for the 95% subsidiary to join the fiscal unit becomes effective.

Provided that where the subsidiary is not a 100% subsidiary, the aggregation referred to in Article 4 (1) of SL 123.189 shall be subject to the approval of the holders of the equity shares which are not owned, directly or indirectly, by the parent company. In any circumstance in which the provisions of Article 4 (1) of SL 123.189 do not apply, where the balances referred to in that sub-article are retained by the 95% subsidiary, such balances shall be kept in abeyance and not taken into account for the purposes of the Income Tax Act for as long as the 95% subsidiary remains a transparent subsidiary, after which time such balances shall once again become available to the 95% subsidiary without reduction or limitation.

1.8 Deferred taxation

In terms of Article 6 (1) of SL 123.189, the chargeable income of a fiscal unit for a year of assessment shall be computed as if such income was derived by the principal taxpayer and shall be chargeable to tax in the name of the principal taxpayer at the rate/s applicable thereto. In terms of Article 12 (3) of SL 123.189, where a fiscal unit has been formed: (a) the principal taxpayer and its 100% subsidiaries which are transparent subsidiaries shall be jointly and severally liable for the payment of tax, additional tax and interest due by the fiscal unit; (b) without prejudice to paragraph (a): (i) the tax due by the fiscal unit may be apportioned between the principal taxpayer and its 100% subsidiaries which are transparent subsidiaries as the principal taxpayer may determine; (ii) the tax due by the fiscal unit, or part thereof, may also be apportioned to a transparent subsidiary which is a 95% subsidiary but not a 100% subsidiary in accordance with an agreement agreed to by and between the principal taxpayer and all of the holders of shares in that 95% subsidiary which are not held directly or indirectly by the principal taxpayer

Deferred tax is provided using the liability method, for all temporary differences arising between the tax basis of assets and liabilities and their carrying values for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;

NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF MATERIAL ACCOUNTING POLICIES – Continued

Deferred taxation - continued

- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, are recognised subsequently if new information about facts and circumstances change. The adjustment is either treated as a reduction in goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement period or recognised in profit or loss.

The Company offsets deferred tax assets and deferred tax liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

1.9 Reinsurance contracts held

The company's quota share reinsurance contracts held are accounted for applying the measurement requirements of the General Model for estimates of cash flows and discount rates. The company measures the reinsurance contracts held and the underlying insurance contracts issued using consistent assumptions. The company includes in the estimates of the present value of expected future cash flows for a group of reinsurance contracts held the effect of any risk of non-performance by the reinsurer, including the effects of any collateral and losses from disputes. The effect of non-performance risk of the reinsurer is assessed at each reporting date.

In determining the asset representing the risk adjustment for non-financial risk transferred to the reinsurer, the company assesses the amount of risk transferred by the company to the reinsurer by calculating the risk adjustment of the underlying contracts before and after the effect of the reinsurance contracts held. The difference is recognised as the asset representing the risk adjustment reinsured.

On initial recognition, the company recognises any net cost or net gain on purchasing the group of reinsurance contracts held as a reinsurance CSM, unless the net cost of purchasing reinsurance coverage relates to events that occurred before the purchase of the group of reinsurance contracts, where the company recognises such a cost immediately in profit or loss as an expense as part of insurance service result.

NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF MATERIAL ACCOUNTING POLICIES – Continued

Reinsurance contracts held - continued

For a group of reinsurance contracts held, on initial recognition of an underlying onerous group of insurance contracts or on addition of onerous underlying insurance contracts to a group, the company establishes a loss recovery component and, as a result, recognises a gain in profit or loss. The amount of the loss recovery component adjusts the CSM of a group of reinsurance contracts held. It is calculated at an amount equal to the loss recognised on the underlying insurance contracts multiplied by the percentage of claims on the underlying insurance contracts the company expects to recover from the group of reinsurance contracts held. After initial recognition, the carrying amount of the loss-recovery component shall not exceed the portion of the carrying amount of the loss component of the onerous group of underlying insurance contracts that the entity expects to recover from the group of reinsurance contracts held. Reversal of the loss recovery component adjusts the CSM and the risk adjustment of the group of reinsurance contracts held. After establishing a reinsurance loss recovery component, except for further additions of onerous contracts to the underlying groups, its amount is adjusted for:

- Changes in fulfilment cash flows of underlying insurance contracts related to future service and do not adjust the CSM of their respective groups
- Loss recovery component reversals to the extent those reversals are not changes in the fulfilment cash flows of the group of reinsurance contracts held

These adjustments are calculated and presented in profit or loss.

The company adjusts the carrying amount of the CSM of a group of reinsurance contracts held at the end of a reporting period to reflect changes in the fulfilment cash flows applying the same approach as for insurance contracts issued, except when the underlying contract is onerous and the change in the fulfilment cash flows for underlying insurance contracts is recognised in profit or loss by adjusting the loss component. The respective changes in reinsurance contracts held is also recognised in profit and loss (adjusting the loss recovery component).

Presentation

The company has presented separately in the statement of financial position the carrying amount of portfolios of insurance contracts that are assets and those that are liabilities, and the portfolios of reinsurance contracts held that are assets and those 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 sub-total that comprises insurance revenue and insurance service expenses and, separately from the insurance service result, the 'net insurance finance income or expenses' sub-total.

The company includes any assets for insurance acquisition cash flows recognised separately from corresponding groups of insurance contracts that are recognised in the carrying amount of the related portfolios of insurance contracts issued.

The company does not disaggregate the change in risk adjustment for non-financial risk between a financial and non- financial portion. It includes the entire change as part of the insurance service result.

NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF MATERIAL ACCOUNTING POLICIES – Continued

1.10 Insurance Revenue

As the company provides insurance services under a group of insurance contracts issued, it reduces its LRC and recognises insurance revenue, which is measured at the amount of consideration the company expects to be entitled to in exchange for those services.

For groups of insurance contracts measured under the General Model, insurance revenue consists of the sum of the changes in the LRC due to:

- The insurance service expenses incurred in the period measured at the amounts expected at the beginning of the period, excluding:
  - Amounts allocated to the loss component
  - Amounts that relate to transaction-based taxes collected on behalf of third parties
  - Insurance acquisition expenses
  - Amounts relating to risk adjustment for non-financial risk
- The change in the risk adjustment for non-financial risk, excluding:
  - Changes that relate to future service that adjust the CSM
  - Amounts allocated to the loss component
- The amount of CSM for the services provided in the period
- Other amounts, such as experience adjustments for premium receipts that relate to current or past service, if any

Insurance revenue also includes the portion of premiums that relate to recovering those insurance acquisition cash flows included in the insurance service expenses in each period. Both amounts are measured in a systematic way on the basis of the passage of time.

At the end of each reporting period, the company considers whether there was a change in facts and circumstances indicating a need to change, on a prospective basis, the premium receipt allocation due to changes in the expected pattern of claim occurrence.

<u>Insurance service expenses</u>

Insurance service expenses arising from a group of insurance contracts issued comprises:

- Changes in the LIC related to claims and expenses incurred in the period excluding repayment of investment components
- Changes in the LIC related to claims and expenses incurred in prior periods (related to past service)
- Other directly attributable insurance service expenses incurred in the period
- Amortisation of insurance acquisition cash flows, which is recognised at the same amount in both insurance service expenses and insurance contract revenue
- Loss component of onerous groups of contracts initially recognised in the period
- Changes in the LRC related to future service that do not adjust the CSM, because they are changes in the loss components of onerous groups of contracts

<u>Income or expenses from reinsurance contracts held</u>

The company presents income or expenses from a group of reinsurance contracts held and reinsurance finance income or expenses in profit or loss for the period separately. Income or expenses from reinsurance contracts held are split into the following two amounts:

- Amount recovered from reinsurers
- An allocation of the premiums paid

The company presents cash flows that are contingent on claims as part of the amount recovered from reinsurers. Ceding commissions that are not contingent on claims of the underlying contracts are presented as a deduction in the premiums to be paid to the reinsurer which is then allocated to profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF MATERIAL ACCOUNTING POLICIES – Continued

The company establishes a loss recovery component of the asset for the remaining coverage for a group of reinsurance contracts held. This depicts the recovery of losses recognised on the initial recognition of an onerous group of underlying insurance contracts or on addition of onerous underlying insurance contracts to a group. The loss recovery component adjusts the CSM of the group of reinsurance contracts held. The loss recovery component is then adjusted to reflect:

- Changes in the fulfilment cash flows of the underlying insurance contracts that relate to future service and do not adjust the CSM of the respective groups to which the underlying insurance contracts belong to
- Reversals of loss recovery component to the extent those reversals are not changes in the fulfilment cash flows of the group of reinsurance contracts held
- Allocations of the loss recovery component against the amounts recovered from reinsurers reported in line with the associated reinsured incurred claims or expenses

Insurance finance income and expenses

Insurance finance income or expenses present the effect of the time value of money and the change in the time value of money, together with the effect of financial risk and changes in financial risk of a group of insurance contracts and a group of reinsurance contracts held.

The use of OCI presentation for insurance finance income and expenses

When considering the choice of presentation of insurance finance income or expenses, the company examines the assets held for that portfolio and how they are accounted for. The company has an adopted to present all of the period’s insurance finance income or expenses in profit or loss.

Exchange differences

Exchange differences arising from changes in the carrying amount of groups of insurance contracts issued and reinsurance contracts held are recognised in profit or loss in the period in which they arise. Exchange differences arising from changes in the carrying amount of groups of insurance contracts issued and reinsurance contracts held included in other comprehensive income, if any, are recognised in other comprehensive income.

