GasanMamo
INSURANCE
We're always there

Annual Report and Financial Statements 2016

CONTENTS

MISSION STATEMENT

OUR CUSTOMERS

We will consistently work towards meeting customers' expectations. We will always advertise in a truthful positive and educational manner. We will only make promises we can keep.

OUR PEOPLE

We will endevour to provide job satisfaction, career growth prospects and competitive working conditions. We will consistently provide a safe and healthy working environment. We will support and expect total honesty and integrity by all employees. We will foster quality throughout our operations. We will as an employer, act in a humane and ethical manner. We will actively encourage the development of employees' professional skills, knowledge and qualifications.

OUR CORPORATE SOCIAL RESPONSIBILITY

We will contribute to relevant philanthropic and social causes. We will fulfill a social role as a leading corporate citizen and will support the development of the Maltese economy. We will seek to adopt environmentally friendly policies and further the cause of the protection of our natural environment.


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CHAIRMAN'S STATEMENT

Once again I am privileged to present to you the Annual Report and Financial Statements, in this instance for the year ended 31st December 2016. In my statement last year, I said that "the GasanMamo journey continues to be one that is interesting and positive" I also said "I am pleased that there has been a significant improvement in both top and bottom line, and I am confident that the situation can be improved further". As you will see as you proceed through this report my confidence in the Company and its prospects have not been misplaced.

The global environment once again has been marked by the fact that the new normal seems to be unpredictability. Several years of global political and economic uncertainty came to a head in the year under review with the surprise Brexit referendum result and the election of Donald Trump. Both these events are certain to bring about a great deal of change with the inevitable uncertainty that change itself brings.

Malta's economic performance has maintained steady momentum with another year of strong GDP growth which is up 5%. The positive impact of this activity is felt across the board with almost all sectors performing well. Standards of living continue to rise and non-Maltese continue to choose Malta to settle or base their business.

GasanMamo has both contributed to and benefited from this wave of activity which coupled with the prudent approach to our business has returned a very impressive set of numbers for the year. The improvement I anticipated in both top and bottom line did in fact materialise. Measures that were taken based on sound analysis and good underwriting bore results with Gross Written Premium growing by 10.3% to €34.3 million and profit before tax improving by 100% to €6.6 million. The contribution to overall profitability by investment returns was lower than previous year standing at 2.77% compared to last year 4.16%. This highlights the importance of getting things right in respect of our core competence, our technical result which has been exemplary in the year under review.

Our calm approach to business at GasanMamo is built on many years of experience at all levels and it is clearly something that we plan to maintain. We are keen to seek out growth opportunities both locally and abroad. In this regard, I would like to commend Management and Staff for executing our strategy in an excellent way. Our investment, effort and belief that we must remain close to our clients making them centric to all that we do, while at the same time focussing on collection of appropriate premia for attritional risk as well as to prepare for larger losses that will arise from time to time.

Solvency II has been the formal regulatory regime since January 1st 2016 and I am pleased to say that GasanMamo has coped well with the wave of requirements. Our solvency position remains strong and we are poised for the future.

Primarily, I would like to thank our clients for placing their trust in GasanMamo giving us the very reason for our existence. I would also like to thank all our business partners, in particular, Tied Insurance Intermediaries, Agents and Brokers, our excellent relationship based on professional mutual respect is certain to be crucial as we continue this journey together. Last, I would like to thank my fellow Board members for their support and sage advice as we plan out the route ahead.

As I have said before on other occasions, the future is bright but we will move forward with the right dose of optimism and caution.

Joseph A. Gasan
Chairman

"I am pleased that there has been a significant improvement in both top and bottom line, and I am confident that the situation can be improved further."

MANAGING DIRECTOR'S REVIEW

I draw particular pleasure in presenting the Financial Statements for 2016. The year under review ended on a positive note vindicating certain tough policies and decisions that had to be taken at a crucial juncture.

Globally, 2016 was an interesting year packed with political surprises and with uncertainty. On the local front the economic indicators all remained firmly pointing in the right direction. Foreign Direct Investment (FDI) levels were maintained and the domestic economic boom persisted with GDP up 5% for the year. All sectors appear to be benefiting, with tourism at record levels and strong showings in manufacturing, financial services and gaming to mention a few.

After a shaky start to the year due to claims high activity and the systemic negative impact of an extended soft market the situation settled down and technical results improved across the board. The main drivers for this were varied. In the case of Motor the most significant factor was the effect of the long overdue rate adjustments as the market began to harden. GasanMamo took the lead in revising Motor rates upwards to cope with the increase in frequency and average cost per claim, the impact of such adjustments takes time to become visible. With respect to General Business the improved technical result was driven by the absence of large property claims.

During the year under review, the company achieved growth in Gross Written Premium of 10.3% overall closing at €34.3 million (2015 €31.1 million). This is certainly an encouraging statistic, particularly where our strategic objective is to achieve profitable growth as opposed to seeking growth at all costs. Our careful underwriting policies, where selection and rating are key has borne the desired technical results.

Investment return for the year was below expectations at 2.77% (2015 4.16%). While this was disappointing, it reinforces our philosophy that first and foremost as an insurance company primary focus is on the technical performance.

Activity generated an overall Profit Before Tax of €6,608,908 almost double 2015 at €3,314,530. On the back of this performance the company's Statement of financial position was strengthened further with total assets up 9.2% at €60,581,611 compared to 2015 €55,481,847. Capital and Reserves closed up 10.8% at €24,476,900 compared to €22,093,366 in 2015.

The solvency position of the Company is strong closing the year under review at 267% above the Solvency Capital Requirement (SCR). We are thus positioned for further growth keeping the Statement of financial position in line with the strategic objective to continue to seek out profitable growth organically and in new markets. The Management team have continued to embrace the Solvency II requirements and enhancements in line with the regime continue to be introduced. Due to the governance, practices and financials of the company we are very well positioned.

The success that I have referred to is the fruit of our strong belief in our ability to deliver outstanding service to our customers, providing excellent value and security. We see ourselves as partners with our clients as we take on part of their financial risk and we are there when they need us. Central to our deliverable are three important pillars; professionalism, efficiency and friendliness. It is with this in mind that we approach each day, each client and each claim.

Our interaction with all stakeholders is based on respect and we are proud of our track record in giving back to the broader community and our behaviour as good corporate citizens. Our support for local sports, in particular youth in sport, the environment, culture and heritage are ongoing, as is our support for numerous worthy causes both in Malta and abroad.

GasanMamo would not be on this journey had it not been for the trust that our clients have placed in us, giving us the opportunity to be of service to them. A word of thanks is also due to our Tied Insurance Intermediaries, Agents, Brokers and Reinsurers for working closely with us. Our excellent working relationship has continued to grow, thus allowing challenges to be overcome and opportunities grasped.

"We see ourselves as partners with our clients as we take on part of their financial risk and we are there when they need us. Central to our deliverable are three important pillars; professionalism, efficiency and friendliness. It is with this in mind that we approach each day, each client and each claim."

Thank you also to Staff and Management, through their professionalism delivering a product and service that makes us truly proud. A final word of thanks also to our Board for their sage guidance and stewardship.

We look to 2017 and beyond with confidence that we have the ability in every sense to pursue our trajectory of profitable growth delivering products and service to the benefit of all stakeholders.

Julian J. Mamo
Managing Director

THE BOARD OF DIRECTORS

GasanMamo Insurance Limited has a Board of Directors whose members have a wealth of experience in the world of business, insurance and financial services both locally and abroad.

Joseph A. Gasan
Chairman

Mr. Gasan is the Chairman of the Gasan Group of Companies. GasanMamo Insurance Limited forms part of this Group. Through this Group, Mr. Gasan has a wide background in numerous sectors both in Malta and abroad.

The group's interests include Automotive, Property Development, Financial Services, Telecommunications, Engineering and others.

Albert P. Mamo
Deputy Chairman

Mr. Mamo has been involved in insurance for over 45 years and steered insurance operations through merger and transformation from Agency to an indigenous insurance company.

Mr. Mamo has had considerable input into the evolution of Malta's insurance market, having served on the Council of the Malta Insurance Association for 22 years, 6 years of which as President.

Julian J. Mamo
Managing Director

Mr. Mamo, a graduate in Business Management, has been in the insurance business for 25 years having taken on the Managing Director's role in 2013.

Mr. Mamo is a member of several company boards. He is President of the Malta Insurance Association and past Council member of the Malta Chamber of Commerce, Enterprise and Industry and MIMA.

Baudouin Deschamps
Director

Mr. Deschamps has 30 years of insurance experience including almost 25 years with the Aviva Group for which as CEO. His involvement with Malta started in 2001 when he was Director Europe for Aviva.

Today he is an independent consultant in Risk Management and Governance and sits on several boards in the finance and consultancy sectors.

Mark Gasan
Director

Mr. Gasan, a graduate in Economics and Politics, has been in key executive roles across a wide range of sectors.

He currently serves as CEO of the Gasan Group and is involved operationally in all of the Group subsidiaries including Automotive and Marine, Real Estate and Engineering.

Paul G. Matthews
Director

Mr. Matthews has been actively involved in insurance business since 1973 holding several key positions both in the UK and the Caribbean with Royal & SunAlliance.

His expertise extends into the reinsurance aspect of the business.

Martin Wonfor
Director

Mr. Wonfor is an economics graduate and a chartered accountant by profession.

He has spent most of his career in the financial services field and was a partner of Cazenove & Co. from 1989 to 2000 and subsequently a main board director from 2000 to 2003 when this company changed from a partnership to a private limited company.

Vanessa Portelli
Company Secretary

A lawyer by profession, Dr. Portelli joined GasanMamo Insurance as Legal Officer in 2002.

She served as Board Secretary from 2005 and was appointed Company Secretary with effect from 1 December 2008.

THE SENIOR MANAGEMENT TEAM

Julian J. Mamo
Managing Director

Leslie Causon
General Manager
Personal & Commercial, Reinsurance and Overseas Markets

Michael Farrugia
Financial Controller

Mark Mamo
General Manager
Network, Health & IT

Vanessa Portelli
General Manager
Operations, Legal & Compliance

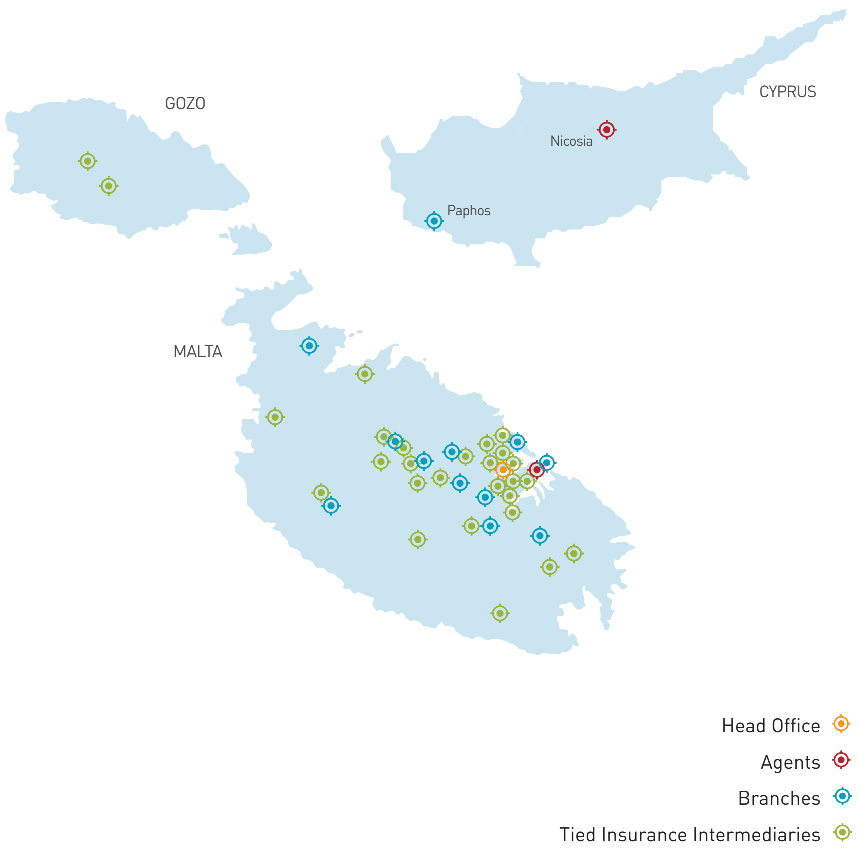
Francis Valletta
General Manager
Motor

HEAD OFFICE & BRANCH NETWORK

At GasanMamo Insurance we feel that clients should choose how they wish to deal with us. To cater for this, a strategy has been developed that ensures that we are accessible to all clients.

