BUILDING BLOCK INSURANCE PCC LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS
31 December 2023

Company Registration Number: C63128

BUILDING BLOCK INSURANCE PCC LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
for the year ended 31 December 2023

Directors' report

The directors present their report and the audited financial statements of Building Block Insurance PCC Limited (the "Company") for the year ended 31 December 2023

Principal activity

The principal activities of the Company are that of an Insurance Company licensed in terms of section 7 of the Insurance Business Act, (Cap. 403) by the Malta Financial Services Authority to write general business from Malta and in accordance with the Companies Act (Cell Companies carrying on business of insurance) Regulations, 2004.

Review of the business

In the year the Company withdrew its application to set up a UK branch and continued to write business under the temporary permission regime up until 30th December 2023.

Throughout the financial year the Company has registered insurance revenue of £6,492,183 (restated 2022: £6,624,210). The net insurance service result before the impact of reinsurance was a loss of £187,867 which was significant reduction on last year's restated result of a profit of £469,464. The Company operates at a low rate of retention and after the impact of reinsurance the insurance service result was of £273,444 (restated 2022: £589,442). Insurance service expenses of £6,680,050 (restated 2022: £6,154,747) increased by 8.5% and this is mainly driven by incurred claims and changes to liabilities for incurred claims. Incurred claims and changes in incurred claims, before taking account of reinsurance, represent 60.6% of the insurance revenue (restated 2022: 61.2%). As the Company operates at a low retention, a significant portion of the incurred claims are ceded to reinsurers.

The Company wrote the following insurance products from its core – Accident, Sickness & Unemployment (ASU), Breakdown, Excess, Gadget and Pet Insurance. Breakdown, Excess and Gadget were put into run off in June, ASU in August and Pet in December. Ongoing inflationary pressures have been minimised through targeted increase on premiums to offset the increasing claims costs. The underwriting performance of the business remained stable and inline with expectation.

Corporate Governance Statement of Compliance

The Company continues to make endeavours to ensure that it complies with the requirements of the Malta Financial Services Authority guidelines and to exceed these where it deems necessary so as to ensure that high standards are met in this area.

Core assets, cellular assets and share capital

The core assets comprise the assets of the Company which are non-cellular assets relating to the core operation. The assets of Building Block Insurance PCC Limited are either core assets or cellular assets. The assets attributable to a cell comprise assets represented by the proceeds of cell share capital, reserves and other assets attributable to the cell.

No cells have been registered during the year under review.

Future outlook and going concern

As disclosed above, the Company withdrew its application to set up a branch in the United Kingdom and continued to write business under the temporary permission regime up until 30th December 2023. After which, the Company has not written any new business.

During 2023, the shareholders entered into a promise of sale of the Company as a going concern. As of date of approval of this report and the financial statements, the change of shareholder is pending the MFSA (Malta Financial Services Authority) approval. The shareholding of Building Block Insurance PCC is being purchased as part of strategy to expand the proposed new shareholders distribution. The focus for the business will remain on Pet and Pet related products distributed in various European jurisdictions. The Company is committed to continue investing in the pet segment going forward. The Directors expect that the benefits of this growth strategy reflect in the Company's technical income.

Having considered the risks and uncertainties to which the company is subject, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for at least twelve months from the date of approval of the financial statements.

The directors have considered the appropriateness of adopting the going concern basis in preparation of these financial statements.

Directors' report - continued

Reporting changes
The Company has implemented IFRS9 and IFRS17 in the year and restated the comparatives within this report. The company has adopted the Premium Allocation Approach.

Principal risks and uncertainties
The Company has in place appropriate procedures to monitor the business written and ensures that key functions are properly controlled and monitored. The Board having assessed the nature and volumes of the business to be written is satisfied that there exists no substantial operational risk and determines also that there are no material risks that may result from the risks recorded in its Risk Register and other identified risks such as liquidity, inflation, and reputational risks. The main risks of the Company are related to insurance risk, as it is the principal activity of the company and financial risk. Information pertaining to the insurance and financial risks is included within Notes 4.1 Insurance risk and 4.2 financial risk management to these financial statements.

Results and dividends
The loss for the year before tax of £669,908 (Restated 2022 : £194,885) included net foreign exchange gain of £24,268 (2022: gain of £970) which arose mainly on the translation of the Company's Euro denominated assets, into Great Britain Pound (£), for financial reporting purposes.

The Company's solvency position as at 31 December 2023 stands at 186.09% (2022: 220.34%) of the solvency capital requirement.

The directors do not recommend the payment of a dividend.

Actuaries
The actuarial function is outsourced to Numisma Group.

Directors and Officers
The directors shown below have held office during the whole of the period from 1 January 2023 to the date of this report.

Joseph Demanuele (Non-executive Director)
Andrew Paul Mirfin
John Gibson

The Company Secretary, Ganado Services Ltd (C10785, Malta), have held office for the whole period.

Significant events during the year

Russia and Ukraine Conflicts
The conflict between Russia and Ukraine has continued throughout 2023 and beyond. The conflict had resulted in a programme of economic sanctions being implemented by the EU, UK and US governments against Russia. Building Block Insurance PCC Limited has considered its exposures to the conflict and resulting sanctions from an insurance, investment and operational perspective.

Events after the reporting date
There were no events or transactions which took place after the financial reporting date which would require disclosure or adjustment to the financial statements.

Directors' report - continued

Statement of directors' responsibilities for the financial statements
The directors are required by the Companies Act, (Cap. 386) and the Insurance Business Act, (Cap. 403) to prepare financial statements which give a true and fair view of the state of affairs of the Company as at the end of each reporting year and of the profit or loss for that year. In addition, the directors are required to ensure that the Company has, at all times, complied with and observed the various requirements of the Insurance Business Act (Cap. 403 of the Laws of Malta).

In preparing the financial statements, the directors are responsible for:

- ensuring that the financial statements have been drawn up in accordance with International Financial Reporting Standards as adopted by the EU as modified by Article 174 of the Maltese Companies Act;
- selecting and applying appropriate accounting policies;
- making accounting estimates that are reasonable in the circumstances;
- 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 also responsible for designing, implementing, and maintaining internal control relevant to the preparation and the fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

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

Statement of directors' responsibilities for the financial statements - continued
The financial statements of Building Block Insurance PCC Limited for the year ended 31 December 2023 included in the Annual Report and is available on the Company's website. The directors are responsible for the maintenance and integrity of the Annual Report on the website in view of their responsibility for the controls over, and the security of, the website. Access to information published on the Company's website is available in other countries and jurisdictions, where legislation governing the preparation and dissemination of financial statements may differ from requirements or practice in Malta.

The Board of Directors
The Board meets regularly, at least on a quarterly basis to review the performance to date and to assess the position of the Company at that time. The members are mix of appointees of the shareholders, together with independent members who bring with them international experience in various areas of the business. During the quarterly meetings senior management of the company make detailed presentations to the Board members for their evaluation and assessment of performance and progress. All members of the Board are circulated with the same level of management information including detailed quarterly financial performance reports, actuarial reports as well as other key performance indicators together with the minutes of the meetings. An Insurance, Risk and Compliance Committee also meets on a quarterly basis to discuss Risk Management, Compliance and Reinsurance, Underwriting and Claims.

Management also meets once a year for a separate and specific meeting to discuss strategy and set strategic direction for the Company which is then discussed with the board.

Directors' report - continued

Auditors

The Auditors, PKF Assurance (Malta) Limited, have indicated their willingness to continue in office and a resolution for their re-appointment will be proposed at the Annual General Meeting.

These financial statements were approved for issue by the board and signed on its behalf on 5 April 2024 by;

Joseph Demanuele
Director

Andrew Paul Mirfin
Director

Registered office;
Development House
St. Anne Street
Floriana, FRN 9010
Malta

They 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 financial statements of Building Block Insurance PCC Limited for the year ended 31 December 2023 included in the Annual Report and is available on the Company's website. The directors are responsible for the maintenance and integrity of the Annual Report on the website in view of their responsibility for the controls over, and the security of, the website. Access to information published on the Company's website is available in other countries and jurisdictions, where legislation governing the preparation and dissemination of financial statements may differ from requirements or practice in Malta.

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Building Block Insurance PCC Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Building Block Insurance PCC Limited (the "Company"), set out on pages 12 to 50, which comprise the statement of financial position as at 31 December 2023, and the statement of profit and loss, 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 2023, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU and have been prepared in accordance with the requirements of the Companies Act, 1995 (Cap. 386, Laws of Malta) (the "Act") and the Insurance Business Act, 1998 (Cap. 403, Laws of Malta) (the "Insurance Business Act").

Basis for Opinion

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

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15, Level 3-4 Mannarino Road • Birkirkara • BKR 9080 • Malta • +356 2148 4373 • info@pkfmalta.com • www.pkfmalta.com

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Building Block Insurance PCC Limited

Key Audit Matters

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

Area	Reason	Audit Response
Transition to IFRS 17 *Insurance Contacts* *Refer to notes 2.1, and 10 to the financial statements*	On 1 January 2023, the Company transitioned to report under the new insurance contracts standard IFRS 17 which replaced IFRS 4. IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts which are significantly different to those required under IFRS 4. As a result, comparative financial information has been restated from 1 January 2022, with the first-time adoption of IFRS 17 resulting in a decrease in the retained earnings by £51K upon transition. The Company has assessed the requirements of IFRS 17 and exercised judgement in developing accounting policies and determine appropriate methodologies in order to comply with IFRS 17. Specifically, the determination of the measurement models (general model or premium allocation approach), the determination of risk adjustment and onerous contract methodologies, and the determination of the discount rate were deemed to be significant to the overall impact of transition. The Company's insurance contracts issued, and reinsurance contracts held were deemed all eligible to be measured under the Premium Allocation Approach (PAA). We considered the transition to IFRS 17 to be a key audit matter in our audit of the financial statements, as determining the first-time adoption of these judgements is inherently judgemental and complex. Implementation of IFRS 17 has also required incremental data to be used within the new models and new disclosure requirements both on transition and on an ongoing basis.	We have involved our internal actuarial specialists, and together, we have: ▪ Developed an understanding of how the Company has transitioned to reporting under the new accounting standard IFRS 17; ▪ Evaluated the methodology applied in transitioning to IFRS 17 and critically evaluated the appropriateness of key technical accounting decisions, judgements, assumptions, and elections made in determining the impacts to assess compliance with the requirements of the standard; ▪ Critically assessed the appropriateness of the Company's eligibility assessment to adopt the PAA for reinsurance contracts with coverage periods greater than twelve months. On a sample basis, we have also tested the relevant input data, the significant assumptions applied, and scenarios used; ▪ Performed procedures to assess the Company's implementation of the defined methodology and IFRS 17 calculation models, including the estimate of the fulfilment cash flows, risk adjustment, onerous contracts and discounting; ▪ Tested the completeness and accuracy of the incremental data and other information required for IFRS 17 calculations, including the attribution of cash flows; and ▪ Evaluated the new and restated disclosures, including those related to the transition impact and reconciled them to underlying accounting records and supporting data. Based on the audit procedures we performed, we consider that the transition methodology, judgements and related estimates to be reasonable and appropriate.