The group of insurance contracts with cash flows in different foreign currencies is assessed to be denominated in a single currency. Accordingly, the risk adjustment for non-financial risks and the CSM of the group of insurance contracts are determined in the currency of the group of contracts.

At the end of each reporting period, the carrying amount of the group of insurance contracts denominated in a foreign currency is translated into the functional currency.

The amounts arising from changes in exchange rates between the currency of the cash flows and the currency of the group of contracts are considered as changes in financial risk and are accounted for as insurance finance income or expenses.

The amounts arising from changes in exchange rates between the currency of the group of contracts and the functional currency are considered as exchange differences and are recognised in profit or loss in the period in which they arise.

Contracts existing at transition date

The company assessed historical information available and determined that all reasonable and supportable information necessary for applying the full retrospective approach was available for groups of insurance contracts issued prior to the transition date. The company elected to apply the full retrospective approach.

NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF MATERIAL ACCOUNTING POLICIES – Continued

1.11 Related party transactions

In the normal course of the business, the Company enters into various transactions with related parties. Related parties are defined as those that have an ability to control or exercise significant influence over the other party in making financial and operational decisions.

2. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

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

Estimates and judgements are continually evaluated and are based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

In the opinion of the Directors, the accounting estimates and judgements made in the course of preparing these financial statements which are difficult to reach, subjective or complex to a degree that would warrant their description as critical in terms of IAS 1: Presentation of Financial Statements are the estimates of the ultimate liability arising from claims made under insurance contracts. Details of key assumptions and sensitivity for these estimates are provided in Note 2.1 to these financial statements.

In the application of the company's accounting policies, described in Note 1, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors considered to be relevant. Actual results may differ from these estimates.

Key sources of estimation uncertainty

The following are key estimations that the directors have used in the process of applying the company's accounting policies and that have the most significant effect on the amounts recognised in financial statements.

Insurance contract assets and liabilities and reinsurance contract assets and liabilities

By applying IFRS 17 to measurement of insurance contracts issued (including investment contracts with DPF) and reinsurance contracts held, the company has made estimations in the following key areas. They form part of the overall balances of insurance contract assets and liabilities and reinsurance contract assets and liabilities:

• Future cash flows
• Discount rates
• Allocation rate for insurance finance income or expenses
• Risk adjustment for non-financial risk
• Allocation of asset for insurance acquisition cash flows to current and future groups of contracts

Technique for estimation of future cash flows

The estimates of future cash flows shall:

- Incorporate, in an unbiased way, all reasonable and supportable information that is available without undue cost or effort about the amount, timing and uncertainty of those future cash flows. To do this, the expected value (i.e. the probability-weighted mean) of the full range of possible outcomes need to be estimated;

NOTES TO THE FINANCIAL STATEMENTS

2. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES - continued

2.1 Critical accounting judgements and key sources of estimation uncertainty - continued

- Reflect the perspective of the company, provided that the estimates of any relevant market variables are consistent with observable market prices for those variables;
- Be current. The estimates shall reflect conditions existing at the measurement date, including assumptions at that date about the future; and
- Be explicit. The adjustment for non-financial risk shall be estimated separately from the other estimates. The adjustment for the time value of money and financial risk, shall be estimated separately from the cash flows, unless the most appropriate measurement technique combines these estimates.

Cash flows within the boundary of an insurance contract are those that relate directly to the fulfilment of the contract, including cash flows for which the entity has discretion over the amount or timing. They are primarily payments of cash exchanged between the parties under an insurance contract in accordance with the terms and conditions of the contract. The term cash flows can also be used as shorthand for other transfers of economic resources (cash flow equivalents) that are not settled in cash between the parties to the insurance contract. They may also include such items as administration costs, certain overheads, payments to third parties and non-cash transactions such as the provision of goods and services.

The determination of the future cash flows under IFRS 17 aligns with the estimation of the cash flows under Solvency II. The following cash flow types are considered for insurance contracts issued:
- Premiums
- Acquisition expenses (further discussed below)
- Claims, consisting of expected claims and an allowance for ENID (events not in data)
- Expenses, consisting of overhead expenses and profit commissions
- Risk adjustment

In estimating the future cash flows and their probability, all reasonable and supportable information available without undue cost or effort is to be used. The company distinguishes two types of variables:

- Market variables or economic assumptions, that can be observed in, or derived directly from, markets (such as interest rates);
- Non-market variables or non-economic assumptions; all other variables (such as lapse rates and claims frequency).

For the estimation of future cash flows depending on non-economic assumptions, the process shall be based on information factoring the company's own experience to the extent it is available, supportable and credible. The results arising from this data may be adjusted if there is reason to believe that historical trends will not continue in the future or if other influences may affect them. If internal data is not available, either in whole or in part, then industry or other available data, e.g. reinsurance analysis and population data, may be used as a basis for the assumptions.

Future cash flows are determined considering all reasonable and supportable information available about past events and current conditions, and forecasts of future conditions, at the reporting date without undue cost or effort. There are limits on the effort and on the costs required to collect the statistical basis for determining the assumptions. In general, information available from the company's own information systems, e.g. historical claims, internal own experience studies and other sources used for pricing purpose is considered to be available without undue cost or effort.

The same best estimate non-economic assumptions as Solvency II will be used to derive the future cash flows under IFRS 17, to the extent relevant and suitable. The assumption setting is done on an annual basis.

NOTES TO THE FINANCIAL STATEMENTS

2. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES - continued

2.1 Critical accounting judgements and key sources of estimation uncertainty - continued

The following table details the impact of changes in key assumptions on the Group's profit or loss, equity and CSM before and after risk mitigation from reinsurance contracts held. This analysis is based on a change in one risk variable with all other variables held constant. Sensitivity analysis assumes that changes to variables can be made independently, which is very unlikely to occur in practice. There were no changes made from the previous period in the methods and assumptions used in preparing the sensitivity analysis.

2023	**Change in Assumption**	**Lapse rate**	**Expense rate**	**Loss rate**
	+5%	**EUR**	**EUR**	**EUR**
CSM	Gross	(867,528)	(5,862,145)	(2,597,917)
	Net	(399,949)	(5,977,412)	(1,355,253)
Profit or Loss	Gross	69,054	(158,072)	(14,874)
	Net	38,118	(42,806)	(14,091)
Equity	Gross	69,054	(158,072)	(14,874)
	Net	38,118	(42,806)	(14,091)

2022	**Change in Assumption**	**Lapse rate**	**Expense rate**	**Loss rate**
	+5%	**EUR**	**EUR**	**EUR**
CSM	Gross	(506,381)	(4,818,427)	(1,647,078)
	Net	(236,492)	(4,916,482)	(931,693)
Profit or Loss	Gross	(184,581)	(101,253)	(172,167)
	Net	(114,082)	(3,199)	(127,075)
Equity	Gross	(184,581)	(101,253)	(172,167)
	Net	(114,082)	(3,199)	(127,075)

Method of estimating discount rates

The company chose to apply the EIOPA risk-free interest rate term structures without VA applicable to the relevant currency as discount curve. Due to the short-term nature of the contracts, it is considered that this appropriately reflects the time value of money, the characteristics of the cash flows and the liquidity characteristics of the insurance contracts. The Company used the following yield curves to discount cash flows:

2023	**Currency**	**1 year**	**2 years**	**3 years**	**4 years**	**5 years**
Insurance contracts	GBP	4.74%	4.02%	3.67%	3.48%	3.36%
	EUR	3.36%	2.69%	2.44%	2.35%	2.32%
	PLN	4.95%	4.87%	4.83%	4.82%	4.85%
	CZK	5.19%	4.14%	3.68%	3.49%	3.41%
	HUF	6.30%	6.12%	5.93%	5.80%	5.72%
	RON	6.03%	5.99%	6.00%	6.02%	6.05%
	USD	4.76%	4.06%	3.72%	3.57%	3.50%

NOTES TO THE FINANCIAL STATEMENTS

2. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES - continued

2.1 Critical accounting judgements and key sources of estimation uncertainty - continued

Method of estimating discount rates - continued

2022	Currency	1 year	2 years	3 years	4 years	5 years
Insurance contracts	GBP	4.46%	4.47%	4.33%	4.18%	4.06%
	EUR	3.18%	3.30%	3.20%	3.15%	3.13%
	PLN	6.40%	6.60%	6.72%	6.75%	6.74%
	CZK	6.51%	6.23%	5.78%	5.36%	5.05%
	HUF	13.66%	12.51%	11.34%	10.38%	9.67%
	RON	6.98%	7.09%	7.25%	7.44%	7.64%
	USD	5.07%	4.66%	4.26%	4.05%	3.95%

3. INSURANCE REVENUE

The following table presents an analysis of the insurance revenue recognised in the period.

	2023 EUR	2022 EUR
Amounts relating to changes in liabilities for remaining coverage		
Expected incurred claims and other insurance service expenses	62,903,747	47,955,750
Change in risk adjustment for non-financial risk for risk expired	3,254,804	2,289,895
CSM recognised for services provided	9,839,620	4,839,965
Other – Loss component reversal	(1,041,863)	(644,150)
Recovery of insurance acquisition cash flows	29,660,704	19,766,525
Total insurance revenue	**104,617,012**	74,207,985

NOTES TO THE FINANCIAL STATEMENTS

4. INSURANCE SERVICE EXPENSES

The table below shows an analysis of insurance service expenses recognised in the period.