GasanMamo Insurance has a distribution network that is unparalleled in Malta with a large centrally located Head Office and strategically located branch offices. In General Insurance, GasanMamo has Malta's largest network of Tied Insurance Intermediaries. These are located throughout Malta and Gozo and provide a very personalised level of service to their customers. Brokers are seen as an essential source of business and GasanMamo Insurance has excellent relationships with all leading brokers and provides market-leading support.

Two excellent agency appointments are in place; Thomas Smith Insurance Agency Limited in Malta and Prodromou & Makriyiannis Insurance Underwriting Agents & Consultants Limited in Cyprus. The company is pleased with their performance and confident of their continued growth.



Branch Offices:

Birkirkara	Paola
Ħamrun	Ħal Qormi
Mellieħa	Rabat
Mrieħel	Tas-Sliema
Naxxar	Valletta
Mosta	

Head Office:
Gżira, Msida Road

Agents:

Thomas Smith Insurance Agency Limited Valletta

Prodromou & Makriyiannis Insurance Underwriting Agents & Consultants Limited (Cyprus)
Nicosia • Paphos

insurance@gasanmamo.com
gasanmamo.com

GASANMAMO INSURANCE LIMITED

Annual Report and Financial Statements
31 December 2016

Company Registration Number: C3143

Directors' report

The directors present their report and the audited financial statements for the year ended 31 December 2016.

Principal activities

The principal activities of the company are that of an insurance company licensed by the Malta Financial Services Authority to write general business in Malta in terms of section 7 of the Insurance Business Act 1998.

Review of the business

On the back of what must be described as a challenging run, we draw particular pleasure in presenting the Financial Statements for 2016. The year under review ended on a positive note vindicating certain tough policies and decisions that had to be taken at a crucial juncture. By all accounts globally 2016 was an interesting year packed with political surprises and peppered with uncertainty. On the local front the economic indicators all remained firmly pointing in the right direction. Foreign Direct Investment (FDI) levels were maintained and the domestic economic boom persisted with GDP up 5% for the year. The vibrant economic climate on the Island was and remains palpable, with construction visible all around and roads clogging at every turn. All sectors appear to be benefiting, with tourism at record levels and strong showings in manufacturing, financial services and gaming to mention a few.

After a shaky start to the year due to claims high activity and the systemic negative impact of an extended soft market the situation settled down and technical results improved across the board. The main drivers for this were varied. In the case of Motor the most significant factor was the effect of the long overdue rate adjustments as the market began to harden. As I mentioned in last year's review, GasanMamo took the lead in revising Motor rates upwards to cope with the increase in frequency and average cost per claim, the impact of rate adjustments takes time to become visible. With respect to General Business the improved technical result was driven by the absence of large property claims. During 2014 and 2015 GasanMamo experienced a spike in property claims which was quite uncharacteristic of the portfolio, this appears to have normalised in 2016 and we are back on track as predicted.

During the year under review, the company achieved growth in Gross Written Premium of 10.3% overall closing at €34.3 million (2015: €31.1 million), the largest contributor by over 50% being the motor class of business. This is certainly an encouraging statistic, particularly where our strategic objective is to achieve profitable growth as opposed to seeking growth at all costs. Our careful underwriting policies, where selection and rating are key has borne the desired technical results.
Investment return for the year was subdued and indeed below expectations at 2.77% (2015: 4.16%). While this was disappointing, it reinforces our philosophy that first and foremost as an insurance company primary focus is on the technical performance.

Activity generated an overall profit before tax of €6,608,908 just shy of an impressive 100% more than last year at €3,314,530. On the back of this performance the company's statement of financial position was strengthened further with total assets up 9.2% at €60,581,611 compared to €55,481,847 in 2015. Capital and Reserves closed up 10.8% at €24,476,900 compared to €22,093,366 in 2015.

The solvency position of the Company is strong closing the year under review at 267% above the Solvency Capital Requirement (SCR), with an amount of own funds of €23,951,637 (unaudited). We are thus positioned for further growth keeping the statement of financial position in line with the strategic objective to continue to seek out profitable growth organically and in new markets. The Management team have continued to embrace the Solvency II requirements and enhancements in line with the regime, which came into effect from 01 January 2016. Due to the governance, practices and financials of the company we are very well positioned.

Directors' report - continued

Review of the business - continued

The success that we have referred to and that is self-evident in the pages ahead is the fruit of our strong belief in our ability to deliver outstanding service to our customers, providing excellent value and security. We see ourselves as partners with our clients as we take on part of their financial risk and we are there when they need us. Central to our deliverable are three important pillars; professionalism, efficiency and friendliness. It is with this in mind that we approach each day, each client and each claim. Our interaction with all stakeholders is based on respect and we are proud of our track record in giving back to the broader community and our behaviour as good corporate citizens. Our support for local sports, in particular youths in sport, the environment, culture and heritage are ongoing, as is our support for numerous worthy causes both in Malta and abroad. Staff have been energised in seeking out ways to give back, this has ranged from manual labour to assisting the Ursuline nuns redecorate their school to collecting hundreds of kilos of food for the food bank that goes to the needy.

It goes without saying that GasanMamo would not be on this journey had it not been for the trust that our clients have placed in us and allowing us to be of service to them. A word of thanks is also due to our Tied Insurance Intermediaries, Agents, Brokers and Reinsurers for working closely with us. Our excellent working relationship has continued to grow, thus allowing challenges to be overcome and opportunities grasped. Thank you also to Staff and Management, through their professionalism delivering a product and service that makes us truly proud. We look to 2017 and beyond with confidence that we have the ability in every sense to pursue our trajectory of profitable growth delivering products and service to the benefit of all stakeholders.

Risks and uncertainty

The main risk that affects the company is insurance risk. The risk under any one insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the very nature of an insurance contract, this risk is random and therefore unpredictable.

The company manages these risks through its underwriting strategy, adequate reinsurance arrangements and proactive claims handling.

The estimation of IBNR is also generally subject to a greater degree of uncertainty than the estimation of the cost of settling claims already notified to the company, where information about the claim event is available. Management makes use of statistical models to help assessing if the company's levels of IBNR and claims reserves are appropriate.

Financial risk management

Information pertains to the entity's insurance and financial risk management is included within Notes 2.1 and 2.2 to these financial statements.

Events after the reporting date

There were no particular important events affecting the Company which occurred after the reporting date.

Future developments

The directors intend to continue to operate in line with the Company's current business plan.

Directors' report - continued

Results and dividends

The statement of comprehensive income is set out on pages 14 and 15.

Interim net ordinary dividends of €1,750,000 (2015: €1,750,000) were declared and paid out during the year. The directors have recommended the payment of a final dividend in the net amount of €750,000, which was liquidated in 7 February 2017.

Reserves

The directors propose that the balance of retained earnings amounting to €12,476,900 (2015: €10,093,366 be carried forward to the next financial year.

External actuarial function holder

The Company's external actuarial function holder is Mr. Dimitris Dimitriou, fellow of the Institute of Actuaries, a partner of LUX Actuaries & Consultants.

Directors

The directors of the company who held office during the year were:

Joseph A Gasan – *Chairman*
Albert P Mamo – *Deputy chairman*
Julian J Mamo – *Managing Director*
Mark Gasan
Baudouin Deschamps
Paul G Matthews
Martin Wonfor

The company's Articles of Association do not require any of the directors to retire.

Statement of Directors' responsibilities for the financial statements

The directors are required by the Insurance Business Act, 1998 and the Maltese Companies Act, (Chap. 386) to prepare the financial statements which give a true and fair view of the state of affairs of the company as at the end of each reporting period and of the profit and loss for the period.

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;
- 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 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, and that comply with the Companies Act, (Chap. 386). 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.

Directors' report - continued

Statement of Directors' responsibilities for the financial statements - continued

The financial statements of GasanMamo Insurance Limited for the year ended 31 December 2016 are included in the Annual Report 2016, which is published in hard-copy printed form. 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.

Company Secretary

Vanessa Portelli B.A., LL.D, Dip.CII.

Auditors

PricewaterhouseCoopers have indicated their willingness to continue in office and a resolution for their re-appointment will be proposed.

Corporate Governance

The company continues to make continuous 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 maintained in this area.

Corporate Social Responsibility

The company acknowledges its responsibility in meeting its obligations to society at large by complying with the applicable laws of the country as befits a good corporate citizen company. Furthermore the company supports various entities in the sphere of national heritage, culture, sport, as well as initiatives of a social nature that benefit the country as well as overseas.

The Board of Directors

The Board meets regularly at least on a quarterly basis to review performance to date and to assess the position of the company at that time. The members are a mix of appointees of the shareholders, together with independent members who bring with them international experience in various aspects of the business. During the quarterly meetings senior officials of the company make detailed presentations to the board members for their evaluation and assessment of performance and progress.

The Board also meets once a year for a separate and specific meeting to discuss strategy and set strategic direction for the company.

An Executive Committee of the Board consisting of all the local directors together with five senior members of management meets on a monthly basis to review the management accounts of the previous month. All members of the board of directors are circulated with the same level of management information including detailed monthly financial performance reports, investment reports, as well as other key performance indicators, together with the minutes of the meetings.

Board and Executive Committees

The following committees are appointed by and report to the Board of Directors.

Directors' report - continued

Audit Committee

The committee meets regularly to review processes connected with internal controls, to review reports prepared by the internal auditor, to coordinate the work of the external auditors and the internal auditor, and to make any recommendations that it deems necessary for the better performance and governance of the company.

The Audit Committee is made up of:

Baudouin Deschamps – Director - (Chairman)
Paul G Matthews – Director
Martin Wonfor – Director

The following are normally invited to attend these meetings:

Julian J Mamo – Managing Director
Vanessa Portelli – Company Secretary
Michael Farrugia – Financial Controller
KPMG as the company's Internal Auditor

Investment Committee

The committee has the function to consider and propose to the Board the asset allocation policy of the company and to monitor the performance of the portfolio managers.

The Investment Committee is made up of:

Joseph A Gasan – *Chairman*
Albert P Mamo
Julian J Mamo
Mark Gasan
Baudouin Deschamps
Paul G Matthews
Martin Wonfor
Michael Farrugia
Vanessa Portelli – *Member & Secretary*

Property Investment Committee

The investment committee has appointed this sub-committee to consider and propose investment in immovable property and to subsequently manage any rental property the company may own.

The Property Investment Committee is made up of:

Julian J Mamo – *Chairman*
Mark M Mamo
Mark Gasan
Eliseo Fenech
Vanessa Portelli – *Member & Secretary*

Directors' report - continued

Other Committees

Governance, Risk and Compliance Committee

This committee is responsible for defining and revising the corporate governance as well as overseeing arrangements of the company in order to ensure the sound and prudent management of the business. The committee, as an advisory committee to the Board, assists the Board to actively promote ethical and responsible decision-making and ensure that the company recognises legal and other obligations to all legitimate stakeholders.

Moreover the committee contributes in the formulation of the company's overall risk strategies and polices for managing significant business risks, and is responsible for designing and implementing the company's Risk Management Framework. Finally, it ensures that the company's overall system of internal control operates effectively, monitors risk exposures and breaches.

The Governance, Risk and Compliance Committee is made up of:

Julian J Mamo – *Chairman*
Albert P Mamo
Vanessa Portelli
Leslie Causon
Francis Valletta
Michael Farrugia
Mark M Mamo

Reinsurance Committee

This committee is representative of the various areas of operation of the company and meets regularly towards the end of the year to assess and propose to the Board any changes that may be considered for the reinsurance programme of the company for the following year. It also meets as and when required during the course of the year to consider particular issues that affect the reinsurance programme and which may require ad-hoc solutions.

The Reinsurance Committee is made up of:

Julian J Mamo – *Chairman*
Leslie Causon
Francis Valletta
Vanessa Portelli
Mark M Mamo
Shawn O'Dea – *Member & Secretary*

Health & Safety Committee

The Health & Safety Committee is composed of representatives of the company as well as representatives of the staff. Their role is to ensure that the premises and work environment in general complies with legal requirements and is of an acceptable level, as well as to make any related recommendations in this regard.

Directors' report - continued

Health & Safety Committee - continued

The Health & Safety Committee is made up of:

Vanessa Portelli – *Chairperson*
Mario Farrugia
Marcel Bonaci
Petra Satariano – *Staff Representative*
Kurt Caruana – *Staff Representative*

Debtors Review Committee

The committee meets on a monthly basis to oversee the management of the debtors of the company. It also takes cognisance of particular debtors and to any related action required, legal or otherwise, and recommends any required bad debt write-offs. The company recognizes that it manages to retain a very positive time-frame for debt collection through the collective efforts of this committee.