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Building Block Insurance PCC Limited

Area	Reason	Audit Response
Valuation of the insurance contracts liabilities *Refer to Notes 3.6 and 10 to the financial statements*	The Company's insurance contracts liabilities (net of insurance contract assets) as at 31 December 2023 amounted to £2.5m, which consists of two components, being (i) the liability for remaining coverage (LRC) and (ii) liability for incurred claims (LIC). Under the PAA model, the LRC reflects premiums received less deferred insurance acquisition cash flows and less amounts recognised in revenue for insurance services provided. Measurement of the LIC comprises fulfilment cash flows related to past services provided under groups of insurance contracts which have not yet been paid, including claims that have been incurred but not yet reported (IBNR). This balance is also inclusive of a risk adjustment and discounting. We considered the valuation of insurance contract liabilities to be a key audit matter due to the significant judgement required by the Company in estimating future cash flows, in particular IBNR. These estimates are inherently uncertain. The risk adjustment is also a key area of judgement given it is intended to reflect the compensation an entity requires for bearing the uncertainty about the amount and timing of the cash flows associated with insurance contracts that arise from non-financial risks.	We have involved our internal actuarial specialists, and together we have: ▪ Evaluated the governance around the Company's overall measurement of the insurance contracts liabilities process, including the scrutiny applied by the board of directors, committees as well as actuarial reviews; ▪ Applied our industry knowledge and experience in understanding and evaluating the insurance contracts liabilities; ▪ Tested and challenged the onerous contract assessments, including evaluating the significant assumptions against relevant supporting information; ▪ Assessed that the future cash flows are expected to be paid within one year or less from the date the claims are incurred and therefore are not discounted; ▪ Evaluated and challenged the relevant underlying calculations and significant assumptions used to derive the risk adjustment; ▪ Tested on a sample basis, the build-up of the insurance contracts liabilities to support the sources of profit/loss and traced the movements in the assets/liabilities to relevant underlying supporting documentation, from both internal and external sources; ▪ Carried out tests of detail to assess the completeness and integrity of the data used for the purpose of determining the future insurance liabilities; and ▪ Assessed the reasonableness of the related disclosures in the financial statements against the requirements of IFRS 17. Based on the procedures we performed, we observed that the valuation of the insurance contracts liabilities is reasonable and appropriate.

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Building Block Insurance PCC Limited

Area	Reason	Audit Response
Assessment of the Going Concern basis *Refer to note 3.5 to the financial statements*	The Company withdrew its application to set up a branch in the United Kingdom and continued to write business under the temporary permission regime up until 30th December 2023. After which, the Company has not written any new business. The shareholders entered into a promise of sale of the Company as a going concern. The change of shareholder is pending the MFSA's (Malta Financial Services Authority) approval. Once, the approval is obtained, the Company intends to underwrite pet business in mainland Europe in line with the Company's existing authorisation from the MFSA and undertake an orderly run-off of the existing UK business. The directors have considered the appropriateness of adopting the going concern basis in preparation of these financial statements. We considered the assessment of the going concern basis to be a key audit matter in our audit of the financial statements as this assumption is fundamental to the preparation of the financial statements. The assumption involves subjective judgements and is subject to uncertainty.	Our audit procedures included the following: ▪ Raised inquiries to management as to the knowledge of events or conditions beyond the period of management's assessment that may cast significant doubt on the Company's ability to continue as a going concern; ▪ Evaluated management's assessment of the Company ability to continue as a going concern, and considered whether management's assessment includes all relevant information of which we were aware as a result of the audit; ▪ Obtained written confirmation from the shareholders of the Company, that they will continue to support the Company to ensure that it will be able to meet its liabilities as they fall due in the ordinary course of business for the foreseeable future; and ▪ Assessed the adequacy of the disclosures made in the financial statements. Based on the audit work done we concluded that use of the going concern assumption in the preparation of the financial statements is appropriate.

Other Information

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

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

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

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

- the Directors' report has been prepared in accordance with the Maltese Companies Act (Cap.386).

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

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Building Block Insurance PCC Limited

Responsibilities of the Directors and Those Charged with Governance

The Directors are responsible for the preparation of the financial statements that (i) give a true and fair view in accordance with IFRS as adopted by the EU, (ii) are properly prepared in accordance with the provisions of the Act and the Insurance Business Act, and (iii) for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Building Block Insurance PCC Limited

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

We communicate with people charged with governance 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 those charged with governance 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 those charged with governance, 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.

Report on Other Legal and Regulatory Requirements

Matters on which we are required to report by the Act, specific to public interest entities

Pursuant to article 179B(1) of the Act, we report under matters not already reported upon in our 'Report on the Audit of the Financial Statements':

- we were first appointed by those charged with governance to act as statutory auditor by the board of Directors on 28 July 2020 for the financial year ended 31 December 2020. Our appointment has been renewed annually by shareholder resolution representing a total uninterrupted engagement of 4 years. The Company became licensed as an insurance undertaking in terms of the Malta Insurance Business Act (Cap. 403) on 20 December 2013.

- our opinion on our audit of the financial statements is consistent with the additional report to those charged with governance required to be issued by the Audit Regulation (as referred to in the Act); and

- To the best of our knowledge and belief, we declare that non-audit services that we have provided to the Company are in accordance with the applicable law and regulations in Malta and that we have not provided non-audit services that are prohibited under Article 18A of the Accountancy Profession Act (Cap. 281). The non-audit services that we have provided to the Company, for the year ending 31 December 2023, are disclosed in note 11 to the financial statements.

Matters on which we are required to report by exception under the Companies Act

Pursuant to articles 179(10) and 179(11) of the Maltese Companies Act (Cap. 386) Act, we have nothing to report to you with respect to the following matters:

• proper accounting records have not been kept; or

• the financial statements are not in agreement with the accounting records; or

• we have not obtained all the information and explanations which, to the best of our knowledge and belief, we require for the purpose of our audit.

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Building Block Insurance PCC Limited

The principal in charge of the audit resulting in this independent auditor's report is Ms. Donna Greaves for and on behalf of

PKF Assurance (Malta) Limited

Registered Auditors

15, Level 3, Mannarino Road, Birkirkara BKR 9080, Malta

5 April 2024

Statement of Profit and Loss

	Notes	2023	2022 Restated*
		£	£
Insurance revenue	6	6,492,183	6,624,210
Insurance services expenses	7	(6,680,050)	(6,154,747)
Insurance service result before reinsurance contracts held		(187,867)	469,464
Allocation of reinsurance premiums	8	(3,268,827)	(3,428,785)
Amounts recoverable from reinsurers for incurred expenses	9	2,995,383	2,839,343
Net expense from reinsurance contracts held		(273,444)	(589,442)
Insurance service results		(461,311)	(119,978)
Other interest and similar income	13	24,437	1,089
Other operating expenses		(81,670)	(72,142)
Other finance costs	14	(151,364)	(3,854)
Loss before tax		(669,908)	(194,885)
Tax expense	15	(402,500)	-
Loss after tax		(1,072,408)	(194,885)

**The Company adopted IFRS 17 Insurance Contracts from 1 January 2023 and has correspondingly restated the comparative period. The impacts of adoption are detailed in note 2.1.*

Statement of Financial Position		**31 December**		**1 January**
	Notes	**2023**	**2022** Restated*	**2022** Restated*
		£	**£**	**£**
Assets				
Intangible assets	16	-	2,212	6,663
Property	17	350,000	350,000	350,000
Investment in Subsidiary	18	447,570	584,672	584,672
Insurance Contract Assets		-	-	-
Reinsurance Contract Assets	10	1,377,272	2,150,951	2,451,174
Receivables:				
- debtors from direct insurance operations	20	450,692	880,606	927,547
- receivables from reinsurance	20	62,032	184,824	149,037
Other assets	20	253,908	279,946	228,804
Deferred tax asset		-	402,500	402,500
Cash and cash equivalents	19	2,748,377	3,346,398	3,082,652
Total Assets		**5,689,851**	**8,182,109**	**8,183,049**
Capital & reserves				
Share capital	21	3,925,957	3,925,957	3,925,957
Capital contribution	22	2,784,672	2,784,672	2,784,672
Profit and loss account	23	(3,911,992)	(2,839,584)	(2,644,699)
Total equity		**2,798,638**	**3,871,046**	**4,065,931**
Liabilities				
Insurance Contract Liabilities	10	2,527,804	3,358,811	3,865,421
Reinsurance Contract Liabilities		-	-	-
Payables:		-	-	-
- creditors arising out of direct insurance operations	24	161,197	357,685	206,254
- balances payables to reinsurers	24	96,280	165,711	-
- other payables	24	51,250	386,156	4,244
Accruals & deferred income	24	54,681	42,700	41,199
Total liabilities		**2,891,213**	**4,311,063**	**4,117,118**
Total equity and liabilities		**5,689,851**	**8,182,109**	**8,183,049**

**The Company adopted IFRS 17 Insurance Contracts from 1 January 2023 and has correspondingly restated the comparative period. The impacts of adoption are detailed in note 2.1.*

The official closing middle rate of exchange applicable between GBP and EUR issued by the European Central Bank as at 31 December 2023 was 0.86905 (2022: £0.88693).

The notes on pages 16 - 50 are an integral part of these financial statements. The financial statements on pages 12 to 50 were authorised for issue by the board on 5 April 2024 and were signed on its behalf by:

Joseph Demanuele
Director

Andrew Paul Mirfin
Director

Statement of Changes in Equity

	Notes	Share Capital £	Capital contribution £	Retained Losses Restated* £	Total Equity Restated* £
Balance at 1 January 2022					
as previously reported		**3,925,957**	**2,784,672**	**(2,593,488)**	**4,117,142**
Impact of initial application of IFRS 17		-	-	(51,211)	(51,211)
Restated balance at 1 January 2022		**3,925,957**	**2,784,672**	**(2,644,699)**	**4,065,931**
Comprehensive income					
Restated Loss for the year		-	-	(194,885)	(194,885)
Balance at 31 December 2022		**3,925,957**	**2,784,672**	**(2,839,584)**	**3,871,046**
Balance at 1 January 2023	21	**3,925,957**	**2,784,672**	**(2,839,584)**	**3,871,046**
Comprehensive income					
Loss for the year		-	-	(1,072,408)	(1,072,408)
Balance at 31 December 2023	21	**3,925,957**	**2,784,672**	**(3,911,992)**	**2,798,638**

**The Company adopted IFRS 17 Insurance Contracts from 1 January 2023 and has correspondingly restated the comparative period. The impacts of adoption are detailed in note 2.1.*

The notes on pages 16 - 50 are an integral part of these financial statements.