	2023 **EUR**	2022 EUR
Incurred claims and other incurred insurance service expenses	50,445,965	40,321,012
Changes that relate to past service – adjustment to the LIC	-	-
Changes that relate to future service – losses on onerous groups of contracts and reversal of such losses	602,413	372,680
Insurance acquisition cash flows		
Amortisation	29,660,704	19,766,526
Acquisition expenses	-	-
Impairment and reversals of impairment	-	-
Total insurance expenses	**80,709,082**	60,460,218

(i) Auditor’s remuneration

Fees charged by the auditor for services rendered relate to the following:

	2023 **EUR**	2022 EUR
Annual statutory audits	**37,657**	39,089
Other assurance services	**47,142**	48,936
Tax services	**16,516**	17,144
	101,315	105,169

(i) Director’s remuneration

Director’s fees totalled EUR54,511 (2022: EUR33,943)

NOTES TO THE FINANCIAL STATEMENTS - continued

5. NET EXPENSES FROM REINSURANCE CONTRACTS HELD

An analysis of allocation of reinsurance premiums paid and amounts recovered from reinsurers, are presented in the tables below:

	2023 **EUR**	2022 EUR
Amounts relating to changes in the remaining coverage		
Expected amount recoverable for claims and other insurance service expenses incurred in the period	(32,303,763)	(7,773,206)
Change in the risk adjustment for non-financial risk for risk expired	(1,324,231)	(732,559)
CSM recognised for services received	(5,318,151)	(2,192,356)
Effect of changes in non-performance risk of reinsurers	(1,788)	(6,199)
	(38,946,933)	(10,704,320)
Allocation of reinsurance premiums paid		
Amounts recoverable for incurred claims and other incurred insurance service expenses	27,556,946	4,875,140
Changes in amounts recoverable that relate to past service – adjustments to incurred claims	-	-
Recoveries of loss on recognition of underlying onerous contracts	-	-
Recoveries of losses on onerous group of underlying contracts and reversal of such losses	-	-
Amounts recovered from reinsurers	27,556,946	4,875,140
Net expenses from reinsurance contracts held	**(11,389,987)**	(5,829,180)

NOTES TO THE FINANCIAL STATEMENTS - continued

6. TOTAL INVESTMENT INCOME AND INSURANCE FINANCE INCOME / EXPENSES

This table presents an analysis of net investment income and net insurance finance income/expenses recognised in profit or loss:

	2023 EUR	2022 EUR
Investment income/expenses on underlying assets		
Net income from financial instruments measured at FVTPL	**2,316,692**	963,606
Realised gain or (loss) on Investments	**(890,206)**	-
Unrealised gain or (loss) on Investments	**867,257**	(3,058,498)
Total investment income / expenses on underlying assets recognised in P&L	**2,293,743**	(2,094,891)
Insurance finance income/expenses from insurance contracts issued		
Interest accreted	**(4,494,268)**	(713,171)
Effect of changes in interest rates and other financial assumptions	**(2,571,899)**	8,294,557
Effect of changes in fulfilment cash flows at current rate when CSM is unlocked at locked-in rate	**25,016**	(46,008)
Total insurance finance income / expenses from insurance contracts issued	**(7,041,151)**	7,535,378
Total insurance finance income / expenses from insurance contracts issued recognised in profit & loss	**(4,676,498)**	1,839,784
Total insurance finance income / expenses from insurance contracts issued recognised in other comprehensive income	**(2,364,653)**	5,695,594
Insurance finance income/expenses from reinsurance contracts held		
Interest accreted	**2,016,975**	233,087
Effect of changes in interest rates and other financial assumptions	**1,103,710**	(3,221,487)
Effect of changes in fulfilment cash flows at current rate when CSM is unlocked at locked-in rate	**7,335**	14,272
Total insurance finance income / expenses from reinsurance contracts held	**3,128,019**	(2,974,128)
Total insurance finance income / expenses from reinsurance contracts held recognised in profit & loss	**2,114,471**	(875,301)
Total insurance finance income / expenses from reinsurance contracts held recognised in other comprehensive income	**1,013,548**	(2,098,827)
Net insurance finance income or expenses recognised in profit & loss	**(2,562,027)**	964,483
Net insurance finance income or expenses in other comprehensive income	**(1,351,105)**	3,596,767

NOTES TO THE FINANCIAL STATEMENTS - continued

7. PORTFOLIOS OF INSURANCE AND REINSURANCE CONTRACT ASSETS AND LIABILITIESS

The table below sets out the carrying amounts of portfolios of insurance and reinsurance contract assets and liabilities at the end of reporting date:

	2023 EUR	2022 EUR
Insurance contract assets	(5,648)	-
Insurance contract liabilities	129,126,835	105,225,496
Net	**129,121,187**	105,225,496
Reinsurance contract assets	58,991,851	48,432,598
Reinsurance contract liabilities	(3,121)	-
Net	**58,988,730**	48,432,598

NOTES TO THE FINANCIAL STATEMENTS - continued

8. INSURANCE CONTRACT ASSETS AND LIABILITIES

The following table shows the reconciliation from the opening to the closing balances of the net liability for the remaining coverage and the liability for incurred claims for insurance contracts.

	Liability for remaining coverage		Liability for incurred claims	Total
	Excluding loss component	Loss component		
2023	**EUR**	**EUR**	**EUR**	**EUR**
Opening assets	-	-	-	
Opening liabilities	94,169,189	951,695	10,104,613	105,225,497
Net opening balance	**94,169,189**	**951,695**	**10,104,613**	**105,225,497**
Changes in the statement of profit or loss				
Insurance revenue				
Other contracts	104,617,012	-	-	104,617,012
Insurance revenue	**104,617,012**	**-**	**-**	**104,617,012**
Insurance service expenses				
Incurred claims and other insurance service expenses	-	760,298	(51,206,263)	(50,445,965)
Adjustments to liabilities for incurred claims				
Losses and reversals of losses on onerous contracts	-	(602,413)	-	(602,413)
Insurance acquisition cash flows:				
Amortisation of insurance acquisition cashflows	(29,660,704)	-	-	(29,660,704)
Impairment loss and reversals of impairment		-	-	
Insurance service result	**74,956,308**	**157,885**	**(51,206,263)**	**23,907,930**

NOTES TO THE FINANCIAL STATEMENTS - continued

8. INSURANCE CONTRACT ASSETS AND LIABILITIES – continued

	Liability for remaining coverage			
	Excluding loss component	**Loss component**	**Liability for incurred claims**	**Total**
2023	**EUR**	**EUR**	**EUR**	**EUR**
Insurance finance income/expense recognized in profit or loss	(4,699,093)	7,695	14,901	(4,676,497)
Effect of movements in exchange rates	-	-	-	-
Total changes in the statement of profit or loss	**70,257,215**	**165,580**	**(51,191,362)**	**19,231,433**
Insurance finance income or expenses from insurance contracts recognised in other comprehensive income:	-	-	-	-
Effect of movements in exchange rates	(2,161,681)	(9,590)	(193,382)	(2,364,653)
Total changes in the statement of profit or loss and OCI	**68,095,534**	**155,990**	**(51,384,744)**	**16,866,780**
Cash flows				
Premiums received	129,351,202	-	-	129,351,202
Insurance acquisition cash flows	(41,239,523)	-	-	(41,239,523)
Claims and other insurance service expenses paid	-	-	(47,349,210)	(47,349,210)
Total cash flows	88,111,679	-	(47,349,210)	40,762,469
Closing assets	(94,827)	86,481	2,698	(5,648)
Closing liabilities	114,280,160	709,225	14,137,450	129,126,835
Net closing balance	**114,185,333**	**795,706**	**14,140,148**	**129,121,187**

NOTES TO THE FINANCIAL STATEMENTS - continued

8. INSURANCE CONTRACT ASSETS AND LIABILITIES - continued

	Liability for remaining coverage		Liability for incurred claims	Total
	Excluding loss component	Loss component		
2022	**EUR**	**EUR**	**EUR**	**EUR**
Opening assets	(23,179)	41	10,856	(12,282)
Opening liabilities	63,862,917	1,236,250	7,306,548	72,405,715
Net opening balance	**63,839,738**	**1,236,291**	**7,317,404**	**72,393,433**
Changes in the statement of profit or loss				
Insurance revenue				
Other contracts	74,207,985	-	-	74,207,985
Insurance revenue	**74,207,985**	**-**	**-**	**74,207,985**
Insurance service expenses				
Incurred claims and other insurance service expenses	-	642,340	(40,963,352)	(40,321,012)
Adjustments to liabilities for incurred claims				
Losses and reversals of losses on onerous contracts	-	(372,680)	-	(372,680)
Insurance acquisition cash flows:				
Amortisation of insurance acquisition cashflows	(19,766,526)	-	-	(19,766,526)
Impairment loss and reversals of impairment		-	-	
Insurance service result	**54,441,459**	**269,660**	**(40,963,352)**	**13,747,767**

NOTES TO THE FINANCIAL STATEMENTS - continued

8. INSURANCE CONTRACT ASSETS AND LIABILITIES - continued

	Liability for remaining coverage			
	Excluding loss component	**Loss component**	**Liability for incurred claims**	**Total**
2022	**EUR**	**EUR**	**EUR**	**EUR**
Insurance finance income/expense recognized in profit or loss	1,945,898	(23,173)	(82,941)	1,839,784
Effect of movements in exchange rates	-	-	-	-
Total changes in the statement of profit or loss	**56,387,357**	**246,487**	**(41,046,293)**	**15,587,551**
Insurance finance income or expenses from insurance contracts recognised in other comprehensive income:				
Effect of movements in exchange rates	5,179,849	38,108	477,637	5,695,594
Total changes in the statement of profit or loss and OCI	**61,567,206**	**284,595**	**(40,568,656)**	**21,283,145**
Cash flows				
Premiums received	127,129,529	-	-	127,129,529
Insurance acquisition cash flows	(35,232,872)	-	-	(35,232,872)
Claims and other insurance service expenses paid	-	-	(37,781,449)	(37,781,449)
Total cash flows	91,896,657	-	(37,781,449)	54,115,208
Closing assets	-	-	-	-
Closing liabilities	94,169,189	951,695	10,104,612	105,225,496
Net closing balance	**94,169,189**	**951,695**	**10,104,612**	**105,225,496**

NOTES TO THE FINANCIAL STATEMENTS - continued

9. MOVEMENT ANALYSIS OF INSURANCE LIABILITIES

The following table shows the reconciliation from the opening to the closing balances of the net asset for the remaining coverage and the assets for incurred claims recoverable from reinsurance.