The Debtors Review Committee is made up of:

Julian J Mamo – *Chairman*
Leslie Causon
Eliseo Fenech
Mark M Mamo
Maria Agius
Ritianne Zammit – *Secretary*

Remuneration Committee

The committee, as an advisory committee to the Board of Directors, assists with the formulation of GasanMamo's overall remuneration policy for defining remuneration practices. In addition, the committee ensures that these policies promote an effective system of internal control and makes recommendations to the Board of Directors for improvements. The committee is made up of Non-Executive Directors and invites the Managing Director to attend meetings as required. Meetings are held at least annually and are minuted.

The Remuneration Committee is made up of:

Albert P Mamo - Chairman
Joseph A Gasan - member
Martin Wonfor - member
Mark Gasan - member

Directors' report - continued

Going Concern

The directors are satisfied that taking into account the financial position of the company it is reasonable to assume that there are adequate resources to enable the company to continue its operations in the foreseeable future. Therefore the directors have adopted this position as a basis for the preparation of these accounts.

On behalf of the Board

Joseph A Gasan
Chairman

Julian J Mamo
Director

Registered office
GasanMamo Insurance Limited
Msida Road
Gzira GZR 1405
Malta

04 May 2017

Independent auditor's report

To the Shareholders of GasanMamo Insurance Limited

Report on the audit of the financial statements

Our opinion

In our opinion:

- GasanMamo Insurance Limited's financial statements give a true and fair view of the company's financial position as at 31 December 2016, and of the company's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the EU; and
- The financial statements have been prepared in accordance with the requirements of the Maltese Companies Act (Cap. 386).

What we have audited

GasanMamo Insurance Limited's financial statements, set out on pages 13 to 61 comprise:

- the statement of financial position as at 31 December 2016;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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 of the Accountancy Profession (Code of Ethics for Warrant Holders) Directive issued in terms of the Accountancy Profession Act (Cap. 281) that are relevant to our audit of the financial statements in Malta. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Independent auditor's report - *continued*

To the Shareholders of GasanMamo Insurance Limited

Other information

The directors are responsible for the other information. The other information comprises the directors' report, the managing director's review and the chairman's statement.

Our opinion on the financial statements does not cover the other information, including the directors' report.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above 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 and other information that we obtained prior to the date of this auditor's report. We have nothing to report in this regard.

Responsibilities of the directors and those charged with governance for the financial statements

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with IFRSs as adopted by the EU and the requirements of the Maltese Companies Act (Cap. 386), and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have 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 judgement 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.

Independent auditor's report - continued

To the Shareholders of GasanMamo Insurance Limited

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

We communicate with those 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.

Report on other legal and regulatory requirements

Other matters on which we are required to report by exception

We also have responsibilities under the Maltese Companies Act (Cap. 386) to report to you if, in our opinion:

- Adequate accounting records have not been kept, or that returns adequate for our audit have not been received from branches not visited by us.
- The financial statements are not in agreement with the accounting records and returns.
- We have not received all the information and explanations we require for our audit.
- Certain disclosures of directors' remuneration specified by law are not made in the financial statements, giving the required particulars in our report.

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

PricewaterhouseCoopers
78, Mill Street
Qormi
Malta

David Valenzia
Partner

04 May 2017

Statement of financial position

	Notes	As at 31 December 2016 €	2015 €
ASSETS			
Tangible assets:			
- land and buildings	4	**2,934,203**	2,970,349
- plant and equipment	4	**519,297**	562,101
- investment property	5	**7,813,455**	4,656,770
Investments	6	**29,576,108**	27,003,833
Reinsurers' share of technical provisions	13	**1,096,616**	1,902,743
Deferred acquisition costs	7	**3,072,804**	2,895,533
Receivables:			
- receivables arising from direct insurance operations	8	**5,171,940**	4,162,145
- other receivables	8	**434,896**	354,043
Prepayments and accrued income	8	**522,200**	476,273
Current taxation		**-**	1,206,122
Cash and cash equivalents	10	**9,440,092**	9,291,935
Total assets		**60,581,611**	55,481,847
EQUITY			
Capital and reserves			
Share capital	11	**12,000,000**	12,000,000
Retained earnings	12	**12,476,900**	10,093,366
Total equity		**24,476,900**	22,093,366
LIABILITIES			
Technical provisions	13	**31,356,103**	30,933,919
Payables:			
- interest bearing borrowings	14	**514,856**	388,801
- payables arising out of direct insurance operations	15	**21,086**	21,322
- payables arising out of reinsurance operations	15	**370,028**	241,599
- other payables	15	**1,293,577**	917,139
Accruals and deferred income	15	**574,017**	575,876
Current taxation		**1,314,656**	-
Deferred taxation	9	**660,388**	309,825
Total liabilities		**36,104,711**	33,388,481
Total equity and liabilities		**60,581,611**	55,481,847

The notes on pages 18 to 61 are an integral part of these financial statements.

The financial statements on pages 13 to 61 were authorised by the Board on 04 May 2017 and were signed on its behalf by:

Joseph A Gasan
Chairman

Julian J Mamo
Director

Statement of comprehensive income
Technical account – General business

	Notes	Year ended 31 December 2016 €	2015 €
Earned premiums, net of reinsurance			
Gross premiums written		**34,281,642**	31,092,670
Outward reinsurance premiums		**(2,888,752)**	(2,494,968)
Net premiums written		**31,392,890**	28,597,702
Change in the gross provision for unearned premiums	13	**(1,546,665)**	(1,431,336)
Earned premiums, net of reinsurance		**29,846,225**	27,166,366
Allocated investment return transferred from the non-technical account	17	**743,097**	1,068,823
Total technical income		**30,589,322**	28,235,189
Claims incurred, net of reinsurance			
Claims paid			
- gross amount		**16,356,046**	15,866,745
- reinsurers’ share	13	**(738,272)**	(279,154)
		15,617,774	15,587,591
Change in the provision for claims			
- gross amount	13	**(1,124,481)**	2,033,581
- reinsurers’ share	13	**806,127**	(993,895)
		(318,354)	1,039,686
Claims incurred, net of reinsurance		**15,299,420**	16,627,277
Net operating expenses	16,18	**9,193,474**	8,639,120
Total technical charges		**24,492,894**	25,266,397
Balance on the technical account - general business (page 15)		**6,096,428**	2,968,792

Statement of comprehensive income
Non-technical account

	Notes	Year ended 31 December 2016 €	2015 €
Balance on technical account – general business (page 14)		**6,096,428**	2,968,792
Investment income	17	**1,319,740**	1,694,941
Investment expenses and charges	17	**(230,072)**	(221,125)
Allocated investment return transferred to the general business technical account	17	**(743,097)**	(1,068,823)
Other income		**521,270**	473,335
Administration expenses	18	**(355,361)**	(532,590)
Profit before income tax		**6,608,908**	3,314,530
Tax expense	20	**(2,475,374)**	(1,330,213)
Profit for the year		**4,133,534**	1,984,317
Earnings per share	22	**0.34**	0.17

The notes on pages 18 to 61 are an integral part of these financial statements.

Statement of changes in equity

	Notes	Share capital €	Retained earnings €	Total €
Balance at 1 January 2015		12,000,000	9,859,049	21,859,049
Comprehensive income				
Profit for the year - total comprehensive income		-	1,984,317	1,984,317
Transactions with owners				
Dividends - total transactions with owners	23	-	(1,750,000)	(1,750,000)
Balance at 31 December 2015		**12,000,000**	**10,093,366**	**22,093,366**
Balance at 1 January 2016		**12,000,000**	**10,093,366**	**22,093,366**
Comprehensive income				
Profit for the year - total comprehensive income		-	4,133,534	4,133,534
Transactions with owners				
Dividends - total transactions with owners	23	-	(1,750,000)	(1,750,000)
Balance at 31 December 2016		**12,000,000**	**12,476,900**	**24,476,900**

The notes on pages 18 to 61 are an integral part of these financial statements.

Statement of cash flows

	Notes	Year ended 31 December 2016 €	2015 €
Cash flows from operating activities			
Cash generated from operations	24	**5,970,660**	8,989,986
Dividends received		**185,483**	166,305
Interest received		**607,937**	645,591
Rental income		**173,513**	151,851
Tax refunded/(paid)		**395,978**	(1,136,546)
Net cash generated from operating activities		**7,333,571**	8,817,187
Cash flows from investing activities			
Purchase of property, plant and equipment	4	**(268,935)**	(275,318)
Disposal of property, plant and equipment	4	**7,800**	8,800
Purchase of investment property	5	**(3,229,470)**	-
Disposal of investment property	5	**72,785**	876,000
Purchase of investments	6	**(9,834,163)**	(18,990,455)
Disposal of investments	6	**8,190,514**	14,601,031
Increase in loans and receivables	6	**(500,000)**	(188,661)
Net cash used in investing activities		**(5,561,469)**	(3,968,603)
Cash flows from financing activities			
Dividends paid	23	**(1,750,000)**	(1,750,000)
Net cash used in financing activities		**(1,750,000)**	(1,750,000)
Net movement in cash and cash equivalents		**22,102**	3,098,584
Cash and cash equivalents at beginning of year		**8,903,134**	5,804,550
Cash and cash equivalents at end of year	10	**8,925,236**	8,903,134

The notes on pages 18 to 61 are an integral part of these financial statements.

Notes to the financial statements

1. 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.

1.1 Basis of preparation

These financial statements are prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU and the requirements of the Maltese Insurance Business Act, 1998 and the Maltese Companies Act, (Chap. 386).

The financial statements are prepared under the historical cost convention as modified by the fair valuation of financial assets at fair value through profit or loss (including all derivative financial instruments) and investment properties.

The preparation of financial statements in conformity with IFRSs as adopted by the EU requires the use of certain critical accounting estimates. It also requires directors to exercise their judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 3.

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's assets and liabilities provided within the notes to the financial statements.

Standards, interpretations and amendments to published standards effective in 2016

In 2016, the company adopted new standards, amendments and interpretations to existing standards that are mandatory for the company's accounting period beginning on 1 January 2016. The adoption of these revisions to the requirements of IFRSs as adopted by the EU did not result in substantial changes to the company's accounting policies.

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

Certain new standards, amendments and interpretations to existing standards have been published by the date of authorisation for issue of these financial statements but are mandatory for the company's accounting periods beginning after 1 January 2016. The company has not early adopted these revisions to the requirements of IFRSs as adopted by the EU and the company's directors are of the opinion that, with the exception of IFRS 9, Financial Instruments, there are no requirements that will have a possible significant impact on the company's financial statements in the period of initial application.

1. Summary of significant accounting policies - continued

1.1 Basis of preparation - continued

IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2014. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through OCI and fair value through P&L. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI not recycling. The standard is effective for accounting periods beginning on or after 1 January 2018 subject to EU endorsement. The company is yet to assess IFRS 9's full impact.

1.2 Foreign currency translation

(a) Functional and presentation currency

Items included in these financial statements are measured using the currency of the primary economic environment in which the company operates ('the functional currency'). The euro is the company's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. 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 profit or loss.

All foreign exchange gains and losses are presented in profit or loss.

1.3 Property, plant and equipment

Property, plant and equipment are recorded at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, 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. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

1. Summary of significant accounting policies – continued

1.3 Property, plant and equipment - continued

Depreciation is calculated using the straight-line method to allocate the cost of the assets to their residual values over their estimated useful lives, as follows:

	%
Buildings	2
Office furniture and equipment	10 - 20
Computer equipment	20
Motor vehicles	20 - 25

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals of property, plant and equipment are determined by comparing the proceeds with carrying amount and are recognised in profit or loss.

1.4 Investment property

Property held for long term rental yields or for capital appreciation or both and which is not occupied by the company is classified as investment property. Investment property comprises land and buildings and is measured initially at its cost, including related transaction costs. After initial recognition, investment property is carried at fair value. 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. These valuations are reviewed bi-annually by the directors. Investment property being redeveloped for continuing use as investment property or for which the market has become less active continues to be measured at fair value. The fair value of investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in the light of current market conditions.

Subsequent expenditure is added 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 profit or loss during the financial period in which they are incurred.

Changes in fair values are recorded in profit or loss.

1.5 Financial assets

The company classifies its financial assets in the following categories: "financial assets at fair value through profit or loss" and "loans and receivables". The classification depends on the purpose for which the financial assets were acquired. The directors determine the appropriate classification of the financial assets at initial recognition.