Statement of Cash Flows

	Notes	As at 31 December 2023 £	2022 Restated* £
Cash generated from operations	25	(230,131)	(85,144)
Interest received		169	119
Interest paid		(14,262)	(3,854)
Net cash used in operating activities		(244,224)	(88,879)
Cash flow from financing activities			
Loans received			351,654
Loans advanced		(26,410)	-
Repayment of loans		(351,654)	-
Net cash from in financing activities		(378,064)	351,654
Increase/(decrease) in cash and cash equivalents		(622,288)	262,776
Cash and cash equivalents at beginning of year		3,346,398	3,082,652
Exchange movement on cash and cash equivalents		24,268	970
Cash and cash equivalents at end of year		2,748,377	3,346,398

**The Company adopted IFRS 17 Insurance Contracts from 1 January 2023 and has correspondingly restated the comparative period. The impacts of adoption are detailed in note 2.1.*

The notes on pages 16 - 50 are an integral part of these financial statements.

Notes to the Financial Statements

1 Reporting entity

Building Block Insurance PCC Limited (the "Company"), is a limited liability company domiciled and registered in Malta. The Company is licenced to write the classes below on an insurance basis in terms of the insurance Business Act (Chapter 403. Laws of Malta).

Class 1 - Accident	Class 5 - Aircraft	Class 9 - Other damage to property
Class 2 - Sickness	Class 6 - Ships	Class 16 - Miscellaneous financial loss
Class 3 - Land Vehicles	Class 7 - Goods in transit	Class 17 - Legal expenses
Class 4 - Railway rolling stock	Class 8 - Fire and natural forces	Class 18 - Assistance

2 Changes in accounting policies and disclosures

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

New and amended standards and interpretations

In these financial statements, the Company has applied IFRS 17 and IFRS 9 for the first time. The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

2.1 IFRS17 Insurance Contracts

IFRS 17 replaces IFRS 4 Insurance Contracts for annual periods on or after 1 January 2023.

The Company has restated comparative information for 2022 applying the transitional provisions in Appendix C to IFRS 17. The nature of the changes in accounting policies can be summarised, as follows:

Changes to classification and measurement

The adoption of IFRS 17 did not change the classification of the Company's insurance contracts.

The Company was previously permitted under IFRS 4 to continue accounting using its previous (Euroland GAAP) accounting policies. However, IFRS 17 establishes specific principles for the recognition and measurement of insurance contracts issued and reinsurance contracts held by the Company.

Under IFRS 17, the Company's insurance contracts issued and reinsurance contracts held are all eligible to be measured by applying the PAA. The PAA simplifies the measurement of insurance contracts in comparison with the general model in IFRS 17.

The measurement principles of the PAA differ from the 'earned premium approach' used by the Company under IFRS 4 in the following key areas:

- The liability for remaining coverage reflects premiums received less deferred insurance acquisition cash flows and less amounts recognised in revenue for insurance services provided

- Measurement of the liability for remaining coverage involves an explicit evaluation of risk adjustment for non-financial risk when a group of contracts is onerous in order to calculate a loss component, previously this was included as an unexpired risk reserve provision

- Measurement of the liability for incurred claims, previously claims outstanding and incurred-but-not reported (IBNR) claims, now includes an explicit risk adjustment for non-financial risk. The liability includes the Company's obligation to pay other incurred insurance expenses.

- Measurement of the asset for remaining coverage (reflecting reinsurance premiums paid for reinsurance held) is adjusted to include a loss-recovery component to reflect the expected recovery of onerous contract losses where such contracts reinsure onerous direct contracts.

2.1 Changes in accounting policies and disclosures - continued

Changes to classification and measurement - continued

Insurance acquisition cash flows that are directly attributable to a group of contracts are amortised inline with the insurance contract it relates to.

The Company's classification and measurement of insurance and reinsurance contracts is explained in note 3.6.

Changes to presentation and disclosure

For presentation in the statement of financial position, the Company aggregates insurance and reinsurance contracts issued and reinsurance contracts held, respectively and presents separately:

- Portfolios of insurance and reinsurance contracts issued that are assets
- Portfolios of insurance and reinsurance contracts issued that are liabilities
- Portfolios of reinsurance contracts held that are assets
- Portfolios of reinsurance contracts held that are liabilities

The portfolios referred to above are those established at initial recognition in accordance with the IFRS 17 requirements.

Portfolios of insurance contracts issued include any assets for insurance acquisition cash flows.

The line item descriptions in the statement of profit or loss and other comprehensive income have been changed significantly compared with last year. Previously, the Company reported the following line items:

- Gross written premiums
- Net written premiums
- Changes in premium reserves
- Gross insurance claims
- Net insurance claims

Instead, IFRS 17 requires separate presentation of:

- Insurance revenue
- Insurance service expenses
- Insurance finance income or expenses
- Income or expenses from reinsurance contracts held

The Company provides disaggregated qualitative and quantitative information about:

- Amounts recognised in its financial statements from insurance contracts
- Significant judgements, and changes in those judgements, when applying the standard

Transition

On transition date, 1 January 2022, the Company:

- Has identified, recognised and measured each group of insurance contracts as if IFRS 17 had always applied
- Has identified, recognised and measured assets for insurance acquisition cash flows as if IFRS 17 has always applied. However no recoverability assessment was performed before the transition date. At transition date, a recoverability assessment was performed and no impairment loss was identified
- Derecognised any existing balances that would not exist had IFRS 17 always applied
- Recognised any resulting net difference in equity

The new standard was adopted in accordance with its transitional provisions which require retrospective application and restatement of comparative information as if IFRS 17 had always been in effect, except to the extent that it is impracticable to do so, in which case permitted modifications have been applied ('modified retrospective approach'). The adoption of IFRS 17 has resulted in an decrease in net assets as at 1 January 2022 of £51,210. This amount, being the cumulative retrospective effect of adoption, was recognised as an adjustment to the opening balance of retained earnings as shown in the statement of changes in equity. The opening net asset impact reflects the application of the IFRS17 risk adjustment.

Notes to the Financial Statements - continued

2 Changes in accounting policies and disclosures - continued

2.2 IFRS 9 Financial Instruments

IFRS 9 replaced IAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018. However, the Company elected, under the amendments to IFRS 4, to apply the temporary exemption from IFRS 9, thereby deferring the initial application date of IFRS 9 to align with the initial application of IFRS 17.

Changes to classification and measurement

To determine their classification and measurement category, IFRS 9 requires all financial assets to be assessed based on a combination of the Company's business model for managing the assets and the instruments' contractual cash flow characteristics.

The IAS 39 measurement categories for financial assets (fair value through profit or loss (FVPL), available for sale (AFS), held-to-maturity (HTM) and loans and receivables (L&R) at amortised cost) have been replaced by:

- Financial assets at fair value through profit or loss, including equity instruments and derivatives
- Debt instruments at fair value through other comprehensive income, with gains or losses recycled to profit or loss on derecognition
- Equity instruments at fair value through other comprehensive income, with no recycling of gains or losses to profit or loss on derecognition (not used by the Company)
- Debt instruments at amortised cost

The Company's classification of its financial assets is explained in Note 3.7.

Changes to the impairment calculation

The adoption of IFRS 9 has fundamentally changed the Company's accounting for impairment losses for debt instruments held at FVOCI or amortised cost by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach.

IFRS 9 requires the Company to record an allowance for ECLs for all debt instruments not held at FVPL.

For debt instruments, the ECL is based on the portion of lifetime ECLs (LTECL) that would result from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since origination or purchase of the assets, the allowance is based on the full LTECL.

The Company considers an instrument to be in default when contractual payments exceed the agreed terms. However, in certain cases, the Company may also consider an instrument to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full. There were no such instances in 2023 or 2022.

The adoption of the ECL requirements of IFRS 9 has had no impact on the impairment allowances in respect of the Company's debt instruments.

3 Summary of significant accounting policies

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

3.1 Basis of preparation and statement of compliance

These financial statements have been prepared in accordance with the requirements of International Financial Reporting Standards (IFRSs) as adopted by the EU ("the applicable framework") as modified by Article 174 of the Maltese Companies Act (Cap. 386). All references in these Financial Statements to IAS, IFRS or SIC / IFRIC interpretations refer to those adopted by the EU. These Financial Statements have also been drawn up in accordance with the provisions of the Insurance Business Act, 1998 (Chapter 403, Laws of Malta) and the said Companies Act (Cap. 386).

The Statement of Financial Position is organised in increasing order of liquidity, with additional disclosures on the current or non-current nature of the Company statements.

Notes to the Financial Statements - continued

3.2 Preparation of consolidated financial statements

The ultimate parent company, Lattice Trading Limited (Note 27. Statutory information) prepares consolidated financial statements in a manner equivalent to that required by the Maltese Companies Act (Cap. 386) and these are delivered to the Registrar of Companies in Malta in terms of Article 174. Accordingly, Building Block Insurance PCC Limited is exempt from the preparation of consolidated financial statements for the company and its subsidiary undertaking by virtue of Article 174 of the Maltese Companies Act.

3.3 Basis of Measurement

These financial statements have been prepared on a historical cost basis except for investment property and investment in subsidiary.

3.4 Use of estimates and judgements

The preparation of Financial Statements in conformity with IFRSs as adopted by the EU 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 underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimates are revised and in any future periods affected, as defined further in Note 5

3.5 Going Concern

In the year the Company withdrew its application to set up a branch in the United Kingdom and continued to write business under the temporary permission regime up until 30th December 2023. After which, the Company has not written any new business.

During 2023, the shareholders entered into a promise of sale of the Company as a going concern. As of date of approval of this report and the financial statements, the change of shareholder is pending the MFSA (Malta Financial Services Authority) approval. The shareholding of Building Block Insurance PCC is being purchased as part of strategy to expand the proposed new shareholders distribution. The focus for the business will remain on Pet and Pet related products distributed in various European jurisdictions.

Having considered the risks and uncertainties to which the company is subject, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for at least twelve months from the date of approval of the financial statements.

The directors have considered the appropriateness of adopting the going concern basis in preparation of these financial statements.

