Company Registration No. C 84703

FORTEGRA EUROPE INSURANCE COMPANY P.L.C.

Report
and
Financial Statements

31 December 2022

CONTENTS

GENERAL INFORMATION

Registration

Fortegra Europe Insurance Company P.L.C. (the "Company") is registered in Malta as a public liability company under the Companies Act, Cap. 386 of the Laws of Malta. The Company's registration number is C 84703. 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 2022.

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 year the company changed its status from a limited liability company to a public liability company.

Results for the period

The statement of comprehensive income (technical account) is shown on page 5 and the statement of comprehensive income (non-technical account) is shown on page 6.

During the financial year under review, the Company registered a profit before tax of USD13,932,158 (2021: USD8,683,114). Gross premiums written by the Company amounted to USD125.1 million (2021: USD101.0 million), earned premium net of reinsurance amounted to USD51.9million (2021: USD43.3million) and Claims incurred totalled USD22.1 million (2021: USD17.8 million).

Dividends

No dividends will be distributed for the year ended 31 December 2022.

Risk management

The principle risks facing the Company and its policies for managing those risks are set out in Note 18 of the notes to these financial statements.

Events after the reporting date

Subsequent to year end, the Company received shareholder approval to merge with its Belgian subsidiary, Fortegra Belgium SA. As a result of this the Company will eventually become an SE ('Societas Europea'), following which a redomiciliation will take place whereby the Company will move its seat and its authorisation to carry on business of general insurance from Malta to Belgium. It is expected that this process will be fully completed by the end of the current reporting period.

Directors

The Directors who held office during the year ended 31 December 2022 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.

DIRECTORS' REPORT - continued

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 4 April 2023 and signed on its behalf by:

RICHARD KAHLBAUGH	**MICHAEL F. GRASHER**
Chairman	Director

STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2022

Technical account

	Notes	2022 USD	2021 USD
Gross premiums written	3	**125,119,358**	101,009,725
Outward reinsurance premiums		**(63,490,288)**	(33,047,355)
Net premiums written		**61,629,070**	67,962,370
Change in the gross provision for unearned premiums		**(45,821,389)**	(48,318,815)
Change in the provision for unearned premiums, reinsurers' share		**36,052,596**	23,704,404
Change in unearned premiums, net of reinsurance		**(9,768,793)**	(24,614,411)
Earned premiums, net of reinsurance	3	**51,860,277**	43,347,959
Claims paid – gross amount		**(30,930,127)**	(20,645,303)
Claims paid – reinsurers' share		**8,868,955**	2,856,089
Net claims paid		**(22,061,172)**	(17,789,214)
Change in gross outstanding claims provision		**73,775**	130,836
Change in gross outstanding claims provision, reinsurers' share		**(68,336)**	(121,283)
Net change in the provision for claims		**5,439**	9,553
Claims incurred	3	**(22,055,733)**	(17,779,661)
Net operating expenses	4	**(19,999,264)**	(16,720,242)
Total technical charges		**(42,054,997)**	(34,499,903)
Balance on the technical account for general business (page 6)		**9,805,280**	8,848,056

The accounting policies and explanatory notes on pages 10 to 33 form an integral part of the financial statements.

STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2022

Non-technical account

	Notes	2022 USD	2021 USD
Balance on the technical account for general business (page 5)		**9,805,280**	8,848,056
Administration expenses	4	**(1,259,884)**	(844,329)
Operating profit		**8,545,396**	8,003,727
Investment income	5	**1,000,982**	214,444
Net loss on FVTPL Investment		**(3,234,005)**	(626,608)
Realised foreign exchange gains / (losses)		**2,834**	(16,045)
Unrealised foreign exchange gains	4	**7,497,962**	767,782
Other income		**118,989**	339,814
Profit before tax		**13,932,158**	8,683,114
Income tax charge	6	**(514,173)**	(646,766)
Profit for the year net of tax		**13,417,985**	8,036,348
Other Comprehensive Loss			
Items that will not be reclassified to profit or loss:			
Movement in currency translation reserve		**(7,079,273)**	(849,077)
Total comprehensive income for the year		**6,338,712**	7,187,271

The accounting policies and explanatory notes on pages 10 to 33 form an integral part of the financial statements.

STATEMENT OF FINANCIAL POSITION
as at 31 December 2022

	Notes	2022 USD	2021 USD
Assets			
Investment in a subsidiary	8	**63,667**	-
Deferred tax asset	14	**5,761**	6,457
Deferred commissions	13	**9,922,918**	7,185,520
Deferred administration fees	13	**15,661,902**	17,921,237
Reinsurer's share of technical provisions	12	**56,664,527**	24,154,555
Insurance receivables	7	**12,329,534**	18,170,005
Other receivables	11	**9,168,462**	1,091,782
Financial assets at fair value through profit or loss (FVTPL)	9	**97,609,412**	85,377,678
Cash and cash equivalents	10	**23,575,842**	29,511,312
Total assets		**225,002,025**	183,418,546
Equity and liabilities			
Capital and reserves			
Issued share capital	17	**7,490,000**	7,490,000
Capital contribution	17	**40,499,940**	40,499,940
Retained earnings		**24,679,068**	11,261,083
Translation reserve		**(5,617,694)**	1,461,579
Total equity		**67,051,314**	60,712,602
Liabilities			
Technical provisions	12	**137,556,248**	103,967,888
Insurance payables	15	**16,993,796**	16,142,688
Other payables	16	**3,400,667**	2,595,368
		157,950,711	122,705,944
		225,002,025	183,418,546

The official rate of exchange between the United States Dollar and the Euro issued by the European Central Bank as at 31 December 2022 was 1.0666 (31 December 2021: 1.1326).