1. Summary of significant accounting policies - continued

1.5 Financial assets - continued

(a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss comprise all securities intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or investment instrument prices, if so designated by the directors. These financial assets are managed and their performance is evaluated and reported annually on a fair value basis to the company's key management personnel in accordance with a documented investment strategy.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than those that the company intends to sell in the short term or that it has designated as fair value through profit or loss. They include, inter alia, receivables, deposits held with credit or financial institutions and cash and cash equivalents.

All purchases and sales of investments are recognised on the trade date, which is the date that the company commits to purchase and sell the asset. Investments are initially recognised at fair value plus, in the case of all financial assets not carried at fair value through profit or loss, transaction costs that are directly attributable to their acquisition. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the company has also transferred substantially all risks and rewards of ownership.

Financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method, less any provision for impairment. Realised and unrealised gains and losses arising from changes in fair value of the 'financial assets at fair value through profit or loss' category are included in profit or loss in the period in which they arise.

The fair values of quoted investments and units in collective investment schemes are based on quoted market prices at the end of the reporting period. If the market for an investment is not active, the company establishes fair value by using valuation techniques. Equity securities for which the fair value cannot be measured reliably are recognised at cost less impairment. On disposal, the difference between the net disposal proceeds and the carrying amount is included in the net profit or loss for the period.

1. **Summary of significant accounting policies** - continued

1.6 Associated companies and joint ventures

Joint ventures are entities over which the company has joint control as a result of contractual arrangements, and rights to the net assets of the entities. Investments in associated companies and joint ventures are accounted for in the financial statements using the equity method of accounting less impairment losses, if any.

(i) Acquisitions

Acquisitions of investments in associated companies and joint ventures are initially recognised at cost. The cost of an acquisition is measured at the fair value of the assets given, equity instruments issued or liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Goodwill on associated companies and joint ventures represents the excess of the cost of acquisition of the associated company or joint venture over the company's share of the fair value of the identifiable net assets of the associated company or joint venture and is included in the carrying amount of the investments.

(ii) Equity method

Investments are initially recognised at cost and adjusted thereafter to recognise company's share of its associated companies' or joint ventures' post-acquisition profits or losses of the investee in profit or loss and its share of movements in other comprehensive income of the investee's other comprehensive income. Dividends received or receivable from the associated companies or joint ventures are recognised as a reduction of the carrying amount of the investments. When the company's share of losses in an associated company or joint venture equals to or exceeds its interest in the associated company or joint venture, the company does not recognise further losses, unless it has legal or constructive obligations to make, or has made, payments on behalf of the associated company or joint venture. If the associated company or joint venture subsequently reports profits, the company resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

(iii) Unrealised gains

Unrealised gains on transactions between the company and its associated companies or joint ventures are eliminated to the extent of the company's interest in the associated companies or joint ventures. Unrealised losses are also eliminated unless the transactions provide evidence of impairment of the assets transferred. The accounting policies of associated companies or joint ventures are changed where necessary to ensure consistency with the accounting policies adopted by the company.

(iv) Disposals

Investments in associated companies or joint ventures are derecognised when the company loses significant influence or joint control. If the retained equity interest in the former associated company or joint venture is a financial asset, the retained equity interest is remeasured at fair value. The difference between the carrying amount of the retained interest at the date when significant influence or joint control is lost, and its fair value and any proceeds on partial disposal, is recognised in profit or loss.

1. Summary of significant accounting policies - continued

1.7 Impairment of assets

Impairment of financial assets carried at amortised cost.

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

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

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

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

If there is objective evidence that an impairment loss has been incurred on loans and receivables carried at amortised cost, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in profit or loss.

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

1. **Summary of significant accounting policies** - continued

1.8 Current and deferred tax

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

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 nor taxable profit or loss. Deferred tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

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.

1.9 Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks and bank overdrafts. Bank overdrafts are shown within interest bearing borrowings in current liabilities in the statement of financial position.

1.10 Share capital

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

1.11 Insurance contracts - classification

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

Insurance contracts - General business

The results for general business are determined on an annual basis whereby the incurred cost of claims, commissions and related expenses are charged against the earned proportion of premiums, net of reinsurance as follows:

(i) Premiums written relate to business incepted during the year together with any differences between the booked premiums for prior years and those previously accrued, less cancellations.

(ii) Unearned premiums represent the proportion of premiums written in the year that relate to unexpired terms of policies in force at the end of each reporting period, calculated on a time apportionment basis.

1. **Summary of significant accounting policies** - continued

1.11 Insurance contracts – classification - continued

Insurance contracts - General business - continued

(iii) Commissions and other acquisition costs that vary with and are related to securing new contracts and renewing existing contracts are apportioned over the period in which the related premiums are earned. These are capitalised and are shown as deferred acquisition costs ("DAC") in the statement of financial position. DAC is amortised over the term of the policies as the premium is earned. All other costs are recognised as expenses when incurred.

(iv) Claims incurred comprise claims and related expenses paid in the year and changes in the provision for outstanding claims, including provisions for claims incurred but not reported ("IBNR") and related expenses, together with any other adjustments to claims from previous years. Where applicable, deductions are made for salvage and other recoveries.

(v) Provision is made at the year-end for the estimated cost of claims incurred but not settled at the end of each reporting period, including the cost of claims incurred but not yet reported to the company. The estimated cost of claims includes expenses to be incurred in settling claims. The company takes all reasonable steps to ensure that it has appropriate information regarding its claims exposures. However, given the uncertainty in establishing claims provisions, it is likely that the final outcome will prove to be different from the original liability established. Liabilities for unpaid claims are estimated using the input of assessments for individual cases reported to the company and statistical analyses for the claims incurred but not reported. The company does not discount its liabilities for unpaid claims.

The estimation of claims IBNR is generally subject to a greater degree of uncertainty than the estimation of the cost of settling claims already notified to the company, where more information about the claim event is generally available.

(vi) Provision in the form of an unexpired risk provision will be made for any deficiencies arising when unearned premiums, net of associated acquisition costs, are insufficient to meet expected claims and expenses after taking into account future investment return on the investments supporting the unearned premiums provision and unexpired risks provision. The expected claims are calculated having regard to events that have occurred prior to the end of the reporting period.

Reinsurance contracts held

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

The benefits to which the company is entitled under its reinsurance contracts held are recognised as reinsurance assets. These assets consist of short-term balances due from reinsurers (classified within receivables), as well as longer term receivables (classified within reinsurers' share of technical provisions) that are dependent on the expected claims and benefits arising under the related reinsured insurance contracts. Amounts recoverable from or due to reinsurers are measured consistently with the amounts associated with the reinsured insurance contracts and in accordance with the terms of each reinsurance contract. Reinsurance liabilities are primarily premiums payable for reinsurance contracts and are recognised as an expense when due.

1. Summary of significant accounting policies - continued

1.11 Insurance contracts – classification - continued

Reinsurance contracts held - continued

Receivables and payables are recognised when due. These include amounts due to and from agents, brokers and insurance policy holders.

The company assesses its reinsurance assets and its receivables related to insurance contracts for impairment on a regular basis. If there is objective evidence that the reinsurance asset or the insurance receivable is impaired, the company will reduce the carrying amount to its recoverable amount and recognises that impairment loss in the statement of comprehensive income. The company gathers the objective evidence that a reinsurance asset or insurance receivable is impaired using the same process adopted for financial assets held at amortised cost. The impairment loss is also calculated following the same method used for these financial assets. These processes are described in accounting policy 1.7.

1.12 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the company has an unconditional right to defer settlement of the liability for at least twelve months after the reporting period.

1.13 Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

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

1.14 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 embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made.

1. Summary of significant accounting policies - continued

1.15 Derivative financial instruments and hedging activity

Derivative financial instruments are initially recognised in the statement of financial position at cost and subsequently are remeasured at their fair value. The method of recognising the resulting gain or loss is dependent on the nature of the item being hedged. On the date a derivative contract is entered into, the company designates certain derivatives as either (1) hedge of the fair value of a recognised asset or liability (fair value hedge), or (2) a hedge of a forecasted transaction or of a firm commitment (cash flow hedge).

Changes in the fair value of derivatives that are designated and qualify as fair value hedges and that are highly effective, are recorded in the statement of comprehensive income, along with any changes in the fair value of the hedged asset or liability that is attributable to the hedged risk.

The company documents, at the inception of the transaction, the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. This process includes linking all derivatives designated as hedged to specific assets and liabilities or to specific firm commitments or forecast transactions. The company also documents its assessment, both at the hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items. The company does not use derivative instruments for speculative purposes.

The fair value of forward foreign exchange contracts is determined using forward foreign exchange market rates at the end of each reporting period.

1.16 Offsetting financial instruments

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

1. Summary of significant accounting policies - continued

1.17 Revenue recognition

Revenue comprises the fair value for services and is recognised as follows:

(a) *Rendering of services*
Premium recognition is described in accounting policy 1.11 dealing with insurance contracts.

(b) *Interest income*
Interest income from financial assets not classified as fair value through profit or loss is recognised using the effective interest method. When an insurance receivable is impaired, the company reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument and continues unwinding the discount as interest income.

(c) *Dividend income*
Dividend income is recognised when the right to receive payment is established.

(d) *Rental income*
Rent receivable from investment property is accounted for on an accruals basis in accordance with the substance of the relative lease agreements.

1.18 Investment return

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

Investment return is initially recorded in the non-technical account. A transfer is made from the non-technical account to the general business technical account of the actual investment return on investments supporting the insurance technical provisions.

1.19 Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to profit or loss on a straight-line basis over the period of the lease.

1.20 Dividend distribution

Dividend distribution to the company's shareholders is recognised as a liability in the company's financial statements in the period in which the dividends are approved by the company's shareholders.

2. Management of insurance and financial risk

The company is exposed to insurance risk and financial risk. This section summarises these risks and the way the company manages them.

2.1 Insurance risk

The risk under any one insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the very nature of an insurance contract, this risk is random and therefore unpredictable.

The terms and conditions of the contracts set out the basis for the determination of the company's liability should the insured event occur. The risks underwritten include accident and health, motor (including third party liability), marine and transport, fire and other damage to property and liability.

For a portfolio of insurance contracts where the theory of probability is applied to pricing and provisioning, the principal risk that the company faces under its insurance contracts is that the actual claims and benefit payments exceed the carrying amount of the insurance liabilities. This could occur because the frequency or severity of claims are greater than estimated. Insurance events are random and the actual number and amount of claims may vary from year to year from the estimate established using statistical techniques.

Experience shows that the larger the portfolio of similar insurance contracts, the smaller the variability about the expected outcome will be. In addition, a more diversified portfolio is less likely to be affected across the board by a change in any subset of the portfolio. The company writes business in a number of classes and assesses its exposure at individual class level but it places more emphasis on assessing class groups. The company's underwriting strategy is to diversify the type of insurance risks accepted and within each of these categories to achieve a sufficiently large population of risks to reduce the variability of the expected outcome.

Factors that aggravate insurance risks include the lack of risk diversification in terms of type and amount and the concentration in the portfolio on a few large risks.

(a) Frequency and severity of claims

The frequency and severity of claims can be affected by several factors, but primarily by the types of risks that the company accepts to insure. Risk can be significantly affected by a single event such as a severe storm or a drastic change in the methods of compensation awarded by courts.

The company writes only annual policies (with the exceptions of Contractors All Risks contract term cover, Travel and Marine Cargo short term policies), and therefore has the ability to rate risks individually and to impose conditions in accordance with the risk under consideration. For property insurance contracts there is no distinct seasonality in claims patterns except storm-related claims to which the Maltese islands are susceptible at periodic intervals in the months of September and October. The company purchases adequate Catastrophe reinsurance cover to protect against this eventuality.

The company manages these risks through its underwriting strategy, adequate reinsurance arrangements and proactive claims handling.

2. Management of insurance and financial risk - continued

2.1 Insurance risk - continued

(a) Frequency and severity of claims - continued

Underwriting

The underwriting strategy attempts to ensure that the underwritten risks limit the company's exposure to large commercial and industrial risks and to risks with a high probability of causing a severe claim. Internal underwriting guidelines and limits are in place to enforce appropriate risk selection criteria and are reinforced by the proper IT driven controls. Thus intermediaries and branches are unable to give quotations unless these are within their underwriting limits or through direct computer links. Head Office underwriters handle all referrals on risks exceeding such limits. Insurance risks are contracted on the basis of the legal principle of "utmost good faith" and thus the company is able to refuse to settle claims where it can prove that there was non-disclosure or misrepresentation of a material fact at underwriting stage with the aim of circumventing such limits. The company also has systems in place that ensure that certain risks are reviewed prior to renewal terms being offered. As a licensed motor insurer the company is obliged to observe the terms, conditions and limitations of compulsory motor insurance legislation currently in force.

