PREMIUM INSURANCE COMPANY LIMITED

FINANCIAL STATEMENTS

31 December 2022

PREMIUM INSURANCE COMPANY LIMITED
INDEX

PREMIUM INSURANCE COMPANY LIMITED
COMPANY INFORMATION

Directors
M Vedej
M Benko
M Klugowski
K Micallef
S Agius (appointed on 25.08.2022)
J Stivala (appointed on 07.12.2022)

Secretary
Ganado Services Limited

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

Bankers
Slovenská sporiteľňa, a. s. (Jsc.)
Tomášikova 48
832 37 Bratislava
Slovak Republic

Česká spořitelna, a.s.
Olbrachtova 1929/62
140 00 Praha 4
Czech Republic

Registered office
Level 3, CF Business Centre, Gort Street
St Julian's STJ 3016
Malta

Registered number
C 91171

The directors present their annual report together with the audited financial statements of PREMIUM Insurance Company Limited ("the Company") for the year ended 31 December 2022.

Principal activities

The Company's principal activity during the year was the provision of property and liability insurance, specifically the provision of property and liability insurance in the Slovak Republic and Czech Republic.

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

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

Results

The results for the year are shown in the Statement of profit or loss and other comprehensive income on pages 6 and 7. The Company has reported a loss of €1,017,985 (2021 - €526,961).

Dividends

The directors do not recommend the payment of a dividend (2021 - NIL).

Business review

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

The Company predominantly writes industrial and commercial liability insurance. Small volumes of other classes are accepted where they contribute profit to the bottom line.

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

Business review (continued)

During the reporting period, PREMIUM saw further significant growth in both gross written premiums, which increased by 41% in comparison with the previous year, and net written premiums, which increased by 53% in comparison with the previous year. Commercial and industrial property business continued to dominate the account, with commercial liability being the second most important class of business.

Financial highlights:-

	2022	**2021**
	€	**€**
Gross written premium	21,933,597	15,540,418
Net written premium	8,928,862	5,839,460
Claims incurred net of reinsurance	3,686,928	1,681,146
Net operating expenditure	4,417,081	3,559,535
Retained losses	5,991,201	4,973,216

Future developments

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

The current 3-year plan is designed to build on the successes and expirence of the past years trading and to generate further strong growth in gross and net premiums, whilst maintaining appropriate re-insurance protection to safeguard the Company's balance sheet and solvency coverage. The Company is in the final phase of obtaining licence for Freedom of Establishement for Czech Repblic.

Financial risk management

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

Liquidity/cash flow risk

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

Currency risk

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

Interest rate risk

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

Credit risk

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

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

Directors

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

	€1 Ordinary shares	
	2022	**2021**
M Vedej	1,875,000	1,875,000
M Benko	-	-
M Klugowski	-	-
K Micallef	-	-
S Agius (appointed on 25.08.2022)	-	-
J Stivala (appointed on 07.12.2022)	-	-

Statement of directors' responsibilities

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

- adopt the going concern basis unless it is inappropriate to presume that the company will continue in business;
- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- value separately the components of asset and liability items;
- report comparative figures corresponding to those of the preceding accounting period; and

Statement of directors' responsibilities (continued)

- ensure that the company has complied with all the relevant sections of the Insurance Business Act, Cap. 403 throughout the year.

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

Approved by the board on 4 April 2023 and signed on its behalf by:

....	....
M Vedej	**M Klugowski**
Chairman	*Managing Director*

PREMIUM INSURANCE COMPANY LIMITED

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME: TECHNICAL ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	2022 €	2021 €
Earned premiums, net of reinsurance			
Gross premiums written		23,460,476	16,652,133
Insurance premium tax		(1,526,879)	(1,111,715)
Gross premiums written net of tax		21,933,597	15,540,418
Outward reinsurance premiums		(13,004,735)	(9,700,958)
Net premiums written		8,928,862	5,839,460
Change in the gross provision for unearned premiums		(2,686,936)	(486,034)
Change in the provision for unearned premiums, reinsurers' share		1,464,532	(566,117)
Total earned premiums, net of reinsurance	5	7,706,458	4,787,309
Claims incurred, net of reinsurance			
Claims paid:			
Gross amount		(6,492,782)	(3,200,060)
Reinsurers' share		4,529,924	2,289,003
Change in the provision for claims:			
Gross amount		(416,456)	(2,873,755)
Reinsurers' share		(1,307,614)	2,103,666
Total claims incurred, net of reinsurance	6	(3,686,928)	(1,681,146)
Underwriting profit for general business		4,019,530	3,106,163
Net operating expenses	7	(4,417,081)	(3,559,535)
Balance on the technical account for general business		(397,551)	(453,372)

The notes on pages 11 to 41 form part of these financial statements.

PREMIUM INSURANCE COMPANY LIMITED
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME: NON-TECHNICAL ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	2022 €	2021 €
Balance on the general business technical account		(397,551)	(453,372)
Investment fair value movement		(774,035)	(150,445)
Investment income		36,125	38,260
Profit / (Loss) on disposal of fixed assets		102	(253)
Foreign exchange (loss) / gain		36,260	38,849
Loss on ordinary activities before taxation		(1,099,099)	(526,961)
Tax on loss on ordinary activities	**10**	81,114	-
Loss for the financial period		(1,017,985)	(526,961)

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

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

The notes on pages 11 to 41 form part of these financial statements.