	Estimates of present value of future cashflows	**Risk adjustment for non-financial risk**	**CSM**	**Total**
2023	**EUR**	**EUR**	**EUR**	**EUR**
Opening assets	-	-	-	-
Opening liabilities	89,451,529	4,024,447	11,749,521	105,225,497
Net opening balance	**89,451,529**	**4,024,447**	**11,749,521**	**105,225,497**
Changes in the statement of profit or loss and OCI				
Changes that relate to future services				
Contracts initially recognised in the period	20,601,745	(3,608,042)	(17,018,584)	(24,881)
Changes in estimates that adjust the CSM	1,313,610	(305,596)	(1,008,014)	-
Changes in estimates that relate to losses and reversals of losses on underlying onerous contracts	(852,204)	(6,893)	-	(859,097)
	21,063,151	**(3,920,531)**	**(18,026,598)**	**(883,978)**
Changes that relate to current services				
CSM recognised for services provided	-	-	9,839,620	9,839,620
Change in risk adjustment for non-financial risk for risk expired	-	3,254,804	-	3,254,804
Experience adjustments	11,697,484	-	-	11,697,484
	11,697,484	**3,254,804**	**9,839,620**	**24,791,908**
Changes that relate to past services				
Adjustments to liabilities for incurred claims	-	-	-	-
Insurance service result	**32,760,635**	**(665,727)**	**(8,186,978)**	**23,907,930**

NOTES TO THE FINANCIAL STATEMENTS - continued

9. MOVEMENT ANALYSIS OF INSURANCE LIABILITIES - continued

	Estimates of present value of future cashflows	Risk adjustment for non-financial risk	CSM	Total
2023	**EUR**	**EUR**	**EUR**	**EUR**
Insurance finance income / expense recognised in profit or loss	(3,259,364)	(300,049)	(1,117,085)	(4,676,498)
Total changes in the statement of profit or loss	29,501,271	(965,776)	(9,304,063)	19,231,432
Insurance finance income / expense recognised in OCI				
Effect of movements in exchange rates impacting OCI	(2,012,424)	(84,918)	(267,311)	(2,364,653)
Total changes in the statement of profit or loss and OCI	**27,488,847**	**(1,050,694)**	**(9,571,374)**	**16,866,779**
Total cash flows	40,762,468	-	-	40,762,468
Other changes in net carrying amount	-	-	-	-
Closing assets	(154,771)	9,258	139,866	(5,647)
Closing liabilities	102,879,921	5,065,883	21,181,030	129,126,834
Net closing balance	**102,725,150**	**5,075,141**	**21,320,896**	**129,121,187**

NOTES TO THE FINANCIAL STATEMENTS - continued

9. MOVEMENT ANALYSIS OF INSURANCE LIABILITIES – continued

	Estimates of present value of future cashflows	**Risk adjustment for non-financial risk**	**CSM**	**Total**
2022	**EUR**	**EUR**	**EUR**	**EUR**
Opening assets	(42,558)	7,051	23,225	(12,281)
Opening liabilities	64,297,730	3,324,664	4,783,323	72,405,716
Net opening balance	**64,255,172**	**3,3331,715**	**4,806,548**	**72,393,435**
Changes in the statement of profit or loss and OCI				
Changes that relate to future services				
Contracts initially recognised in the period	14,668,967	(3,370,416)	(11,553,546)	(254,995)
Changes in estimates that adjust the CSM	607,719	35,979	(643,698)	-
Changes in estimates that relate to losses and reversals of losses on underlying onerous contracts	(119,904)	410	-	(119,494)
	15,156,782	**(3,334,027)**	**(12,197,244)**	**(374,489)**
Changes that relate to current services				
CSM recognised for services provided	-	-	4,839,965	4,839,965
Change in risk adjustment for non-financial risk for risk expired	-	2,289,894	-	2,289,894
Experience adjustments	6,992,397	-	-	6,992,397
	6,992,397	**2,289,895**	**4,839,965**	**14,122,256**
Changes that relate to past services				
Adjustments to liabilities for incurred claims	-	-	-	-
Insurance service result	**22,149,179**	**(1,044,133)**	**(7,357,279)**	**13,747,767**

NOTES TO THE FINANCIAL STATEMENTS - continued

9. MOVEMENT ANALYSIS OF INSURANCE LIABILITIES – continued

	Estimates of present value of future cashflows	Risk adjustment for non-financial risk	CSM	Total
2022	**EUR**	**EUR**	**EUR**	**EUR**
Insurance finance income / expense recognised in profit or loss	2,142,960	56,052	(359,228)	1,839,784
Total changes in the statement of profit or loss	24,292,139	(988,081)	(7,716,507)	15,587,551
Insurance finance income / expense recognised in OCI				
Effect of movements in exchange rates impacting OCI	4,626,713	295,348	773,533	5,695,594
Total changes in the statement of profit or loss and OCI	**28,918,852**	**(692,733)**	**(6,942,974)**	**21,283,145**
Total cash flows	54,115,209	-	-	54,115,209
Other changes in net carrying amount	-	-	-	-
Closing assets	-	-	-	-
Closing liabilities	89,451,529	4,024,447	11,749,521	105,225,497
Net closing balance	**89,451,529**	**4,024,447**	**11,749,521**	**105,225,497**

NOTES TO THE FINANCIAL STATEMENTS – continued

10. INSURANCE CONTRACTS RECOGNISED IN THE PERIOD

The following table provides an analysis of insurance contracts initially recognised in the period.:

	Profitable contracts issued	Onerous contracts issued	Total
2023	**EUR**	**EUR**	**EUR**
Estimates of present value of cash inflows	(123,898,389)	1,203,836	(122,694,553)
Estimates of present value of cash outflows			
Insurance acquisition cash flows	34,675,931	(1,355,359)	33,320,572
Claims and other insurance service expenses payable	68,602,109	170,128	68,772,237
	103,278,039	(1,185,231)	102,092,808
Risk adjustment for non-financial risk	3,601,766	6,276	3,608,042
CSM	17,018,584	-	17,018,584
(Gains)/Losses recognised on initial recognition	-	24,881	24,881
2022	**EUR**	**EUR**	**EUR**
Estimates of present value of cash inflows	(115,638,495)	(1,894,484)	(117,532,979)
Estimates of present value of cash outflows			
Insurance acquisition cash flows	34,050,646	510,338	34,560,984
Claims and other insurance service expenses payable	66,724,870	1,578,158	68,303,028
	100,775,516	2,088,496	102,864,012
Risk adjustment for non-financial risk	3,309,416	61,000	3,370,416
CSM	11,553,563	-	11,553,563
(Gains)/Losses recognised on initial recognition	-	(255,012)	255,012

NOTES TO THE FINANCIAL STATEMENTS – continued

11. REINSURANCE CONTRACT ASSETS AND LIABILITIES

The following table shows the reconciliation from the opening to the closing balances of the net liability for the remaining coverage and the liability for incurred claims for insurance contracts.

	2023			2022		
	Remaining coverage component	**Incurred claims component**	**Total**	Remaining coverage component	Incurred claims component	Total
	EUR	**EUR**	**EUR**	EUR	EUR	EUR
Opening assets	**45,545,187**	**2,887,411**	**48,432,598**	15,483,228	1,196,806	16,680,035
Opening liabilities	**-**	**-**	**-**	-	-	-
Net opening balance	**45,545,187**	**2,887,411**	**48,432,598**	15,483,228	1,196,806	16,680,035
Net expenses from reinsurance contracts held	**(38,946,145)**	**27,557,946**	**(11,388,199)**	(10,698,120)	4,875,140	(5,822,980)
Effect of changes in non-performance risk of reinsurers	**(1,788)**	**-**	**(1,788)**	(6,199)	-	(6,199)
Finance income or expenses from reinsurance contracts recognised in profit or loss	**2,121,318**	**(6,847)**	**2,114,471**	(902,769)	27,469	(875,301)
Effect of movements in exchange rates impacting OCI	**968,268**	**45,280**	**1,013,549**	(1,982,306)	(116,521)	(2,098,827)
Total changes in the statement of profit or loss and OCI	**(35,858,346)**	**27,596,379**	**(8,261,968)**	(13,589,394)	4,786,087	(8,803,307)
Cash flows						
Premiums paid	**46,962,389**	**-**	**46,962,389**	43,651,353	-	43,651,353
Amounts received from reinsurers relating to incurred claims	**-**	**(28,144,289)**	**(28,144,289)**	-	(3,095,482)	(3,095,482)
Total cash flows	**46,962,389**	**(28,144,289)**	**18,818,100**	43,651,353	(3,095,482)	40,555,871
Closing assets	**56,652,385**	**2,339,466**	**58,991,851**	45,545,187	2,887,411	48,432,598
Closing liabilities	**(3,156)**	**35**	**(3,121)**	-	-	-
Net closing balance	**56,649,229**	**2,339,501**	**58,988,730**	45,545,187	2,887,411	48,432,598

NOTES TO THE FINANCIAL STATEMENTS – continued

12. MOVEMENT ANALYSIS OF NET ASSET FOR REINSURANCE CONTRACTS HELD

The following table shows the reconciliation from the opening to the closing balances of the net asset for reinsurance contracts held analysed by components.

