



Gasamamo

INSURANCE

we're always there

2021

ANNUAL REPORT AND
FINANCIAL STATEMENTS

III.

MISSION
STATEMENT

VII.

CHAIRMAN'S
STATEMENT

IX.

MANAGING
DIRECTOR'S REVIEW

XI.

THE BOARD
OF DIRECTORS

XIII.

THE SENIOR
MANAGEMENT TEAM

XIV.

HEAD OFFICE &
BRANCH NETWORK

TABLE OF CONTENTS



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 endeavour 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.

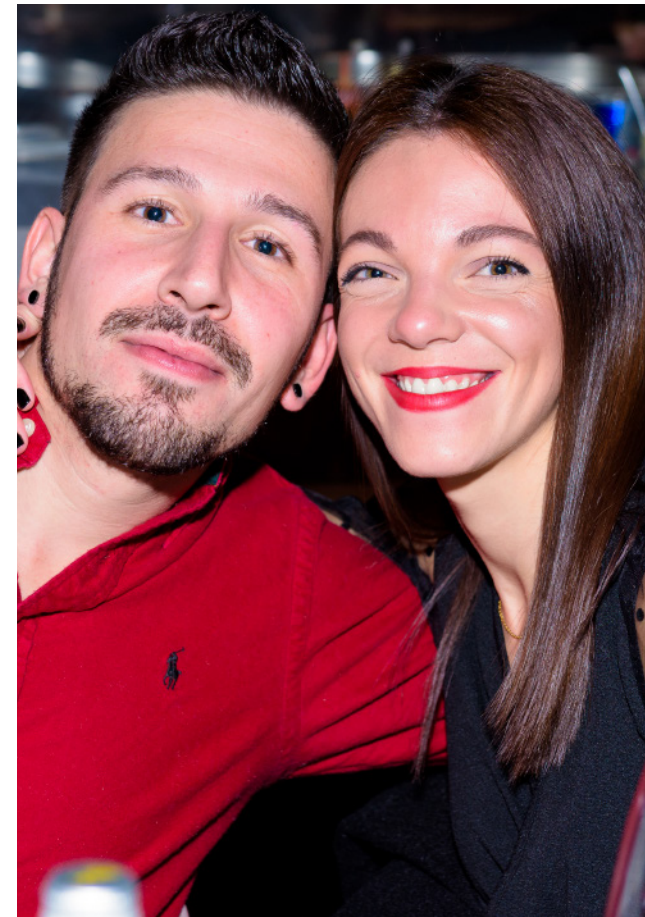
MISSION STATEMENT



OUR
PEOPLE

OUR
CUSTOMERS

OUR
CSR



OUR
PEOPLE

OUR
CUSTOMERS

OUR
CSR



CHAIRMAN'S STATEMENT

It is my privilege to present to you with the Annual Report and Financial Statements for 2021. I am particularly proud of the report herewith, particularly given the stressed environment in which we have been operating.

As we all know, Covid-19 and the disruption it has caused persisted throughout 2021. Thanks to the flexibility and versatility of all stakeholders, we have adapted to this new reality and pursued our mission to provide value to our customers through the products and services delivered efficiently and effectively.

Gasamamo Insurance enjoys an excellent track record that dates back decades. During this time, we have worked hard to foster longstanding, mutually beneficial relationships with all stakeholders, including clients, intermediaries, brokers, staff and reinsurers. This mutual respect, loyalty and understanding, is central to our view that we are in for the long haul and confident that together we will overcome the short term challenges that will inevitably crop up.

In fact, in spite of the macro economic challenges during the period under review, the numbers presented herein are extremely positive and fill me with confidence that in Gasamamo Insurance, our prudent no nonsense approach to business is correct.

During 2021, we anticipated that modest growth in gross written premium would be registered, but I am pleased to report that top line growth exceeded expectations and closed at €58.2 million compared to €52.7M in 2020 amounting to 10.3% growth year on year. This growth was generated from operations in Malta as well as in Greece, Cyprus and France and across all lines of business.

The operating performance of the company was significantly bolstered by a benign claims environment where both the incidence of claims as well as large events was better than expected.

A major factor influencing the financial performance in 2021 was the financial market movement. Following the massive drawdown seen in March and April 2020, the market recovery continued from June 2020 through to September 2021 with steady positive movement during all that time. This led to an excellent investment return for the period under review of just under 6% and an investment income of around €3.2M.

The Board and Management remained committed to managing expenditure closely given the uncertainties that were particular in nature. These actions have

comprehensively led to a situation where we are pleased to report that during 2021, Gasamamo Insurance's financial position has been further strengthened as we ended the year with a profit before tax of €13.7M compared to €12.2M last year and a budget of €7.7M.

The Company's balance sheet has been augmented further with Capital and Reserves of €48.2M in 2021 compared to €43.2M last year. This performance would not have been possible without the collective effort of the Board, Management, Staff and all intermediaries. As I have reported before, at Gasamamo Insurance, we remain focussed on our core strategic objective, to continue to grow prudently, delivering quality products and services to our growing and loyal clients base. Our client centric focus which permeates the organisation from top to bottom is fundamental to our success.

As a company we continue to recognise the important role we play as corporate citizens focusing on the impact we have on the environment and people around us. We remain committed and have indeed played our part supporting Environment, Youth & Sport, and Culture through various specific initiatives. Environmental, Social and Governance (ESG) Investing has moved to a more prominent place in terms of Strategic Investment. Part of this drive is coming from European Regulators and the effort to meet urgent climate change objectives. The concept is completely in sync with the Gasamamo Insurance outlook since this effort promotes principles we have long held close to our heart. We remain committed to be more active in this space and play our part in this important effort.

Post year end geopolitical developments in Ukraine are both tragic and alarming. While our heart goes out to all those who are innocently suffering the effects of war, we hope that a peaceful resolution is found soon. It is our belief that the Company is well placed to withstand inevitable market movements that are driven by the conflict and the disruption that it causes.

In conclusion I would like to thank all stakeholders, in particular our clients for giving us their trust, and I look forward to our journey with confidence as we face both the challenges and opportunities that lie ahead.


Joseph A Gasan
Chairman

“The Board and Management remained committed to managing expenditure closely given the uncertainties that were particular in nature.”



MANAGING DIRECTOR'S REVIEW

It is my pleasure to present the Annual Report and Accounts for 2021.

There is no doubt that the turmoil witnessed in 2020 with the outbreak of a global pandemic had become a lot more familiar in 2021.

Humans did what humans do best, adapt to new realities. This must also be said for the insurance sector and indeed the business community generally.

Our initial response to the pandemic was constantly tweaked in line with regulatory guidelines and practical experience. We succeeded in preserving a positive customer experience, providing our products and services efficiently and effectively. Technology was a key enabler in this effort, but I must add that the reaction and response from Management, Staff, Intermediaries and of course our clients was incredible.

The macroeconomic environment during 2021, was indeed strained. Every effort was focussed on damage limitation so as to ensure that the economy and the workforce would be well placed to bounce back once restrictive measures were eased. Various government initiatives were put in place and had achieved the desired effect, avoiding mass closures and redundancies. This said, the local economy ticked over, and while there was some slowdown in new initiatives and projects, existing projects went ahead and unemployment did not spike.

In this environment, I am pleased to say that most individuals and businesses renewed their insurance policies and customer loyalty remained extremely high. We expected that during the year, top line growth would be modest. In fact, we did see growth in Gross Written Premiums of 10.3% at €58.2M compared to €52.8M in 2020.