PREMIUM INSURANCE COMPANY LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2022

	Notes	2022 €	2021 €
ASSETS			
Intangible assets	12	876,781	685,614
Tangible fixed and right-of-use assets	13	758,661	824,246
Financial investments	14	3,815,910	4,589,945
Reinsurers' share of technical provisions	20	9,211,913	9,054,995
Debtors arising out of direct insurance operations	15	4,830,604	3,041,943
Other debtors		133,790	100,573
Deferred tax asset	11	225,759	-
Cash and cash equivalents at bank and in hand	16	8,990,657	8,093,190
Deferred acquisition costs		2,000,561	1,323,242
Other prepayments and accrued income		88,832	33,785
Total assets		**30,933,468**	**27,747,533**
LIABILITIES AND SHAREHOLDERS' FUNDS			
SHAREHOLDERS' FUNDS			
Ordinary share capital	17	7,500,000	7,500,000
Capital contribution	18	3,400,000	3,400,000
Profit and loss account		(5,991,201)	(4,973,216)
Total shareholders' funds		**4,908,799**	**5,926,784**
LIABILITIES			
Gross technical provisions	20	16,498,561	13,395,172
Creditors arising out of direct insurance operations	21	4,011,924	4,236,290
Creditors arising out of reinsurance operations	22	2,362,743	2,039,800
Other payables including taxation and social security	23	1,039,543	1,010,892
Current tax payable	10	144,645	-
Accruals and deferred income	24	1,967,253	1,138,595
Total liabilities		**26,024,669**	**21,820,749**
Total liabilities and shareholders' funds		**30,933,468**	**27,747,533**

Approved by the board on 4 April 2023 and signed on its behalf by:

....

M Vedej
Chairman

....

M Klugowski
Managing Director

The notes on pages 11 to 41 form part of these financial statements.

PREMIUM INSURANCE COMPANY LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	2022 €	2021 €
Cash flow from operating activities			
Cash receipts from customers		21,218,420	21,767,230
Cash payments to customers		(7,789,733)	(3,825,610)
Cash payments from / (to) co-insurers		1,189,440	(5,050,480)
Cash payments to reinsurers		(3,060,290)	(2,572,811)
Acquisition costs cash payments		(5,330,045)	(3,911,397)
Cash payments to suppliers for goods and services		(2,040,232)	(1,576,863)
Cash payments to and on behalf of employees and directors		(1,526,271)	(1,297,884)
Bank charges and interest paid		(30,507)	(17,926)
Insurance tax and other tax cash payments		(1,337,112)	(1,162,772)
Net cash flow generated from operating activities		1,293,670	2,351,487
Cash flow from investing activities			
Purchase of intangible fixed assets		(385,380)	(286,051)
Purchase of tangible fixed assets		(41,846)	-
Disposal of tangible fixed assets		(102)	7,578
Purchase of financial investment		-	(1,106,245)
Financial investment interest received		31,125	28,079
Net cash flow used in investing activities		(396,203)	(1,356,639)
Cash flow from financing activities			
Capital contribution		-	1,000,000
Net cash flow from financing activities		-	1,000,000
Net increase / (decrease) in cash held		**897,467**	**1,994,848**
Cash at bank and in hand as at the beginning of the year		8,093,190	6,098,342
Cash at bank and in hand as at the end of the year	**16**	**8,990,657**	**8,093,190**

The notes on pages 11 to 41 form part of these financial statements.

PREMIUM INSURANCE COMPANY LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	Ordinary share capital	Capital contribution	Profit and loss account	Total equity
		€	€	€	€
Balance as at 1 January 2021		7,500,000	2,400,000	(4,446,255)	5,453,745
Capital contribution	18	-	1,000,000	-	1,000,000
Total comprehensive loss for the period		-	-	(526,961)	(526,961)
Balance as at 31 December 2021		**7,500,000**	**3,400,000**	**(4,973,216)**	**5,926,784**
Balance as at 1 January 2022		7,500,000	3,400,000	(4,973,216)	5,926,784
Total comprehensive loss for the period		-	-	(1,017,985)	(1,017,985)
Balance as at 31 December 2022		**7,500,000**	**3,400,000**	**(5,991,201)**	**4,908,799**

The notes on pages 11 to 41 form part of these financial statements.

1 GENERAL INFORMATION

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

2 BASIS OF PREPARATION

The principal accounting policies adopted by the Company are set out below. The directors have reviewed the accounting policies and concluded that they are appropriate. They have been applied consistently throughout the period in the preparation of the financial statements.

The financial statements have been prepared under the historical cost convention and are in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) and comply with the Companies Act, Cap. 386 of the Laws of Malta and the Insurance Business Act. Cap. 403 of the Laws of Malta.

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

Going concern

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

3 PRINCIPAL ACCOUNTING POLICIES

Initial Application of an International Financial Reporting Standard

The Company has adopted the following new and amended IFRS and IFRIC interpretations as of 1 January 2022:

Amendments to IFRS 3 Business Combinations; IAS 16 Property, Plant and Equipment; IAS 37 Provisions, Contingent Liabilities and Contingent Assets; and Annual Improvements 2018-2020 (All issued 14 May 2020) (effective on 1 January 2022)

The amendments to IFRS 3 include an update IFRS 3 so that it refers to the 2018 Conceptual Framework instead of the 1989 Framework, an addition to IFRS 3 as a requirement that, for transactions and other events within the scope of IAS 37 or IFRIC 21, an acquirer applies IAS 37 or IFRIC 21 (instead of the Conceptual Framework) to identify the liabilities it has assumed in a business combination; and an addition to IFRS 3 of an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

The amendments to IAS 16 prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the cost of producing those items, in profit or loss.

3 PRINCIPAL ACCOUNTING POLICIES (continued)

Initial Application of an International Financial Reporting Standard (continued)

The amendments to IAS 37 specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract or an allocation of other costs that relate directly to fulfilling contracts.

The application of these amendments did not have a material effect on the company's financial statements.