	Estimates of present value of future cashflows	Risk adjustment for non-financial risk	CSM	Total
2023	**EUR**	**EUR**	**EUR**	**EUR**
Opening assets	40,356,464	1,644,943	6,431,191	48,432,598
Opening liabilities	-	-	-	-
Net opening balance	**40,356,464**	**1,644,943**	**6,431,191**	**48,432,598**
Changes in the statement of profit or loss and OCI				
Changes that relate to future services				
Contracts initially recognised in the period	(12,081,513)	1,803,607	10,277,906	-
Changes in estimates that adjust the CSM	(483,012)	141,775	341,237	-
Changes in estimates that relate to losses and reversals of losses on underlying onerous contracts	(317,864)	-	-	(317,864)
	(12,882,389)	**1,945,382**	**10,619,143**	**(317,864)**
Changes that relate to current services				
CSM recognised for services provided	-	-	(5,000,287)	(5,000,287)
Change in risk adjustment for non-financial risk for risk expired	-	(1,324,231)	-	(1,324,231)
Experience adjustments	(4,745,817)	-	-	(4,745,817)
	(4,745,817)	**(1,324,231)**	**(5,000,287)**	**(11,070,335)**
Changes that relate to past services				
Adjustments to liabilities for incurred claims	-	-	-	-
Effect of changes in non-performance risk of reinsurers	(1,788)	-	-	(1,788)
Net income / expenses from reinsurance contracts held	**(17,629,994)**	**621,151**	**5,618,856**	**(11,389,987)**

NOTES TO THE FINANCIAL STATEMENTS – continued

12. MOVEMENT ANALYSIS OF NET ASSET FOR REINSURANCE CONTRACTS HELD - continued

	Estimates of present value of future cashflows	Risk adjustment for non-financial risk	CSM	Total
2023	**EUR**	**EUR**	**EUR**	**EUR**
Reinsurance finance result recognised in profit or loss	1,303,922	139,312	671,237	2,114,471
Total changes in the statement of profit or loss	(16,326,072)	760,463	6,290,093	(9,275,516)
Reinsurance finance result recognised in OCI				
Effect of movements in exchange rates impacting OCI	833,596	34,657	145,296	1,013,549
Total changes in the statement of profit or loss and OCI	**(15,492,476)**	**795,120**	**6,435,389**	**(8,261,967)**
Total cash flows	18,818,100	-	-	18,818,100
Other changes in net carrying amount	-	-	-	-
Closing assets	43,687,948	2,439,769	12,864,135	58,991,852
Closing liabilities	(5,862)	294	2,446	(3,122)
Net closing balance	**43,682,086**	**2,440,063**	**12,866,581**	**58,988,730**

NOTES TO THE FINANCIAL STATEMENTS – continued

12. MOVEMENT ANALYSIS OF NET ASSET FOR REINSURANCE CONTRACTS HELD - continued

	Estimates of present value of future cashflows	Risk adjustment for non-financial risk	CSM	Total
2022	**EUR**	**EUR**	**EUR**	**EUR**
Opening assets	13,699,857	815,126	2,165,051	16,680,034
Opening liabilities	-	-	-	-
Net opening balance	**13,699,857**	**815,126**	**2,165,051**	**16,680,034**
Changes in the statement of profit or loss and OCI				
Changes that relate to future services				
Contracts initially recognised in the period	(8,873,929)	1,709,101	7,164,828	-
Changes in estimates that adjust the CSM	540,874	(11,150)	(529,724)	-
Changes in estimates that relate to losses and reversals of losses on underlying onerous contracts	(20,203)	-	-	(20,203)
	(8,353,258)	**1,697,951**	**6,635,104**	**(20,203)**
Changes that relate to current services				
CSM recognised for services provided	-	-	(2,172,153)	(2,172,153)
Change in risk adjustment for non-financial risk for risk expired	-	(732,559)	-	(732,559)
Experience adjustments	(2,898,065)	-	-	(2,898,065)
	(11,251,323)	**965,392**	**4,462,951**	**(5,822,980)**
Changes that relate to past services				
Adjustments to liabilities for incurred claims	-	-	-	-
Effect of changes in non-performance risk of reinsurers	(6,199)	-	-	(6,199)
Net income / expenses from reinsurance contracts held	**(11,257,522)**	**965,392**	**4,462,951**	**(5,829,180)**

NOTES TO THE FINANCIAL STATEMENTS – continued

12. MOVEMENT ANALYSIS OF NET ASSET FOR REINSURANCE CONTRACTS HELD - continued

	Estimates of present value of future cashflows	**Risk adjustment for non-financial risk**	**CSM**	**Total**
2022	**EUR**	**EUR**	**EUR**	**EUR**
Reinsurance finance result recognised in profit or loss	(1,041,406)	(30,269)	196,375	(875,300)
Total changes in the statement of profit or loss	(12,298,928)	935,123	4,659,326	(6,704,479)
Reinsurance finance result recognized in OCI				
Effect of movements in exchange rates impacting OCI	(1,600,335)	(105,305)	(393,187)	(2,098,827)
Total changes in the statement of profit or loss and OCI	**(13,899,263)**	**829,818**	**4,266,139**	**(8,803,306)**
Total cash flows	40,555,871	-	-	40,555,871
Other changes in net carrying amount	-	-	-	-
Closing assets	40,356,464	1,644,943	6,431,191	48,432,598
Closing liabilities	-	-	-	-
Net closing balance	**40,356,464**	**1,644,943**	**6,431,191**	**48,432,598**

NOTES TO THE FINANCIAL STATEMENTS – continued

13. REINSURANCE CONTRACTS RECOGNISED IN THE PERIOD

The following table provides an analysis of reinsurance contracts initially recognised in the period.:

	Profitable contracts issued	**Onerous contracts issued**	**Total**
2023	**EUR**	**EUR**	**EUR**
Estimates of present value of cash inflows	(45,232,721)	-	(45,232,721)
Estimates of present value of cash outflows			
Insurance acquisition cash flows	-	-	-
Claims and other insurance service expenses payable	33,151,207	-	33,151,207
	33,151,207	-	33,151,207
Risk adjustment for non-financial risk	1,803,607	-	1,803,607
CSM	10,277,907	-	10,277,907
(Gains)/Losses recognised on initial recognition	**-**	**-**	**-**
2022	**EUR**	**EUR**	**EUR**
Estimates of present value of cash inflows	(42,562,704)	-	(42,562,704)
Estimates of present value of cash outflows			
Insurance acquisition cash flows	-	-	-
Claims and other insurance service expenses payable	33,688,775	-	33,688,775
	33,688,775	-	33,688,775
Risk adjustment for non-financial risk	1,709,101	-	1,709,101
CSM	7,164,828	-	7,164,828
Losses recognised on initial recognition	-	-	-
(Gains)/Losses recognised on initial recognition	**-**	**-**	**-**

NOTES TO THE FINANCIAL STATEMENTS - continued

14. CONTRACTUAL SERVICE MARGIN

The following table shows an analysis of the expected recognition of the CSM remaining at the end of reporting period in profit or loss.

2023	**Less than 1 year EUR**	**1 to 2 years EUR**	**2 to 3 years EUR**	**3 to 4 years EUR**	**4 to 5 years EUR**	**> 5 years EUR**	**Total EUR**
Insurance contracts issued	10,218,945	6,467,204	3,214,030	1,121,021	299,695	-	21,320,896
Reinsurance Contracts held	(6,638,164)	(3,642,181)	(1,825,946)	(621,256)	(139,027)	-	(12,866,581)

2022	**Less than 1 year EUR**	**1 to 2 years EUR**	**2 to 3 years EUR**	**3 to 4 years EUR**	**4 to 5 years EUR**	**> 5 years EUR**	**Total EUR**
Insurance contracts issued	5,260,286	3,795,303	1,867,694	627,592	198,647	-	11,749,521
Reinsurance Contracts held	(2,765,313)	(2,096,608)	(1,046,991)	(391,445)	(130,834)	-	(6,431,191)

NOTES TO THE FINANCIAL STATEMENTS - continued

15. ASSET FOR INSURANCE ACQUISITION CASH FLOWS

The following table shows the reconciliation from the opening to the closing balance for assets for insurance acquisition cash flows.

	2023 EUR	2022 EUR
Opening balance	4,960,552	6,311,783
Additions	-	-
Amount derecognised during the period due to allocation to the related group of contracts	9,38,160	1,351,231
Impairment losses	-	-
Ending balance	**4,022,392**	**4,960,552**

The following table shows the expected timing of derecognition of assets for insurance acquisition cash flow and included in the measurement of the group of insurance contracts they will be allocated to.

	2023 EUR	2022 EUR
Within one year	1,080,000	1,351,231
In 1 - 3 years	2,942,393	3,240,000
In 4 - 5 years	-	369,321
Beyond 5 years	-	-
Ending balance	**4,022,392**	**4,960,552**

NOTES TO THE FINANCIAL STATEMENTS - continued

16. INVESTMENT INCOME

	2023 EUR	2022 EUR
Interest and investment income	**2,316,692**	963,607

17. INCOME TAX EXPENSE

	2023 EUR	2022 EUR
Current tax		
Current income tax expense	**542,205**	498,146
	542,205	498,146
Deferred tax		
Origination and reversal of timing differences	**-**	-
	-	-
Total tax charge	**542,205**	498,146
	542,205	498,146

The company has formed a fiscal unit with its immediate parent; Fortegra Europe Holdings SE resulting in an effective tax rate of 5% for the fiscal group. Fortegra Europe Holdings SE is the principal taxpayer of the fiscal unit.