This was somewhat surprising on the upside and in part is explained by the resumption of outgoing travel, which almost completely stopped in 2020. GasanMamo Insurance introduced a Travel Insurance extension covering Covid which was met by a favourable response and during the summer months travel resumed. Growth in Premium also came from various other classes including operations in Cyprus.

The technical performance was also better than expected, mainly driven by an improved loss ratio in Motor. It was our expectation that the incidence of claims would revert to pre Covid-19 levels sooner than in fact did. On a cumulative basis, this had a positive effect on the loss ratio. In addition, we were fortunate to have had a lower than normal incidence of large claims and weather related claims.

The same can be said for all lines of business. The combined operating ratio went from 74.3% in 2020 to 78.9% in 2021 which is 10 percentage points better than the 88.3% budget for 2021.

The company performance was further improved by the investment return for the period. During 2020 market

movements were quite dramatic with massive corrections in March and April only to gradually recover month by month. The recovery persisted through to Q3 2021 with steady equity gains. The company had an investment return of just under 6% amounting to €3.22M in 2021 compared to 0.25% (€143K) in 2020.

In light of the considerable uncertainties as the year progressed while ensuring that investment in resources was adequate and appropriate, the Board and Management remained cautious on expenditure, maintaining tight controls. Overheads did increase by 5.1% compared to 2020 but in effect were less than budget.

The combination of the factors referred to the above, has resulted in a stellar performance for the year, with profit before tax of €13.74M compared to €12.19M in 2020.

This performance has resulted in further strengthening our balance sheet taking Capital and Reserves to €48.15M compared to €43.13M in 2020. The Solvency Capital Requirement Ratio (SCR) of the company remains excellent at 227% compared to 246% in 2020.

The reduction in SCR is mainly driven by the increase on value of equities held which attract a higher solvency charge. The above results would not have been possible without the valid and unrelenting input by the Board, Management and Staff over the years. It is my view, that the consistency of our approach to business, to relationships and to challenges has helped us come through the most challenging of times with flying colours.

The world has remained an uncertain place and we lurch out of a pandemic and into the most dangerous conflict the world has seen since 1945. While on a human level one cannot help but be moved by the incredible cost borne particularly by the innocent civilians in Ukraine, one hopes that the matter is resolved as soon as possible, and peace is restored. We expect that the impact will be felt across the globe as scarcity of commodities will lead to inflation and in some cases deprivation.

As a company, we are mindful of the challenges and will watch closely, doing all we can to protect the company. This said, it is almost incredible that as we prepare to go to print with this Annual Report and Financial Statements, we are once again faced with a global crisis that creates enormous uncertainty and apprehension. Prudence and keeping a close eye on developments is what we can and will do. We are confident that as we did in the last crisis that was sadly just last year, the Company will come through it in good shape, ready to continue our journey of steady profitable growth for the benefit of all stakeholders.


Julian J Mamo
Director

“I am pleased to say that most individuals and businesses renewed their insurance policies and customer loyalty remained extremely high.”

THE BOARD OF DIRECTORS

GasamMamo 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

Joseph A. Gasan is the chairman of Gasan Group Limited, GasanMamo Insurance Limited and several other companies constituting the Gasan group of companies. He is also a director of several other companies including MIDI plc, The Quad Ltd, Embassy Ltd, and Main Street Complex Ltd. Mr. Gasan assumed the running of the family business in 1971 and in the mid-70s initiated and directed an expansion and diversification programme which resulted in the development of the Gasan group of companies to its present level of development. The result has been the creation of a dynamic enterprise with the necessary human and financial resources to continue to seek fresh opportunities at home and abroad.



ALBERT P. MAMO
DEPUTY CHAIRMAN

Albert P. Mamo has been involved in insurance for all his working life of 48 years and served as Managing Director of Galdes & Mamo Ltd. From 1990 to 1999 and Managing Director of GasanMamo Insurance Ltd. from 2000 to 2013 when he retired from his executive role. During this period he steered the business through merger, and subsequently transformation from an Insurance Agency to an 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

Julian Mamo, a graduate in Business Management has been in the insurance industry for over 25 years. Having been a Director of Galdes & Mamo Ltd and playing an instrumental role in the development of the Company and has witnessed the insurance industry evolve first hand. Mr. Mamo has been Managing Director of GasanMamo Insurance since 2013 and has led the company on a steady path of profitable growth providing solid stakeholder returns. Mr. Mamo is a Non-Executive Director on several Boards in companies operating in diverse industries.



BAUDOUIN DESCHAMPS
DIRECTOR

Mr. Deschamps has 35 years of insurance experience including almost 25 years with the Aviva Group where he served in Senior Management in various parts of the group including 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

Mark Gasan is the CEO of Gasan Group and a director of several other companies. Mr. Gasan assumed the Chief Executive position of the group in 2014 and has led the group on a strong growth path ever since. His leadership has seen the business strengthen its focus on its four key pillars whilst still delivering solid growth across all the sectors that the group operates in. Mr. Gasan brings a distinct area of expertise in leading and developing various group interests in the property, building services solutions, automotive and insurance sectors.



ROBERT ROGERS
DIRECTOR

Robert Rogers has 35 years experience as a reinsurance underwriter and broker, latterly at Willis Towers Watson where he was Regional Director with particular responsibility for UK and Irish clients. Having advised insurance companies in many geographies and with very different business approaches, he brings a broad experience and understanding of the insurance industry, particularly focused on reinsurance, to the GasanMamo Insurance Board.



NICHOLAS BELL
DIRECTOR

Mr. Bell has a Masters degree in economics and an MBA from INSEAD. He has held a variety of senior roles within investment banking both in Europe and the US spanning fixed income, equities, venture capital and corporate finance. In recent years his focus has been on advising fast growing technology-enabled businesses within the consumer and financial service sectors.



VANESSA PORTELLI
COMPANY SECRETARY

Vanessa Portelli, a lawyer by profession joined GasanMamo Insurance as Legal Officer in 2002. She served as Board Secretary from 2005 and was appointed Company Secretary in 2008. In 2011, Dr Portelli was appointed Compliance Officer of the Company and in 2015 she joined the management team as General Manager responsible for Operations, Risk and Compliance.

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, RISK & COMPLIANCE



FRANCIS VALLETTA
GENERAL MANAGER
MOTOR

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 branches. 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.