Annual improvements 2018 – 2020 will introduce the following changes (effective on 1 January 2022)

IFRS 1, First time adoption of IFRS: The change applies to a subsidiary that adopted IFRS's at a later date than its parent and uses the exemption in paragraph D16(a) to measure assets and liabilities at the carrying amounts that are included in the parents consolidated financial statements. The amendment permits that such a subsidiary may elect, in its financial statements, to measure cumulative translation differences for all foreign operations at the carrying amount that would be included in the parent's consolidated financial statements, based on the parent's date of transition to IFRSs, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary.

IFRS 9, Financial Instruments: IFRS 9 requires that an entity derecognises a financial liability and recognises a new financial liability when there is an exchange between an existing borrower and lender of debt instruments with substantially different terms. The terms are substantially different if the discounted present value of the remaining cash flows under the new terms are at least 10 percent different from the discounted present value of the remaining cash flows or the original financial liability. The amendment clarifies that only fees paid and received between the entity and the lender may be included in the calculations to determine whether there is a 10 percent difference. The amendment is applied prospectively.

IFRS 16, Leases: The amendment removes an illustrative example that includes a reimbursement relating to leasehold improvements since the example des not explain clearly enough the conclusion as to whether the reimbursement would meet the definition of a lease incentive in IFRS 16.

IAS 41, Agriculture: The amendment removed the requirement to exclude cash flows for taxation when measuring fair value and aligning the requirements with IFRS 13, Fair Value Measurements. The amendment is applied prospectively.

The application of these amendments did not have a material effect on the company's financial statements.

3 PRINCIPAL ACCOUNTING POLICIES (continued)

Initial Application of an International Financial Reporting Standard (continued)

Standards, interpretations and amendments to published standards as adopted by the EU in issue but not yet effective for financial periods beginning on 1 January 2022:

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

Previously, an entity was required to disclose in its financial statements its significant accounting policies, with the amendments an entity will now be required to disclose its material accounting policies.

Paragraphs are added to explain how an entity identifies material accounting policies along with added examples to explain when accounting policy information is likely to become material, focusing on concepts such as that accounting policy information becomes material because of its nature, even if the related amounts are immaterial.

Additionally, IFRS Practice Statement 2 has been amended through added guidance and examples to explain and illustrate the application of the 'four-step materiality process' to accounting policy information in aim of supporting the amendments to IAS 1.

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

Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors:

Definition of Accounting Estimates (issued on 12 February 2021) (effective on 1 January 2023)

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

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

The effect of the change relating to the current period is recognised as income or expense in the current period. The effect, if any, on future periods is recognised as income or expense in those future periods.

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

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

3 PRINCIPAL ACCOUNTING POLICIES (continued)

Initial Application of an International Financial Reporting Standard (continued)

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

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

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

The Company is making a satisfactory progress on the implementation of IFRS17 project. Accounting policies have been mostly completed and are awaiting Board approval. Additionally, almost all data required for calculations input have been collected, data input procedures are being reviewed to ensure completeness and compatibility with the IFRS17 software, with the aim of achieving a high level of automation for the ongoing reporting.

Whereas the financial implication of adopting IFRS 17 is still to be determined, the directors do not expect that these amendments will have a material impact on the financial statements of the company.

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

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

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

Standards, interpretations and amendments issued by the International Accounting Standards Board (IASB) but not yet adopted by the European Union:

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

Amendments to IFRS 16 Leases: Lease liability in a sale and leaseback (issued on 22 September 2022)

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

3 PRINCIPAL ACCOUNTING POLICIES (continued)

Foreign currency

The functional and presentational currency of the Company is considered to be Euro because that is the currency of the primary economic environment in which the Company operates.

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

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

At each period end foreign currency monetary items are translated using the closing rate. For this purpose all assets and liabilities arising from insurance contracts (including unearned premiums, deferred acquisition costs and unexpired risks provisions) are monetary items.

Classification of insurance contracts

The Company's contracts are classified at inception, for accounting purposes, as insurance contracts. A contract that is classified as an insurance contract remains an insurance contract until all rights and obligations are extinguished or expire. Insurance contracts are those contracts that transfer significant insurance risk, if and only if, an insured event could cause an insurer to make significant additional benefits in any scenario, excluding scenarios that lack commercial substance. Such contracts may also transfer financial risk.

Premiums written

Premiums written are accounted for at the date of inception of the policy to which they relate. Premiums are written at the inception of each policy and are recognised as earned premiums on a basis which reflects the profile of the risk attributable to the class of risk written.

Unearned premiums

The unearned premium reserve represents the proportion of written premiums relating to periods of risk after the accounting date, which are deferred to subsequent accounting periods in line with the earnings pattern attributable to the class of business written.

Claims

Claims incurred comprise claims and related expenses paid during the financial year together with the movement in the provision for outstanding claims, including provision for claims incurred but not reported, together with any other adjustments to claims for previous periods.

The claims outstanding provision comprises the estimated cost of settling all claims incurred at the reporting date. Estimated future costs include those in relation to claims reported but not yet paid or not yet paid in full and claims incurred but not reported and the anticipated direct and indirect handling costs.

3 PRINCIPAL ACCOUNTING POLICIES (continued)

Claims (continued)

Provisions for claims outstanding are based on information available to the directors at the reporting date, given the uncertainty in establishing claims provisions, it is likely that the final outcome will prove to be different from the original liability established.

The estimation of claims incurred but not reported ("IBNR") is generally subject to a greater degree of uncertainty than the estimation of the cost of settling claims already notified to the company, where more information about the claim event is generally available. Claims IBNR may often not be apparent to the insured until many years after the event giving rise to the claims has happened. Classes of business where the IBNR proportion of the total reserve is high will typically display greater variations between initial estimates and final outcomes because of the greater degree of difficulty of estimating these reserves.