The income tax on the Company's profit before tax differs from the theoretical income tax expense that would arise using the applicable income tax rate in Malta of 5% as follows:

	2023 EUR	2022 EUR
Profit before tax	**12,413,405**	6,899,318
Theoretical tax charge at 5%	**620,670**	344,966
Tax effect of:		
Adjustments in respect of prior periods	**(78,465)**	-
Effect of reversal of profits under new accounting standard	**-**	153,180
Income tax charge	**542,205**	498,146

NOTES TO THE FINANCIAL STATEMENTS - continued

18. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2023 **EUR**	2022 EUR
Fair Value		
Financial assets classified as at fair value through profit or loss upon initial recognition		
- collective investment schemes	**-**	52,743,326
- bonds	**98,219,633**	38,771,218
	98,219,633	91,514,544
Collective investment schemes		
Opening net carrying amount	**52,743,326**	49,834,708
Purchases	**-**	8,296,502
Disposals and unrealised foreign exchange gains and losses	**(52,743,326)**	(5,387,884)
	-	52,743,326
Bonds		
Opening net carrying amount	**38,771,218**	30,211,869
Purchases	**96,779,967**	28,105,897
Disposals and unrealised foreign exchange gains and losses	**(37,331,552)**	(19,546,548)
	98,219,633	38,771,218

19. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of balances with banks and also include short-term highly liquid investments with original maturities of three months or less, which are stated at their fair values. Cash and cash equivalents included in the cash flow statement reconcile to the statement of financial position amounts as follows:

	2023 **EUR**	2022 EUR
Investments in money market fund	**41,587,132**	3,164,521
Cash at bank	**6,932,759**	18,922,586
	48,519,891	22,087,107

20. TRADE AND OTHER RECEIVABLES

	2023 **EUR**	2022 EUR
Prepayments	**551,602**	231,580
Due from affiliates (i)	**4,308,143**	1,133,096
Other receivables	**2,096,576**	349,841
	6,956,321	1,714,517

(I) The amounts owed by group undertakings are unsecured, interest free and repayable on demand.

NOTES TO THE FINANCIAL STATEMENTS - continued

21. DEFERRED INCOME TAX

Deferred income taxes are calculated on all temporary differences under the statement of financial position liability method using a principal tax rate of 5%.

	2023 EUR	2022 EUR
Deferred tax asset		
Arising from unrealised foreign exchange losses	**5,512**	5,401

The movement in the deferred income tax account for the period has been reported as follows:

	2023 EUR
At 1 January	**5,401**
Debited to profit or loss (Note 19)	**-**
Unrealised (loss) / gain on exchange	**111**
Net deferred income tax asset	**5,512**

22. OTHER PAYABLES

	2023 EUR	2022 EUR
Due to affiliates (ii)	**3,800,102**	111,852
Other payables	**370,309**	558,144
Accruals	**8,604,536**	2,517,731
	12,774,947	3,187,727

(I) The amounts owed to group undertakings are unsecured, interest free and repayable on demand.

23. ISSUED SHARE CAPITAL

	2023 EUR	2023 EUR
Authorised		
10,000,000 Ordinary shares of Euro 0.808472 each	**8,084,720**	**8,084,720**

	2023 EUR	2022 EUR
Issued and fully paid up share capital		
7,490,000 Ordinary shares of Euro 0.808472 each	**6,055,455**	6,055,455

All shares are equally eligible to receive dividends and the repayment of capital and represent one vote at the shareholders' meeting of the Company.

NOTES TO THE FINANCIAL STATEMENTS – continued

24. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company is a party to contracts that transfer insurance risk and/ or financial risk. This section summarises these risks and the way the Company manages them.

Underwriting risk management

Underwriting risk consists of insurance risk, persistency risk and expense risk. Sensitivities to key risks is detailed in 2.1.

Insurance risk is the risk of the loss event occurrence, or the timing and amount of the loss being different from expectation. The company's main income generating activity is the issuance of insurance contracts and therefore insurance risk is a principal risk.

The company is exposed to different elements of insurance risks:

- Catastrophe risk: the risk of incurring significant losses as a result of catastrophic events.
- Premium risk: the risk that premiums charged to policyholders are less than claims cost on business written.
- Reserve risk: the risk that the claims reserves are insufficient to cover all claims.

The company mitigates its exposure by applying its underwriting strategy to i) diversify the type of insurance risks accepted and the level of insured benefit, ii) diversification across a number of geographical areas; so far it is predominantly in the UK, but will be diversified going forward. The variability of risks is also improved by careful selection and implementation of underwriting strategy guidelines, as well as the use of reinsurance arrangements. In 2021 the company entered into a 50% Quota Share Reinsurance Treaty with Fortegra Indemnity Insurance Company. This is in addition to a separate Quota Share Reinsurance Treaty with Fortegra Indemnity Insurance Company, wherein the Company cedes 90% of its risk specific to one particular GAP program. Fortegra Indemnity Insurance Company is a member of Fortegra Financial Corporation based in Delaware, United States.

Furthermore, the Company's business is focused on insurance business with low value claims, which reduces the insurance risk.

Insurance contracts

The variability of risks is improved by careful selection and implementation of underwriting strategies, which are designed to ensure that risks are diversified in terms of type of risk and level of insured benefits. This is largely achieved through diversification of products in Automotive (Guaranteed Asset Protection, Tyre and Wheel insurance, SMART insurance (dents and scratches) and Extended Warranty), Furniture and Home Appliance lines. Further, strict claim review policies to assess all new and ongoing claims, regular detailed review of claims handling procedures and frequent investigation of possible fraudulent claims are all policies and procedures put in place to reduce the risk exposure of the Company. The Company further enforces a Policy of actively managing and prompt pursuing of claims, in order to reduce its exposure to unpredictable future developments that can negatively impact the Company.

NOTES TO THE FINANCIAL STATEMENTS – continued

24. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES - CONTINUED

Claims reserving policies

A robust system of claims reporting is in place for the current classes of business to ensure that all known claims are properly recorded and reported to the Company in a timely manner. Professional claims handlers are appointed where appropriate to manage and settle claims in accordance with the contract terms.

The claims reserving methodology mitigates the risk of under-reserving for claims by taking into account all factors that may have a bearing on future claims development.

The Company takes all reasonable steps to ensure that it has appropriate information regarding its claims exposures. However, given the uncertainty in establishing claims provisions, it is possible that the final outcome may prove to be different from the original liability established.

The company is also exposed to the following two risks which are not insurance risks but related to insurance contracts:

- Lapse or persistency risk – the risk that the counterparty will cancel the contract earlier or later than the company had expected in pricing the contract.
- Expense risk – the risk of unexpected increases in the administrative costs associated with the servicing of a contract, rather than in costs associated with insured events.

The company manages persistency risk based on the underwriting policy and guidelines on persistency management which are reviewed by the Reserving Committee regularly. The company frequently monitors the expense level of each business unit to address expense risk.

The company manages its insurance and reinsurance risk by:

- Ensuring that the company has an appropriate underwriting and reinsurance strategy within an overall risk management framework, including an effective system of internal control
- Identifying, assessing and measuring insurance risk across the company, from an individual policy to a portfolio level
- Establishing a robust control framework regarding the authorisation structure for the approval and renewal of insurance and reinsurance policies
- Ensuring that risk management policies and procedures are reviewed regularly to reflect changes in the company's activities and market conditions
- Monitoring that individual and aggregate claims reserves are reviewed regularly using a variety of actuarial techniques
- Ensuring 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
- Monitoring that reinsurance policies are written with approved reinsurers on either a proportional or excess of loss treaty basis
- Limiting concentrations of exposure by class of business, counterparties, geographic location etc.

There were no significant changes in the company's objectives, policies and processes for managing the risks and the methods used to measure the risks from the previous period.

Financial risk

The Company's principal financial liabilities comprise insurance contract liabilities and other payables. The Company has insurance and other receivables, investments and cash and cash equivalents. The Company does not enter into derivative transactions.

NOTES TO THE FINANCIAL STATEMENTS – continued

24. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES - CONTINUED

The Company is exposed to market risk (including interest rate risk and currency risk), credit risk and liquidity risk. The Company's Directors oversee the management of these risks. The Board of Directors reviews and agrees policies for managing each of these risks which are summarised below.

Credit risk

Credit risk is the risk that a counterparty will not meet its obligations leading to a financial loss (refer note 1 – 'IFRS 9 Financial Instruments'). The Company is exposed to credit risk from its operating activities, primarily for receivables arising out of direct insurance operations, and from its financing activities, including deposits with banks and financial institutions.

Insurance contracts issued and reinsurance contracts held
The following table provides the amounts representing the maximum exposure to credit risk at the end of the reporting period (Reinsurance contracts held with A- rated carrier):

	2023 EUR	2022 EUR
Insurance contracts issued	**129,121,187**	105,225,496
Reinsurance contracts held	**(58,988,730)**	(48,432,598)
Total	**70,132,457**	56,792,898

Credit risks related to receivables

Third Party Administrator (TPA) credit risk is subject to the Company's established policy, procedures and control relating to customer credit risk management. Credit limits are established for all partners based on internal rating criteria. Outstanding receivables are regularly monitored. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets mentioned in Note 22. The Company does not hold collateral as security.