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

- BRANCH OFFICES**

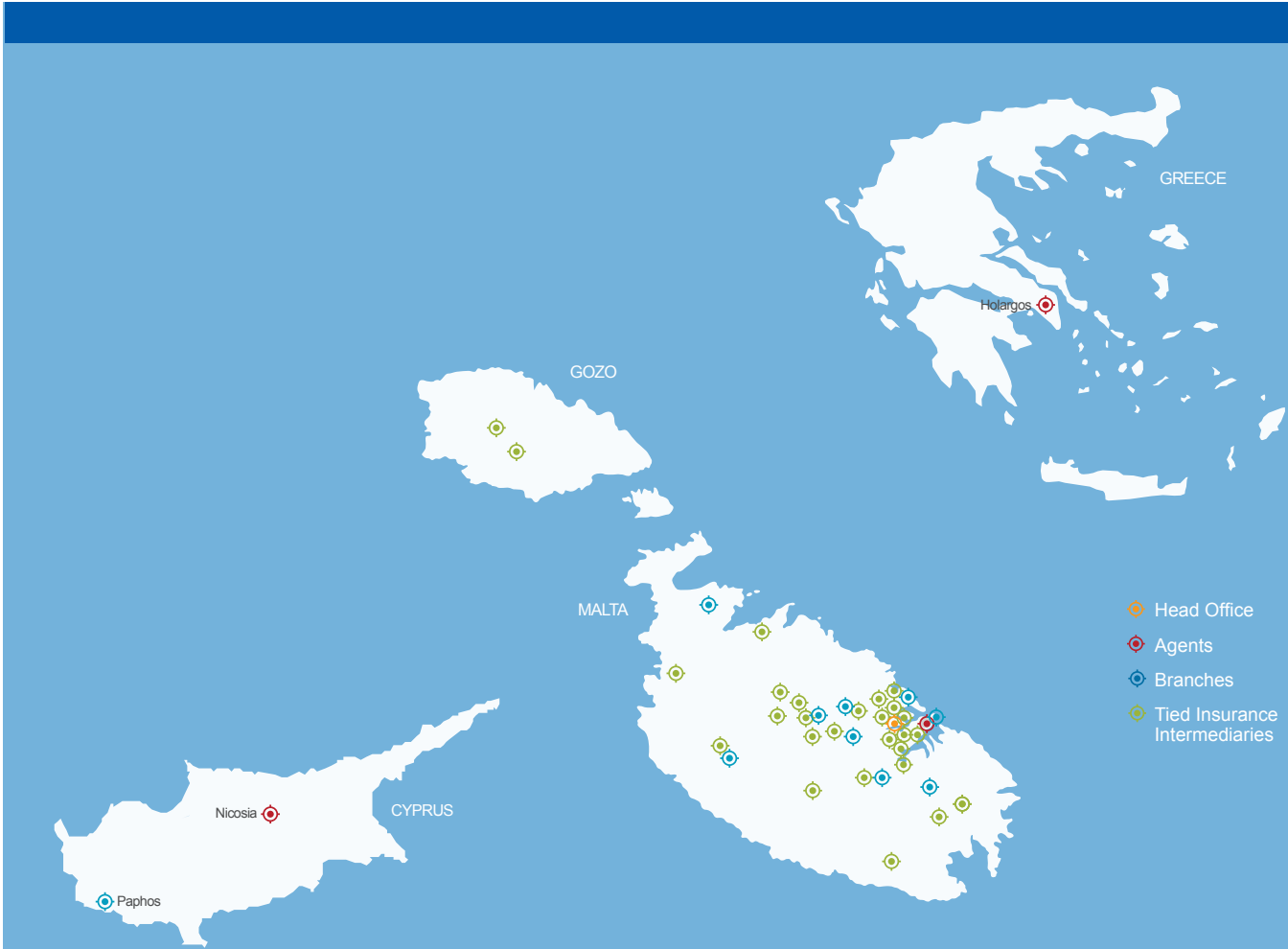
Birkirkara • Hal Qormi
Mellieħa • Mosta • Mrieħel
Paola • Rabat
Tas-Sliema • Valletta
- HEAD OFFICE**

Gżira, Msida Road
- AGENTS**

Thomas Smith Insurance Agency Limited
Malta

Prodromou & Makriyiannis Insurance
Underwriting Agents & Consultants Limited
Cyprus

ELPA Insurance Agents S.A.
Greece



GASANMAMO INSURANCE LIMITED

Annual Report and Financial Statements
31 December 2021

	Pages
Directors' report	1 - 8
Independent auditor's report	9 - 17
Statement of financial position	18
Statement of comprehensive income	
Technical account - General business	19
Non-technical account	20
Statement of other comprehensive income	20
Statement of changes in equity	21
Statement of cash flows	22
Notes to the financial statements	23 - 66

Directors' report

The directors present their report and the audited financial statements for the year ended 31 December 2021.

Principal activities

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

Review of the business

The year under review was particular, it was one where the world was grappling with the global pandemic. The strain on the economy was visible for all to see, yet countries and their citizens adapted to the new reality, finding ways to keep moving forward. The efficient rollout of the vaccine in most of the Western world brought the severity and consequences of becoming Covid positive down drastically, thus reducing the number of Covid related deaths. Economies have gradually opened up as they lift restrictions. The Maltese economy was supported to a considerable degree by government schemes aimed at averting mass closures and redundancies. To a large extent these programmes have been successful and the domestic economy has continued to perform albeit at a much calmer pace than in the years prior to the pandemic.

The Directors, Management and Staff have remained focussed to ensure the Company continues to deliver quality products and services effectively and efficiently. The customer centric energy within the company has resulted in a very solid performance in spite of the challenges and uncertainties that abound.

Gross written premium registered growth of 10.3% confirming strong customer retention and loyalty. In addition, there were pockets of opportunity for growth and the Company was able to capitalise on these.

Claims experience was also better than expected, particularly driven by the fact that the incidence of motor claims has taken longer than expected to get back up to the pre pandemic levels. Another important factor contributing to the improved technical result was the fact that there were less large claims and no significant weather related events resulting in an overall benign claims environment.

Investment returns were also strong during the period under review, as the recovery from the market lows of March and April 2020 persisted month on month all the way through to the end of Q3 2021 generating a return for the year of just under 6%.

Combined Operating Ratio (COR) for the year closed at 78.9% compared to a budget of 88.3% and 74.3% in 2020. By all accounts an excellent performance.

The solvency position remained strong with an SCR ratio of 227% and MCR ratio of 620%. The company is well placed to pursue its mission of achieving profitable growth in line with its strategy.

Risks and uncertainty

The uncertainty created by Covid-19 has given way to the new uncertainty caused by the Russian invasion of Ukraine. This is having a devastating effect on Ukraine and its people, but it is also causing major market uncertainty around the globe. Historically, similar geopolitical events have a temporary effect on markets, however, the extent and depth of this conflict is far from clear.

Therefore, the outbreak of war in Ukraine is a significant event that has impacted markets and may also result in further inflationary pressures which will directly impact economic performance. Notwithstanding, we are confident that all is in place to mitigate the impact of market volatility as well as drawing comfort from the strong financial position of the Company.

Directors' report – CONTINUED

Risks and uncertainty - CONTINUED

The main risk that affects an insurance 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 Board is confident that the reinsurance that is in place coupled with the experience in all areas of operation renders the risk manageable and in line with the risk appetite.

Covid-19

Underwriting

The impact of the global pandemic Covid-19 is well known and individuals, business and governments, not to mention health service providers have been navigating this challenging environment. The economic fallout has been severe and has not been fully played out. It is widely acknowledged that, thanks to the vaccines and boosters, there is an end in sight for the havoc that has been caused and the road to economic recovery has commenced. Insurance losses have been quantified and absorbed in respective balance sheets with the vast majority of the Covid-19 related claims having been settled. It is clear, that while Covid-19 is a significant CAT event from an insurance perspective, it is one that the insurance sector took in its stride.

Operational

Following an initial major adjustment, operations have settled with full services being offered to clients and claimants while at the same time benefiting from an element of increased flexibility with some staff able to work remotely as required. We are confident that service standards have been maintained and the Company remains well placed to meet obligations as well as stake opportunities for growth when they arise.

Economic

Following several years of economic growth up to 2019, it was expected that there will be an economic slowdown. This was precipitated by the economic impact of Covid-19. Market resilience as well as timely state driven economic interventions cushioned the downturn which was not as severe as it could have otherwise been. We are pleased to confirm that this did not result in a contraction of the business and in fact the Company caved out satisfactory growth.

Financial risk management

Information pertaining to the company's insurance and financial risk management is included in Notes 2.1 and 2.2 of these financial statements.

Events after reporting date

In 2022, the directors recommended the payment of a final net dividend of €2,000,000 which was paid in February 2022.