3.6 Insurance and reinsurance contracts

Insurance and reinsurance contracts classification

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

The Company does not issue any contracts with direct participating features and does accept insurance risk from other insurers.

All insurance contracts and all reinsurance contracts are measured under the PAA.

Insurance contracts

Insurance contracts are aggregated into groups for measurement purposes. Groups of insurance contracts are determined by identifying portfolios of insurance contracts, each comprising contracts subject to similar risks and managed together, and dividing each portfolio into annual cohorts (i.e. by year of issue) and each annual cohort into three groups based on the profitability of contracts:

– any contracts that are onerous on initial recognition;
– any contracts that, on initial recognition, have no significant possibility of becoming onerous subsequently; and
– any remaining contracts in the annual cohort

An insurance contract issued by the Company is recognised from the earliest of:

– the beginning of its coverage period (i.e. the period during which the Company provides services in respect of any premiums within the boundary of the contract);
– when the first payment from the policyholder becomes due or, if there is no contractual due date, when it is received from the policyholder; and
– when facts and circumstances indicate that the contract is onerous.

When the contract is recognised, it is added to an existing group of contracts or, if the contract does not qualify for inclusion in an existing group, it forms a new group to which future contracts are added. Groups of contracts are established on initial recognition and their composition is not revised once all contracts have been added to the Company.

Reinsurance contracts

Groups of reinsurance contracts are established such that each group comprises a single contract.

Some reinsurance contracts provide cover for underlying contracts that are included in different groups. However, the Company concludes that the reinsurance contract's legal form of a single contract reflects the substance of the Company's contractual rights and obligations, considering that the different covers lapse together and are not sold separately. As a result, the reinsurance contract is not separated into multiple insurance components that relate to different underlying groups.

A group of reinsurance contracts is recognised on the following date.

– Reinsurance contracts initiated by the Company that provide proportionate coverage: The date on which any underlying insurance contract is initially recognised. This applies to the Company's quota share reinsurance contracts.
– Other reinsurance contracts initiated by the Company: The beginning of the coverage period of the group of reinsurance contracts. However, if the Company recognises an onerous group of underlying insurance contracts on an earlier date and the related reinsurance contract was entered into before that earlier date, then the group of reinsurance contracts is recognised on that earlier date

Notes to the Financial Statements - continued

3.6 Insurance and reinsurance contracts - continued

Insurance acquisition cash flows

Insurance acquisition cash flows are allocated to groups of insurance contracts using a systematic and rational method and considering, in an unbiased way.

Contract boundaries

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

Insurance contracts

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

A substantive obligation to provide services ends when:

– the Company has the practical ability to reassess the risks of the particular policyholder and can set a price or level of benefits that fully reflects those reassessed risks; or

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

The reassessment of risks considers only risks transferred from policyholders to the Company, which may include both insurance and financial risks, but exclude lapse and expense risks.

Reinsurance contracts

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

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

– has the practical ability to reassess the risks transferred to it and can set a price or level of benefits that fully reflects those reassessed risks; or

– has a substantive right to terminate the coverage.

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

Insurance contracts – Initial measurement

On initial recognition, the Company measures a group of insurance contracts as the total of the fulfilment cash flows, which comprise estimates of future cash flows, and the associated financial risks, and a risk adjustment for non-financial risk.

The risk adjustment for non-financial risk for a group of insurance contracts, determined separately from the other estimates, is the compensation required for bearing uncertainty about the amount and timing of the cash flows that arises from non-financial risk.

3.6 Insurance and reinsurance contracts - continued

Insurance contracts – Subsequent measurement
The carrying amount of a group of insurance contracts at each reporting date is the sum of the liability for remaining coverage and the liability for incurred claims. The liability for remaining coverage comprises the fulfilment cash flows that relate to services that will be provided under the contracts in future periods. The liability for incurred claims includes the fulfilment cash flows for incurred claims and expenses that have not yet been paid, including claims that have been incurred but not yet reported.

The fulfilment cash flows of groups of insurance contracts are measured at the reporting date using current estimates of future cash flows and current estimates of the risk adjustment for non-financial risk.

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

Reinsurance contracts
To measure a group of reinsurance contracts, the Company applies the same accounting policies as are applied to insurance contracts, with the following modifications.

The carrying amount of a group of reinsurance contracts at each reporting date is the sum of the asset for remaining coverage and the asset for incurred claims. The asset for remaining coverage comprises the fulfilment cash flows that relate to services that will be received under the contracts in future periods.

The Company measures the estimates of the present value of future cash flows using assumptions that are consistent with those used to measure the estimates of the present value of future cash flows for the underlying insurance contracts, with an adjustment for any risk of non-performance by the reinsurer. The effect of the non-performance risk of the reinsurer is assessed at each reporting date and the effect of changes in the non-performance risk is recognised in profit or loss.

The risk adjustment for non-financial risk is the amount of risk being transferred by the Company to the reinsurer.

Premium Allocation Approach
The Company uses the PAA to simplify the measurement of groups of contracts as the following criteria are met at inception.

- Insurance contracts: The coverage period of each contract in the group is one year or less.
- Loss-occurring reinsurance contracts: The coverage period of each contract in the group is one year or less.
- Risk-attaching reinsurance contracts: The Company reasonably expects that the resulting measurement of the asset for remaining coverage would not differ materially from the result of applying the accounting policies.

Notes to the Financial Statements - continued

3.6 Insurance and reinsurance contracts - continued

Liability for remaining coverage

The carrying amount of the liability for remaining coverage is measured as the premiums received on initial recognition minus any insurance acquisition cash flows allocated to the group at that date. The Company has chosen not to expense insurance acquisition cash flows when they are incurred.

The carrying amount of the liability for remaining coverage is increased by premiums receivable and the amortisation of insurance acquisition cash flows recognised as expenses. It is decreased by the amount recognised as insurance revenue for services provided and any additional insurance acquisition cash flows allocated after initial recognition.

The Company expects that the time between providing each part of the services and the related premium due date is no more than a year therefore has chosen not to adjust the liability for remaining coverage to reflect the time value of money and the effect of financial risk.

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

Liability for incurred claims

The Company recognises the liability for incurred claims of a group of insurance contracts at the amount of the fulfilment cash flows relating to incurred claims. The future cash flows are expected to be paid in one year or less from the date the claims are incurred and there for are not discounted.

Insurance revenue

The insurance revenue for the period is the amount of expected premium receipts (excluding any investment component) allocated to the period. The Company allocates the expected premium receipts to each period of insurance contract services on the basis of the passage of time. But if the expected pattern of release of risk during the coverage period differs significantly from the passage of time, then the allocation is made on the basis of the expected timing of incurred insurance service expenses.

The Company changes the basis of allocation between the two methods above as necessary, if facts and circumstances change. The change is accounted for prospectively as a change in accounting estimate. For the periods presented, all revenue has been recognised on the basis of the passage of time.

Insurance service expenses

Insurance service expenses arising from insurance contracts are recognised in profit or loss generally as they are incurred and comprise of the following;

- Incurred claims and other insurance service expenses
- Amortisation of insurance acquisition cash flows, amortised on a straight-line basis over the coverage period of the Company of contracts.
- Losses on onerous contracts and reversals of such losses.

Net expenses from reinsurance contracts

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

The Company recognises an allocation of reinsurance premiums paid in profit or loss as it receives services under groups of reinsurance contracts. The allocation of reinsurance premiums paid for each period is the amount of expected premium payments

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

3.7 Financial assets and financial liabilities

Recognition and initial measurement

The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments.

Financial assets

Financial instruments are initially recognised on the trade date measured at their fair value.

The Company classifies all of its financial assets based on the business model for managing the assets and the asset's contractual terms

- Amortised cost
- Fair value through other comprehensive income (FVOCI)
- Fair value through profit and loss (FVTPL)

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI).

A financial asset is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial a:
- its contractual terms give rise on specified dates to cash flows that are SPPI.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL.

Business model assessment

The Company determines its business model at the level that best reflects how it manages groups of financial assets to achieve its

For a majority of debt investments, the objective of the Company's business model is to fund insurance contract liabilities. The Company considers the timing, amount and volatility of cash flow requirements to support insurance liability portfolios in determining the business model for the assets.

Debt instruments at amortised cost

After initial measurement, debt instruments are measured at amortised cost, using the effective interest rate (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. ECLs are recognised in the statement of profit or loss when the investments are impaired.

Impairment of financial assets

The Company recognises an allowance for ECLs for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at the appropriate effective interest rate.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

The Company considers a financial asset to be in default (credit impaired) when contractual payments are 90 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Notes to the Financial Statements - continued

3.7 Financial assets and financial liabilities - continued

Expected credit losses

The Company calculates ECLs based on scenarios to measure the expected cash shortfalls, discounted at an appropriate EIR. A cash shortfall is the difference between the cash flows that are due to the Company in accordance with the contract and the cash flows that the entity expects to receive.

The key elements and considerations of the calculation are below;

The Probability of Default (PD) is an estimate of the likelihood of default over a given time horizon. It is estimated with consideration of economic scenarios and forward-looking information.

The Exposure at Default (EAD) is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, and accrued interest from missed payments

The Loss Given Default (LGD) is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the Company would expect to receive. It is usually expressed as a percentage of the EAD.

No expected credit losses had been recognised at the reporting date. The company will continue to monitor and reassess credit risk regularly, as economic conditions and other factors other factors affecting creditworthiness may change over time.

Financial liabilities

The Company classifies its financial liabilities, other than financial guarantees (see (vii)), into one of the following categories:

- financial liabilities at FVTPL, and within this category as:
    - held-for-trading
    - designated as at FVTPL; and
- financial liabilities at amortised cost.

3.8 Investment return

Investment return comprises investment income including fair value movements and interest income, and is net of investment expenses, charges and interest.

3.9 Foreign currency

Functional and presentation currency

Items included in these financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The Great Britain Pound (£) is the Company's functional and presentation currency.

Transactions and balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit or loss. Nonmonetary assets and liabilities denominated in currencies other than the functional currency that are measured at fair value are re-translated using the exchange rate ruling on the date the fair value was measured.

3.10 Intangible assets

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives of three years. Costs associated with maintaining computer software programmes are recognised as an expense as incurred.

Notes to the Financial Statements - continued

3.11 Investment property

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Company, is classified as investment property. Investment property is initially measured at cost including related transaction costs. Investment property is subsequently carried at fair value, representing open market value determined annually by external valuers or by virtue of a directors' valuation. It is the Company's policy to engage the services of an external expert valuer every 3 years at a minimum. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, the Company uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. Subsequent expenditure is charged to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged to the profit and loss account during the financial period in which they are incurred.