The accounting policies and explanatory notes on pages 10 to 33 form an integral part of the financial statements.

The financial statements on pages 5 to 33 have been authorised for issue by the Board of Directors on 4 April 2023 and signed on its behalf by:

RICHARD KAHLBAUGH
Chairman

MICHAEL F. GRASHER
Director

STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2022

	Share capital USD	Capital contribution USD	Retained Earnings USD	Translation reserve USD	Total USD
Balance at 1 January 2021	7,490,000	32,065,206	3,224,735	2,310,656	45,090,597
Capital contribution	-	8,434,734	-	-	8,434,734
Net reporting currency differences arising on translation from functional currency to presentation currency	-	-	-	(849,077)	(849,077)
Profit for the year net of tax	-	-	8,036,348	-	8,036,348
Total Comprehensive income for the year	-	-	8,036,348	(849,077)	7,187,271
Balance at 31 December 2021	**7,490,000**	**40,499,940**	**11,261,083**	**1,461,579**	**60,712,602**
Balance at 1 January 2022	7,490,000	40,499,940	11,261,083	1,461,579	60,712,602
Net reporting currency differences arising on translation from functional currency to presentation currency	-	-	-	(7,079,273)	(7,079,273)
Profit for the year net of tax	-	-	13,417,985	-	13,417,985
Total Comprehensive income for the year	-	-	13,417,985	(7,079,273)	6,338,712
Balance at 31 December 2022	**7,490,000**	**40,499,940**	**24,679,068**	**(5,617,694)**	**67,051,314**

The accounting policies and explanatory notes on pages 10 to 33 form an integral part of the financial statements.

STATEMENT OF CASH FLOWS
for the year ended 31 December 2022

	Note	2022	2021
		USD	USD
Operating activities			
Profit before tax		**13,932,158**	8,683,114
Adjustments for:			
Interest and investment income		**(1,000,982)**	(214,444)
Unrealised loss on investments		**3,234,005**	122,566
Operating profit before working capital changes		**16,165,181**	8,591,236
Movement in net technical provisions		**1,078,388**	22,942,766
Movement in insurance and other receivables		**(2,235,513)**	(13,338,412)
Movement in deferred acquisition costs		**(478,063)**	(3,040,061)
Movement in insurance and other payables		**1,078,567**	10,126,465
		15,608,560	25,281,994
Cash generated from operations:			
Interest and investment income received		**1,000,982**	214,444
Net cash flows from operating activities		**16,609,542**	25,496,438
Investing activities			
Payments for financial assets at FVTPL		**(38,826,799)**	(75,347,764)
Proceeds from sale of financial assets at FVTPL		**23,361,060**	53,135,011
Net cash flows used in investing activities		**(15,465,739)**	(22,212,753)
Financing activities			
Proceeds from capital contribution	16	**-**	8,434,734
Net cash flows from financing activities		**-**	8,434,734
Effect of exchange rates on cash and cash equivalents		**(7,079,273)**	(849,077)
Net (decrease) / increase in cash and cash equivalents		**(5,935,470)**	10,869,342
Cash and cash equivalents at the beginning of the year		**29,511,312**	18,641,970
Cash and cash equivalents at the end of the year	9	**23,575,842**	29,511,312

The accounting policies and explanatory notes on pages 10 to 33 form an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out below. These accounting policies have been applied consistently to all periods presented in these financial statements.

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 Company is not required to draw up consolidated financial statements since it has taken advantage of Article 174 of the Companies Act, 1995 (Chapter 386, Laws of Malta) on the grounds that it is included in the accounts of a larger group. Accordingly, these separate financial statements present information about the Company as an individual undertaking and not its group.

The statement of financial position is organised in order of liquidity, with additional disclosures on the current and non-current nature of the Company's assets and liabilities provided within the notes to the financial statements.

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 2022 to 31 December 2022.

Standards, interpretations and amendments to published standards effective in 2022

In 2022, the Company adopted new standards, amendments and interpretations to existing Standards that are mandatory for the Company's accounting period beginning on or after 1 January 2022. The adoption of these revisions to the requirements of IFRSs as adopted by the EU did not result in substantial changes to the Company's accounting policies.

Standards, interpretations and amendments to published standards that are not yet effective

Certain new standards, amendments and interpretations to existing standards have been published by the date of authorisation for issue of these financial statements but are not yet effective for financial period ended 31 December 2022. These have not been early adopted by the Company.

IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2014. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through OCI and fair value through P&L. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI not recycling. The standard is effective for accounting periods beginning on or after 1 January 2018. The Company has applied the temporary exemption as allowed under the amendment to IFRS 4 entitled 'Applying IFRS 9 'Financial Instruments' with IFRS 4 'Insurance Contracts' and has therefore deferred the application of IFRS 9 to be concurrent with the effective date of IFRS 17.

Management is currently assessing the impact this standard will have on the Company.

NOTES TO THE FINANCIAL STATEMENTS

1.1 Basis of preparation - continued

IFRS 17, 'Insurance Contracts' is effective for annual reporting periods beginning on or after 1 January 2023 but is not yet endorsed by the EU, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17. Once effective, IFRS 17 will replace IFRS 4, 'Insurance Contracts'. The Standard measures insurance contracts either under the general model or a simplified version of this called the Premium Allocation Approach. Management is considering the implications of this standard as well as IFRS 9 and their impact on the Company's financial results and position.

IFRS 17 ‘Insurance contracts’ requires that insurance liabilities provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. IFRS 17 supersedes IFRS 4 'Insurance Contracts' and related interpretations and is effective for periods beginning on or after 1 January 2023, with earlier adoption permitted. The company decided not to adopt early the standard.

IFRS 17 will bring significant changes to the accounting for insurance and reinsurance contracts and is expected to have a significant impact on the presentation of the Company’s financial statements in the period of initial application. The Company is actively undergoing the implementation of IFRS 17. The Company is currently evaluating the impacts and accounting policy changes necessary for IFRS 17 to be applied, including:
- Contracts in scope;
- Contract boundaries;
- Level of aggregation;
- Measurement models;
- Estimates of future cash flows, discount rates and risk adjustment; and
- Transition approach.

Management expect implementation of IFRS 17 to be completed in the second half of 2023, including the preparation of the restated opening Statement of financial position (i.e. at 1 January 2022) as well as the restated financial results and financial position for 2022 for prior year comparative under IFRS 17.

As at the date of authorization of these financial statements, the Company has not yet assessed the quantitative impact that the initial application of IFRS 17 will have on its financial statements, and is therefore not in a position to disclose know or reasonably estimable information relevant to assessing the possible financial impact that the application of this standard will have on its financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1.1 Basis of preparation - continued

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 United States Dollar ("USD"), which is the Company's presentation currency.

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 USD at the average exchange rate for the period. Assets and liabilities are translated from the functional currency to USD at the exchange rate ruling at the date of the statement of financial position. Exchange differences are recognised in other comprehensive income.

1.3 Investments in subsidiaries

Investments in subsidiary undertakings are recognised at cost. A subsidiary undertaking is that company over which the Company has control, either by way of majority shareholding, through contractual agreements with the other vote holders of the investee or rights arising from other contractual agreements, giving it the power to govern the financial and operating policies of the investee. Specifically, the Company controls an investee if and only if the Company has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

The investment in the subsidiary company, which is unlisted is stated at cost less any accumulated impairment losses. Income from the investment is recognised only to the extent of the distributions received by the Company. On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the profit or loss.

1.4 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

a) Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss (FVPL), loans and receivables, held to maturity (HTM) investments, available-for-sale (AFS) financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. Financial assets are recognised initially at fair value plus, in the case of investments not at FVPL, directly attributable transaction costs that are attributable to the acquisition of the financial asset. The classification depends on the purpose for which the investments were acquired or originated. Financial assets are classified as at FVPL where the Company's documented investment strategy is to manage financial investments on a fair value basis, because the related liabilities are also managed on this basis. The AFS and HTM categories are used when the relevant liability (including shareholders' funds) is passively managed and/ or carried at amortised cost.

NOTES TO THE FINANCIAL STATEMENTS - continued

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

1.4 Financial instruments - continued

a) Financial assets - continued

Subsequent measurement

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognised on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

The Company's financial assets include cash and cash equivalents and trade and other receivables.

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at FVPL
- AFS financial assets
- Loans and receivables
- HTM investments

i) Financial assets at FVPL

Financial assets at FVPL include financial assets held for trading and those designated upon initial recognition as at FVPL. For investments to be designated as at FVPL, the following criteria must be met:

- The designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognising gains or losses on a different basis; or
- The assets and liabilities are part of a group of financial assets, financial liabilities, or both, which are managed and their performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy.

Subsequent to initial recognition, they are remeasured at fair value. Changes in fair value are recorded in 'Fair value gains and losses'. Interest is accrued and presented in 'Investment income', using the effective interest rate (EIR). Dividend income is recorded in 'Investment income' when the right to the payment has been established.

ii) Available-for-sale financial assets

AFS financial assets include equity and debt securities. Equity investments classified as AFS are those that are neither classified as held for trading nor designated at FVPL. Debt securities in this category are those that are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in market conditions.

After initial measurement, AFS financial assets are subsequently measured at fair value, with unrealised gains or losses recognised in OCI in the AFS reserve (equity). Where the insurer holds more than one investment in the same security, they are deemed to be disposed of on a first-in first-out basis. Interest earned whilst holding AFS investments is reported as interest income using the EIR. Dividends earned whilst holding AFS investments are recognised in the statement of profit or loss as 'Investment income' when the right of the payment has been established. When the asset is derecognised or determined to be impaired, the cumulative gain or loss is reclassified from AFS reserve to the statement of profit or loss.