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 19 and 20. The interim net ordinary dividends of €3,500,000 (2020: €1,500,000) were declared and paid out in 2021.

Reserves

The directors propose that the balance of retained earnings amounting to €33,637,799 (2020: €28,575,143) be carried forward to the next financial year, and that a final dividend be paid in 2022 as described above.

External actuarial function holder

The company's external actuarial function holder is Mr Dimitris Dimitrou, fellow of the Institute of Actuaries, partner of Deloitte Actuarial Services Ltd (Cyprus).

Directors

Joseph A Gasan - *Chairman*
Albert P Mamo (retired on 31 March 2022)
Julian J Mamo - *Managing Director*
Mark Gasan
Baudouin Deschamps
Robert Rogers
Nicholas Bell
Mark Mamo (appointed on 31 March 2022)

As noted above, effective 31 March 2022, Albert P Mamo has retired as a non-executive director at the company, and Mark Mamo has been appointed as a director of the company in his stead.

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, (Cap. 386) to prepare financial statements which give a true and fair view of the state of affairs of the company as at the end of each reporting period and 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 the 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 controls as the directors determine 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 (Cap. 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 Gasamamo Insurance Limited for the year ended 31 December 2021 are included in the Annual Report 2021, which is published in hard copy printed form and may be made available on the Company's website. The directors are responsible for the maintenance and integrity of the Annual Report on the website in view of their responsibility for the controls over, and the security of the website. Access to information published on the company's website is available in other countries and jurisdictions where legislation governing the preparation and dissemination of financial statements may differ from requirements or practice in Malta.

Company Secretary

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

Auditors

Ernst & Young Malta Limited have indicated their willingness to continue in office and a resolution for their reappointment will be proposed.

Corporate Governance

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

Corporate Social Responsibility

The company acknowledges its responsibility as a corporate citizen and hence its obligations toward society at large. It complies 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 the 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 areas 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 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 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 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 - *Chairman*
Robert Rogers - *Director*
Nicholas Bell - *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. As at year end, the Investment Committee was made up of:

Joseph A Gasan - *Chairman*
Albert P Mamo
Julian J Mamo
Mark Gasan
Baudouin Deschamps
Robert Rogers
Nicholas Bell
Michael Farrugia
Vanessa Portelli - *Member & Secretary*

Property Investment Sub-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*

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 ensures that the company recognises legal and other obligations to all legitimate stakeholders.

Directors' report – CONTINUED

Governance, Risk and Compliance Committee - CONTINUED

Moreover the committee contributes in the formulation of the company's overall risk strategies and policies 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. As at year end, the Governance, Risk and Compliance Committee was made up of:

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

Product Oversight and Governance Sub-Committee

This sub-committee has been appointed by the Governance, Risk and Compliance Committee to execute the Product Oversight and Governance (POG) process of the Company in relation to products manufactured and distributed to ensure the on-going compliance with the requirements of the Conduct of Business Rulebook.

The sub-committee implements the product approval process as outlined in the Product Oversight and Governance Policy and shall ensure that there is a sound product governance for the protection of consumers. The Committee is made up of:

Vanessa Portelli – *Chairman*
Marcon Agius
Donna Micallef Briggs
Steve Mizzi
Shawn O'Dea
Petra Satariano
Olivia Sciberras

Remuneration Committee

This 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 the meetings as required. Meetings are held at least annually and are minuted. As at year end, the Remuneration Committee was made up of:

Albert P Mamo - *Chairman*
Joseph A Gasan
Robert Rogers
Mark Gasan

Directors' report - CONTINUED

Other Committees

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. This Committee's 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. The Health & Safety Committee is made up of:

Vanessa Portelli - *Chairperson*
Mario Farrugia
Marcel Bonaci
Petra Satariano - *Staff Representative*
Kurt Caruana - *Staff Representative*
Annabelle Vassallo – *Staff Representative*
Maria Grech Gerada – *Member & Secretary*

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 debtors and any related action required, legal or otherwise, and recommends any required bad debt write-offs. The company recognises 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
Sandra Micallef
Mary Grace Tibay – *Member & Secretary*

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
Gasamamo Insurance Limited
Msida Road
Gzira GZR 1405
Malta

4 April 2022

INDEPENDENT AUDITOR'S REPORT

to the Shareholders of GasanMamo Insurance Limited - continued

Report on the audit of the financial statements - continued

Key audit matters incorporating the most significant risks of material misstatements, including assessed risk of material misstatements due to fraud

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

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Estimation of the ultimate liability arising from claims made under insurance contracts

The Company's ultimate liability arising from claims made under insurance contracts comprises claims reported and loss adjustment expenses, as well as claims incurred but not reported ('IBNR'), on the insurance contracts underwritten, as described and disclosed in Notes 2.1, 3 and 13 to the financial statements, and represents 44% of the total liabilities as of 31 December 2021.

The liability for claims reported is calculated using the input of assessments for individual cases reported to the Company. Such assessment is based on past experience, medical assessments, legal precedent and current trends in compensation awards. Where applicable, deductions are made for estimated subrogation, salvage or other recoveries.

This is supplemented with the IBNR provision, which is calculated using statistical analysis, based on the delay method, whereby the expected number of claims that will be reported late are projected and multiplied by the average cost of claim.

The estimation of the ultimate liability arising from claims made under insurance contracts involves significant judgement, given the sources of uncertainty in the estimation of future claims payments, and the ultimate liability may vary as a result of subsequent claim developments.

Due to the significance of the balances and the judgement involved in the estimation of these liabilities, we have considered the estimation of the ultimate liability arising from claims made under insurance contracts as a key audit matter.

INDEPENDENT AUDITOR'S REPORT

to the Shareholders of GasanMamo Insurance Limited

Report on the audit of the financial statements

Opinion

We have audited the financial statements of GasanMamo Insurance Limited (the "Company") set on pages 18 to 66, which comprise the Statement of Financial Position as at 31 December 2021, and the Statement of Comprehensive Income, the Statement of Changes in Equity and the Statement of Cash Flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2021, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS"), the Companies Act, Cap. 386 of the Laws of Malta (the "Companies Act"), and the Insurance Business Act, Cap. 403 of the Laws of Malta (the "Insurance Business Act").

Basis for opinion

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

INDEPENDENT AUDITOR'S REPORT

to the Shareholders of GasanMamo Insurance Limited - continued

Report on the audit of the financial statements - continued

Key audit matters incorporating the most significant risks of material misstatements, including assessed risk of material misstatements due to fraud - continued

Estimation of the ultimate liability arising from claims made under insurance contracts - continued

Our audit procedures over the liability for claims reported and loss adjustment expenses included amongst others:

- Evaluating the design and implementation of key controls over the estimation process by inquiring with the process owners and reviewing process documents;
- Reconciling the individual claims reported outstanding as per claims register to the amounts disclosed in the financial statements;
- Based on the claims incurred run-off analysis and any material outstanding claims provision, testing on a sample basis the movement in claims for the year to supporting documentation, including reports and correspondence from the loss adjustors; and
- Assessing for reasonableness the Company's estimated allowance for subrogation, salvage or other recoveries using statistical techniques and by analysing claims developments after year end.

Our audit procedures over the liability for claims IBNR included the following:

- Evaluating the design of key controls over the estimation process by inquiring with the process owners and reviewing process documents, including the Company's actuarial review of reserves prepared by the Company's actuarial function holder;
- Testing the adequacy of the Company's liability for IBNR by involving our actuarial specialist team to assist us in evaluating the appropriateness of the reserving methodology, models and key assumptions applied by the Company;
- Performing our own independent IBNR projections on a sample basis using statistical analyses, taking into consideration past experience and likely trends, and inspecting claims registers after year end, and comparing the results to management's estimates; and
- Evaluating the requirement for an unexpired risk reserve by analysing the effect of the combined loss ratio encompassing the claims incurred ratio and the expense (commission) on premiums written but expected to be earned subsequent to the financial year ended 31 December 2021.