Unrealised gains and losses arising from changes in fair value (net of deferred taxation) are initially recognised in profit or loss.

3.12 Investment in subsidiary

Investment in subsidiary is accounted for at fair value. The investment is initially recognised at cost and the carrying amount decreased to recognise any impairment losses. The results of the subsidiary undertakings are reflected in the Company's financial statements only to the extent of dividends receivable.

3.13 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.

3.14 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares are shown in equity as a deduction, net of tax, from the proceeds.

3.15 Trade and other payables

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

3.16 Current and deferred tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised directly in other comprehensive income or directly equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Deferred tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, the deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting for taxable profit or loss. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred tax asset is realised, or

Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

3.17 Capital contribution

Amounts advanced by the shareholders by way of contribution which do not include a contractual obligation to settle in cash or another financial asset, are classified within equity. Balances which contain an obligation to transfer resources are classified as liabilities.

Notes to the Financial Statements - continued

3.18 Employee Benefits

The Company contributes towards the state pension in accordance with local legislation. The only obligation is to make the required contributions. Costs are expensed in the period in which they are incurred.

3.19 Other Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

4 Management of insurance and financial risk

4.1 Insurance risk

The Company issues contracts that transfer the insurance risk of the Company's clients. This section summarises these risks and how the Company manages them.

The risk under any one insurance contract is the uncertainty of whether the insured will sustain the contingency insured against. If that happens, then further uncertainty lies in the frequency and severity of resultant claims.

The Company has, in conformity with its authorisation by the MFSA, written the following insurance products from its core across various classes of business:

Product	Classes of Business
Breakdown	18. Assistance
Cover My Bills	16. Miscellaneous Financial Loss
Gadget	8. Fire and natural forces
Excess	16. Miscellaneous Financial Loss
Pet	8. Fire and natural forces

The Company considers the insurance risk relating to the above insurance products to be straightforward in nature, of a low risk profile with unlikely catastrophe risk exposure and which does not present any undue threat to the Company's core capital.

Frequency and severity of claims

The Company manages its risk exposures via a combination of its:

1. Underwriting strategy
2. Adequate reinsurance arrangements
3. Proactive claims handling

1. Underwriting

The Company follows strict risk acceptance selection processes and only accepts risks that possess characteristics which the Company feels will lead to low or average frequency and severity of losses. Furthermore, all new business proposals are presented to and reviewed and approved by the Product Oversight and Governance Committee prior to notification to the Board and the MFSA.

Since business is outsourced, the Company has in place appropriate procedures to monitor the business written by its regulated intermediaries to ensure that the outsourced functions are properly controlled. The authority to bind is delegated in a controlled manner with the Company providing underwriting guidelines with limits on the overall retention of the risks to be written besides also carrying out periodical audits of its Cover holders. The Company also inserts certain exclusions in its contracts to enforce underwriting criteria.

The Product Oversight and Governance Committee monitors the performance of the insurance products written in order that timely and appropriate remedial action may be taken to ensure adequate pricing levels for the actual insurance risk.

Notes to the Financial Statements - continued

4.1 Insurance risk - continued

2. Adequate

The Company assesses and decides the type and level of reinsurance protection deemed necessary for its book of business including also any new business proposals. In line with the Company's policy, the company takes into consideration the reinsurer creditworthiness and rating for security and Solvency II capital charges purposes.

The Company had the following reinsurance arrangements in place during the period under review and which agreements remain currently in force:

- A Quota Share agreement with products split 50% with BBI and 50% with Reinsurers.
- The 2Gether insurance scheme is fully reinsured with Windward Insurance PCC Limited – Crystal Underwriting Cell in Guernsey.
- Pet Insurance Liability Class 13 is 100% Reinsured with Swiss RE.

The Company has assessed all its other insurance schemes and has determined that reinsurance is not deemed necessary since the limited extent of the individual loss size, the satisfactory loss history and the geographical risk result in negligible event and single risk exposures.

3. Proactive claims

The Company ensures that claims are handled by dedicated and experienced claims personnel with appropriate authority limits in place for the effective handling and negotiation of claims. The Company or its delegated authorities also employ external loss adjusters and technical experts.

The Company maintains a proactive system that ensures that timely action is taken on all claims and reviews are carried out when required.

Reserving risk is low on the basis that claims are expected to be settled rapidly. Most costs will be identified quickly and ultimately the cap on claim payments results in very limited scope for possible variations and increases in reserves.

Sources of uncertainty

When estimating the cost due to be paid in future the Company looks at:

- the monetary provision necessary for pending non-liability claims based on the latest available facts and estimates, and
- to the above provision for known reported claims, the Company adds an additional IBNR provision;

Uncertainty on the estimation of claim payments in general is reduced by ensuring a thorough knowledge of the circumstances and extent of losses reported; and through the use of sector specific loss assessors and adjusters to ensure correct reserving.

The analysis of insurance risk indicates that in view of the nature of the cover offered the scope for adverse results is limited. In particular, the maximum loss or claim size and the exposure to single events are very limited.

4.2 Financial risk

The Company's activities potentially expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk and cash flow interest rate risk), credit risk and liquidity risk. The Company's overall risk management focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance.

Notes to the Financial Statements - continued

4.2 Financial risk - continued

(i) Foreign exchange risk

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities which are denominated in a currency that is not the Company's functional currency. The carrying amount of assets denominated in a currency other than Great Britain Pound as at end of reporting period were as follows:

	2023	2022
	£	£
Cash and cash equivalents	28,561	40,283

The strengthening or weakening of the Euro by 5% against the functional currancy, with all variables held constant, would result in an impact on pre-tax losses for the year of £4,701 (restated 2022:£557).

(ii) Cash flow and fair value interest rate risk

The Company's income and operating cash flows are substantially independent of changes in market interest rates. Financial assets issued at variable rates, comprising cash and cash equivalents, expose the Company to cash flow interest rate risk. During the period, the Company was not exposed to fair value interest rate risk.

As at the reporting date, the Company did not have any hedging policy with respect to interest rate risk, as exposure to such risk has not been deemed to be significant by the directors. Based on the above, management considers the potential impact on profit or loss of a defined interest rate shift that is reasonably possible at the reporting date to be immaterial.

(b) Credit risk

Credit risk is the risk that one party to a financial instrument, insurance contract issued in an asset position or reinsurance contract held will cause a financial loss for the other party by failing to discharge an obligation. The following policies and procedures are in place to mitigate the Company's exposure to credit risk.

It is the Company's responsibility to review and manage credit risk, including environmental risk for all counterparties. The Company manages and controls credit risk by setting limits on the amount of risk it is willing to accept for individual counterparties and for geographical and industry concentrations, and by monitoring exposures in relation to such limits.

Reinsurance is placed with counterparties that have a good credit rating and are selected following policy guidelines in respect of counterparties' limits that are set each year by the board of directors and are subject to regular reviews. Commission paid to intermediaries is netted off against amounts receivable from them to reduce the risk of default.

The nature of the Company's exposure to credit risk and its objectives, policies and processes used to manage and measure the risks have not changed from the previous period. The table below sets out information regarding the Company's aggregated credit risk exposure with external credit ratings:

	2023			
		Credit rating		Carrying Value
	A+	A	Unrated	£
Investments	-	-	100%	797,570
Cash at bank	-	98%	2%	2,748,377
Receivables	-	-	100%	512,724

	2022			
		Credit rating		Carrying Value
	A+	A	Unrated	£
Investments	-	-	100%	934,672
Cash at bank	-	98%	2%	3,346,305
Receivables	17%	-	83%	1,065,430

Cash is held with an unrated local subsidiary of a foreign financial institution group with a credit rating of 'A+'.

Notes to the Financial Statements - continued

4.2 Financial risk - continued

(c) Liquidity risk

The Company is exposed to liquidity risk in relation to meeting future obligations associated with its financial liabilities, which principally comprise trade payables.

(d) Cash flow and fair

As the Company has no significant interest-bearing assets, the Company's income and operating cash flows are substantially independent of changes in market interest rates. The Company does not have borrowings issued at fixed rates, and as result is not exposed to fair value interest rate risk.

(e) Equity price risk

The Company is exposed to market price risk on its investment in subsidiary. The value in subsidiary can decline in response to adverse political, market or economic developments. The subsidiary has invested in a portfolio of properties which it deems to be low risk in order to mitigate this risk.

4.3 Capital risk management

The company's objectives when managing capital are:

- to comply with the insurance capital requirements required by the Maltese insurance regulator ("MFSA");
- 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 commensurate 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. The company is required to hold regulatory capital for its general insurance business in compliance with Maltese insurance legislation and the rules issued by the Malta Financial Services Authority (MFSA). The minimum capital requirement must be maintained at all times throughout the year. The Company monitors its capital level on a regular basis, by ensuring that sufficient assets are maintained to match insurance liabilities and to provide solvency cover.

As from 1 January 2016, the company was subject to the requirements of the EU Solvency II directive. The Solvency II regime establishes a new set of EU-wide capital requirements, risk management and disclosure standards. The company must hold eligible own funds to cover the solvency capital requirement (SCR) and eligible basic own funds to cover the minimum capital requirement (MCR). The SCR shall be calculated either in accordance with the standard formula or using a full or partial internal model (PIM) as approved by the Regulator.

The company must immediately inform the Regulator where it observes that its SCR or MCR are no longer complied with or where there is risk of non-compliance in the following six months for SCR and three months for MCR.

The company must immediately inform the Regulator where it observes that its SCR or MCR are no longer complied with or where there is risk of non-compliance in the following six months for SCR and three months for MCR.

The company opted for the standard formula under the Solvency II regime to calculate the SCR as the assumptions underlying the standard formula are considered to be a good fit for the Company's risk profile. At 31 December 2023, the company's eligible own funds of £2,657,542 (2022: £3,337,444) sufficient to cover the minimum capital requirement.

The Company's SCR as at 31 December 2023 was 186.09% (2022: 220.34%)

Notes to the Financial Statements - continued

5 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances.

The Directors have identified the following key sources of estimation uncertainty which impacts on the financial statements of the company.

Insurance and Reinsurance contracts

The Company applies the PAA to simplify the measurement of insurance contracts. When measuring liabilities for remaining coverage, the PAA is broadly similar to the Company's previous accounting treatment under IFRS 4. However, when measuring liabilities for incurred claims the Company includes an explicit risk adjustment for non-financial risk.

Risk adjustment for non-financial risk

The risk adjustment for non-financial risk is the compensation that the Company requires for bearing the uncertainty about the amount and timing of the cash flows of groups of insurance contracts. The risk adjustment reflects an amount that an insurer would rationally pay to remove the uncertainty that future cash flows will exceed the expected value amount.