Classes of business where claims are typically reported relatively quickly after the claim event tend to display lower levels of volatility. In calculating the estimated cost of unpaid claims the Company uses a variety of estimation techniques, generally based upon statistical analysis of historical experience, which assumes that the development pattern of the current claims will be consistent with past experience.

Acquisition costs

Acquisition costs comprise those costs arising from the conclusion of insurance contracts written during the financial period. They are spread over a period equivalent to that over which the premiums on the underlying business are earned.

Reinsurance

The Company enters into Quota share, Surplus, Excess of Loss and Facultative reinsurance contracts in the normal course of business in order to limit the potential for losses arising from certain exposures. Outwards reinsurance premiums are accounted for in the same period as the related premiums for the direct insurance business being reinsured.

Reinsurance liabilities comprise premiums payable for outwards reinsurance contracts and are recognised as an expense when due.

Reinsurance assets include balances due from reinsurance companies for paid and unpaid losses. Reinsurance assets are measured consistently with the amounts associated with the underlying insurance contract and in accordance with the terms of the reinsurance contract.

Reinsurance assets are subject to impairment testing and the carrying amount is reduced to its recoverable amount. The impairment loss is recognised as an expense in the income statement.

The asset is impaired if objective evidence is available to suggest that it is probable that the Company will not be able to collect the amounts due from reinsurers.

Any gains or losses on buying reinsurance are recognised in income at the date of purchase and are not amortised.

3 PRINCIPAL ACCOUNTING POLICIES (continued)

Unexpired risks provision

Provision has been made for any deficiencies arising when unearned premiums, net of associated acquisition costs, are insufficient to meet expected claims and expenses after taking into account future investment return on the investments supporting the unearned premiums provision ('UPP') and unexpired risks provision. The expected claims are calculated based on information available at the balance sheet date.

Unexpired risks surpluses and deficits are offset where business classes are managed together and a provision is made if an aggregate deficit arises.

No unexpired risks provision was recognised in the financial statements.

Tangible assets

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

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

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

Depreciation is included in administrative expenditure.

Intangible assets

Intangible assets acquired separately are capitalised at cost. Subsequent to initial recognition,

intangible assets are stated at cost less accumulated amortisation and accumulated impairment.

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

Software – over 6 years
Website development – over 3 years

Amortisation is included in administrative expenditure.

Leases

The Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

3 PRINCIPAL ACCOUNTING POLICIES (continued)

Leases (continued)

The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

i) Right-of-use assets

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

ii) Lease liabilities

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating the lease, if the lease term reflects the Company exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

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

The weighted average lessee's incremental borrowing rate applied to lease liabilities at the date of initial application of IFRS 16 was 5%. The Company's lease liabilities are included in other payables including taxation and social security (see Note 22).

3 PRINCIPAL ACCOUNTING POLICIES (continued)

Leases (continued)

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

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

Financial instruments

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

Financial assets and liabilities

Initial measurement

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

Subsequent measurement

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

a) Returns to the holder are (i) a fixed amount; or (ii) a fixed rate of return over the life of the instrument; or (iii) a variable return that, throughout the life of the instrument, is equal to a single referenced quoted or observable interest rate; or (iv) some combination of such fixed rate and variable rates, providing that both rates are positive.

b) There is no contractual provision that could, by its terms, result in the holder losing the principal amount or any interest attributable to the current period or prior periods.

c) Contractual provisions that permit the issuer to prepay a debt instrument or permit the holder to put it back to the issuer before maturity are not contingent on future events, other than to protect the holder against the credit deterioration of the issuer or a change in control of the issuer, or to protect the holder or issuer against changes in relevant taxation or law.

d) There are no conditional returns or repayment provisions except for the variable rate return described in (a) and prepayment provisions described in (c).

3 PRINCIPAL ACCOUNTING POLICIES (continued)

Financial assets and liabilities (continued)

Subsequent measurement (continued)

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

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

Derecognition

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

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

Fair value measurement

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

Impairment of financial instruments measured at amortised cost or cost

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

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

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

3 PRINCIPAL ACCOUNTING POLICIES (continued)

Cash and cash equivalents

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

Share capital

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

Capital contribution

Amounts advances by the shareholders by way of contributions, which do not include contractual obligation to settle in cash or another financial asset, are classified within equity. Balances which containing obligation to transfer recourses are classified as liability.

Related party transactions

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

Parties are considered related if one party has control, joint control, or significant influence over the other party in making financial and operating decisions. Key management personnel of the Company are also considered to be related parties.

Taxation

A current tax liability is recognised for the tax payable on the taxable profit of the current and past periods. A current tax asset is recognised in respect of a tax loss that can be carried back to recover tax paid in a previous period.

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

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

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

Current and deferred tax assets and liabilities are not discounted.

4 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Company's accounting policies, which are described in note 3, 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 that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the critical judgements and key sources of estimation uncertainty in applying the Company's accounting policies

Liability arising from claims made under insurance contracts

The estimation of the ultimate liability arising from claims made under insurance contracts is the Company's most critical accounting estimate.

	2022	2021
	€	€
The carrying amount of the liability is as follows:-	8,914,676	8,498,223

There are several sources of uncertainty that need to be considered in the estimate of the liability that the Company will ultimately pay. The level of provision has been set on the basis of the information that is currently available.

The claims outstanding are individually set by external loss adjusters and form part of the overall claims provision.

Liability arising from claims made under insurance contracts

Provisions are reviewed by the Company's independent actuaries based upon statistical models (which require certain assumptions regarding incidence, timing and amount of claims).