NOTES TO THE FINANCIAL STATEMENTS - continued

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

1.4 Financial instruments - continued

a) Financial assets - continued

Subsequent measurement - continued

The Company evaluates whether the ability and intention to sell its AFS financial assets in the near term is still appropriate. When, in rare circumstances, the Company is unable to trade these financial assets due to inactive markets, the Company may elect to reclassify these financial assets if management has the ability and intention to hold the assets for the foreseeable future or until maturity. Reclassification to loans and receivables is permitted when the financial asset meets the definition of loans and receivables and management has the intention and ability to hold these assets for the foreseeable future or until maturity. The reclassification to HTM is permitted only when the entity has the ability and intention to hold the financial asset until maturity.

For a financial asset reclassified out of the available-for-sale category, the fair value at the date of reclassification becomes its new amortised cost and any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the EIR. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the EIR. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the statement of profit or loss.

iii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, loans and receivables are measured at amortised cost, using the EIR method, less allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the EIR. The EIR amortisation is included in ‘Investment income’ in the statement of profit or loss. Gains and losses are recognised in the statement of profit or loss when the investments are derecognised or impaired, as well as through the amortisation process.

iv) Held to maturity financial assets

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held to maturity when the Company has the positive intention and ability to hold until maturity. After initial measurement, held to maturity financial assets are measured at amortised cost, using the EIR, less impairment. The EIR amortisation is included in ‘Investment income’ in the statement of profit or loss. Gains and losses are recognised in the statement of profit or loss when the investments are derecognised or impaired, as well as through the amortisation process

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised when:

- The rights to receive cash flows from the asset have expired; or
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a ‘pass-through’ arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

NOTES TO THE FINANCIAL STATEMENTS - continued

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

b) Financial liabilities

Initial recognition and measurement

Financial liabilities are classified at initial recognition, as financial liabilities at FVPL, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Company's financial liabilities include trade and other payables.

1.4 Financial instruments - continued

Subsequent measurement

Subsequent measurement of financial liabilities depends on their classification, as follows:

i) Financial liabilities at FVPL

Financial liabilities at FVPL includes financial liabilities held for trading and financial liabilities designated upon initial recognition as at FVPL.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships as defined by IAS 39. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Financial liabilities are designated as at FVPL at the initial date of recognition, and only if the criteria in IAS 39 are satisfied. Gains or losses on designated or held for trading liabilities are recognised in fair value gains and losses in the statement of profit or loss.

ii) Interest bearing loans and borrowings, and issued notes

After initial recognition, interest bearing loans and borrowings, and issued notes are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

NOTES TO THE FINANCIAL STATEMENTS - continued

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

1.5 Impairment of assets

The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset ("a loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Objective evidence that a financial asset or group of assets is impaired includes observable data that comes to the attention of the Company about the following events:

(i) significant financial difficulty of the issuer or debtors;
(ii) a breach of contract, such as a default or delinquency in payments;
(iii) the probability that the issuer or debtor will enter bankruptcy or other financial reorganisation; and
(iv) observable data indicating that there is a measurable decrease in the estimated future cash flow from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group.

The Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant. If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred on loans and receivables carried at amortised cost, the amount of the loss is measured as 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. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the statement of comprehensive income.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as improved credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in the statement of comprehensive income.

The carrying amounts of non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognised in the statement of comprehensive income if the carrying amount of an asset exceeds its recoverable amount.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of amortisation, if no impairment loss had been recognised.

1.6 Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

NOTES TO THE FINANCIAL STATEMENTS - continued

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

1.7 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.

1.8 Trade and other receivables

Trade receivables comprise amounts due from third party administrators performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement within administrative expenses. When a receivable is uncollectible, it is written off against the allowance account for trade and other receivables. Subsequent recoveries of amounts previously written off are credited against 'administrative expenses' in the income statement.

1.9 Share capital

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

1.10 Insurance 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.

1.11 Insurance contracts

Classification

The Company issues contracts that transfer insurance risk and that are classified as insurance contracts. As a general guideline, the Company defines significant insurance risk as the possibility of having to compensate the policyholder if a specified uncertain event (the insured event) adversely affects the policyholder.

Recognition and measurement

(a) Premiums

Premiums written comprise all amounts due during the financial period in respect of contracts of insurance entered into regardless of the fact that such amounts may relate in whole or in part to a later financial period and includes any differences between the booked premiums for prior years and those previously accrued, less cancellations.

NOTES TO THE FINANCIAL STATEMENTS - continued

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

1.11 Insurance contracts (continued)

Recognition and measurement - continued

(a) Premiums (continued)

Unearned premiums represent the proportion of premiums written in the period that relate to unexpired terms of policies in force at the statements of financial position date, calculated on a time apportionment basis.

Commissions and other acquisition costs that vary with, and are related to, securing new contracts and renewing existing contracts are deferred over the period in which the related premiums are earned. These are capitalised and shown as deferred acquisition costs (“DAC”) in the statements of financial position. DAC is amortised over the term of the policies as the premium is earned.