The risks underwritten by the company may also be in the form of reinsurance contracts issued on a one-off facultative basis with other direct re-insurers whereby it assumes a portion of the risk which such insurers undertake with their direct clients.

Reinsurance arrangements

The company has reinsurance protection in place substantially for all classes of business. The reinsurance arrangements consist of a variety of non-proportional programs, with deductibles that are commensurate with the company's financial standing. The company purchases adequate reinsurance cover to protect against the eventuality of a single event such as a storm.

The company's policy is to only utilise reinsurers with a minimum Standard & Poor's rating (or equivalent when not available) of "A minus".

Claims handling

The company's Head Office claims handling departments process and investigate as necessary all claims. Reserves are set in accordance with the company's reserving policy and these are reviewed individually on a regular basis. These limits vary in accordance with the individual's experience and seniority in a manner that ensures that the potentially serious claims are handled by senior and experienced personnel.

The company limits its delegation of claims handling authority to one agent in Malta and to one overseas agent, both of which are monitored by appropriate auditing processes carried out by Head Office personnel. Authority limits in relation to the handling and the settlement of claims are in place.

The company aims to achieve as short a settlement period as possible that allows it to achieve a higher degree of certainty with regard to the estimated cost of claims.

2. **Management of insurance and financial risk** - continued

2.1 Insurance risk - continued

(a) Frequency and severity of claims - continued

Concentration of insurance risk

The company derives 91% (2015: 91%) of its premium income from risks written in Malta whilst the other 9% (2015: 9%) is derived from risks written in Cyprus and France.

Property risks underwritten by the company are mainly geographically situated on the Maltese Islands with exposure in Cyprus. The nature of some policies underwritten by the company in Malta, such as Motor Third Party Liability, Marine Cargo, Travel Insurance and Liability expose the company to claims relating to incidents occurring outside the Maltese Islands, in spite of the fact that the risks are based within them. Likewise risks written in both Cyprus and in France expose the company to claims occurring within these territories as well as outside.

The concentration of insurance risks by reference to premiums written and premiums earned is summarised in note 16. In the company's portfolio there is no undue concentration of risk or of policy holders or of business sectors, with a healthy balance between Personal Lines risks and Commercial risks.

(b) Sources of uncertainty in the estimation of future claim payments

The most significant risks are changes in the pattern of awards for bodily injury and fatality claims, and inflationary trends. Claims on casualty contracts are payable on a claims-occurrence basis. The company is liable for all insured events that occurred during the term of the contract, even if the loss is discovered after the end of the contract period. Some liability claims tend to be settled over a period of time and an element of claims provision relates to incurred but not reported claims. Statistical analyses are carried out annually to ascertain that the provision for IBNR is adequate. The compensation paid on these contracts is the monetary award granted for bodily injury suffered. Such awards are lump sum payments that are calculated as the present value of the lost earnings and actual related costs incurred that the injured party suffers as a result of the accident. For fatalities the amount of compensation is also a monetary amount paid as a lump sum to heirs relating to the lost future earnings of the deceased plus actual costs incurred as a result of the accident.

The estimated cost of claims includes direct expenses to be incurred in settling claims gross of expected subrogation value and other recoveries. The company takes all reasonable steps to ensure that it has appropriate information regarding its claims exposures. An initial reserve based on average claims cost is attributed to each reported incident where insufficient information is available at that time. Analysis of the development of past claims has shown that reserves have proven to be sufficient to meet the ultimate cost. In calculating the estimated cost of notified but unpaid claims, the company's estimation technique is a combination of past experience, medical assessments, legal precedent and current trends in compensation awards. All the company's claims reserves are an accumulation of individual case estimates.

The estimation of IBNR is generally subject to a greater degree of uncertainty than the estimation of the cost of settling claims already notified to the company, where information about the claim event is available. Claims IBNR may often not be apparent to the insured until several years after the event giving rise to the claims would have happened. The company estimates IBNR as a fixed percentage of gross written premiums in order to reflect the consequence of changes in portfolio size. Adequacy tests are carried out annually. Classes of business where the IBNR proportion of the total reserve is high will typically display greater variations between initial estimates and final outcome because of the greater degree of difficulty in estimating these reserves.

2. Management of insurance and financial risk - continued

2.1 Insurance risk - continued

(b) Sources of uncertainty in the estimation of future claim payments - continued

Classes of business where claims are typically reported relatively quickly after the claim event tend to display lower levels of volatility.

Note 13 presents the development of the estimate of ultimate claims costs for claims notified in a given year. This gives an indication of the accuracy of the company's estimation techniques for claims payments.

During 2016 the claims pattern was as forecast, and no unusual "event" was recorded during the period.

2.2 Financial risk management

The company is exposed to financial risk through its financial assets, financial liabilities, and insurance and reinsurance assets and liabilities. The key financial risk is that the proceeds from its financial assets are not sufficient to fund the obligations arising from its insurance risk. The most important components of this financial risk are market risk (including interest rate risk, equity price risk and currency risk), credit risk and liquidity risk. These risks arise from open positions in interest rate, currency and equity positions, all of which are exposed to general and specific market movements. The risk management policies employed by the company to manage these risks are discussed below.

(a) Market risk

(i) Interest rate risk

In general, the company is exposed to risk associated with the effects of fluctuations in the prevailing levels of market interest rates. Assets issued at variable rates expose the company to cash flow interest rate risk. Assets issued at fixed rates expose the company to fair value interest rate risk. The company holds investments mostly in equity and debt securities. Debt securities are subject to interest rate risk.

Fair value interest rate risk is the risk that the relative value of a security will worsen due to an interest rate increase. Interest rate risk is mitigated through the distribution of fixed interest investments over a range of maturity dates. Moreover, the company's asset allocation policy limits the amount of investment in any one asset or towards any one counterparty. The exposure to interest rate risk in respect of borrowings is not material considering the short term nature of the company's external borrowings. Notes 6, 8, 10 and 14 incorporate interest rate and maturity information with respect to the company's assets and liabilities.

2. Management of insurance and financial risk - continued

2.2 Financial risk management - continued

(a) Market risk - continued

(i) Interest rate risk - continued

The total assets and liabilities subject to interest rate risk are the following:

	2016	2015
	€	€
Assets at floating interest rates (Note 6)	**6,645,064**	6,344,909
Assets at fixed interest rates	**18,683,914**	16,576,612
	25,328,978	22,921,521
Liabilities at floating interest rates (Note 14)	**514,856**	388,801

Up to the end of the reporting period the company did not have any hedging policy with respect to interest rate risk as exposure to such risks was not deemed to be significant by the directors.

The sensitivity analysis for interest rate risk illustrates how changes in the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates at the end of the reporting period.

At 31 December 2016 the company was mainly exposed to fair value interest rate risk on listed fixed interest rate debt securities. If interest rates at that date would have been 50 basis points lower with all other variables held constant, the increase in net assets for the year would have been €609,432 (2015: €419,238) higher. An increase of 50 basis points, with all other variables held constant, would have resulted in net assets being €581,460 (2015: €403,360) lower.

At 31 December 2016, the company was also exposed to cash flow interest rate risk on floating interest rate investments. If interest rates at that date would have been 50 basis points (2015: 50 basis points) higher/lower with all other variables held constant, pre-tax profit for the year would have been €33,225 (2015: €31,725) higher/lower.

(ii) Price risk

The company is exposed to market price risk on its financial assets, particularly on its equity investments. These investments are subject to stock market volatility and the value can decline significantly in response to adverse political, market or economic developments.

The company reduces this risk by diversifying its investments in different countries and in different sectors. The company also operates a number of investment portfolios in order to spread risk. These investment portfolios are administered by different investment managers.

2. Management of insurance and financial risk - continued

2.2 Financial risk management - continued

(a) Market risk - continued

(ii) Price risk - continued

The company's investment portfolio is overseen by the Investment Committee that meets on a regular basis in order to review the position of its investments and to plan its investment strategy in accordance with established guidelines. Investment decisions are taken on the basis of an Asset Allocation Policy approved by the Board. The Asset Allocation Policy includes benchmarks and guidelines on various aspects of portfolio management, including currency, instrument, rating, localization, concentration and maturity. It is periodically reviewed by the Investment Committee and, subject to Board approval, amended as necessary so as to reflect the company's overall investment objective, which is principally the preservation of capital and liabilities.

The total assets subject to equity price risk are the following:

	2016	2015
	€	€
Assets subject to equity price risk	**8,826,381**	8,871,703

The sensitivity for equity price risk illustrates how changes in the fair value of equity securities will fluctuate because of changes in market prices, whether those changes are caused by factors specific to the individual equity issuer, or factors affecting all similar equity traded in the market. The sensitivity for equity price risk is derived based on global equity returns, assuming that currency exposures are hedged. As at 31 December 2016 a significant holding in a local group of companies accounted for 5% (2015: 2%) of the company's total investments.

Given the investment strategy of the company, a 10% positive or negative movement in equity prices is considered to be an appropriate benchmark for sensitivity purposes. A 10% increase/decrease in equity prices, with all other variables held constant, would result in an impact on the pre-tax profit for the year of €882,638 (2015: €887,170).

(iii) Currency risk

Currency risk arises from the possibility that fluctuations in foreign exchange rates will impact on the amounts that are paid to settle liabilities and on the amounts that are realised from the company's assets. Most of the company's liabilities are in local currency and are therefore not subject to currency risk. On the other hand, the company's exposure to foreign exchange risk arises primarily from investments that are denominated in currencies other than the Euro. The company's Investment Committee establishes allowable thresholds with regards to the company's exposure to foreign exchange risk.

As at 31 December 2016, the company's exposure to foreign currency investments, principally comprising a mix of US Dollar and UK Pound, represented 13% of the company's total investments (2015:15%). Currency exposure is also regulated by the Regulations underlying the Maltese Insurance Business Act, 1998. As a result of all of the above factors, the directors do not consider the company's exposure to exchange risk to be significant.

2. Management of insurance and financial risk - continued

2.2 Financial risk management - continued

(b) Credit risk

Credit risk is the risk that a counterparty will be unable to pay amounts in full when due. The company's exposure to credit risk can arise mainly from the following sources:

1. Amounts due from insurance intermediaries
2. Amounts due from insurance contract holders
3. Reinsurers' share of insurance liabilities
4. Amounts due from reinsurers for amounts already paid
5. Investments and cash and cash equivalents

As a general rule the company transacts its business on a cash basis. The company has in place internal control structures to assess and monitor credit exposures and risk thresholds. Where credit is granted this is limited to a maximum of six months. Credit risk with respect to debts is limited due to the large number of customers comprising the company's debtor base.

For the first two categories the company manages its credit risks through the work of its Debtors Review Committee. This committee meets on a monthly basis and ensures that credit is controlled within pre-agreed timed payment schedules on a case-by-case basis. The company experiences a low level of bad debts and for the year under review this amounts to less than 1% of gross written premiums for the year.

In view of the nature of the company's activities, its receivables comprise amounts due from group and related undertakings. The company's management monitors credit exposures with related parties at individual entity level on a regular basis and ensures timely performance of these assets in the context of overall liquidity management. The company assesses the credit quality of these related parties taking into account financial position, performance and other factors. The company takes cognisance of the related party relationship with these entities and management does not expect any losses from non-performance or default.

Reinsurance is used to manage insurance risks. This does not, however, discharge the company's liability as primary insurer. If a reinsurer fails to pay a claim for any reason, the company remains liable for the payment to the policyholder. The creditworthiness of reinsurers is considered on an annual basis by the company's Reinsurance Committee that reviews their financial strength in accordance with MFSA guidelines prior to finalisation of any contract. The company's policy is to only contract Reinsurers with a minimum Standard & Poor's rating (or equivalent when not available) of "A minus".

The company is also exposed to credit risk for its cash at bank and investments. The company's cash is placed with quality financial institutions. The company has no significant exposure to credit risk with respect to investments since such assets exposing the company to credit risk mainly consist of investments in government bonds and corporate bonds quoted on a reputable stock exchange. Credit risk in respect of concentration of investments is not considered by the directors to be significant in view of the credit standing of the issuers.

The following table illustrates the assets that expose the company to credit risk as at the end of the reporting period and includes the Standard & Poor's composite rating (or equivalent), when available. Unrated financial assets principally comprise locally traded bonds on the Malta Stock Exchange, receivables and certain deposits with local bank institutions for which no recognised rating is available.