INDEPENDENT AUDITOR'S REPORT

to the Shareholders of GasanMamo Insurance Limited - continued

Report on the audit of the financial statements - continued

Key audit matters incorporating the most significant risks of material misstatements, including assessed risk of material misstatements due to fraud - continued

Estimation of the ultimate liability arising from claims made under insurance contracts - continued

We have also assessed the relevance and adequacy of disclosures relating to the Company's ultimate liability arising from claims made under insurance contracts presented in Notes 2.1, 3 and 13 to the financial statements.

Other information

The Directors are responsible for the other information.

The other information comprises the Directors' Report which we obtained up to the date of this auditor's report; and the Chairman's Statement, the Managing Director's Report and other related information which are expected to be made available to us after the date of this audit report. However, the other information does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon other than our reporting on other legal and regulatory requirements.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

INDEPENDENT AUDITOR'S REPORT

to the Shareholders GasanMamo Insurance Limited - continued

Report on the audit of the financial statements - continued

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

The Directors are responsible for the preparation and fair presentation of the financial statements in accordance with IFRS and the requirements of the Companies Act and the Insurance Business Act 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.

INDEPENDENT AUDITOR'S REPORT

to the Shareholders of GasanMamo Insurance Limited - continued

Report on the audit of the financial statements - continued

Auditor's responsibilities for the audit of the financial statements - continued

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

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors;
- conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

INDEPENDENT AUDITOR'S REPORT

to the Shareholders of GasanMamo Insurance Limited - continued

Report on the audit of the financial statements - continued

Auditor's responsibilities for the audit of the financial statements - continued

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

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

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

INDEPENDENT AUDITOR'S REPORT

to the Shareholders of GasanMamo Insurance Limited - continued

Report on other legal and regulatory requirements

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

Directors' Report

We are required to express an opinion as to whether the Directors' Report has been prepared in accordance with the applicable legal requirements. In our opinion the Directors' Report has been prepared in accordance with the Companies Act.

In addition, in the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we are required to report if we have identified material misstatements in the Directors' Report. We have not nothing to report in this regard.

Other requirements

We also have responsibilities under the Companies Act to report if in our opinion:

- proper accounting records have not been kept;
- the financial statements are not in agreement with the accounting records;
- we have not received all the information and explanations we require for our audit.

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

Appointment

We were appointed as the statutory auditor by the Directors of the Company on 11 October 2021. This is the first year of our appointment.

Consistency with the additional report to the audit committee

Our audit opinion on the financial statements expressed herein is consistent with the additional report to the audit committee of the Company, which was issued on the same date as this report.

INDEPENDENT AUDITOR'S REPORT

to the Shareholders of GasanMamo Insurance Limited - continued

Report on other legal and regulatory requirements - continued

Matters on which we are required to report by the Companies Act - continued

Non-audit services

No prohibited non-audit services referred to in Article 18A(1) of the Accountancy Profession Act, Cap. 281 of the Laws of Malta were provided by us to the Company and we remain independent of the Company as described in the *Basis for opinion* section of our report.

No other services, besides statutory audit services and services disclosed in the annual report and in the financial statements, were provided by us to the Company and its controlled undertakings.



The partner in charge of the audit resulting in this independent auditor's report is
Frank Cassar for and on behalf of

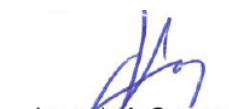
Ernst & Young Malta Limited
Certified Public Accountants
4 April 2022

Statement of financial position

		As at 31 December	
	Notes	2021 €	2020 €
ASSETS			
Property, plant and equipment:			
- land and buildings	4	4,898,239	5,324,060
- plant and equipment	4	366,458	429,636
Right of use assets	25	686,275	742,276
Investment property	5	11,017,860	10,751,149
Other assets	8	2,970,132	2,970,132
Investments	6	58,274,649	45,010,059
Reinsurers' share of technical provisions	13	11,344,158	13,228,827
Deferred acquisition costs	7	4,599,300	4,230,173
Receivables:			
- receivables arising from direct insurance operations	8	7,937,246	7,238,080
- other receivables	8	325,573	292,142
- prepayments and accrued income	8	520,426	428,065
Cash and cash equivalents	10	12,204,101	14,045,007
Total assets		115,144,417	104,689,606
EQUITY			
Capital and reserves			
Share capital	11	12,000,000	12,000,000
Retained earnings	12	33,637,799	28,575,143
Revaluation reserve	26	2,511,486	2,554,226
Total equity		48,149,285	43,129,369
LIABILITIES			
Technical provisions	13	56,487,454	52,898,927
Payables:			
- payables arising out of direct insurance operations	14	2,363,320	1,345,059
- other payables	14	1,427,411	1,413,929
- accruals and deferred income	14	1,980,996	2,473,578
Lease liability	25	716,642	756,057
Current taxation		1,511,713	1,135,042
Deferred taxation	9	2,507,596	1,537,645
Total liabilities		66,995,132	61,560,237
Total equity and liabilities		115,144,417	104,689,606

The notes on pages 23 to 66 are an integral part of these financial statements.

The financial statements on pages 18 to 66 were authorised by the Board on 4 April 2022 and were signed on its behalf by:



Joseph A Gasan
Chairman



Julian J Mamo
Director

**Statement of comprehensive income
Technical account - General business**

		Year ended 31 December	
	Notes	2021 €	2020 €
Earned premiums, net of reinsurance			
Gross premiums written		58,205,528	52,783,783
Outward reinsurance premiums		(11,625,348)	(8,306,710)
Net premiums written		46,580,180	44,477,073
Change in the net provision for unearned premiums	13	(1,388,789)	(647,174)
Earned premiums, net of reinsurance		45,191,391	43,829,899
Allocated investment return / (charge) transferred from the non-technical account	16	1,876,030	(16,617)
Total technical income		47,067,421	43,813,282
Claims incurred, net of reinsurance			
Claims paid			
- gross amount		22,553,169	23,290,556
- reinsurers' share	13	(5,088,017)	(3,099,873)
		17,465,152	20,190,683
Change in the provision for claims			
- gross amount	13	1,718,037	5,741,466
- reinsurers' share	13	2,366,368	(7,598,642)
		4,084,405	(1,857,176)
Claims incurred, net of reinsurance		21,549,557	18,333,507
Net operating expenses	15,17	13,509,483	13,654,846
Total technical charges		35,059,040	31,988,353
Balance on the technical account - general business		12,008,381	11,824,929

**Statement of comprehensive income
Non-technical account**

		Year ended 31 December	
	Notes	2021 €	2020 €
Balance on technical account - general business (page 19)		12,008,381	11,824,929
Investment income	16	3,489,570	386,519
Investment expenses and charges	16	(265,920)	(243,676)
Allocated investment (return) / charge transferred to the general business technical account	16	(1,876,030)	16,617
Other income		983,984	788,567
Administration expenses	17	(600,949)	(586,736)
Profit before income tax		13,739,036	12,186,220
Tax expense	19	(5,234,910)	(4,452,597)
Profit for the year		8,504,126	7,733,623
Earnings per share	21	0.71	0.64

Statement of other comprehensive income

		Year ended 31 December	
	Notes	2021 €	2020 €
Profit for the year		8,504,126	7,733,623
Other comprehensive income: items that will not be reclassified to profit or loss			
Movement in deferred tax relating to land and buildings upon disposal of property	9, 26	15,790	-
Total other comprehensive income, net of tax		15,790	7,733,623
Total comprehensive income for the year		8,519,916	7,733,623

The notes on pages 23 to 66 are an integral part of these financial statements.