Prepaid commissions paid in the course of acquiring new accounts are recognised at the fair value of amounts paid. These are capitalised and shown as deferred acquisition costs (“DAC”) in the statements of financial position and amortised over the period of expected revenues from the acquired accounts. All other costs are recognised as expenses when incurred.

(b) Claims

Claims and loss adjustment expenses are charged to the statement of comprehensive income as incurred based on the estimated liability for compensation owed to policyholders or third parties damaged by policyholders. Claims incurred comprise claims and related expenses paid in the period and changes in the provisions for outstanding claims, and related expenses. The Company does not discount its liabilities for unpaid claims. Provision is made for all claims notified by the insured (claims outstanding). Claims reserves comprise provisions for the estimated costs of settling all claims incurred at the reporting date.

The level of the 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. Whilst the Directors consider that the provision for these claims is fairly stated on the basis of the information currently available to them, the ultimate liability may vary as a result of subsequent information and events, and may result in significant adjustments to the amount provided. Adjustments to the amount provided are reflected in the financial statements in the accounting period in which the adjustments arise.

(c) Liability adequacy tests

At the end of each reporting period, liability adequacy tests are performed to ensure the adequacy of the contract liabilities. In performing these tests, current best estimates of future contractual cash flows and claims handling and administration expenses, as well as investment income from the assets backing such liabilities, are used. Any deficiency is immediately charged to the statement of comprehensive income.

(d) Receivables and payables related to insurance contracts

Receivables and payables are recognised upon issuance of invoice or invoice presentation. These include amounts due to and from insurance policyholders. If there is objective evidence that the insurance receivable is impaired, the Company reduces the carrying amount of the insurance receivable accordingly and recognises that impairment loss in the statement of comprehensive income.

The Company gathers objective evidence that an insurance receivable is impaired using the same process for financial assets (see Note 1.4).

NOTES TO THE FINANCIAL STATEMENTS - continued

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

1.12 Reinsurance Contracts

Contracts entered into by the Company with reinsurers, under which the Company is compensated for losses on one or more contracts issued by the Company and that meet the classification requirements for insurance contracts are classified as reinsurance contracts.

The amounts that will be recoverable from reinsurers are estimated based upon the gross provisions, having due regard to collectability. Reinsurance recoveries in respect of estimated claims incurred but not reported are assumed to be consistent with the historical pattern of such recoveries, adjusted to reflect changes in the nature and extent of the Company's reinsurance program over time. The recoverability of reinsurance recoveries is assessed having regard to market data on the financial strength of reinsurance companies with whom reinsurance contracts are entered into. The reinsurers' share of claims incurred, in the statement of comprehensive income, reflects the amounts received or receivable from reinsurers in respect of those claims incurred during the period. Reinsurance liabilities are primarily premiums payable for reinsurance contracts and are recognised in the statement of comprehensive income as outward reinsurance premiums as they fall due.

1.13 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.

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.

NOTES TO THE FINANCIAL STATEMENTS - continued

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

1.14 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;
- 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.

NOTES TO THE FINANCIAL STATEMENTS – continued

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

1.15 Deferred taxation - continued

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.

1.16 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of services in the ordinary course of the Company's activities. The Company recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met as described below:

(a) Gross premiums written

Premiums written are accounted for in the period in which risks are assumed, net of premium taxes. Premium recognition is described in Note 1.11 dealing with insurance contracts.

(b) Interest income

Interest income is recognised as it accrues in the statement of comprehensive income, using the effective interest method. When a receivable is impaired, the Company reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument and continues unwinding the discount as interest income.

1.17 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 18 to these financial statements.

NOTES TO THE FINANCIAL STATEMENTS - continued

3. PARTICULARS OF BUSINESS

Gross premiums written emanate primarily from contracts which risk is situated outside Malta but within Europe.

General business

A breakdown of the technical account is as follows:

	Guaranteed Asset Protection	Other Motor	Other Property Damage	Total
Class	**16**	**3**	**9**	
2022	**USD**	**USD**	**USD**	**USD**
Gross premiums written	38,775,083	56,244,159	30,100,116	125,119,358
Net premiums written	18,673,926	27,980,765	14,974,379	61,629,070
Net premiums earned	17,202,166	22,214,414	12,443,697	51,860,277
Net claims incurred	(8,622,779)	(7,762,128)	(5,670,826)	(22,055,733)
Net operating expenses	(4,872,505)	(10,077,917)	(5,048,842)	(19,999,264)
Balance on technical account	**3,706,882**	**4,374,369**	**1,724,029**	**9,805,280**
Net technical provisions	**14,213,855**	**41,085,739**	**25,586,720**	**80,886,314**
2021				
Gross premiums written	30,811,416	48,682,285	21,516,024	101,009,725
Net premiums written	19,160,564	33,977,942	14,823,864	67,962,370
Net premiums earned	11,113,582	26,018,875	6,215,502	43,347,959
Net claims incurred	(2,364,286)	(11,707,519)	(3,707,856)	(17,779,661)
Net operating expenses	(5,154,743)	(9,482,577)	(2,082,922)	(16,720,242)
Balance on technical account	**3,594,553**	**4,828,779**	**424,724**	**8,848,056**
Net technical provisions	**18,226,774**	**40,711,193**	**20,875,366**	**79,813,333**