Credit risk related to financial instruments and cash deposits

Credit risk from balances with banks and financial institutions is managed in accordance with the Company's policy. Almost all cash resources are held with one bank which currently has long term issuer credit ratings from the major rating agencies which are in the A range. Investments of surplus funds are made only with approved counterparties. The Company's maximum exposure to credit risk for the components of the statement of financial position at 31 December 2023 is the carrying amount as illustrated in Note 21.

The following table details the cash balances held by credit rating of financial institutions:

	Deposits Held (EUR)	
Rating	**2023**	**2022**
AA	6,932,759	2,002,889
A+	35,452,659	17,414,959
A	6,134,473	2,669,259

The following table details the breakdown of credit rating for bonds held:

	Bonds Held (EUR)	
Rating	**2023**	**2022**
AAA	32,274,298	89,551,244
AA	4,425,137	1,963,300
A	7,852,712	-
BBB	43,437,479	-
BB	6,320,346	-
B	3,909,661	-

NOTES TO THE FINANCIAL STATEMENTS – continued

24. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES - CONTINUED

Credit risk – continued

Ageing analysis and impairment

At year end there are no impaired receivables and an impairment allowance was not required. The table below summarises the expected recovery or settlement of assets:

	Up to 1 year* EUR	1-3 years EUR	4-5 years EUR	2023 Total EUR
Deferred income tax	5,512	-	-	5,512
Asset for Insurance Acquisition Cash flows	1,100,000	2,922,392	-	4,022,392
Other receivables	6,956,321	-	-	6,956,321
Investments	98,219,633	-	-	98,219,633
Cash and cash equivalents	48,519,891	-	-	48,519,891
Total	**154,801,357**	**2,922,392**	**-**	**157,723,749**

* Expected recovery or settlement within 12 months from the reporting date.

	Up to 1 year* EUR	1-3 years EUR	4-5 years EUR	2022 Total EUR
Deferred income tax	5,401	-	-	**5,401**
Asset for Insurance Acquisition Cash flows	1,100,000	3,300,000	560,552	**4,960,552**
Other receivables	1,714,517	-	-	**1,714,517**
Investments	91,514,544	-	-	**91,514,544**
Cash and cash equivalents	22,087,107	-	-	**22,087,107**
Total	**116,421,569**	**3,300,000**	**560,552**	**120,282,121**

Liquidity risk

The Company is exposed to regular calls on its available cash resources mainly from claims arising from insurance contracts. Liquidity risk is the risk that cash may not be available to pay obligations when due at a reasonable cost. The Company manages its funds in such a manner as to ensure adequate funds are available to meet such calls. The Company’s assets principally consist of cash equivalents that can be readily utilised.

Maturity analysis for portfolios of insurance contracts issued and reinsurance contracts held that are liabilities

The table below presents a maturity analysis of the portfolios of insurance contracts and reinsurance contracts held that are in a liability position based on the estimated timing of the remaining contractual undiscounted cash flows.

NOTES TO THE FINANCIAL STATEMENTS – continued

24. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES - CONTINUED

2023 (EUR)

Carrying amount	Up to 1 year	1-2 years	2-3 years	3-4 years	4-5 years	5+ years
Insurance contract liabilities	(51,815,530)	(32,082,436)	(14,044,754)	(4,034,505)	(989,478)	(-)
Reinsurance contract liabilities	20,143,253	14,715,628	6,660,893	1,912,631	385,943	-
Total	**(31,672,277)**	**(17,366,809)**	**(7,383,861)**	**(2,121,874)**	**(603,535)**	**-**

2022 (EUR)

Carrying amount	Up to 1 year	1-2 years	2-3 years	3-4 years	4-5 years	5+ Years
Insurance contract liabilities	(42,141,008)	(30,016,091)	(13,219,091)	(4,482,949)	(1,261,737)	(-)
Reinsurance contract liabilities	20,092,574	12,573,718	5,744,818	2,126,944	616,074	-
Total	**(22,048,433)**	**(17,442,372)**	**(7,474,273)**	**(2,356,004)**	**(645,662)**	**-**

Foreign currency risk

The Company is exposed to foreign currency risk as the Company's insurance transactions and liabilities are largely denominated in GBP whilst the 65% (2022: 45%) of the Company's assets are in currencies other than GBP (primarily EUR and USD). This risk is mitigated by the Company holding sufficient assets in the relevant currency to match its liabilities in the same currency as they fall due. Furthermore, the risk arising from foreign currency transactions is managed by regular monitoring of the relevant exchange rates and management's reaction to material movements thereto.

The carrying amounts of the company's foreign currency denominated insurance contracts issued and reinsurance contracts held are as follows:

	Insurance contracts issued		**Reinsurance contracts held**	
2023	**In asset position**	**In liability position**	**In asset position**	**In liability position**
GBP	56	113,891,146	50,297,293	**3,163**
EUR	12,313	3,148,552	1,455.177	**17**
CZK	19,732	4,227,646	2,387,189	**-**
PLN	-	4,708,423	2,571,066	**-**
HUF	16,244	794,011	250,852	**4,138**
RON	-	99,829	49,874	**-**

NOTES TO THE FINANCIAL STATEMENTS – continued

24. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES - CONTINUED

	Insurance contracts issued		Reinsurance contracts held	
2022	**In asset position**	**In liability position**	**In asset position**	**In liability position**
GBP	-	91,035,264	41,469,388	**85,907**
EUR	3,375	2,888,646	1,063,132	**6,537**
CZK	-	3,391,529	1,259,956	**22**
PLN	-	2,917,388	1,158,548	**1,349**
HUF	2,279	346,258	146,433	**-**
RON	-	1,105	350	**-**

Interest rate risk
In general, the Company is exposed to risk associated with the effects of fluctuations in the prevailing level of market interest rates. Assets issued at variable rates expose the Company to cash flow interest risk. Assets issued at fixed rates expose the Company to fair value interest rate risk.

A change of 50 basis points in interest rates at the reporting date would have increased/ (decreased) equity and profit or loss by EUR 242,600 (2022: EUR 110,436). This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

Price risk

At 31 December 2023 and 2022, the company's exposure to price risk arises from investments held and classified in the balance sheet as at fair value through profit or loss (FVTPL) (note 21).

To manage its price risk arising from investments, the company ensures there is appropriate diversification with its portfolio. If the fair value of the investments increased / (decreased) by 5%, the profit would increase/decrease by EUR 4,910,982 (2022: EUR 4,575,727).

Fair values

The fair value of FVTPL investments is based on quoted market prices at the measurement date. The company's FVTPL investments are classified as Level 1 in the fair value hierarchy.

Capital management

The Company's objectives when managing capital are:

- To comply with the insurance capital requirements required by the Malta Financial Services Authority (MFSA) and as required per Solvency II;
- To safeguard the Company's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- To provide an adequate return to shareholders by pricing insurance contracts commensurately with the level of risk.

In order to maintain or adjust the capital structure, the Company may issue new shares or capitalise contributions received from its shareholders. No changes were made in the objectives, policies or processes during the period ended 31 December 2023.

The Company is required to hold regulatory capital for its general insurance business which means the excess of the value of assets over the amount of liabilities as determined in accordance with the Insurance Business (Assets and Liabilities) Regulations.

NOTES TO THE FINANCIAL STATEMENTS – continued

24. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES - CONTINUED

Capital management - continued

These Regulations also set out the required minimum margin. The required minimum margin must be maintained at all times during the period. The Company monitors its capital level on a regular basis. Any transactions that may potentially affect the Company's solvency position will immediately be reported to the Directors and shareholders for resolution, prior to notifying the MFSA. The Company has maintained the required capital levels throughout the financial period ending 31 December 2023.

25. RELATED PARTY DISCLOSURES

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions.

The company has quota share reinsurance arrangements with a reinsurer within the Fortegra Group. During the year the company ceded premiums totalling EUR 66,111,624 (2022: EUR 60,407,055). At year end a balance of EUR 654,250 was payable (2022: receivable EUR 8,156,141). Net assets for reinsurance contracts held at 31 December 2023 amounted to Eur 58,988,730 (2022: 48,432,598).

The company has entered into administration agreements with related parties. During the year the company paid commissions and administration fees to related parties totalling EUR 43,127,312 (2022: EUR 4,472,540). An asset for acquisition cashflows amounted to EUR 4,022,392 (2022: 4,960,552).

Directors' fees during the period are disclosed in Note 17. Outstanding balances with related parties at the reporting date are disclosed in Notes 22 and 24.

26. IMMEDIATE PARENT AND ULTIMATE PARENT

The immediate parent of the Company is Fortegra Europe Holdings SE, a company with its registered address at Office 13, SOHO Office, The Strand, Fawwara Building, Triq l-Imsida, Gzira, GZR 1401, Malta.

The ultimate parent of the Company is Tiptree Inc., a company with its registered address at 780, Third Avenue, 21st Floor, New York, NY 10017, United States.

Fortegra Financial Corporation, a company with its registered address at Suite 200, 10751 Deerwood Park Boulevard, Jacksonville, FL 32256, United States prepares the consolidated financial statements.