Unexpired risk reserve

The Company determines whether it is appropriate to maintain an unexpired risk reserve to cover potential adverse development on insurance business that was unearned at the end of the financial year. Not all risks from policies expire at the year end, and the Additional Unexpired Risk Reserve (AURR) relates to the additional risk that may not be covered by the associated income arising from these unexpired risks. The AURR is establishing using the expected ultimate loss ratios as projected by the external independent actuary.

Judgements made in applying accounting policies that could have the most significant effects on the amounts reported in the financial statements are as follow:-

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

The Company does not consider any of it's financial assets to be impaired.

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

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

5 EARNED PREMIUMS, NET OF REINSURANCE

	2022 Gross €	2022 Reinsurance €	2022 Net €
Premiums written	21,933,597	(13,004,735)	8,928,862
Unearned premiums carried forward	(7,583,885)	4,129,680	(3,454,205)
Unearned premiums brought forward	4,896,949	(2,665,148)	2,231,801
Change in provision for unearned premiums	(2,686,936)	1,464,532	(1,222,404)
Earned premiums	19,246,661	(11,540,203)	7,706,458

	2021 Gross €	2021 Reinsurance €	2021 Net €
Premiums written	15,540,418	(9,700,958)	5,839,460
Unearned premiums carried forward	(4,896,949)	2,665,148	(2,231,801)
Unearned premiums brought forward	4,410,915	(3,231,265)	1,179,650
Change in provision for unearned premiums	(486,034)	(566,117)	(1,052,151)
Earned premiums	15,054,384	(10,267,075)	4,787,309

6 CLAIMS INCURRED, NET OF REINSURANCE

	2022 Gross €	2022 Reinsurance €	2022 Net €
Claims Paid	(6,492,782)	4,529,924	(1,962,858)
Outstanding claims carried forward	(8,914,676)	5,082,230	(3,832,446)
Outstanding claims brought forward	8,498,223	(6,389,847)	2,108,376
Change in outstanding claims	(416,453)	(1,307,617)	(1,724,070)
Claims incurred	(6,909,235)	3,222,307	(3,686,928)

	2021 Gross €	2021 Reinsurance €	2021 Net €
Claims Paid	(3,200,060)	2,289,003	(911,057)
Outstanding claims carried forward	(8,498,223)	6,389,847	(2,108,376)
Outstanding claims brought forward	5,624,468	(4,286,181)	1,338,287
Change in outstanding claims	(2,873,755)	2,103,666	(770,089)
Claims incurred	(6,073,815)	4,392,669	(1,681,146)

7 NET OPERATING EXPENSES

	2022	2021
	€	€
Acquisition costs	5,781,995	4,401,105
Change in deferred acquisition costs	(677,319)	(93,031)
Reinsurance commissions	(4,488,882)	(3,473,818)
Change in deferred reinsurance commissions	170,893	(284,085)
No claim discounts payable (net of reinsurance)	81,949	191,162
Insurance levy	-	223
Auditor's remuneration	71,557	68,628
Salaries including social security	1,341,850	985,563
Directors' emoluments	252,260	261,321
Marketing	308,453	198,800
Information technology	381,612	224,824
Legal and professional fees	428,802	447,402
Depreciation	438,656	371,612
Other administrative expenses	325,255	259,829
	4,417,081	3,559,535

	2022	2021
Services provided by the Company's auditor	€	€
Audit	58,577	56,828
Other assurance services	12,980	11,800

8 DIRECTORS' EMOLUMENTS

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

	2022	2021
	€	€
Directors remuneration	252,260	261,321

9 STAFF NUMBERS

	2022	2021
Branch staff	22	20
Headquarter office staff	4	3

10 TAXATION

The Company is subject to corporation tax in Malta on any profits which are accrued in or derived from Malta or any passive income which is taxable. The corporation tax rate in Malta for the period ended 31 December 2022 is 35% (2021 - 35%).

The Company is also subject to corporation tax in the Slovak Republic on any profits which are accrued in or derived by the branch located in the Slovak Republic or any passive income which is taxable. The corporation tax rate in Slovak Republic for the year ended 31 December 2022 is 21% (2021 - 21%).

The income tax for the year and the result of the accounting loss multiplied by the tax rate applicable in Malta are reconciled as follows:

10 TAXATION (continued)

(a) Current tax charge for the year

	2022	2021
	€	€
Current tax charge incurred in Slovak Republic	(144,645)	-
Deferred tax	225,759	-
Total income tax charge	81,114	-

(b) Reconciliation of tax charge

	2022	2021
Analysis of charge in year	€	€
Loss for the year	(1,099,099)	(526,961)
Tax charge at Malta's statutory income tax rate of 35%	384,682	184,436
Adjusted for tax effect of:		
Non allowable expenses	(12,252)	(51,487)
Effect of income taxable in other jurisdictions	(2,112)	-
Unrecognised deferred tax movement	(262,403)	(132,949)
Unrecognised deferred tax movement not recognised in prior year	245,076	-
Future exempt capital gains/losses	(270,912)	
Permanent difference on motor vehicles	(965)	-
Income tax	81,114	-

11 DEFERRED TAXATION

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

	2022	2021
	€	€
Balance at 1 January	-	-
Movement recognised during the year	225,759	-
Balance at 31 December	225,759	-

	2022	2021
Temporary differences attributable to:-	€	€
Depreciation of fixed assets	6,281	-
Provisions and accruals	200,314	-
Payables	16,057	-
Other	3,107	-
Deferred tax asset	225,759	-

At 31 December 2022, the company had unused tax losses and capital allowances carried forward against future Malta taxable profits amounting to €1,859,578 (2021 - €1,303,428) and €743,128 (2021 - €432,401) respectively. The company did not recognise a deferred tax asset on these balances.