The Company has estimated the risk adjustment using a confidence level (probability of sufficiency) approach at the 85th percentile.

Liability for remaining coverage

The Company is eligible and chooses to recognise insurance acquisition cash flows as an expense immediately as incurred. This is because all insurance contracts issued within that product line have a coverage period of one year or less.

Liability for incurred claims

The ultimate cost of outstanding claims is estimated by using a range of standard actuarial claims projection techniques.

The main assumption underlying these techniques is that a Company's past claims development experience can be used to project future claims development and hence ultimate claims costs. Other key circumstances affecting the reliability of assumptions include

Impairment losses on financial assets

The measurement of impairment losses under IFRS 9 across relevant financial assets requires judgement, in particular, for the estimation of the amount and timing of future cash flows when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by the outcome of modelled ECL scenarios and the relevant inputs used.

6 Insurance revenue

	2023	2022
	£	£
Other motor insurance	-	-
Fire and other damage to property insurance	3,407,959	3,340,054
Assistance	2,969,212	3,130,276
Miscellaneous financial Loss	115,011	153,881
	6,492,183	6,624,210

Notes to the Financial Statements - continued

7 Insurance service expense

	2023				
	Other motor insurance	Fire and other damage to property	Assistance	Miscellaneous financial Loss	Total
Incurred claims and other expenses	-	3,098,964	1,782,631	54,972	4,936,567
Amortisation of insurance acquisition cash flows	-	750,438	964,998	28,047	1,743,483
Losses on onerous contracts and reversals of those losses	-	-	-	-	-
Insurance service expense	-	3,849,403	2,747,629	83,018	6,680,050

	2022				
	Other motor insurance	Fire and other damage to property	Assistance	Miscellaneous financial Loss	Total
Incurred claims and other expenses	(4,653)	2,579,281	1,781,820	102,024	4,458,473
Amortisation of insurance acquisition cash flows	-	713,925	1,032,803	37,182	1,783,911
Losses on onerous contracts and reversals of those losses	-	(87,637)	-	-	(87,637)
Insurance service expense	(4,653)	3,205,570	2,814,623	139,207	6,154,747

8 Allocation of reinsurance premiums

	2023	2022
	£	£
Quota share reinsurance	1,488,724	1,548,515
Fronting scheme	1,780,103	1,880,270
	3,268,827	3,428,785

9 Amounts recoverable from reinsurers for incurred expenses

	2023		
	Quota share reinsurance	Fronting scheme	Total
Amounts recoverable from reinsurers for incurred claims	1,390,773	1,604,610	2,995,383
Loss-recovery on onerous underlying contracts and adjustments	-	-	-
	1,390,773	1,604,610	2,995,383

	2022		
	Quota share reinsurance	Fronting scheme	Total
Amounts recoverable from reinsurers for incurred claims	1,235,558	1,656,367	2,891,925
Loss-recovery on onerous underlying contracts and adjustments	(52,582)	-	(52,582)
	1,182,976	1,656,367	2,839,343

Notes to the Financial Statements - continued

10 Insurance and reinsurance contracts

The breakdown of groups of insurance contracts issued, and reinsurance contracts held, that are in an asset position and those in a liability position is set out in the table below:

	2023			2022		
	Assets	Liabilities	Net	Assets	Liabilities	Net
Insurance contracts issued						
Other motor insurance			-		-	-
Fire and other damage to property insurance		2,138,457	(2,138,457)		2,078,079	(2,078,079)
Assistance		324,508	(324,508)		1,179,350	(1,179,350)
Miscellaneous financial Loss		64,840	(64,840)		101,382	(101,382)
	-	2,527,804	(2,527,804)	-	3,358,811	(3,358,811)
Reinsurance contracts held						
Quota share reinsurance	(1,081,677)		(1,081,677)	(1,177,810)		(1,177,810)
Fronting scheme	(295,595)		(295,595)	(973,141)		(973,141)
	(1,377,272)	-	(1,377,272)	(2,150,951)	-	(2,150,951)

Analysis by Remaining Coverage and Incurred Claims

The following reconciliation shows how the carrying amounts of insurance and reinsurance contracts changed during the year as a result of cash flows and amounts recognised in the statement of profit or loss. The table separately analyses movements in the liabilities for remaining coverage and movements in the liabilities for incurred claims and reconciles these movements to the line items in the statement of profit or loss.

The Company disaggregates information to provide disclosure in respect of reportable segments: other motor, fire and other damage to property, assistance and miscellaneous financial loss for insurance contracts issued and reinsurance contracts held. This disaggregation has been determined based on how the Company is managed.

Notes to the Financial Statements - continued

10 Insurance and reinsurance contracts - continued

Other motor insurance

The roll-forward of the net asset or liability for insurance contracts issued, showing the liability for remaining coverage and the liability for incurred claims for Other motor insurance are disclosed in the table below:

	2022				
	Liabilities for remaining coverage		Liabilities for incurred claims		
	Excluding loss component	Loss component	Estimates of the present value of future cash flows	Risk Adjustment	Total
Insurance contract liabilities as at 1st January	-	-	300	150	450
Insurance contract assets as at 1st January					-
Net insurance contract as at 1st January	-	-	**300**	**150**	**450**
Insurance revenue	-				-
Insurance service expenses					-
Incurred claims and other expenses			4,503	150	4,653
Amortisation of insurance acquisition cash flows	-				-
Losses on onerous contracts and reversals of those losses					-
Insurance service result	-	-	**4,503**	**150**	**4,653**
Premiums received and receivable	-				-
Claims and other expenses paid and payable			4,203		4,203
Insurance acquisition paid and payable	-				-
	-	-	**4,203**	-	**4,203**
Net insurance contract (assets)/ liabilities as at 31st December	-	-	-	-	-
Insurance contract liabilities as at 31st December	-	-	-	-	-
Insurance contract assets as at 31st December					-
Net insurance contract as at 31st December	-	-	-	-	-

There is no movement in 2023 for insurance contracts included within other motor insurance.

Notes to the Financial Statements - continued

10 Insurance and reinsurance contracts - continued

Fire and other damage to property insurance

The roll-forward of the net asset or liability for insurance contracts issued, showing the liability for remaining coverage and the liability for incurred claims for Fire and other damage to property insurance are disclosed in the table below:

2023

	Liabilities for remaining coverage		Liabilities for incurred claims		
	Excluding loss component	Loss component	Estimates of the present value of future cash flows	Risk Adjustment	Total
Insurance contract liabilities as at 1st January	1,568,749	-	473,091	36,239	2,078,079
Insurance contract assets as at 1st January					-
Net insurance contract as at 1st January	**1,568,749**	-	**473,091**	**36,239**	**2,078,079**
Insurance revenue	3,407,959				3,407,959
Insurance service expenses					-
Incurred claims and other expenses			(3,063,202)	(35,762)	(3,098,964)
Amortisation of insurance acquisition cash flows	(750,438)				(750,438)
Losses on onerous contracts and reversals of those losses		-			-
Insurance service result	**2,657,521**	-	**(3,063,202)**	**(35,762)**	**(441,443)**
Premiums received and receivable	2,998,615				2,998,615
Claims and other expenses paid and payable			(2,688,554)		(2,688,554)
Insurance acquisition paid and payable	(691,127)				(691,127)
	2,307,488	-	**(2,688,554)**	-	**(381,066)**
Net insurance contract (assets)/ liabilities as at 31st December	**1,218,717**	-	**847,739**	**72,001**	**2,138,457**
Insurance contract liabilities as at 31st December	1,218,717	-	847,739	72,001	2,138,457
Insurance contract assets as at 31st December					-
Net insurance contract as at 31st December	**1,218,717**	-	**847,739**	**72,001**	**2,138,457**

Notes to the Financial Statements - continued

10 Insurance and reinsurance contracts - continued

Fire and other damage to property insurance

The roll-forward of the net asset or liability for insurance contracts issued, showing the liability for remaining coverage and the liability for incurred claims for Fire and other damage to property insurance are disclosed in the table below:

2022

	Liabilities for remaining coverage		Liabilities for incurred claims		
	Excluding loss component	**Loss component**	**Estimates of the present value of future cash flows**	**Risk Adjustment**	**Total**
Insurance contract liabilities as at 1st January	1,461,363	87,637	742,724	185,753	2,477,477
Insurance contract assets as at 1st January					-
Net insurance contract as at 1st January	**1,461,363**	**87,637**	**742,724**	**185,753**	**2,477,477**
Insurance revenue	3,340,054				3,340,054
Insurance service expenses					-
Incurred claims and other expenses			(2,728,795)	149,514	(2,579,281)
Amortisation of insurance acquisition cash flows	(713,925)				(713,925)
Losses on onerous contracts and reversals of those losses		87,637			87,637
Insurance service result	**2,626,128**	**87,637**	**(2,728,795)**	**149,514**	**134,484**
Premiums received and receivable	3,453,295				3,453,295
Claims and other expenses paid and payable			(2,998,428)		(2,998,428)
Insurance acquisition paid and payable	(719,780)				(719,780)
	2,733,515	-	**(2,998,428)**	-	**(264,914)**
Net insurance contract (assets)/ liabilities as at 31st December	**1,568,749**	-	**473,091**	**36,239**	**2,078,079**
Insurance contract liabilities as at 31st December	1,568,749	-	473,091	36,239	2,078,079
Insurance contract assets as at 31st December					-
Net insurance contract as at 31st December	**1,568,749**	-	**473,091**	**36,239**	**2,078,079**

Notes to the Financial Statements - continued

10 Insurance and reinsurance contracts - continued

Assistance

The roll-forward of the net asset or liability for insurance contracts issued, showing the liability for remaining coverage and the liability for incurred claims for Assistance are disclosed in the table below:

	2023				
	Liabilities for remaining coverage		**Liabilities for incurred claims**		
	Excluding loss component	**Loss component**	**Estimates of the present value of future cash flows**	**Risk Adjustment**	**Total**
Insurance contract liabilities as at 1st January	1,179,350	-	-	-	1,179,350
Insurance contract assets as at 1st January					-
Net insurance contract as at 1st January	**1,179,350**	-	-	-	**1,179,350**
Insurance revenue	2,969,212				2,969,212
Insurance service expenses					-
Incurred claims and other expenses			(1,782,631)	-	(1,782,631)
Amortisation of insurance acquisition cash flows	(964,998)				(964,998)
Losses on onerous contracts and reversals of those losses		-			-
Insurance service result	**2,004,214**	-	**(1,782,631)**	-	**221,583**
Premiums received and receivable	1,743,909				1,743,909
Claims and other expenses paid and payable			(1,782,631)		(1,782,631)
Insurance acquisition paid and payable	(594,536)				(594,536)
	1,149,372	-	**(1,782,631)**	-	**(633,259)**
Net insurance contract (assets)/ liabilities as at 31st December	**324,508**	-	-	-	**324,508**
Insurance contract liabilities as at 31st December	324,508	-	-	-	324,508
Insurance contract assets as at 31st December					-
Net insurance contract as at 31st December	**324,508**	-	-	-	**324,508**