Statement of changes in equity

	Notes	Share capital €	Retained earnings €	Revaluation reserve €	Total €
Balance at 1 January 2020		12,000,000	22,341,520	2,554,226	36,895,746
Comprehensive income					
Profit for the year - total comprehensive income		-	7,733,623	-	7,733,623
Total comprehensive income for the year		-	7,733,623	-	7,733,623
Transactions with owners					
Dividends - total transactions with owners	22	-	(1,500,000)	-	(1,500,000)
Balance at 31 December 2020		12,000,000	28,575,143	2,554,226	43,129,369
Balance at 1 January 2021		12,000,000	28,575,143	2,554,226	43,129,369
Comprehensive income					
Profit for the year - total comprehensive income		-	8,504,126	-	8,504,126
Other comprehensive income					
Transfer of revaluation surplus to retained earnings upon disposal of property		-	58,530	(58,530)	-
Movement in deferred tax relating to land and buildings upon disposal of property		-	-	15,790	15,790
Total comprehensive income for the year		-	8,562,656	(42,740)	8,519,916
Transactions with owners					
Dividends - total transactions with owners	22	-	(3,500,000)	-	(3,500,000)
Balance at 31 December 2021		12,000,000	33,637,799	2,511,486	48,149,285

The notes on pages 23 to 66 are an integral part of these financial statements.

Statement of cash flows

	Notes	Year ended 31 December	
		2021 €	2020 €
Cash flows from operating activities			
Cash generated from operations	23	15,414,231	11,364,698
Dividends received	16	363,738	178,754
Interest received	16	470,883	474,497
Rental income	16	334,050	318,775
Tax paid		(3,808,720)	(3,005,028)
Net cash generated from operating activities		12,774,182	9,331,696
Cash flows from investing activities			
Investment in an associate	6	(1,650,000)	(35,000)
Purchase of property, plant and equipment	4	(185,450)	(85,781)
Proceeds from disposal of property, plant and equipment		137,490	4,000
Purchase of investment property	5	(38,321)	(32,181)
Payment of commitment in relation to other assets	8	-	(14,208)
Purchase of investments - fair value through profit or loss	6	(21,097,073)	(24,382,808)
Disposal of investments - fair value through profit or loss (Placement) / Withdrawal of deposits with banks or financial institutions	6	13,679,092	18,263,766
Net cash used in investing activities		(1,799,000)	307,899
Cash flows from financing activities			
Lease payments	25	(161,826)	(163,462)
Dividends paid	22	(3,500,000)	(1,500,000)
Net cash used in financing activities		(3,661,826)	(1,663,462)
Net movement in cash and cash equivalents		(1,840,906)	1,693,921
Cash and cash equivalents at beginning of year		14,045,007	12,351,086
Cash and cash equivalents at end of year	10	12,204,101	14,045,007

The notes on pages 23 to 66 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 Companies Act, (Cap. 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), land and buildings 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.

Other standards, interpretations and amendments to published standards effective in 2021

In 2021, the company adopted new standards, amendments and interpretations to existing standards that are mandatory for the Company's accounting period beginning on 1 January 2021. 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 and financial statements.

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 on or after 1 January 2022. 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 there are no requirements that will have a possible significant impact on the company's financial statements in the period of initial application, other than as described below.

IFRS 17 was issued in May 2017 and sets out the requirements that an entity should apply in accounting for insurance contracts it issues and reinsurance contracts it holds. IFRS 17 had an effective date of 1 January 2021, delayed to 1 January 2022 on 14 November 2018. On 17 March 2020, the IASB took the decision to defer IFRS 17 implementation by a year, with a new effective date of 1 January 2023.

In 2020, the company carried out a gap analysis to determine the tasks necessary for a smooth implementation of IFRS 17. Pursuant to an industry-wide thematic review carried out by the Malta Financial Services Authority, the company had also prepared an impact assessment based on the latest available financial statements at that point, comparing the financial results under the present accounting framework with the financial results had IFRS 17 been effective. The impact

1. Summary of significant accounting policies - continued

1.1 Basis of preparation - continued

assessment also considered the effect that IFRS 17 will have on current business practices, such as risk management, pricing and purchase of reinsurance. The impact assessment has not been audited by the external auditors of the company. Following the gap analysis and the impact assessment, the Company started addressing any identified gaps. The company has continued its IFRS 17 implementation in 2021 and expects this to continue in the coming financial period as the effective date is 1 January 2023. The statement of comprehensive income, as well as total equity are not expected to be impacted substantially by the application of IFRS 17.

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 (except for land and buildings) are recorded at historical cost less depreciation and accumulated impairment losses (if any). Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Starting 31 December 2019, the company's land and buildings held for own use are carried at revalued amount. The revalued amount is the fair value of the assets at the date of the revaluation less any subsequent accumulated depreciation and accumulated impairment losses. Increases in the carrying amounts arising on revaluation of land and buildings are recognised, net of tax, in other comprehensive income and accumulated in 'Revaluation reserve' in shareholders' equity. To the extent that the increase reverses a decrease previously recognised in profit or loss, the increase is first recognised in profit or loss. Decreases that reverse previous increases of the same asset are first recognised in other comprehensive income to the extent of the remaining surplus attributable to the asset; all other decreases are charged to profit or loss.

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
Leasehold improvements, 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. The asset's recoverable amount is the higher between its fair value less cost to sell and value-in-use.

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. Summary of significant accounting policies – continued

1.5 Financial assets

Classification

The company classifies its financial assets as “financial assets at fair value through profit or loss” and “financial assets at amortised cost”. The classification depends on the company's business model for managing the financial assets and the contractual terms of the cash flows. Management determines the classification of the company's financial assets at initial recognition.

The company reclassifies these debt instruments when and only when its business model for managing those assets changes.

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

The company classifies the following financial assets at fair value through profit or loss:

- Debt instruments that do not qualify for measurement at either amortised cost or at FVOCI (i.e., financial assets mandatorily required to be measured at fair value),
- Equity investments that are held for trading (i.e., financial assets mandatorily required to be measured at fair value), and
- Equity investments for which the company has not elected to recognise the fair value gains and losses through other comprehensive income.

Financial assets in this category are considered as current assets if expected to be settled within twelve months; otherwise, they are considered as non-current. The company's financial assets at fair value through profit or loss include debt and equity securities (Note 6).

Financial assets at fair value through profit or loss include financial assets managed on a fair value basis. Derivatives are also categorised as held for trading unless they are designated as hedges. A financial asset is classified in this category on initial recognition if, as a company's business model, it is part of a portfolio of identified financial instruments that are managed together in the above manner.

(b) Financial assets at amortised cost

The company classifies its financial assets at amortised cost only if both of the following criteria are met:

- The asset is held within a business model whose objective is to collect the contractual cash flows, and
- The contractual terms give rise to cash flows that are solely payments of principal and interest.

Financial assets in this category are considered as current assets if expected to be settled within twelve months or within normal operating cycle; otherwise, they are considered as non-current.

The company's deposits with banks or financial institutions, receivable from group undertakings, other receivables and accrued income on financial assets at amortised cost in the statement of financial position are classified under this category (Notes 6, 8 and 10).