12 INTANGIBLE FIXED ASSETS

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

	Software	Website	Total
Cost	**€**	**€**	**€**
At 1 January 2021	763,790	12,758	776,548
Additions	286,051	-	286,051
	1,049,841	12,758	1,062,599
Depreciation			
At 1 January 2021	227,270	8,102	235,372
Charge for a year	138,607	3,006	141,613
	365,877	11,108	376,985
Net book value			
At 31 December 2021	**683,964**	**1,650**	**685,614**

13 TANGIBLE FIXED AND RIGHT-OF-USE ASSETS

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

	Right-of-use Assets	Furniture and fittings	Total
Cost	€	€	€
At 1 January 2021	932,554	193,710	1,126,264
Disposal	-	(11,277)	(11,277)
Remeasurement	188,467	-	188,467
	1,121,021	182,433	1,303,454
Depreciation			
At 1 January 2021	206,314	46,341	252,655
Disposal	-	(3,446)	(3,446)
Remeasurement	(8,112)	-	(8,112)
Charge for a year	177,510	60,601	238,111
	375,712	103,496	479,208
Net book value			
At 31 December 2021	**745,309**	**78,937**	**824,246**

14 FINANCIAL INVESTMENTS

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

	2022	2021
	€	€
Fair value through profit or loss	3,815,910	4,589,945
Analysed by type of investment as follows:		
Government bonds	1,564,150	2,038,000
Corporate bonds	2,251,760	2,551,945

The movements for the year are summarised as follows:

	2022	2021
	€	€
At 1 January 2022	4,589,945	3,634,145
Additions	-	1,106,245
Investment fair value movement	(774,035)	(150,445)
At 31 December 2022	3,815,910	4,589,945
Maturity of financial investments:		
Under 5 years	1,771,745	496,180
Over 5 years	2,044,165	4,093,765

15 DEBTORS ARISING OUT OF DIRECT INSURANCE OPERATIONS

	2022	2021
	€	€
Premiums due from co-insurers	2,133,589	2,350,436
Direct premium debtors	2,608,214	368,676
Other amounts due from co-insurers	88,801	322,831
	4,830,604	3,041,943

16 CASH AND CASH EQUIVALENTS AT BANK AND IN HAND

	2022	2021
	€	€
Cash and cash equivalents at bank	8,990,155	8,093,038
Cash in hand	502	152
	8,990,657	8,093,190

17 SHARE CAPITAL

	2022	2021
	€	€
Authorised:		
100,000,000 ordinary shares of €1 each	100,000,000	100,000,000
Allotted, called up and fully paid:		
7,500,000 ordinary shares of €1 each	7,500,000	7,500,000

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

18 CAPITAL CONTRIBUTION

During the financial year, the Company has not received an additional capital contribution from its shareholders (2021 - €1,000,000).

19 CAPITAL MANAGEMENT

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

	2022	2021
	€	€
Called up share capital	7,500,000	7,500,000
Capital contribution	3,400,000	3,400,000
Retained earnings	(5,991,201)	(4,973,216)
	4,908,799	5,926,784

Its objectives when managing capital are:

• to comply with legal and statutory obligations and maintain capital resources commensurate with the nature, scale and risk profile of its business;

• to provide a framework for monitoring the financial and capital position of the Company, including the procedures to be followed during periods of general financial distress, either due to internal or external events; and

• to safeguard the Company's ability to continue as a going concern.

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

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

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

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

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

The Company was in full compliance with its regulatory capital requirements throughout the financial year.

20 TECHNICAL PROVISIONS

	Unearned premium	Claims outstanding and IBNR	Total
Gross amount	**€**	**€**	**€**
At 1 January 2022	4,896,949	8,498,223	13,395,172
Movement	2,686,936	416,453	3,103,389
At 31 December 2022	**7,583,885**	**8,914,676**	**16,498,561**
At 1 January 2021	4,410,915	5,624,468	10,035,383
Movement	486,034	2,873,755	3,359,789
At 31 December 2021	**4,896,949**	**8,498,223**	**13,395,172**
Reinsurers share			
At 1 January 2022	2,665,148	6,389,847	9,054,995
Movement	1,464,532	(1,307,614)	156,918
At 31 December 2022	**4,129,680**	**5,082,233**	**9,211,913**
At 1 January 2021	3,231,265	4,286,181	7,517,446
Movement	(566,117)	2,103,666	1,537,549
At 31 December 2021	**2,665,148**	**6,389,847**	**9,054,995**

21 CREDITORS ARISING OUT OF DIRECT INSURANCE OPERATIONS

	2022	2021
	€	**€**
Acquisition costs	2,100,863	1,609,419
Amounts due to co-insurers	166,874	164,583
Advance premium income receipts	929,755	1,192,961
Insurance premium tax and levies	591,136	415,161
Claims due	223,296	854,166
	4,011,924	4,236,290

22 CREDITORS ARISING OUT OF REINSURANCE OPERATIONS

	2022	2021
	€	€
Amounts due to reinsurers	2,362,743	2,039,800

23 OTHER PAYABLES INCLUDING TAXATION AND SOCIAL SECURITY

	2022	2021
	€	€
Other payables	284,649	228,893
Lease liabilities	754,894	781,999
	1,039,543	1,010,892

Lease liabilities included in other payables:-

	2022	2021
Total undiscounted minimum lease payments payable in settlement of lease liabilities	849,678	904,485
Less: future finance charges	(94,784)	(122,486)
Present value of lease obligations	754,894	781,999
Amount due:-		
Within one year	217,048	165,851
Between one and five years	429,359	415,929
More than five years	108,487	200,219
	754,894	781,999

At the financial position date, the company's undiscounted lease commitments amounted to € 849,678. The maturity of these liabilities were as follows:

	Year 1	Year 2	Years 3 - 5	After 5 years
	€	€	€	€
Lease commitments	248,562	146,096	344,008	111,012

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

	2022	2021
	€	€
Depreciation on right-of-use asset	183,556	169,398
Interest on lease liabilities	37,079	42,511

Lease payments effected during the year amounted to €201,194 (2021 - €175,117).