2. Management of insurance and financial risk - continued

2.2 Financial risk management - continued

(b) Credit risk - continued

Financial assets bearing credit risk at the end of the reporting period are analysed as follows:

	As at 31 December 2016					
	AAA to AA- €	A+ to A- €	BB to BB- €	BBB+ to BBB- €	Unrated €	Total €
Investments						
Fair value through profit or loss	3,338,852	7,027,951	265,659	5,996,247	634,169	**17,262,878**
Loan to group undertaking	-	-	-	-	1,588,661	**1,588,661**
Deposits with banks or financial institutions	-	-	-	1,725,000	750,000	**2,475,000**
	3,338,852	7,027,951	265,659	7,196,247	2,997,830	**20,826,539**
Loans and receivables						
Receivables and accrued income	-	-	-	-	5,881,837	**5,881,837**
Cash and cash equivalents	-	534,001	-	2,934,597	5,971,494	**9,440,092**
	-	534,001	-	2,934,597	11,853,331	**15,321,929**
Total	3,338,852	7,561,952	265,659	10,130,844	14,851,161	**36,148,468**
Reinsurers' share of technical provisions						**1,906,616**
Total assets bearing credit risk						**38,055,084**

2. Management of insurance and financial risk - continued

2.2 Financial risk management - continued

(b) Credit risk - continued

	As at 31 December 2015					
	AAA to AA- €	A+ to A- €	BB to BB- €	BBB+ to BBB- €	Unrated €	Total €
Investments						
Fair value through profit or loss	4,063,028	6,332,891	1,132,361	4,407,060	444,463	**16,379,803**
Loan to group undertaking	-	-	-	-	3,088,661	**3,088,661**
Deposits with banks or financial institutions	-	-	-	475,000	-	**475,000**
	4,063,028	6,332,891	1,132,361	4,882,060	3,533,124	**19,943,464**
Loans and receivables						
Receivables and accrued income	-	-	-	-	4,769,269	**4,769,269**
Cash and cash equivalents	-	421,678	-	3,000,146	5,870,111	**9,291,935**
	-	421,678	-	3,000,146	10,639,380	**14,061,204**
Total	4,063,028	6,754,569	1,132,361	7,882,206	14,172,504	**34,004,668**
Reinsurers' share of technical provisions						**1,902,743**
Total assets bearing credit risk						**35,907,411**

(c) Liquidity risk

The company's exposure to liquidity risk arises from the eventuality that the frequency or severity of claims are greater than estimated. Liquidity risk is the risk that cash may not be available to pay obligations when due at a reasonable cost.

The directors do not consider this risk as significant given the nature of the company's financial assets and liabilities. The company's financial assets are considered to be in their greater part readily realisable as they consist of local and foreign securities listed on recognised stock markets and deposits held with first-class-rated credit institutions. Moreover, the company ensures that a reasonable level of funds is available at any point in time for unexpected large claims and the company may also resort to overdraft facilities as a means of finance.

2. Management of insurance and financial risk - continued

2.2 Financial risk management - continued

(c) Liquidity risk - continued

The table below analyses the company's financial liabilities into relevant maturity groupings based on the remaining period at the end of the reporting period to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

As at 31 December 2016	**Contracted undiscounted cash outflows**				
	Less than one year €	Between one and two years €	Between two and five years €	Over five years €	Total €
Bank overdraft	514,856	-	-	-	514,856
Trade and other payables	1,684,691	-	-	-	1,684,691
Accruals and deferred income	574,017	-	-	-	574,017
	2,773,564	**-**	**-**	**-**	**2,773,564**

	Expected undiscounted cash outflows				
	Less than one year €	Between one and two years €	Between two and five years €	Over five years €	Total €
Technical provisions - Claims outstanding	**7,310,383**	**1,185,441**	**2,898,393**	**2,287,164**	**13,681,381**

As at 31 December 2015	**Contracted undiscounted cash outflows**				
	Less than one year €	Between one and two years €	Between two and five years €	Over five years €	Total €
Bank overdraft	388,801	-	-	-	388,801
Trade and other payables	1,180,060	-	-	-	1,180,060
Accruals and deferred income	575,876	-	-	-	575,876
	2,144,737	**-**	**-**	**-**	**2,144,737**

	Expected undiscounted cash outflows				
	Less than one year €	Between one and two years €	Between two and five years €	Over five years €	Total €
Technical provisions - Claims outstanding	**8,074,880**	**859,737**	**2,826,250**	**2,238,868**	**13,999,735**

2. Management of insurance and financial risk - continued

2.3 Capital risk management

The company's objectives when managing capital are:

- to comply with the insurance capital requirements required by the Malta Financial Services Authority ("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 commensurately with the level of risk.

In order to maintain or adjust the capital structure, the company may issue new shares or capitalise contributions received from its shareholders.

The company is required to hold regulatory capital for its general insurance business in compliance with the rules issued by the MFSA. The minimum capital requirement (defined as 'the required minimum margin') must be maintained at all times throughout the year. The company monitors its capital level on a regular basis at least once a month through detailed reports compiled with the management accounts. Such reports are circulated to the Board and senior management. Any transactions that may potentially affect the company's solvency position are immediately reported to the directors and shareholders for resolution prior to notifying the MFSA.

As at 31 December 2015 the Company was in full compliance with Solvency I requirements, having capital in excess of the required minimum set by the Regulator.

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 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.

The Company was in full compliance with its regulatory capital requirements throughout the financial year and at 31 December 2016, the Company's eligible own funds amounting to €23,951,637 (unaudited) were in excess of the required SCR.

2.4 Fair value estimation

The fair value of publicly traded investments classified as financial assets at fair value through profit or loss is based on quoted market prices at the end of the reporting period. The fair value of unquoted equities is established by a directors' valuation. At 31 December 2016 and 2015, the carrying amount of the company's other financial assets and liabilities approximate their fair value due to their short-term nature.

2. Management of insurance and financial risk - continued

2.4 Fair value estimation - continued

IFRS 13 requires disclosure for fair value measurements by level of the following fair value measurement hierarchy for financial instruments that are measured in the statement of financial position at fair value:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the company's assets and liabilities that are measured at fair value at 31 December.

	2016	2015
	€	€
Assets		
Financial assets at fair value through profit or loss:		
Investments - Level 1	**25,388,247**	23,365,415
Investments - Level 2	**24,200**	74,757

The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting period. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the company is the current bid price. These instruments are included in level 1.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2. The investments classified as level 2 were fair valued using the net asset value of the investment, as reported by the respective portfolio manager. Management believes the portfolio manager could have redeemed its investments at the net asset value per share at the balance sheet date.

3. Critical accounting estimates and judgements in applying accounting policies

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 estimate and assumptions that have a significant risk of affecting the reported amount of assets and liabilities within the next financial year are discussed below.

The estimation of the ultimate liability arising from claims made under insurance contracts is the company's most critical accounting estimate. There are sources of uncertainty that need to be considered in the estimate of liability that the company will ultimately pay for such claims. As disclosed in note 2.1 the estimated cost of unpaid claims, both reported and not, is calculated on a case by case basis using a combination of past experience, medical assessments, legal precedent and current trends in compensation awards. The company believes that the liability arising from claims under insurance contracts is adequately reserved as at the financial year end. Further detail about the development of claims is provided in note 13 to these financial statements.

4. Property, plant and equipment

	Land and buildings including leasehold improvements €	Office furniture and equipment €	Computer equipment €	Motor vehicles €	Total €
At 1 January 2014					
Cost	4,139,255	1,510,586	2,394,353	531,104	8,575,298
Accumulated depreciation	(1,165,249)	(1,350,631)	(2,059,023)	(370,604)	(4,945,507)
Net book amount	2,974,006	159,955	335,330	160,500	3,629,791
Year ended 31 December 2015					
Opening net book amount	2,974,006	159,955	335,330	160,500	3,629,791
Additions	102,310	76,486	96,522	-	275,318
Disposals	-	-	-	(47,040)	(47,040)
Depreciation charge	(105,967)	(55,812)	(154,112)	(56,768)	(372,659)
Depreciations released on disposals	-	-	-	47,040	47,040
Closing net book amount	2,970,349	180,629	277,740	103,732	3,532,450
At 31 December 2015					
Cost	4,241,565	1,587,072	2,490,875	484,064	8,803,576
Accumulated depreciation	(1,271,216)	(1,406,443)	(2,213,135)	(380,332)	(5,271,126)
Net book amount	**2,970,349**	**180,629**	**277,740**	**103,732**	**3,532,450**
Year ended 31 December 2016					
Opening net book amount	2,970,349	180,629	277,740	103,732	3,532,450
Additions	68,750	37,351	133,334	29,500	268,935
Disposals	-		-	(59,716)	(59,716)
Depreciation charge	(104,896)	(51,670)	(142,161)	(49,158)	(347,885)
Depreciations released on disposals	-	-	-	59,716	59,716
Closing net book amount	2,934,203	166,310	268,913	84,074	3,453,500
At 31 December 2016					
Cost	4,310,315	1,624,423	2,624,209	453,848	9,012,795
Accumulated depreciation	(1,376,112)	(1,458,113)	(2,355,296)	(369,774)	(5,559,295)
Net book amount	**2,934,203**	**166,310**	**268,913**	**84,074**	**3,453,500**

5. Investment property

	2016	2015
	€	€
Year ended 31 December		
At beginning of year	**4,656,770**	4,991,896
Transfer to Property, Plant and Equipment	**(72,785)**	(820,000)
Additions	**3,229,470**	-
Fair value gain on revaluation	**-**	484,874
At end of year	**7,813,455**	4,656,770
At 31 December		
Cost	**7,185,960**	4,029,275

Fair value of Investment property

	Available for rent	Under development	Total
	€	€	€
Fair value at 31 December 2016			
At beginning of year	3,756,770	900,000	4,656,770
Transfer to Property, Plant and Equipment	(72,785)	-	(72,785)
Transfer to Available for rent	900,000	(900,000)	-
Additions	3,229,470	-	3,229,470
At end of year	**7,813,455**	**-**	**7,813,455**

	Available for rent	Under development	Total
	€	€	€
Fair value at 31 December 2015			
At beginning of year	3,944,093	1,047,803	4,991,896
Disposals	(820,000)	-	(820,000)
Fair value gain/(loss) on revaluation	632,677	(147,803)	484,874
At end of year	**3,756,770**	**900,000**	**4,656,770**

An independent valuation of the company's investment property was performed by valuers to determine the fair value as at 31 December 2016. The directors are of the opinion that the carrying amount of the investment property as at 31 December 2016 is not materially different from its fair value. The company is required to disclose fair values by level of the following fair value measurement hierarchy for non-financial assets carried at fair value:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The company's recurring fair value measurements are categorised as level 3 as they are based on significant unobservable inputs.

5. Investment property - continued

Valuation processes and technique

The valuations of the properties are performed bi-annually by the directors on the basis of valuation reports prepared by independent and qualified valuers. These reports are based on both:

- information provided by the company such as current rents, terms and conditions of lease agreements, capital expenditure, etc. ; and
- assumptions and valuation models used by the valuers – the assumptions are typically market related, such as yields and price per square metre of similar properties. These are based on their professional judgement and market observation.

The information provided to the valuers – and the assumptions and the valuation models used by the valuers – are reviewed by the Property Investment Committee. This includes a review of fair value movements over the period.

The Property Investment Committee is a sub-committee of the Investment Committee and when the Investment Committee considers that the valuation report is appropriate, the valuation report is recommended to the audit committee. The audit committee considers the valuation report as part of its overall responsibilities.

The sensitivity analysis for fair value of investment property illustrates how changes in the fair value will fluctuate because of changes in property prices. A 10% positive or negative movement in property prices is considered to be an appropriate benchmark for sensitivity purposes. A 10% increase/decrease in property prices, with all other variables held constant, would result in an impact on the pre-tax profit for the year of €781,345.

6. Investments

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

	2016	2015
	€	€
Fair value through profit or loss (Note a)	**25,412,447**	23,440,172
Loans and receivables (Note b)	**4,063,661**	3,563,661
Investment in joint ventures (Note c)	**100,000**	-
	29,576,108	27,003,833

6. **Investments** - continued

(a) Investment at fair value through profit or loss

	2016	2015
	€	€
Equity securities, other variable yield securities and units in collective investment schemes	**8,826,381**	8,871,703
Debt securities – listed fixed interest rate	**15,120,253**	13,012,951
Debt securities – listed floating interest rate	**1,465,813**	1,555,518
	16,586,066	14,568,469
Total investments at fair value through profit or loss	**25,412,447**	23,440,172

Equity securities, other variable yield securities and units in collective investment schemes are classified as non-current.