NOTES TO THE FINANCIAL STATEMENTS - continued

4. GROSS OPERATING EXPENSES

	2022 USD	2021 USD
Professional fees	**128,450**	99,618
Actuary's fees	**176,196**	221,616
Salaries and recharges	**215,296**	-
Auditor's remuneration (i)	**111,136**	86,715
Legal fees	**78,372**	60,447
Commission fees	**10,984,647**	6,879,010
Directors' fees	**38,345**	24,392
Administration Fees	**9,014,617**	9,841,232
Bank charges	**78,017**	57,829
Licenses fees	**200,211**	156,857
Other expenses	**233,862**	136,855
Foreign exchange gains and losses	**(7,500,796)**	(751,737)
	13,758,353	16,812,834

	2022 USD	2021 USD
Allocated as follows:		
Technical account	**19,999,264**	16,720,242
Non-technical account	**(6,240,911)**	92,592
	13,758,353	16,812,834

Expenses which are directly related to the acquisition and servicing of insurance contracts are included in the technical account. Administrative expenses which are not directly related to the acquisition and servicing of insurance contracts are included in the non-technical account.

(i) Auditor's remuneration

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

	2022 USD	2021 USD
Annual statutory audits	**41,307**	42,107
Other assurance services	**51,712**	21,093
Tax services	**18,117**	23,515
	111,136	86,715

NOTES TO THE FINANCIAL STATEMENTS - continued

5. INVESTMENT INCOME

	2022 USD	2021 USD
Interest and investment income	**1,000,982**	214,444

6. INCOME TAX EXPENSE

	2022 USD	2021 USD
Current tax		
Current income tax expense	**514,173**	587,682
	514,173	587,682
Deferred tax		
Origination and reversal of timing differences	**-**	59,084
	-	59,084
Total tax charge	**514,173**	646,766
	514,173	646,766

The company has formed a fiscal unit with its immediate parent; Fortegra Europe Holdings P.L.C. resulting in an effective tax rate of 5% for the fiscal group. Fortegra Europe Holdings P.L.C. 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:

	2022 USD	2021 USD
Profit before tax	**13,932,158**	8,683,114
Theoretical tax charge at 5%	**696,608**	434,156
Tax effect of:		
Unrealised loss on exchange	**182,435**	212,610
Income tax charge	**514,173**	646,766

NOTES TO THE FINANCIAL STATEMENTS - continued

7. INSURANCE RECEIVABLES

	2022 USD	2021 USD
Receivables arising from insurance operations:		
Due from third party administrators	**12,329,534**	18,170,005

At 31 December, the ageing analysis of insurance receivables is as follows:

	2022 USD	2021 USD
Neither past due nor impaired	**12,329,534**	18,170,005
Total past-due but not impaired > 150 days	**-**	-

8. INVESTMENT IN A SUBSIDIARY

	2022 USD	2021 USD
Investment in a subsidiary	**63,667**	-

This represents 100% shareholding in Fortegra Belgium SA, a company registered in Belgium. Its registered address is 11 Rue des Colonies, Brussels, Belgium.

9. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2022 USD	2021 USD
Fair Value		
Financial assets classified as at fair value through profit or loss upon initial recognition		
- collective investment schemes	**56,256,031**	53,153,699
- bonds	**41,353,381**	32,223,979
	97,609,412	85,377,678
Collective investment schemes		
Opening net carrying amount	**53,153,699**	63,875,173
Purchases	**8,849,049**	42,870,080
Disposals and unrealised foreign exchange gains and losses	**(5,746,717)**	(53,591,554)
	56,256,031	53,153,699
Bonds		
Opening net carrying amount	**32,223,979**	-
Purchases	**29,977,750**	52,974,262
Disposals and unrealised foreign exchange gains and losses	**(20,848,348)**	(20,750,283)
	41,353,381	32,223,979

NOTES TO THE FINANCIAL STATEMENTS - continued

10. 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:

	2022 USD	2021 USD
Investments in money market fund	**20,200,563**	13,718,601
Cash at bank	**3,375,279**	15,792,711
	23,575,842	29,511,312

11. OTHER RECEIVABLES

	2022 USD	2021 USD
Prepayments	**247,846**	323,473
Due from affiliates (i)	**8,547,476**	768,309
Other receivables	**373,140**	-
	9,168,462	1,091,782

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

12. TECHNICAL PROVISIONS

	2022 USD	2021 USD
Gross		
Provision for claims incurred but not reported	**54,078**	138,124
Provision for unearned premiums (i)	**137,502,170**	103,829,764
Total technical provisions gross	**137,556,248**	103,967,888
Recoverable from Reinsurers		
Provision for claims incurred but not reported	**(48,671)**	(120,107)
Provision for unearned premiums (i)	**(56,615,856)**	(24,034,448)
Total reinsurers' share	**(56,664,527)**	(24,154,555)
Net		
Provision for claims incurred but not reported	**5,407**	18,017
Provision for unearned premiums (i)	**80,886,314**	79,795,316
Total technical provisions net	**80,891,721**	79,813,333