24 ACCRUALS AND DEFERRED INCOME

	2022	2021
	€	€
Accruals	295,857	148,937
Deferred commission	1,671,396	989,658
	1,967,253	1,138,595

25 FINANCIAL RISK MANAGEMENT

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

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

Market risk

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

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

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

Foreign currency risk management

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

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

Due to very limited exposure to currency risk the Company considers that sensitivity analysis is not required.

Interest rate risk management

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

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

25 FINANCIAL RISK MANAGEMENT (continued)

Interest rate risk management (continued)

Due to very limited exposure to interest rate risk the Company considers that sensitivity analysis is not required.

Other price risk management

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

The Company has no significant concentration of price risk.

Credit risk

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

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

25 FINANCIAL RISK MANAGEMENT (continued)

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

The assets bearing credit risk:-	A- and above	BBB	Not rated	2022
	€	€	€	€
Financial investments	3,815,910	-	-	3,815,910
Reinsurer's share of technical provisions	5,082,233	-	-	5,082,233
Debtors arising out of direct insurance operations	2,222,390	-	2,608,214	4,830,604
Cash at bank	8,990,155	-	-	8,990,155
Assets bearing credit risk	20,110,688	-	2,608,214	22,718,902

The assets bearing credit risk:-	A- and above	BBB	Not rated	2021
	€	€	€	€
Financial investments	4,589,945	-	-	4,589,945
Reinsurer's share of technical provisions	6,389,847	-	-	6,389,847
Debtors arising out of direct insurance operations	2,673,267	-	368,676	3,041,943
Cash at bank	8,093,038	-	-	8,093,038
Assets bearing credit risk	21,746,097	-	368,676	22,114,773

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

Liquidity risk

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

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

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

25 FINANCIAL RISK MANAGEMENT (continued)

Liquidity risk (continued)

Financial liabilities	**> 5 years** **€**	**1 - 5 years** **€**	**<1 Year** **€**	**2022** **€**
Provision for claims outstanding	-	-	8,914,676	8,914,676
Creditors arising out of direct insurance operations	-	-	4,011,924	4,011,924
Creditors arising out of reinsurance operations	-	-	2,362,743	2,362,743
Other payables including taxation and social security	-	-	284,649	284,649
Lease liabilities	108,487	429,359	217,048	754,894
Accruals and deferred income	-	-	1,967,253	1,967,253
	108,487	429,359	17,758,293	18,296,139

Financial liabilities	**> 5 years** **€**	**1 - 5 years** **€**	**<1 Year** **€**	**2021** **€**
Provision for claims outstanding	-	-	8,498,223	8,498,223
Creditors arising out of direct insurance operations	-	-	4,236,290	4,236,290
Creditors arising out of reinsurance operations	-	-	2,039,800	2,039,800
Other payables including taxation and social security	-	-	228,893	228,893
Lease liabilities	200,219	415,929	165,851	781,999
Accruals and deferred income	-	-	1,138,595	1,138,595
	200,219	415,929	16,307,652	16,923,800

25 FINANCIAL RISK MANAGEMENT (continued)

Fair values

The following table presents the assets measured in the statements of financial position at fair value by level of the following fair value measurement hierarchy at 31 December 2022:

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

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

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

	Level 1
Assets	**€**
Financial assets at fair value through profit or loss	3,815,910

At 31 December 2022 and 31 December 2021, the carrying amounts of payables and receivables approximated their fair values due to the short-term maturities of these assets and liabilities.

26 INSURANCE RISK MANAGEMENT

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

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

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

Concentration risk

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

Assumptions and sensitivities

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

26 INSURANCE RISK MANAGEMENT (continued)

Assumptions and sensitivities

Results of sensitivity showing the impact on loss before tax and shareholders' equity gross net of reinsurance are set out below:

	Pre-tax loss	**Shareholders' equity**
	2022	**2022**
	€	**€**
5 pt increase in loss ratios	1,113,587	4,894,311
5 pt decrease in loss ratios	1,084,611	4,923,287

	Pre-tax loss	**Shareholders' equity**
	2021	**2021**
	€	**€**
5 pt increase in loss ratios	534,510	5,919,235
5 pt decrease in loss ratios	519,412	5,934,333

26 INSURANCE RISK MANAGEMENT (continued)

Claims development

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

	31-Dec-16	31-Dec-17	31-Dec-18	31-Dec-19	31-Dec-20	31-Dec-21	31-Dec-22	Total
Gross claims	€	€	€	€	€	€	€	€
End of underwriting	-	521,609	975,656	1,071,034	3,728,988	5,633,783	4,668,390	16,599,460
One year later	40,970	100,777	1,200,510	3,178,039	5,371,191	8,443,490	-	18,334,977
Two years later	-	197,857	1,597,841	2,355,895	5,038,368	-	-	9,189,961
Three years later	-	189,632	1,247,971	2,125,748	-	-	-	3,563,351
Four years later	-	159,474	1,168,348	-	-	-	-	1,327,822
Five years later		233,206						
Cumulative claims incurred	-	233,206	1,168,348	2,125,748	5,038,368	8,443,490	4,668,390	21,677,550
Cumulative claims paid	-	(233,206)	(1,087,495)	(1,675,380)	(3,459,689)	(5,064,950)	(1,242,154)	(12,762,874)
Liability for incurred claims	**-**	**-**	**80,853**	**450,368**	**1,578,679**	**3,378,540**	**3,426,236**	**8,914,676**