1. Summary of significant accounting policies - continued

1.5 Financial assets - continued

Recognition and measurement

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. Financial assets at amortised cost 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 its 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.

1.6 Associated companies and joint ventures

Joint ventures are entities over which the company has joint control and associates are entities over which the company has significant influence 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

1. Summary of significant accounting policies - continued

1.6 Associated companies and joint ventures - continued

(ii) Equity method - continued

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.

1.7 Impairment of assets

Accounting policies on financial assets within scope of IFRS 9

The company assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. The company measures loss allowances at an amount equal to lifetime expected credit losses, except for the following, which are measured at 12-month expected credit losses (i.e., resulting from default events that are possible within 12 months after the reporting date or a shorter period if the expected life of the instrument is less than 12 months):

- Debt instruments that are determined to have low credit risk at the reporting date; and
- Debt instruments for which credit risk (i.e., the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

The company considers a debt instrument to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade' (i.e., typically at least 'BBB-' rating by S&P's or equivalent rating issued by other institutions).

Any impairment is recognised directly in statement of comprehensive income. If in a subsequent period, the amount of expected credit loss decreased, the previously recognised loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in statement of comprehensive income.

The company's financial assets mainly pertain to cash and cash equivalents. While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified expected credit loss was immaterial.

1. Summary of significant accounting policies - continued

1.7 Impairment of assets - continued

Accounting policies on assets within scope of IFRS 4

The company assesses at the end of each reporting period whether there is objective evidence that an asset or group of assets is impaired. An asset or group of 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 asset or group of assets that can be reliably estimated.

Objective evidence that an 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;
- (iv) observable data indicating that there is a measurable decrease in the estimated future cash flow from a group of assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual assets in the group.

The company first assesses whether objective evidence of impairment exists individually for assets that are individually significant. If the company determines that no objective evidence of impairment exists for an individually assessed asset, whether significant or not, it includes the asset in a group of 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 assets, the amount of the loss is measured as the difference between the asset's carrying amount and the recoverable value. 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.

1.8 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.

1. Summary of significant accounting policies - continued

1.8 Current and deferred tax - continued

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

1.9 Cash and cash equivalents

Cash and cash equivalents includes cash in hand and deposits held at call with banks.

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.
- (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.

1. Summary of significant accounting policies - continued

1.11 Insurance contracts - classification - continued

- (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.

The above method of provisioning satisfies the minimum liability adequacy required by IFRS 4.

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.

Receivables and payables related to insurance contracts

Receivables and payables are recognised when due. These include amounts due to and from reinsurers, 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 classified as loans and receivables. 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 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. Summary of significant accounting policies - continued

1.13 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.

1.14 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). The Company did not have hedging activities in 2021 (no material hedging activities in 2020).

1.15 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.

1.16 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.

1.17 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. Summary of significant accounting policies - continued

1.18 Leases

Company as a lessee

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the company. Assets and liabilities arising from a lease are initially measured on a present value basis.

Lease liabilities include the net present value of lease payments which include, among other, fixed payments and payments of penalties for terminating the lease, if the lease term reflects the company exercising that option. Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the company, the lessee's incremental borrowing rate is used, being the rate that the company would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the company uses as a starting point third-party financing rate applicable had the company received financing and makes adjustments specific to the lease such as the lease term.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the amount of the initial measurement of lease liability, any lease payments made at or before the commencement date less any lease incentives received (if any), any initial direct costs and restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the company is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life. Right-of-use assets are depreciated over terms ranging from 3 to 16 years.

While the company revalues its land and buildings that are presented within property, plant and equipment, it has chosen not to do so for the right-of-use buildings held by the company.

Company as a lessor

The company has entered into property leases on its investment properties. The company has determined, based on an evaluation of the terms and conditions of the arrangements, such as the lease term not constituting a major part of the economic life of the property and the present value of the minimum lease payments not amounting to substantially all of the fair value of the property, that it retains substantially all the risks and rewards incidental to ownership of this property and accounts for the contracts as operating leases.

1. Summary of significant accounting policies - continued

1.19 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 certain months of the year. 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 mainly of a variety of non-proportional programs, with deductibles that are commensurate with the company's financial standing. In certain specific cases, proportional protection is purchased, especially in the case of new areas/ lines of business. This is done to afford increased protection against volatility which can occur in such cases. 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, oversee and/or 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 two overseas agents, all 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 80% (2020: 82%) of its premium income from risks written in Malta whilst the other 20% (2020: 18%) is derived from risks written in Cyprus, France and Greece.

Property risks underwritten by the company are mainly geographically situated on the Maltese Islands with some exposure in Cyprus, and limited exposure in Greece and France. 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.

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 longer period and in addition to case estimates, an element of claims provision at year-end 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 in overall terms proven to be sufficient to meet the ultimate cost. In calculating the estimated cost of notified but unpaid claims, the company's estimation techniques include 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 coupled with an estimation of claims recoveries and IBNR. The company's independent actuarial function holder periodically reviews the estimation methodology and reports his observations to management.

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 delay method was applied, whereby the expected number of claims that will be reported late were projected and multiplied by the average cost of claim. 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.

The underwriting exposure to the company emanating from Covid-19 has been material. This is due to the business interruption covers that were in place. Exposure is predominantly in respect of policies covering the hospitality trade. The directors believe that the company is in a good position to meet all its obligations due to the strong balance sheet position and solvency cover that it had coming into this situation and the strength of the reinsurance programme that is in place.

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 and 10 incorporate interest rate and maturity information with respect to the company's assets and liabilities.

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

	2021 €	2020 €
Assets at floating interest rates (Notes 6 and 10)	12,361,481	13,715,739
Assets at fixed interest rates (Note 6)	28,014,557	25,528,955
	40,376,038	39,244,694

2. Management of insurance and financial risk - continued

2.2 Financial risk management - continued

(a) Market risk - continued

(i) Interest rate risk - continued

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 2021 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 pre-tax profit for the year would have been €719,262 (2020: €830,871) higher. An increase of 50 basis points, with all other variables held constant, would have resulted in pre-tax profit being €691,407 (2020: €794,571) lower. The Company's financial instruments subject to cash flow interest rate risk are short-term in nature and accordingly the level of interest rate risk is contained.

(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.

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 the ability to meet claim liabilities.

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

	2021 €	2020 €
Assets subject to equity price risk (Note 6)	26,282,652	16,875,391

2. Management of insurance and financial risk - continued

2.2 Financial risk management - continued

(a) Market risk - continued

(ii) Price risk - continued

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 these changes are caused by factors specific to the individual equity issuer, or factors affecting all similar equity securities traded in the market. The sensitivity for equity price risk is derived based on global equity returns, assuming that currency exposures are hedged.

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 €2,628,265 (2020: €1,687,539).

(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 2021, the company's exposure to foreign currency investments, principally comprising a mix of US Dollar and UK Pound, represented 10% of the company's total investments (2020: 8%). The directors do not consider the company's exposure to exchange risk to be significant.

(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. Intercompany/related party borrowings
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. Normal credit terms provided by the Company range from 1 to 3 months. Credit risk with respect to debts is limited due to the large number of customers comprising the company's debtor base.

2. Management of insurance and financial risk - continued

2.2 Financial risk management - continued

(b) Credit risk - continued

For the first two categories the company manages its credit risks through the work of its Debtors Review Committee. This committee meets on a regular basis and ensures that credit is controlled within pre-agreed timed payment schedules on a case-by-case basis. The company experiences an insignificant level of bad debts.