Notes to the Financial Statements - continued

10 Insurance and reinsurance contracts - continued

Assistance

The roll-forward of the net asset or liability for insurance contracts issued, showing the liability for remaining coverage and the liability for incurred claims for Assistance are disclosed in the table below:

	2022				
	Liabilities for remaining coverage		Liabilities for incurred claims		
	Excluding loss component	Loss component	Estimates of the present value of future cash flows	Risk Adjustment	Total
Insurance contract liabilities as at 1st January	1,172,470	-	-	-	1,172,470
Insurance contract assets as at 1st January					-
Net insurance contract as at 1st January	**1,172,470**	-	-	-	**1,172,470**
Insurance revenue	3,130,276				3,130,276
Insurance service expenses					-
Incurred claims and other expenses			(1,781,820)	-	(1,781,820)
Amortisation of insurance acquisition cash flows	(1,032,803)				(1,032,803)
Losses on onerous contracts and reversals of those losses		-			-
Insurance service result	**2,097,472**	-	**(1,781,820)**	-	**315,653**
Premiums received and receivable	3,115,932				3,115,932
Claims and other expenses paid and payable			(1,781,820)		(1,781,820)
Insurance acquisition paid and payable	(1,011,579)				(1,011,579)
	2,104,352	-	**(1,781,820)**	-	**322,533**
Net insurance contract (assets)/ liabilities as at 31st December	**1,179,350**	-	-	-	**1,179,350**
Insurance contract liabilities as at 31st December	1,179,350	-	-	-	1,179,350
Insurance contract assets as at 31st December					-
Net insurance contract as at 31st December	**1,179,350**	-	-	-	**1,179,350**

Notes to the Financial Statements - continued

10 Insurance and reinsurance contracts - continued

Miscellaneous financial Loss

The roll-forward of the net asset or liability for insurance contracts issued, showing the liability for remaining coverage and the liability for incurred claims for Miscellaneous financial Loss are disclosed in the table below:

2023

	Liabilities for remaining coverage		**Liabilities for incurred claims**		
	Excluding loss component	**Loss component**	**Estimates of the present value of future cash flows**	**Risk Adjustment**	**Total**
Insurance contract liabilities as at 1st January	51,401	-	42,429	7,551	101,382
Insurance contract assets as at 1st January					-
Net insurance contract as at 1st January	**51,401**	-	**42,429**	**7,551**	**101,382**
Insurance revenue	115,011				115,011
Insurance service expenses					-
Incurred claims and other expenses			(57,336)	2,364	(54,972)
Amortisation of insurance acquisition cash flows	(28,047)				(28,047)
Losses on onerous contracts and reversals of those losses		-			-
Insurance service result	**86,965**	-	**(57,336)**	**2,364**	**31,993**
Premiums received and receivable	65,509				65,509
Claims and other expenses paid and payable			(53,459)		(53,459)
Insurance acquisition paid and payable	(16,599)				(16,599)
	48,910	-	**(53,459)**	-	**(4,549)**
Net insurance contract (assets)/ liabilities as at 31st December	**13,346**	-	**46,306**	**5,187**	**64,840**
Insurance contract liabilities as at 31st December	13,346	-	46,306	5,187	64,840
Insurance contract assets as at 31st December					-
Net insurance contract as at 31st December	**13,346**	-	**46,306**	**5,187**	**64,840**

Notes to the Financial Statements - continued

10 Insurance and reinsurance contracts - continued

Miscellaneous financial Loss

The roll-forward of the net asset or liability for insurance contracts issued, showing the liability for remaining coverage and the liability for incurred claims for Miscellaneous financial Loss are disclosed in the table below:

2022

	Liabilities for remaining coverage		Liabilities for incurred claims		
	Excluding loss component	Loss component	Estimates of the present value of future cash flows	Risk Adjustment	Total
Insurance contract liabilities as at 1st January	89,921	-	89,153	35,950	215,024
Insurance contract assets as at 1st January					-
Net insurance contract as at 1st January	**89,921**	-	**89,153**	**35,950**	**215,024**
Insurance revenue	153,881				153,881
Insurance service expenses					-
Incurred claims and other expenses			(130,423)	28,399	(102,024)
Amortisation of insurance acquisition cash flows	(37,182)				(37,182)
Losses on onerous contracts and reversals of those losses		-			-
Insurance service result	**116,699**	-	**(130,423)**	**28,399**	**14,674**
Premiums received and receivable	113,929				113,929
Claims and other expenses paid and payable			(177,147)		(177,147)
Insurance acquisition paid and payable	(35,750)				(35,750)
	78,179	-	**(177,147)**	-	**(98,968)**
Net insurance contract (assets)/ liabilities as at 31st December	**51,402**	-	**42,429**	**7,551**	**101,382**
Insurance contract liabilities as at 31st December	51,401	-	42,429	7,551	101,382
Insurance contract assets as at 31st December					-
Net insurance contract as at 31st December	**51,401**	-	**42,429**	**7,551**	**101,382**

Notes to the Financial Statements - continued

10 Insurance and reinsurance contracts - continued

Quota share reinsurance

The roll-forward of the net asset or liability for insurance contracts issued, showing the liability for remaining coverage and the liability for incurred claims for Quota share reinsurance are disclosed in the table below:

	2023				
	Assets for remaining coverage		Amounts recoverable on incurred clams		
	Excluding loss recovery component	Loss recovery component	Estimates of the present value of future cash flows	Risk Adjustment	Total
Reinsurance contract liabilities as at 1st January	(845,159)	-	(307,079)	(25,572)	(1,177,810)
Reinsurance contract assets as at 1st January					-
Net Reinsurance contract as at 1st January	**(845,159)**	**-**	**(307,079)**	**(25,572)**	**(1,177,810)**
Allocation of reinsurance premiums	(1,488,724)				(1,488,724)
Insurance service expenses					-
Amounts recoverable from reinsurers for incurred claims			1,371,890	18,883	1,390,773
Loss-recovery on onerous underlying contracts and		-			-
Insurance service result	**(1,488,724)**	**-**	**1,371,890**	**18,883**	**(97,951)**
Premiums paid	(1,173,885)				(1,173,885)
Amounts received	-		1,172,068		1,172,068
	(1,173,885)	**-**	**1,172,068**	**-**	**(1,818)**
Net Reinsurance contract (assets)/ liabilities as at 31st December	**(530,320)**	**-**	**(506,902)**	**(44,455)**	**(1,081,677)**
Reinsurance contract liabilities as at 31st December	(530,320)	-	(506,902)	(44,455)	(1,081,677)
Reinsurance contract assets as at 31st December					-
Net Reinsurance contract as at 31st December	**(530,320)**	**-**	**(506,902)**	**(44,455)**	**(1,081,677)**

Notes to the Financial Statements - continued

10 Insurance and reinsurance contracts - continued

Quota share reinsurance

The roll-forward of the net asset or liability for insurance contracts issued, showing the liability for remaining coverage and the liability for incurred claims for Quota share reinsurance are disclosed in the table below:

	2022				
	Assets for remaining coverage		Amounts recoverable on incurred clams		
	Excluding loss recovery component	Loss recovery component	Estimates of the present value of future cash flows	Risk Adjustment	Total
Reinsurance contract liabilities as at 1st January	(758,648)	(52,582)	(498,544)	(170,642)	(1,480,416)
Reinsurance contract assets as at 1st January					-
Net Reinsurance contract as at 1st January	**(758,648)**	**(52,582)**	**(498,544)**	**(170,642)**	**(1,480,416)**
Allocation of reinsurance premiums	(1,548,515)				(1,548,515)
Insurance service expenses					-
Amounts recoverable from reinsurers for incurred claims			1,380,628	(145,070)	1,235,558
Loss-recovery on onerous underlying contracts and		(52,582)			(52,582)
Insurance service result	**(1,548,515)**	**(52,582)**	**1,380,628**	**(145,070)**	**(365,539)**
Premiums paid	(1,635,026)				(1,635,026)
Amounts received	-		1,572,093		1,572,093
	(1,635,026)	-	**1,572,093**	-	**(62,934)**
Net Reinsurance contract (assets)/ liabilities as at 31st December	**(845,159)**	-	**(307,079)**	**(25,572)**	**(1,177,811)**
Reinsurance contract liabilities as at 31st December	(845,159)	-	(307,079)	(25,572)	(1,177,810)
Reinsurance contract assets as at 31st December					-
Net Reinsurance contract as at 31st December	**(845,159)**	-	**(307,079)**	**(25,572)**	**(1,177,810)**

Notes to the Financial Statements - continued

10 Insurance and reinsurance contracts - continued

Fronting scheme

The roll-forward of the net asset or liability for insurance contracts issued, showing the liability for remaining coverage and the liability for incurred claims for Fronting scheme are disclosed in the table below:

	2023				
	Assets for remaining coverage		**Amounts recoverable on incurred clams**		
	Excluding loss recovery component	**Loss recovery component**	**Estimates of the present value of future cash flows**	**Risk Adjustment**	**Total**
Reinsurance contract liabilities as at 1st January	(973,141)	-	-	-	(973,141)
Reinsurance contract assets as at 1st January					-
Net Reinsurance contract as at 1st January	**(973,141)**	-	-	-	**(973,141)**
Allocation of reinsurance premiums	(1,780,103)				(1,780,103)
Insurance service expenses					-
Amounts recoverable from reinsurers for incurred claims			1,604,610	-	1,604,610
Loss-recovery on onerous underlying contracts and		-			-
Insurance service result	**(1,780,103)**	-	**1,604,610**	-	**(175,493)**
Premiums paid	(1,094,962)				(1,094,962)
Amounts received	-		1,597,015		1,597,015
	(1,094,962)	-	**1,597,015**	-	**502,053**
Net Reinsurance contract (assets)/ liabilities as at 31st December	**(288,000)**	-	**(7,595)**	-	**(295,595)**
Reinsurance contract liabilities as at 31st December	(288,000)	-	(7,595)	-	(295,595)
Reinsurance contract assets as at 31st December					-
Net Reinsurance contract as at 31st December	**(288,000)**	-	**(7,595)**	-	**(295,595)**