NOTES TO THE FINANCIAL STATEMENTS - continued

12. TECHNICAL PROVISIONS – continued

(i) Provision for unearned premiums

	2022 USD	2021 USD
Gross		
At 1 January	**103,829,764**	57,205,048
Net premiums written in the period	**125,119,358**	101,009,725
Premiums earned during the period	**(79,297,969)**	(52,690,909)
Foreign exchange movement	**(12,148,983)**	(1,694,100)
At 31 December	**137,502,170**	103,829,764
Reinsurance		
At 1 January	**(24,034,448)**	(361,671)
Net premiums written in the period	**(63,490,288)**	(33,047,355)
Premiums earned during the period	**27,437,692**	9,342,950
Foreign exchange movement	**3,471,188**	31,628
At 31 December	**(56,615,856)**	(24,034,448)
Net		
At 1 January	**79,795,316**	56,843,377
Net premiums written in the period	**61,629,070**	67,962,370
Premiums earned during the period	**(51,860,277)**	(43,347,959)
Foreign exchange movement	**(8,677,795)**	(1,662,472)
At 31 December	**80,886,314**	79,795,316

13. DEFERRED ACQUISITION COSTS

	2022 USD	2021 USD
Net		
At 1 January	**25,106,757**	22,066,696
Commission paid	**23,994,102**	15,366,665
Amortisation charged	**(19,999,265)**	(10,785,917)
Foreign exchange movement	**(3,516,774)**	(1,540,687)
At 31 December	**25,584,820**	25,106,757

In the year ended 31 December 2020 the Company paid commission to a related party amounting to USD8,840,243 for the acquisition of new accounts. The commission is being amortised over the period of expected revenues from these accounts acquired. During the current year USD1,120,173 (2021: USD1,249,728) was expensed in the statement of comprehensive income.

14. 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%.

	2022 USD	2021 USD
Deferred tax asset		
Arising from unrealised foreign exchange losses	**5,761**	6,457

NOTES TO THE FINANCIAL STATEMENTS – continued

14. DEFERRED INCOME TAX – continued

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

	2022 USD
At 1 January	**6,457**
Debited to profit or loss (Note 6)	**-**
Unrealised (loss) / gain on exchange	**(696)**
Net deferred income tax asset	**5,761**

15. INSURANCE PAYABLES

	2022 USD	2021 USD
Payables arising out of direct insurance operations:		
Insurance taxes	**14,044,135**	12,723,490
Claims payable	**2,285,277**	3,419,198
Commissions payable	**664,384**	-
	16,993,796	16,142,688

16. OTHER PAYABLES

	2022 USD	2021 USD
Due to affiliates (ii)	**119,301**	308,527
Other payables	**595,954**	2,511
Accruals	**2,685,412**	2,284,330
	3,400,667	2,595,368

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

17. ISSUED SHARE CAPITAL

	2022 USD	2021 USD
Authorised		
10,000,000 Ordinary shares of USD1 each	**10,000,000**	10,000,000

	2022 USD	2021 USD
Issued and fully paid up share capital		
7,490,000 Ordinary shares of USD1 each	**7,490,000**	7,490,000

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

18. 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.

Insurance risk

The risk under any one insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the very nature of an insurance contract, this risk is fortuitous. The principal risk the Company faces from entering into insurance contracts is that the actual claims and benefit payments, or the timing thereof, differ from expectations. This is influenced by the frequency of claims, severity of claims, actual benefits paid and subsequent development of long-term claims. Therefore, the objective of the Company is to ensure that sufficient reserves are available to cover these liabilities.

The above risk exposure is mitigated by 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.

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. The company does not reserve for claims not reported, except for one GAP program, as all losses are priced into premium rates and future losses are materially contained within unearned premiums – any outstanding losses at the reporting date are not material. 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.

NOTES TO THE FINANCIAL STATEMENTS – continued

18. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES – continued

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.

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. 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.

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 7. 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 2022 is the carrying amount as illustrated in Note 10.

Ageing analysis and impairment

Ageing analysis of receivables arising out of direct insurance operations is illustrated in Note 7. 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* USD	1-3 years USD	4-5 years USD	2022 Total USD
Deferred income tax	5,761	-	-	**5,761**
Deferred commissions	4,631,994	3,600,000	1,690,924	**9,922,918**
Deferred administration fees	6,457,303	8,440,201	764,398	**15,661,902**
Insurance receivables	12,329,534	-	-	**12,329,534**
Other receivables	9,168,462	-	-	**9,168,462**
Investments	97,609,412	-	-	**97,609,412**
Cash and cash equivalents	23,575,842	-	-	**23,575,842**
Total	**153,778,308**	**12,040,201**	**2,455,322**	**168,273,831**

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

NOTES TO THE FINANCIAL STATEMENTS – continued

18. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES - continued

Credit risk - continued

	Up to 1 year* USD	1-3 years USD	4-5 years USD	2021 Total USD
Deferred income tax	6,457	-	-	**6,457**
Deferred commissions	1,236,795	3,600,000	2,348,725	**7,185,520**
Deferred administration fees	7,388,812	9,657,757	874,668	**17,921,237**
Insurance receivables	18,170,005	-	-	**18,170,005**
Other receivables	1,091,782	-	-	**1,091,782**
Investments	85,377,678	-	-	**85,377,678**
Cash and cash equivalents	29,511,312	-	-	**29,511,312**
Total	**142,782,841**	**13,257,757**	**3,223,393**	**159,263,991**

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.