27. EVENTS AFTER THE REPORTING DATE

On 7 February 2024 the Company applied under Section 55L(5) of the Financial Services and Markets Act 2000 ('FSMA') for the Financial Conduct Authority (the 'FCA') to impose certain requirements on the Company's Part 4A permissions. Within five business days from that date, the Company instructed all persons in the distribution arrangements for GAP contracts manufactured by the Company to immediately cease marketing and distributing the GAP contracts to customers based in the UK. This Voluntary Application for Imposition of Requirements, which was also entered into by all major insurer writing GAP contracts on the UK market, entails that the Company must, except with the prior written consent of the FCA, not enter into, take up or effect any GAP contracts for or with customers based in the UK, not market any GAP contracts to customers based in the UK, and not advise on or propose any GAP contracts, whether directly or through another person, to customers based in the UK. The Company is currently working through a revised product offering to be in a position to exit the Voluntary Application for Imposition of Requirements with the consent of the FCA.

A dividend of EUR 15.0 million was approved in March 2024.

NOTES TO THE FINANCIAL STATEMENTS - continued

28. COMPARATIVE INFORMATION

Comparative figures disclosed in the main components of these financial statements have been reclassified to conform with current year's disclosure for the purpose of fairer presentation.

Deloitte.

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Exemption number: EXO2155

Independent auditor's report

to the members of
Fortegra Europe Insurance Company SE

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Fortegra Europe Insurance Company SE (the "Company"), set out on pages 5 to 67, 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 material accounting policy information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2023, and of the Company's financial performance and cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IFRSs) as adopted by the European Union and have been properly prepared in accordance with the requirements of the Maltese Companies Act (Cap. 386) and the Insurance Business Act (Cap. 403).

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' *International Code of Ethics for Professional Accountants including International Independence Standards* (IESBA Code), as applicable to audits of financial statements of public interest entities, together with the *Accountancy Profession (Code of Ethics for Warrant Holders) Directive* (Maltese Code) that is relevant to our audit of the financial statements of public interest entities in Malta. We have also fulfilled our other ethical responsibilities in accordance with the IESBA Code and the Maltese Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. In conducting our audit, we have remained independent of the Company and have not provided any of the non-audit services prohibited by article 18A(1) of the Accountancy Profession Act (Cap. 281).

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 and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. The key audit matter described below was 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 this matter.

Deloitte.

Independent auditor's report (continued)

to the members of
Fortegra Europe Insurance Company SE

Key Audit Matters (continued)

Adoption of IFRS 17 'Insurance Contracts'

On 1 January 2023, the Company adopted IFRS 17 'Insurance Contracts', replacing IFRS 4 'Insurance Contracts'. The adoption of IFRS 17 was applied retrospectively, resulting in a restated opening balance sheet as at 1 January 2022 and restated comparatives as at 31 December 2022.

IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts, which are significantly different to those required under IFRS 4. The Company applied the general model for measuring all its insurance contracts. The implementation of IFRS 17 required significant management judgement in its application to the Company's policies.

Key judgements and estimates in relation to the adoption of IFRS 17 include:

- The methodology and assumptions applied in calculating the insurance contract liabilities, including the risk adjustment, the discount rates and the contractual service margin ("CSM");
- The appropriateness of methodologies, assumptions and significant judgements applied in the calculation of relevant insurance transactions and balances.

Our audit approach included the following, with involvement from our internal actuarial specialists:

- Evaluating the appropriateness of key technical accounting decisions, judgements and assumptions made by the Company in their application of the requirements of IFRS 17;
- Performing procedures to assess the Company's implementation of the defined methodology and IFRS 17 calculation models, including those related to the estimate of the fulfilment cashflows, the risk adjustment and CSM;
- Testing the completeness and accuracy of the data and other information required for IFRS 17 calculations; and
- Evaluating the disclosures as required by IFRS 17 including those relating to the transition impact and reconciled the disclosures to underlying accounting records and supporting data.

The Company's disclosures about the adoption of IFRS 17 are disclosed in note 1 to the financial statements.

Valuation of the liability for remaining coverage

As at 31 December 2023, the Company's liability for remaining coverage ("LRC") amounted to EUR115.0 million. The valuation of the Company's LRC is material to the Company and accounts for 81.0% of total liabilities as at 31 December 2023.

The LRC is comprised of:

- The present value of future cash flows ("PVFCF"), made up of estimated future cash flows, adjusted to reflect the time value of money and financial risks;
- A risk adjustment for non-financial risk; and
- The contractual service margin ("CSM"), which represents the unearned profit the Company will recognize as it provides service under the related insurance contract.

The valuation of the LRC is determined based on recommendations by the Company's appointed actuary. A significant amount of judgement is required in measuring the LRC, in particular the PVFCF, which requires the application of assumptions which are subject to a high degree of uncertainty.

Independent auditor's report (continued)

to the members of
Fortegra Europe Insurance Company SE

Key Audit Matters (continued)

<u>Valuation of the liability for remaining coverage (continued)</u>
Our audit approach included the following:

- Making an assessment of the Company's actuary's competence, capabilities and objectivity;
- Testing the completeness and accuracy of the data used by the Company for the purpose of determining the PVFCF;
- Reviewing and challenging the reasonableness of the assumptions and methodologies adopted by the Company's actuary for the estimation of the PVFCF, with the involvement of our internal actuarial specialists; and
- Assessing the adequacy of disclosures made in the financial statements in relation to insurance contract liabilities.

The disclosures about the liability for remaining coverage are disclosed in notes 2 and 8 to the financial statements.

Information Other than the Financial Statements and the Auditor's Report Thereon
The directors are responsible for the other information. The other information comprises the company information on page 2, the information included in the Directors' report on pages 3 to 4, and the Statement of directors' responsibilities on page 4, but does not include the financial statements and our auditor's report thereon.

Except for our opinion on the Directors' report in accordance with the Companies Act (Cap. 386), our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the 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. If, based on the work we have performed, we conclude that there is a material misstatement of this other information; we are required to report that fact. We have nothing to report in this regard.

With respect to the Directors' report, we also considered whether the Directors' report includes the disclosure requirements of Article 177 of the Companies Act (Cap. 386).

In accordance with the requirements of sub-article 179(3) of the Maltese Companies Act (Cap. 386) in relation to the Directors' report on pages 3 to 4, in our opinion, based on the work undertaken in the course of the audit:

- The information given in the Directors' report for the financial period for which the financial statements are prepared is consistent with those financial statements; and

- The Directors' report has been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the Directors' report.

Deloitte.

Independent auditor's report (continued)

to the members of
Fortegra Europe Insurance Company SE

Responsibilities of the Directors for the Financial Statements
As explained more fully in the Statement of directors' responsibilities on page 4, the directors are responsible for the preparation of financial statements that give a true and fair view in accordance with IFRSs as adopted by the European Union and the requirements of the Maltese Companies Act (Cap. 386), and the Insurance Business Act (Cap. 403), and for such internal control as they 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 have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements
This report, including the opinions set out herein, has been prepared for the Company's members as a body in accordance with articles 179, 179A and 179B of the Companies Act (Cap. 386).

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 opinions in accordance with articles 179, 179A and 179B of the Companies Act (Cap. 386). 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.

In terms of article 179A(4) of the Companies Act (Cap. 386), the scope of our audit does not include assurance on the future viability of the Company or on the efficiency or effectiveness with which the directors have conducted or will conduct the affairs of the Company. The financial position of the Company may improve, deteriorate, or otherwise be subject to change as a consequence of decisions taken, or to be taken, by its directors, or may be impacted by events occurring after the date of this opinion, including, but not limited to, events of force majeure.

As such, our audit report on the Company's historical financial statements is not intended to facilitate or enable, nor is it suitable for, reliance by any person, in the creation of any projections or predictions, with respect to the future financial health and viability of the Company, and cannot therefore be utilised or relied upon for the purpose of decisions regarding investment in, or otherwise dealing with (including but not limited to the extension of credit), the Company. Any decision-making in this respect should be formulated on the basis of a separate analysis, specifically intended to evaluate the future prospects of the Company and to identify any facts or circumstances that may be materially relevant thereto.

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.

Deloitte.

Independent auditor's report (continued)

to the members of
Fortegra Europe Insurance Company SE

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However future events or conditions may cause the Company to cease to continue as a going concern. Accordingly, in terms of generally accepted auditing standards, the absence of any reference to a material uncertainty about the Company's ability to continue as a going concern in our auditor's report should not be viewed as a guarantee as to the Company's ability 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.

For the avoidance of doubt, any conclusions concerning the adequacy of the capital structure of the Company, including the formulation of a view as to the manner in which financial risk is distributed between shareholders and/or creditors cannot be reached on the basis of these financial statements alone and must necessarily be based on a broader analysis supported by additional information.

We communicate with the directors 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 directors 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 with the directors, we determine those matters that were of most significance in the audit of the 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.

Deloitte.

Independent auditor's report (continued)

to the members of
Fortegra Europe Insurance Company SE

Report on Other Legal and Regulatory Requirements

Matters on which we are required to report by exception under the Companies Act
Under the Maltese Companies Act (Cap. 386), we have responsibilities to report to you if in our opinion:

- proper accounting records have not been kept;
- proper 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; or
- we have been unable to obtain all the information and explanations which, to the best of our knowledge and belief, are necessary for the purpose of our audit.

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

Auditor tenure
We were first appointed to act as statutory auditor of the Company by the members of the Company on 17 April 2018 for the financial year ended 31 December 2018. Accordingly, the period of total uninterrupted engagement as statutory auditor including previous reappointments of the firm is 6 financial years.

Consistency of the audit report with the additional report to the Board of Directors
Our audit opinion is consistent with the additional report to the Board of Directors in accordance with the provisions of Article 11 of EU Regulation No. 537/2014.

The audit report was drawn up on 6 May 2024 and signed by:

Mark Giorgio as Director
in the name and on behalf of
Deloitte Audit Limited
Registered auditor
Central Business District, Birkirkara, Malta.