Notes to the Financial Statements - continued

10 Insurance and reinsurance contracts - continued

Fronting scheme

The roll-forward of the net asset or liability for insurance contracts issued, showing the liability for remaining coverage and the liability for incurred claims for Fronting scheme are disclosed in the table below:

	2022				
	Assets for remaining coverage		**Amounts recoverable on incurred clams**		
	Excluding loss recovery component	**Loss recovery component**	**Estimates of the present value of future cash flows**	**Risk Adjustment**	**Total**
Reinsurance contract liabilities as at 1st January	(970,757)	-	-	-	(970,757)
Reinsurance contract assets as at 1st January					-
Net Reinsurance contract as at 1st January	**(970,757)**	-	-	-	**(970,757)**
Allocation of reinsurance premiums	(1,880,270)				(1,880,270)
Insurance service expenses					-
Amounts recoverable from reinsurers for incurred claims			1,656,367	-	1,656,367
Loss-recovery on onerous underlying contracts and		-			-
Insurance service result	**(1,880,270)**	-	**1,656,367**	-	**(223,903)**
Premiums paid	(1,882,653)				(1,882,653)
Amounts received	-		1,656,367		1,656,367
	(1,882,653)	-	**1,656,367**	-	**(226,286)**
Net Reinsurance contract (assets)/ liabilities as at 31st December	**(973,141)**	-	-	-	**(973,141)**
Reinsurance contract liabilities as at 31st December	(973,141)	-	-	-	(973,141)
Reinsurance contract assets as at 31st December					-
Net Reinsurance contract as at 31st December	**(973,141)**	-	-	-	**(973,141)**

Notes to the Financial Statements - continued

11 Expenses by nature

	2023			
	Insurance acquisition cash flows	Other directly attributable expenses	Other operating expenses	Total
Employee expenses	-	513,409	16,652	530,061
Commissions	1,743,483	-	-	1,743,483
Insurance management fees	-	83,727	-	83,727
Audit, legal and other professional fees	-	218,753	65,018	283,772
Other expenses	-	74,011	-	74,011
	1,743,483	889,901	81,670	2,715,054

	2022			
	Insurance acquisition cash flows	Other directly attributable expenses	Other operating expenses	Total
Employee expenses	-	419,742	25,585	445,326
Commissions	1,783,911	-	-	1,783,911
Insurance management fees	-	86,425	-	86,425
Audit, legal and other professional fees	-	139,873	46,557	186,430
Other expenses	-	44,573	-	44,573
	1,783,911	690,613	72,142	2,546,666

Auditor's Fees

Fees charged by the auditor for services rendered during the financial year ended 31 December 2023 and 2022 relate to the

	2023	2022
	£	£
Annual statutory audit	38,057	17,669
Other assurance services	15,580	12,957
Tax advisory	1,182	1,523
	54,818	32,149

In 2023, Annual statutory audit includes a one off fee for audit restated comparatives.

Notes to the Financial Statements - continued

12 Employees and Directors

	2023	2022
The average number of employees during the year was as follows:	4	5

	2023	2022
	£	£
Directors' fees	284,704	229,493

13 Other interest and similar income

	2023	2022
	£	£
Interest income	169	119
Foreign exchange gains	24,268	970
	24,437	1,089

14 Other finance costs

	2023	2022
	£	£
Interest expense and charges	(14,262)	(3,854)
Impairment loss on investment	(137,102)	-
	(151,364)	(3,854)

15 Tax expense

	2023	2022
	£	£
Current tax	-	-
Deferred tax	(402,500)	-
	(402,500)	-

The tax on the Company's profit before tax differs from the theoretical amount that would arise using the basic tax rate as follows:

	2023	2022
Loss before tax	(669,908)	(194,885)
Tax at 35%	(234,468)	(68,210)
Non allowable expenses	48,760	1,558
Income subject to tax under other articles of the ITA	(750)	
Impact of initial application of IFRS 17		(11,547)
Temporary differences	(216,042)	78,199
	(402,500)	-

The company has trading losses of £3,648,264 in view of the uncertainty relating to the realisation of such benefits in the short term the company has not recognised the losses. The Company also has unabsorbed capital allowances of £71,118 (2022: £67,204).

Notes to the Financial Statements - continued

16 Intangible assets

	2023	2022
	£	£
Cost	121,442	121,442
Accumulated amortisation	(121,442)	(119,230)
Net book amount	-	2,212
Opening net book amount	2,212	6,663
Amortisation charge	(2,212)	(4,452)
Closing net book amount	-	2,212

17 Investment property

	2023	2022
	£	£
Investment property	350,000	350,000

The fair value of the investment property as at 31 December 2023 is based on a valuation carried out by an independent architect on 29 September 2021. The architect is qualified and has experience in the valuation of properties. The current use of the property equates to the highest and best use. The Company has no restrictions on the realisability of its investment property and no contractual obligations to purchase, construct or develop investment properties or for repairs, maintenance and enhancements.

18 Investment in subsidiary

	2023	2022
	£	£
Cost	584,672	584,672
Impairments	(137,102)	-
Net book amount	447,570	584,672
Opening net book amount	584,672	584,672
Impairment in the year	(137,102)	-
Closing net book amount	447,570	584,672

The subsidiaries as at 31 December 2023 and 2022 are shown below:

Name of subsidiary	**Registered office***	**Class of shares**	**Percentage of shares held**	
			2023	**2022**
Totemic International Properties Inc (TIPI)	C/O PKF LLP 665 Fifth Avenue, New York, NY 10022	Ordinary 'A' shares	100%	100%

The principal activity of the Company is rental of residential properties.

Notes to the Financial Statements - continued

19 Cash and cash equivalents

	2023	2022
	£	£
Cash and cash equivalents	2,748,377	3,346,398

The Company holds cash balance in foreign banks and such balances are highly liquid. Management monitors the bank's credit rating and ensures that such rating are inline with the company's risk appitite.

20 Debtors and prepayments

	2023	2022
	£	£
Receivables:		
- debtors from direct insurance operations	450,692	880,606
- receivables from reinsurance	62,032	184,824
Other assets:		
Prepayments	19,829	68,694
Other assets	234,079	211,252
	512,724	1,065,430

Debtors and prepayments are current in nature.

The Company has estimated the expected credit loss over its insurance and reinsurance contract assets inline with the requirements under IFRS 9 "Financial Instruments". The expected credit loss for 2023 were estimated as nil (2022:nil).

21 Share capital

	2023	2022
Authorised		
9,999,999 Ordinary A shares of £1 each	9,999,999	9,999,999
1 Ordinary B share of £1 each	1	1
560,228 Ordinary C shares of £0.01 each	5,602	5,602
	10,005,602	10,005,602
Issued and fully paid		
3,921,599 Ordinary A shares of £1 each	3,921,599	3,921,599
1 Ordinary B share of £1 each	1	1
435,733 Ordinary C shares of £0.01 each	4,357	4,357
	3,925,957	3,925,957

"A" and "B" ordinary shares rank pari passu for all intents and purposes of law, except as disclosed below.

The holders of Ordinary "A" shares and Ordinary "C" shares in the Company have a right to one vote per share. The holders of the Ordinary "B" shares do not have a right to vote at any meetings of the members of the Company.

The holders of Ordinary "A" shares have the right to receive dividends and to participate in the profits of the Company. The holders of Ordinary "B" shares do not have the right to receive any dividend or to participate in any other manner in the profits of the Company.

Notes to the Financial Statements - continued

22 Capital contribution

Capital contribution are classified as an un-distributrable reserve in the Company's Sstatement of Financial Position.

23 Accumulated losses/ Retained earnings

The retained earnings balance represents the amount available for dividend distribution to the ordinary shareholders except for any amount that is not distributable in terms of the solvency capital requirements which the Company is required to adhere to in terms of the Insurance Business Act (Cap. 403) and any amount that is not distributable under the Maltese Companies Act (Cap. 386), to the extent that it represents unrealised profits.

24 Payables, accruals and deferred income

	2023	2022
	£	£
Creditors arising out of direct insurance operations		
Payable to intermediaries	161,197	357,685
Payable to reinsurers	96,280	165,711
Other creditors	51,250	386,156
Accruals and deferred income	54,681	42,700
	363,409	952,252

25 Cash used in operations

	2023	2022
	£	£
Loss for the year	**(1,072,408)**	**(194,885)**
Adjustments for:		
Interest received	(169)	(119)
Interest paid	14,262	3,854
Exchange losses/(gains)	(24,268)	(970)
Amortisation charge	2,212	4,452
Deferred Tax movement	402,500	-
Impairment loss on investment	137,102	-
Changes in:		
Insurance and reinsurance contracts	(57,327)	(206,388)
Receivables	605,154	(150,576)
Payables	(237,189)	459,488
Cash generated from operations	(230,131)	(85,144)

Notes to the Financial Statements - continued

26 Related party transactions

All companies forming part of the Lattice Group are considered by the directors to be related parties since these companies are ultimately owned and controlled by the same shareholders. Related parties also comprise other entities that have common shareholders with the Company as well as the key management personnel who has the ability to control or exercise a significant influence in financial and operating decisions. Companies that are owned and controlled by key management personnel are also considered as related parties are considered as related parties.

The Company was recharged amounts in relation to the running expenses as follows;	2023	2022
	£	£
Salary costs	211,595	186,726
Directors' fees	268,052	203,908
Other costs	-	1,989
Interest	12,730	3,086
	492,377	395,709

During the year, the company carried out a number of transactions with a related party that acts as a licenced insurance

Gross written premiums written through the related party amounted to	87,645	274,237
Fees earned by the related party for such services amounted to	34,262	103,104
Amounts due to associated companies	435,115	507,581
Amounts due from associated companies	-	351,654

Key management personnel compensation, consisting of directors' fees has been disclosed in Note 12 to these financial statements.

27 Statutory information

Building Block Insurance PCC Limited is a limited liability company incorporated in Malta with its registered address at Development House, St. Anne Street, Floriana, Malta, FRN 9010.

The immediate parent company of Building Block Insurance PCC Limited is Lattice Group Holdings Limited, a privately-owned limited liability company registered in Malta (Company registration number C51960) and having its registered office situated at 2 Sir Augustus Bartolo Street, Ta' Xbiex XBX 1091, Malta.

The ultimate parent company is Lattice Trading Limited, a company registered in the United Kingdom (Company registration number 08512981), and having its registered office at Totemic House, Caunt Road, Grantham, England, NG31 7FZ, United Kingdom.

Lattice Trading Limited is the smallest and largest group in which the results of the company are consolidated.

28 Subsequent events

There were no events or transactions which took place after the financial reporting date which would require disclosure or adjustment to the financial statements.