	31-Dec-16	31-Dec-17	31-Dec-18	31-Dec-19	31-Dec-20	31-Dec-21	31-Dec-22	Total
Reinsurers' share	€	€	€	€	€	€	€	€
End of underwriting	-	486,698	586,094	864,973	2,597,551	5,235,493	2,570,774	12,341,583
One year later	40,970	298,057	1,016,104	2,540,454	3,612,954	-	-	7,508,539
Two year later	-	176,934	1,340,218	1,671,674	-	-	-	3,188,826
Three years later	-	174,709	963,315	-	-	-	-	1,138,024
Four years later	-	213,699	-	-	-	-	-	213,699
Cumulative claims incurred	-	213,699	963,315	1,671,674	3,612,954	5,235,493	2,570,774	14,267,909
Cumulative claims paid	-	(213,699)	(889,712)	(1,310,250)	(2,492,977)	(3,629,465)	(649,573)	(9,185,676)
Reinsurers' share of claims liability	**-**	**-**	**73,603**	**361,424**	**1,119,977**	**1,606,028**	**1,921,201**	**5,082,233**

Gross and net claims at the end of the underwriting year reflect expected ultimate claims arising from the earned exposure at that point in time.

27 RELATED PARTY TRANSACTIONS

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

During the year ended 31 December 2022, TC charged the Company €162,442 (2021 - €305,262) for the claims handling services and administrative assistance. As at 31 December 2022, the Company owed TC €35,103 (2021 - €15,840).

TC is a company under common ownership.

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

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

During the year ended 31 December 2022, VERTIA charged the Company €NIL (2021 - €5,200) for the directors services. As at 31 December 2022, the Company owed VERTIA €NIL (2021 - €0).

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

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

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

During the year ended 31 December 2022, RESPECT charged the Company €2,163,789 (2021 - €2,086,264) for the brokerage fees. As at 31 December 2022, the Company owed RESPECT €1,001,302 (2021 - €736,203).

RESPECT is a company under common ownership.

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

DIRECTORS' FEES

Directors' fees paid during the year are disclosed in Note 8.

28 PARENT UNDERTAKING

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

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

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INDEPENDENT AUDITORS' REPORT

To the members of Premium Insurance Company Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Premium Insurance Company Limited (the Company), set out on pages 6 to 41, which comprise the statement of financial position as at 31 December 2022 and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2022, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU (EU IFRSs) and have been prepared in accordance with the requirements of the Companies Act (Cap. 386). The audit opinion is consistent with the additional report to the audit committee referred to in the Audit Regulation.

Basis for Opinion

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

Key Audit Matters

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

Claims payable and technical provisions

Risk description

At 31 December 2022 the Company had claims payable and technical provisions amounting to EUR8,914,676. As described in the Accounting Policies in note 3 to the financial statements, provisions are made at the year-end for all claims notified by the insured and for claims incurred but not reported. The level of provisioning is based on the information which is currently available, including potential loss claims which have been intimated to the Company, experience of the development of similar claims and case law.

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INDEPENDENT AUDITORS' REPORT

To the members of Premium Insurance Company Limited (continued)

Key Audit Matters (continued)

Claims payable and technical provisions (continued)

The directors consider the provision for these claims to be fairly stated on the basis of information currently available to them however the ultimate liability may vary as a result of subsequent information and events and may lead to significant adjustments to the amount provided reflected in the financial statements in the accounting period in which the adjustments arise.

How the scope of our audit responded to the risk

Our audit procedures over the estimation of claims outstanding included amongst others:

- Reconciling the individual claims outstanding as per claims register to the amounts reported in the financial statements, and
- Testing on a sample basis provisions for claims outstanding by inspection the claims documentation, including correspondence and loss adjustor reports, evaluating the run-off analysis and developments after-year end.

Our audit procedures over the estimation of claims IBNR included the following:

- Assessing the Company's methodology for estimating the claims IBNR; and
- Testing the adequacy of the Company's IBNR using triangulation methodologies, taking into consideration past experience and likely trends, and inspecting the claims registers after year end.

We have also assessed the relevance of disclosures relating to the Company's liability arising from claims made under insurance contracts presented in notes 3, 4, 19 and 25 to the financial statements.

Other Information

The directors are responsible for the other information. The other information comprises the directors' report. Our opinion on the financial statements does not cover this information, including the directors' report. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

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

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

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INDEPENDENT AUDITORS' REPORT

To the members of Premium Insurance Company Limited (continued)

Other Information (continued)

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

Responsibilities of the Directors

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

- Consider the extent of compliance with those laws and regulations that directly affect the financial statements, as part of our procedures on the related financial statements items. For the remaining laws and regulations, we make enquiries of directors and other management, and inspect correspondence with the regulatory authority as well as legal correspondence. As with Fraud, there remains a higher risk of non-detection of other irregularities (whether or not these relate to an area of law directly related to the financial statements), as these may likewise involve collusion, forgery, international omissions, misrepresentations, or the override of internal controls.

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

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INDEPENDENT AUDITORS' REPORT

To the members of Premium Insurance Company Limited (continued)

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

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

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

Report on Other Legal and Regulatory Requirements

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

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

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

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INDEPENDENT AUDITORS' REPORT

To the members of Premium Insurance Company Limited (continued)

Report on Other Legal and Regulatory Requirements (Continued)

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

Use of audit report

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

Appointment

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

Consistency with the additional report to those charged with governance

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

Non-audit services

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

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

Mazars Malta
Certified Public Accountants
Office address:
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4 April 2023