The table below summarises the maturity profile of the financial liabilities of the Company based on remaining undiscounted contractual obligations.

	Up to 1 year* USD	1-3 years USD	4-5 years USD	2022 Total USD
Technical provisions	36,401,275	37,210,192	7,280,255	**80,891,722**
Insurance payables	16,993,796	-	-	**16,993,796**
Other payables	3,400,667	-	-	**3,400,667**
Total	**56,795,738**	**37,210,192**	**7,280,255**	**101,286,185**

	Up to 1 year* USD	1-3 years USD	4-5 years USD	2021 Total USD
Technical provisions	38,321,627	36,480,069	5,011,637	**79,813,333**
Insurance payables	16,142,688	-	-	**16,142,688**
Other payables	2,595,368	-	-	**2,595,368**
Total	**57,059,683**	**36,480,069**	**5,011,637**	**98,551,389**

The Company has no significant concentration of liquidity risk.

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

NOTES TO THE FINANCIAL STATEMENTS - continued

18. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES - continued

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 34% (2021: 29%) of the Company's assets are in 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.

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 USD117,879 (2021: USD147,557). This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

Price risk

At 31 December 2022 and 2021, 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 9).

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 USD4,880,471 (2021: USD4,268,884).

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 2022.

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.

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 2022.

NOTES TO THE FINANCIAL STATEMENTS - continued

19. 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 USD63,490,288 (2021: USD33,047,355).

The company has entered into administration agreements with related parties. During the year the company paid commissions and administration fees to related parties totalling USD5,529,383 (2021: USD6,374,388).

Directors' fees during the period are disclosed in Note 4. Other related party transactions are disclosed in note 4 and 13. Outstanding balances with related parties at the reporting date are disclosed in Note 16.

20. IMMEDIATE PARENT AND ULTIMATE PARENT

The immediate parent of the Company is Fortegra Europe Holdings Limited, 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.

21. EVENTS AFTER THE REPORTING DATE

Subsequent to year end, the Company received shareholder approval to merge with its Belgian subsidiary, Fortegra Belgium SA. As a result of this the Company will eventually become an SE ('Societas Europea'), following which a redomiciliation will take place whereby the Company will move its seat and its authorisation to carry on business of general insurance from Malta to Belgium. It is expected that this process will be fully completed by the end of the current reporting period.

22. 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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Independent auditor's report

to the members of
Fortegra Europe Insurance Company P.L.C.

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Fortegra Europe Insurance Company P.L.C. (the "Company"), set out on pages 5 to 33, 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 the Company's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards 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) together with the *Accountancy Profession (Code of Ethics for Warrant Holders) Directive* (Maltese Code) that are relevant to our audit of the financial statements in Malta, and we have fulfilled our other ethical responsibilities in accordance with these requirements and 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.

<u>Completeness of provision for claims incurred but not reported</u>

As further disclosed in note 18 under 'Insurance contracts' and 'Claims reserving policies', due to the nature and type of the Company's underwritten policies, the Company has not recognised a provision for incurred but not reported claims ("IBNR"), except in relation to a specific portfolio, as it has determined that such losses at year end are not material in view of the short notification period of claims. In accordance with IFRS 4 the Company is required to make an assessment at the end of each reporting period to determine whether its recognised insurance liabilities, including its provisions, are adequate using current estimates of future cash flows under its insurance contracts. Estimating the provision for claims is an inherently judgemental area for the Company, particularly given the Company's limited claims history.

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Independent auditor's report (continued)

to the members of
Fortegra Europe Insurance Company P.L.C.

Key Audit Matters (continued)

Completeness of provision for claims incurred but not reported (continued)

Our audit approach included testing the reasonableness and adequacy of the completeness of the provision for claims incurred but not reported by:

- Evaluating claim notification patterns throughout the current period;
- Performing a retrospective review on the adequacy of the Company's prior year claims reserves;
- Involving our internal actuarial specialists to evaluate the methodology and assumptions used by the Company in performing its liability adequacy test; and
- Analysing claims notified subsequent to the end of the financial reporting date.

The Company's disclosures about the provision for claims outstanding reserves are disclosed in notes 12 and 18 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.

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Independent auditor's report (continued)

to the members of
Fortegra Europe Insurance Company P.L.C.

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.

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Independent auditor's report (continued)

to the members of
Fortegra Europe Insurance Company P.L.C.

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.

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Independent auditor's report (continued)

to the members of
Fortegra Europe Insurance Company P.L.C.

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 5 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 4 April 2023 and signed by:

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