Maturity of debt securities and treasury bills:

	2016	2015
	€	€
Within 1 year	**735,521**	566,693
Between 1 and 2 years	**1,401,820**	1,474,280
Between 2 and 5 years	**6,129,421**	5,811,018
Over 5 years	**8,319,303**	6,716,478
	16,586,065	14,568,469

	2016	2015
Weighted average effective interest rate	**3.21%**	3.4%

6. Investments - continued

The movements for the year are summarised as follows:

	2016	2015
	€	€
Year ended 31 December		
At beginning of year	**23,440,172**	22,979,471
Additions	**9,734,158**	18,990,455
Disposals (sale and redemptions)	**(8,190,517)**	(14,601,031)
Net fair value (losses)/gains	**428,634**	(3,928,723)
At end of year	**25,412,447**	23,440,172
As at 31 December		
Cost	**24,505,390**	22,961,741
Accumulated net fair value gains	**907,057**	478,431
	25,412,447	23,440,172

(b) Loans and receivables

	2016	2015
	€	€
At 31 December		
Deposits with banks or financial institutions	**2,475,000**	475,000
Loan to group undertaking	**1,500,000**	3,000,000
Loan to shareholder	**88,661**	88,661
	4,063,661	3,563,661

Maturity of deposits with banks or financial institutions and loans:

	2016	2015
	€	€
Between 1 year	**2,475,000**	-
Between 2 and 5 years	**-**	475,000

The deposits with banks or financial institutions earn interest as follows:

	2016	2015
	€	€
At fixed rates	**2,475,000**	475,000

Investments amounting to €2,109,500 (2015: €2,109,500) are pledged with banks or financial institutions against borrowings (Note 14).

The loan to group undertaking and loan to shareholder are unsecured, bear interest at a weighted average rate of 3.1% (2015: 3.1%) and are repayable on demand.

6. Investments - continued

(c) Investment in joint ventures

	2016	2015
	€	€
CCGM Pension Administrators Limited	**100,000**	-

On 31 August 2016, the company has signed a memorandum of association with Calamatta Cuschieri Group Plc for the creation of the company CCGM Pension Administrators Limited. The company is registered as a private liability company and its main object is to act as a retirement scheme administrator for the purposes of the Retirement Pensions Act.

CCGM Pension Administrators Limited's share capital is made up as follow:

	2016	2015
	€	€
Authorised, issued and fully paid up		
100,000 Ordinary 'A' shares of €1 each	**100,000**	-
100,000 Ordinary 'B' shares of €1 each	**100,000**	-
	200,000	-

Shares carry equal voting rights, and rights to dividends and rank pari-passu. As of 31 December, the company was not yet in operation and consequently the investment is currently being recognised at cost.

7. Deferred acquisition costs

	2016	2015
	€	€
Year ended 31 December		
At beginning of year	**2,895,533**	2,556,327
Net amount credited to profit or loss (Note 16)	**177,271**	339,206
At end of year	**3,072,804**	2,895,533
Current portion	**3,072,804**	2,895,533

8. Receivables, prepayments and accrued income

	2016	2015
	€	€
Receivables		
Receivables arising from direct insurance operations:		
- due from policyholders	**1,722,261**	810,824
- due from agents, brokers and intermediaries	**3,449,679**	3,351,321
	5,171,940	4,162,145
Other receivables		
- receivables from group undertakings	**196,064**	194,197
- receivables from related parties	**19,930**	21,636
- receivables from directors	**3,409**	4,729
- other receivables	**215,493**	133,481
	434,896	354,043
Prepayments and accrued income		
- prepayments	**247,199**	223,192
- accrued interest	**275,001**	253,081
	522,200	476,273
Total receivables, prepayments and accrued income	**6,129,036**	4,992,461
Current portion	**6,129,036**	4,992,461

Receivables from group undertakings, related parties and directors are unsecured, interest free and repayable on demand.

Receivables are presented net of an allowance for impairment of €307,678 (2015: €353,571). As at 31 December 2016, receivables amounting to €4,834,374 (2015: €3,956,427) were fully performing, whereas receivables amounting to €772,462 (2015: €559,761) were past due but not impaired. These dues related to a number of independent parties for whom there is no recent history of significant default. The ageing analysis of the past due but not impaired receivables is as follows:

	2016	2015
	€	€
Less than 3 months	**441,919**	118,729
Less than 6 months but more than 3 months	**170,173**	276,025
Less than 12 months but more than 6 months	**113,030**	103,953
More than 12 months	**47,340**	61,054
	772,462	559,761

9. Deferred income tax

	2016	2015
	€	€
Year ended 31 December		
At beginning of year	**(309,825)**	17,161
Charged to profit or loss (Note 20)	**(350,563)**	(326,986)
At end of year	**(660,388)**	(309,825)

Deferred income taxes are calculated on all temporary differences under the liability method using a principal tax rate of 35% (2015: 35%). The directors consider the deferred taxation as at the end of the reporting period to be of a non-current nature.

The balance at 31 December represents temporary differences on:

	2016	2015
	€	€
Fixed assets due to accelerated tax depreciation	**(25,162)**	(8,668)
Temporary differences attributable to unrealised foreign exchange differences	**(33,535)**	(51,774)
Impairment of receivables	**107,687**	123,750
Temporary differences on investment property	**(562,580)**	(335,042)
Temporary differences on unrealised capital gains	**(146,798)**	(38,091)
	(660,388)	(309,825)

Deferred income taxes and liabilities are offset when there is a legally enforceable right to set-off under the Malta Income Tax regime.

The company's deferred tax asset was established on the basis of tax rates that were substantively enacted as at the financial year end.

10. Cash and cash equivalents

For the purpose of the statement of cash flows, the year-end cash and cash equivalents comprise the following:

	2016	2015
	€	€
Cash at bank and in hand	**9,440,092**	9,291,935
Bank overdrafts (Note 14)	**(514,856)**	(388,801)
	8,925,236	8,903,134

Cash at bank and in hand includes amounts held with investment managers amounting to €5,258,781 (2015: €5,643,673).

The deposits held with banks earn interest as follows:

	2016	2015
	€	€
At floating rates	**5,179,251**	4,789,391

11. Share capital

	2016	2015
	€	€
Authorised		
15,000,000 Ordinary shares of €1 each	**15,000,000**	15,000,000
Issued and fully paid up		
6,750,000 Ordinary ‘A’ shares of €1 each	**6,750,000**	6,750,000
5,250,000 Ordinary ‘B’ shares of €1 each	**5,250,000**	5,250,000
	12,000,000	12,000,000

The ‘A’ and ‘B’ ordinary shares rank pari passu in all respects except for the appointment of the directors. The holders of the ‘A’ and ‘B’ ordinary shares are entitled to appoint an equal number of persons as directors of the company.

12. 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 under the Insurance Business (Insurers’ Assets and Liabilities), Regulations 2007 and any amount that is not distributable under the Maltese Companies Act, (Chap. 386), to the extent that it represents unrealised profits.

13. Technical provisions and reinsurance assets

	2016	2015
	€	€
Gross technical provisions		
Claims reported and loss adjustment expenses	13,213,302	14,614,505
Claims incurred but not reported	1,564,695	1,287,973
Unearned premiums	16,578,106	15,031,441
Total technical provisions – Gross	31,356,103	30,933,919
Reinsurers' share of technical provisions		
Claims reported and loss adjustment expenses	1,096,616	1,902,743
Total reinsurers' share of technical provisions	1,096,616	1,902,743
Net technical provisions		
Claims reported and loss adjustment expenses	12,116,686	12,711,762
Claims incurred but not reported	1,564,695	1,287,973
Unearned premiums	16,578,106	15,031,441
	30,259,487	29,031,176
Current portion	23,888,487	23,106,321

Claims reserves are calculated utilising a combination of internal and market data and are made up of the sum of individual case estimates. In the case of property damage claims estimates are based on expert reports, while those for injury or fatality claims are calculated using formulas established by jurisprudence to which legal costs are added on. Based on this process, no key variable has been identified for which a change would have a material impact on the profit or loss for the year. Such an assessment and the relative materiality of the key variables may change in the future.

Statistical analyses on the adequacy of claims reserves are regularly carried out and these consistently show that the reserves are reliable and adequate. As at 31 December 2016, the provision for claims reported and loss adjustment expenses includes an allowance for subrogation or salvage recoveries amounting to €2,075,349 (2015: €2,474,427).

The company's policy with regards to IBNR reserves is to calculate this as a percentage of gross written premium based on statistical analysis of late reported claims.

The risk and claim profile of the company does not indicate any conditions or variables that are likely to impact significantly upon the company's cash flow. During the year there were no significant changes required in the assumptions used to estimate the ultimate cost of claims.

With effect from the 11 June 2013, the limits of indemnity on motor policies were increased to €1m for third party property damage and €5m for third party bodily injury in accordance with the changes made in compulsory motor insurance legislation in Malta to reflect the requirements of the EU Motor Insurance Directives. These limits apply per accident and not per victim. Also in line with the EU Directives, third party liability cover applies automatically for accidents occurring in any EU/EEA members state. In such cases the limits of indemnity will be in accordance with the law of the state of where the accident took place and in many cases these limits would be higher than the minimum required in Malta.

13. Technical provisions and reinsurance assets - continued

The development of insurance liabilities provides a measure of the company's ability to estimate the ultimate value of claims. The top half of each table below illustrates how the company's estimate of total claims incurred for each accident year has changed at successive year-ends. The bottom half of the table reconciles the cumulative claims to the amount appearing in the statement of financial position. The accident-year basis is considered to be the most appropriate for the business written by the company. Liability in respect of prior years includes claims handled by the company as agents and attorneys of the Aviva Group and which were subject to a portfolio transfer to the company with effect from 1 January 2003.

Claims outstanding – Gross

Estimate of the ultimate claims costs:

	2006 €	2007 €	2008 €	2009 €	2010 €	2011 €	2012 €	2013 €	2014 €	2015 €	2016 €	Total €
At end of reporting year	11,212,490	12,514,079	10,969,369	12,259,523	13,271,686	13,925,721	14,165,946	14,919,844	16,680,060	19,521,393	15,758,540	155,198,650
- one year later	10,820,780	11,701,369	10,717,117	11,832,395	12,830,586	12,753,049	13,562,717	14,828,377	14,593,910	18,580,047		132,220,347
- two years later	10,002,970	11,089,340	10,260,485	11,084,438	13,009,746	12,574,462	13,383,321	14,580,222	14,221,883			110,206,867
- three years later	9,844,010	10,778,307	9,999,354	11,213,234	12,836,570	12,627,392	13,235,431	14,369,068				94,903,366
- four years later	9,508,969	10,670,021	9,793,189	11,073,744	12,777,630	12,662,183	13,194,822					79,680,560
- five years later	9,591,631	10,656,809	9,774,896	10,903,889	12,648,134	12,403,455						65,978,814
- six years later	9,581,040	10,700,805	9,720,333	10,829,321	12,588,867							53,420,365
- seven years later	9,476,683	10,687,203	9,711,134	11,014,456								40,889,476
- eight years later	9,481,656	10,690,436	9,696,028									29,868,120
- nine years later	9,412,222	10,746,024										20,158,247
- ten years later	9,433,468											9,433,468
Current estimates of :												
Cumulative claims	9,433,468	10,746,024	9,696,028	11,014,456	12,588,867	12,403,455	13,194,822	14,369,068	14,221,883	18,580,047	15,758,540	142,006,658
Cumulative payments to date	(9,191,020)	(10,329,619)	(9,598,830)	(10,434,506)	(12,489,336)	(11,974,047)	(12,649,616)	(13,612,750)	(13,266,619)	(15,810,984)	(8,672,076)	(128,029,403)
Liability recognised in the statement of financial position	242,448	416,405	97,198	579,950	99,531	429,408	545,206	756,318	955,264	2,769,063	7,086,464	13,977,255
Liability in respect of prior years												800,742
Total liability recognised in the statement of financial position												14,777,997

13. Technical provisions and reinsurance assets - continued

Claims outstanding – Net

Estimate of the ultimate claims costs:

	2006 €	2007 €	2008 €	2009 €	2010 €	2011 €	2012 €	2013 €	2014 €	2015 €	2016 €	Total €
At end of reporting year	11,212,490	12,501,344	10,945,287	12,259,523	13,271,686	13,925,721	13,875,114	14,206,396	15,976,787	17,904,856	15,758,540	151,837,744
- one year later	10,820,780	11,690,049	9,592,442	11,832,395	12,830,586	12,753,049	13,280,100	14,127,162	14,221,788	17,086,976		128,235,327
- two years later	10,002,970	11,078,020	10,198,291	11,084,438	13,009,746	12,574,462	13,108,062	13,885,349	13,796,256			108,737,594
- three years later	9,844,010	10,766,987	9,937,160	11,213,235	12,836,570	12,627,392	12,966,166	13,675,346				93,866,866
- four years later	9,508,969	10,658,701	9,730,995	11,073,744	12,777,630	12,662,183	12,926,133					79,338,357
- five years later	9,591,631	10,645,489	9,712,702	10,903,889	12,648,134	12,403,455						65,905,300
- six years later	9,581,040	10,689,485	9,658,139	10,829,321	12,588,867							53,346,851
- seven years later	9,476,683	10,675,883	9,648,940	11,014,456								40,815,961
- eight years later	9,481,656	10,679,116	9,633,834									29,794,606
- nine years later	9,412,222	10,734,704										20,146,927
- ten years later	9,433,468											9,433,468
Current estimates of :												
Cumulative claims	9,433,468	10,734,704	9,633,834	11,014,456	12,588,867	12,403,455	12,926,133	13,675,346	13,796,256	17,086,976	15,758,540	139,052,035
Cumulative payments to date	(9,191,020)	(10,318,299)	(9,536,636)	(10,434,506)	(12,489,336)	(11,974,047)	(12,380,927)	(12,919,027)	(12,886,083)	(15,231,962)	(8,672,075)	(126,033,918)
Liability recognised in the statement of financial position	242,448	416,405	97,198	579,950	99,531	429,408	545,206	756,319	910,173	1,855,014	7,086,465	13,018,117
Liability in respect of prior years												663,264
Total liability recognised in the statement of financial position												13,681,381

13. Technical provisions and reinsurance assets - continued

(a) Claims and loss adjustment expenses

	Year ended 31 December 2016		
	Gross	Reinsurance	Net
	€	€	€
Notified claims still outstanding	14,614,505	(1,902,743)	12,711,762
Incurred but not reported	1,287,973	-	1,287,973
Total at beginning of year	15,902,478	(1,902,743)	13,999,735
Claims settled during the year	(15,235,883)	738,272	(14,497,611)
Increase/(decrease) in liabilities			
- arising from current year claims	15,758,540	-	15,758,540
- arising from prior year claims	(1,647,138)	67,855	(1,579283)
Total at the end of year	**14,777,997**	**(1,096,616)**	**13,681,381**
Notified claims still outstanding	13,213,302	(1,096,616)	12,116,686
Incurred but not reported	1,564,695	-	1,564,695
Total at the end of year	**14,777,997**	**(1,096,616)**	**13,681,381**

	Year ended 31 December 2015		
	Gross	Reinsurance	Net
	€	€	€
Notified claims still outstanding	12,626,659	(908,848)	11,717,811
Incurred but not reported	1,242,238	-	1,242,238
Total at beginning of year	13,868,897	(908,848)	12,960,049
Claims settled during the year	(14,737,317)	279,154	(14,458,163)
Increase/(decrease) in liabilities			
- arising from current year claims	19,521,393	(1,616,537)	17,904,856
- arising from prior year claims	(2,750,495)	343,488	(2,407,007)
Total at the end of year	**15,902,478**	**(1,902,743)**	**13,999,735**
Notified claims still outstanding	14,614,505	(1,902,743)	12,711,762
Incurred but not reported	1,287,973	-	1,287,973
Total at the end of year	**15,902,478**	**(1,902,743)**	**13,999,735**

13. Technical provisions and reinsurance assets - continued

(b) Unearned premiums

The movements for the year are summarised as follows:

	Gross and net €
Gross and net	
Year ended 31 December 2016	
At beginning of year	15,031,441
Net amount charged to profit or loss	1,546,665
At end of year	**16,578,106**
Year ended 31 December 2015	
At beginning of year	13,600,105
Net amount credited to profit or loss	1,431,336
At end of year	**15,031,441**

14. Borrowings

	2016 €	2015 €
Overdrawn bank balances	**514,856**	388,801

The bank borrowings are secured by a pledge on investments amounting to €2,109,500 (2015: €2,109,500). The available facility as at year end amounted to €2,232,940 (2015: €2,232,940).

The interest rate exposure of the company was as follows:

	2016 €	2015 €
At floating rates	**514,856**	388,801

Weighted average effective interest rate:

	2016	2015
Bank overdrafts	**4.70%**	4.69%

15. Other payables, accruals and deferred income

	2016 €	2015 €
Payables arising out of direct insurance operations	**21,086**	21,322
Payables arising out of reinsurance operations	**370,028**	241,599
Other payables		
Payables to fellow subsidiaries	**2,346**	11,130
Payables to other related parties	**57,362**	50,773
Other payables	**485,429**	180,973
Document duty and other tax payables	**748,440**	674,263
	1,293,577	917,139
Accruals and deferred income		
Accrued expenses and deferred income	**574,017**	575,876
Total other payables and accruals and deferred income	**2,258,708**	1,755,936
Current portion	**2,258,708**	1,755,936

16. Net operating expenses

	2016 €	2015 €
Acquisition costs	**6,416,705**	6,098,821
Change in deferred acquisition costs (Note 7)	**(177,271)**	(339,206)
Administrative expenses	**2,954,040**	2,879,505
	9,193,474	8,639,120

Total commissions accounted for in the financial period in the company’s technical result amounted to €3,565,669 (2015: €3,385,732). Administrative expenses mainly comprise staff costs.

17. Investment return

	2016 €	2015 €
Investment income		
Interest receivable from financial assets that are not at fair value through profit or loss	**100,868**	127,537
Income from financial assets at fair value through profit or loss:		
- Dividend income	**185,483**	166,305
- Interest income	**499,748**	518,054
Rental income on investment property	**172,654**	151,851
Exchange differences	**(93,227)**	382,190
Gains/(losses) from financial assets at fair value through profit or loss	**454,214**	(135,870)
Gains on revaluation of investment property	**-**	484,874
	1,319,740	1,694,941
Investment expenses and charges		
Interest expense and charges for financial liabilities that are not at fair value through profit or loss	**188,946**	183,105
Investment expenses	**41,126**	38,020
	230,072	221,125
Total investment return	**1,089,668**	1,473,816
Analysed between:		
Allocated investment return transferred to the general business technical account	**743,097**	1,068,823
Investment return included in the non-technical account	**346,571**	404,993
	1,089,668	1,473,816

18 Expenses by nature

	2016 €	2015 €
Employee benefit expense and directors' fees	**2,907,346**	2,867,081
Commissions payable (Note 16)	**3,565,669**	3,385,732
Change in deferred acquisition costs (Note 7)	**(177,271)**	(339,206)
Depreciation of property, plant and equipment (Note 4)	**347,885**	372,659
Operating lease rentals - property	**115,088**	75,508
Decrease in provision for impairment of receivables	**(45,893)**	(8,091)
Other expenses	**2,836,011**	2,818,027
Total operating expenses and administration expenses	**9,548,835**	9,171,710
Analysed between:		
Included in the general business technical account (Note 16)	**9,193,474**	8,639,120
Included in the non-technical account	**355,361**	532,590
	9,548,835	9,171,710

18. Expenses by nature - continued

Auditor's fees

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

	2016	2015
	€	€
Annual statutory audit	**46,111**	45,308
Other assurance services	**-**	2,950
Tax advisory services	**1,829**	1,758
Other non-audit services	**2,360**	2,950

19. Employee benefit expense

	2016	2015
	€	€
Salaries (including directors' salaries)	**3,784,446**	3,767,406
Social security costs	**244,593**	231,314
	4,029,039	3,998,720

The average number of persons employed during the year was:

	2016	2015
	€	€
Directors	**1**	1
Direct	**88**	85
Indirect	**45**	45
	134	131

20. Tax expense

	2016	2015
	€	€
Current income tax expense	**2,124,811**	1,003,227
Deferred income tax charge (Note 9)	**350,563**	326,986
	2,475,374	1,330,213

20. Tax expense - continued

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

	2016 €	2015 €
Profit before income tax	**6,608,908**	3,314,530
Tax on profit at 35%	**2,313,118**	1,160,086
Tax effect of:		
Expenses not allowable for tax purposes	**85,621**	83,971
Exempt losses and application of flat rate foreign tax credit	**(30,042)**	(94,986)
Movement in unrecognised deferred tax assets	**19,676**	(32,089)
Different tax rates applicable to investment property	**350,563**	335,042
Movement relating to tax on temporary differences	**(202,542)**	(77,555)
Tax credits	**(26,489)**	(17,321)
Income charged at lower rates of tax	**(34,531)**	(26,935)
Tax expense	**2,475,374**	1,330,213

21. Directors' emoluments

	2016 €	2015 €
Directors' fees	**198,470**	255,018
Salaries and other emoluments	**209,250**	305,909
	407,720	560,927

During the year, no benefits in kind were provided to the directors (2015: €21,415).

22. Earnings per share

Earnings per share is based on the net profit for the year divided by the weighted average number of ordinary shares in issue during the year.

	2016	2015
Net profit attributable to shareholders (€)	**4,133,534**	1,984,317
Weighted average number of ordinary shares in issue	**12,000,000**	12,000,000
Earnings per share (€)	**0.34**	0.17

23. Dividends

	2016 €	2015 €
Net dividends paid on ordinary shares	**1,750,000**	1,750,000
Dividends per ordinary share	**0.15**	0.15

23. Dividends – continued

The directors have recommended the payment of a final dividend in the net amount of €750,000, which was liquidated in 7 February 2017.

24. Cash generated from operations

	2016	2015
	€	€
Profit before tax	**6,608,908**	3,314,530
Adjustments for:		
Depreciation of plant and equipment (Note 4)	**347,885**	372,659
Profit on disposal of plant and equipment (Note 4)	**(7,800)**	(8,800)
Decrease in provision for bad debts	**(45,893)**	(8,091)
Profit on disposal of investment property	**-**	(56,000)
Non-cash movements in investments	**(1,395,567)**	2,480,102
Movements in:		
Technical provisions (net)	**1,228,308**	2,471,022
Debtors and prepayments including DAC	**(1,267,953)**	(105,929)
Creditors and accruals	**502,772**	530,493
Cash generated from operations	**5,970,660**	8,989,986

25. Related party transactions

Due to common ultimate shareholders, all companies forming part of the Gasan Group of Companies and the Galdes & Mamo Group are considered by the directors to be related parties.

The following transactions were carried out by the company with related parties:

	2016	2015
	€	€
Income		
Gross premium income – Parent company	**83,299**	78,839
Gross premium income – Other related parties	**267,908**	354,736
Interest	**59,645**	85,882
Expenditure		
Services provided in relation to claims paid	**3,796,549**	3,447,514
Rent	**11,799**	17,379
Administrative and operating expenses	**25,505**	25,774
Capital expenditure		
Fixed asset additions	**65,919**	7,839

Year-end balances owed by or to group undertakings and other related parties are disclosed in notes 6, 8 and 15 to these financial statements respectively.

The key management of the company are considered to be the directors. Directors' remuneration, has been disclosed in note 21 to these financial statements.

26. Commitments

Commitments for purchase of property, plant and equipment and investment property not provided for in these financial statements are as follows:

	2016	2015
	€	€
Contracted but not provided for	**787,500**	200,000

Operating lease commitments - where the Company is the lessor

	2016	2015
	€	€
Not later than 1 year	**237,318**	137,152
Later than 1 year and not later than 5 years	**275,975**	84,917
Later than 5 years	**33,969**	51,776
	547,262	273,845

27. Contingencies

At 31 December 2016 there were contingent liabilities amounting to €87,347 (2015: €36,676) in respect of guarantees in favour of third parties.

28. Statutory information

GasanMamo Insurance Limited is a limited liability company and is incorporated in Malta.

The parent company of GasanMamo Insurance Limited is Gasan Group Limited, a company registered in Malta, with its registered address at Gasan Centre, Mriehel By-Pass, Mriehel. Gasan Group Limited is the undertaking that draws up the consolidated financial statements of the smallest body of undertakings of which GasanMamo Insurance Limited forms part as a subsidiary company.

The ultimate parent company of GasanMamo Insurance Limited is J.A.G. Limited, a company registered in Malta, with its registered address at Gasan Centre, Mriehel By-Pass, Mriehel. The ultimate controlling party of GasanMamo Insurance Limited and J.A.G. Limited is Mr J. A. Gasan. The financial statements of GasanMamo Insurance Limited are included in the consolidated financial statements prepared by J.A.G. Limited.

29. Comparative information

Where necessary, comparative figures have been adjusted to conform with the current year’s disclosure for the purpose of fairer presentation.

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