In view of the nature of the company's activities, its receivables include 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 on 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 in the following tables. Deposits with banks or financial institutions, and cash and cash equivalents classified as unrated are held with reputable local banks or an unrated local subsidiary of a financial institution with a credit rating of A. At 31 December 2021 and 2020, significantly all of the company's receivables classified as unrated were not past due or impaired.

As at 31 December 2021						
	AAA to AA- €	A+ to A- €	B to BB- €	BBB+ to BBB- €	Unrated €	Total €
Investments						
Fair value through profit or loss	1,323,182	7,658,623	1,729,208	11,995,347	1,666,172	24,372,531
Loan to group undertaking	-	-	-	-	1,000,000	1,000,000
Deposits with banks or financial institutions	-	-	-	-	4,999,000	4,999,000
	1,323,182	7,658,623	1,729,208	11,995,347	7,665,172	30,371,531
Loans and receivables						
Receivables and accrued income	-	-	-	-	8,537,968	8,537,968
Cash and cash equivalents	-	5,548	1,411,650	4,534,128	6,252,775	12,204,101
	-	5,548	1,411,650	4,534,128	14,790,743	20,742,069
Total	1,323,182	7,664,171	3,140,858	16,529,475	22,455,915	51,113,600
Reinsurers' share of technical provisions						9,343,072
Total assets bearing credit risk						60,456,672

2. Management of insurance and financial risk - continued

2.2 Financial risk management - continued

(b) Credit risk - continued

As at 31 December 2020						
	AAA to AA- €	A+ to A- €	B to BB- €	BBB+ to BBB- €	Unrated €	Total €
Investments						
Fair value through profit or loss	1,358,396	7,748,513	1,117,406	12,040,007	1,403,208	23,667,530
Deposits with banks or financial institutions	-	-	-	200,000	4,000,000	4,200,000
	1,358,396	7,748,513	1,117,406	12,240,007	5,403,208	27,867,530
Loans and receivables						
Receivables and accrued income	-	-	-	-	7,783,054	7,783,054
Cash and cash equivalents	-	4,791	949,325	7,498,577	5,592,314	14,045,007
	-	4,791	949,325	7,498,577	13,375,368	21,828,061
Total	1,358,396	7,753,304	2,066,731	19,738,584	18,778,576	49,695,591
Reinsurers' share of technical provisions						11,709,441
Total assets bearing credit risk						61,405,032

(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 reputable 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 and other 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 2021		Contracted undiscounted cash outflows				
		Less than one year €	Between one and two years €	Between two and five years €	Over five years €	Total €
Trade and other payables		3,790,731	-	-	-	3,790,731
Accruals and deferred income		1,980,996	-	-	-	1,980,996
		5,771,727	-	-	-	5,771,727
		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 and IBNR		14,075,512	2,653,249	4,111,888	8,943,690	29,784,339
As at 31 December 2020		Contracted undiscounted cash outflows				
		Less than one year €	Between one and two years €	Between two and five years €	Over five years €	Total €
Trade and other payables		2,758,988	-	-	-	2,758,988
Accruals and deferred income		2,473,578	-	-	-	2,473,578
		5,232,566	-	-	-	5,232,566
		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 and IBNR		15,310,916	2,443,012	3,746,345	6,566,028	28,066,301

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.

The Company is 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 2021, the Company's eligible own funds amounting to €46.2 million (2020: €41.9 million) 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. At 31 December 2021 and 2020, 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.

	2021 €	2020 €
Assets		
Financial assets at fair value through profit or loss:		
Investments - Level 1	49,564,491	40,476,194
Investments - Level 3	1,090,692	66,727

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.

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 2020					
Cost	6,383,816	1,774,668	3,163,540	627,629	11,949,653
Accumulated depreciation	(724,311)	(1,615,474)	(2,858,065)	(490,301)	(5,688,151)
Net book amount	5,659,505	159,194	305,475	137,328	6,261,502
Year ended 31 December 2020					
Opening net book amount	5,659,505	159,194	305,475	137,328	6,261,502
Additions	14,716	27,238	26,742	17,085	85,781
Disposals	-	(36,636)	-	(17,975)	(54,611)
Transfers (Note 5)	(275,000)	-	-	-	(275,000)
Depreciation charge	(75,161)	(45,301)	(139,881)	(56,833)	(317,176)
Depreciation released on disposals	-	35,225	-	17,975	53,200
Closing net book amount	5,324,060	139,720	192,336	97,580	5,753,696
At 31 December 2020					
Revalued amount / cost	6,123,532	1,765,270	3,190,282	626,739	11,705,823
Accumulated depreciation	(799,471)	(1,625,550)	(2,997,947)	(529,159)	(5,952,127)
Net book amount	5,324,060	139,720	192,336	97,580	5,753,696
Year ended 31 December 2021					
Opening net book amount	5,324,060	139,720	192,336	97,580	5,753,696
Additions	-	43,674	34,833	106,943	185,450
Disposals	(125,000)	(95,051)	-	(123,056)	(343,107)
Transfers (Note 5)	(235,000)	-	-	-	(235,000)
Depreciation charge	(70,917)	(33,547)	(119,699)	(72,322)	(296,485)
Depreciation released on disposals	1,718	71,991	-	123,056	196,765
Depreciation released on transfer (Note 5)	3,378	-	-	-	3,378
Closing net book amount	4,898,239	126,787	107,470	132,201	5,264,697
At 31 December 2021					
Revalued amount / cost	5,763,532	1,713,893	3,225,116	610,626	11,313,167
Accumulated depreciation	(865,293)	(1,587,106)	(3,117,646)	(478,425)	(6,048,470)
Net book amount	4,898,239	126,787	107,470	132,201	5,264,697

The above assets are considered non-current in nature.

4. Property, plant and equipment - continued

Land and buildings

Land and buildings for own use were revalued in December 2019 based on professional independent valuations, but valuations were deemed to have remained unchanged when compared to the valuations in the year ended 31 December 2021 and 2020.

Fair valuation adjustments from the net book value of land and buildings is adjusted to revaluation reserve, net of consequential deferred tax impact (Note 26).

The company is required to disclose fair values by level of the fair value measurement hierarchy. The recurring property fair value measurements at 31 December 2021 and at 31 December 2020 use significant unobservable inputs and is accordingly categorised within Level 3 of the fair valuation hierarchy.

There were neither revaluation increase / decrease nor impairment during the year ended 31 December 2021. Had the cost model been used, the carrying amount as at 31 December would have been as follows:

	2021 €	2020 €
Historical cost	3,574,468	4,149,339
Accumulated depreciation	(1,622,790)	(1,715,273)
	1,951,678	2,434,066

Valuation processes, valuation techniques and information about fair value measurements using significant unobservable inputs (Level 3)

The Company's policy is to value property on periodic valuation by the directors after seeking professional advice from independent professionally qualified valuers who hold a recognised relevant professional qualification and have the necessary experience in the location and segments of the property being valued. Since external valuations are carried out in accordance with this policy, the valuer reports directly to the board of directors and discussions on the valuation techniques and its results, including an evaluation of the inputs to the valuation, are held between these parties.

The valuation was determined using the sales comparison approach. Properties valued using this approach take into consideration comparable properties in proximity. These values are adjusted for differences in key attributes such as property size and quality of interior fittings. The most significant input into this valuation is price per square metre. The average price per square metre as at December 2021 was circa €1,839 (2020: €1,797) in the case of properties used in operations. An increase in the adjusted sales price per square metre would result in a higher value.

5. Investment property

	2021 €	2020 €
Year ended 31 December		
At beginning of year	10,751,149	10,551,308
Transfers (Note 4)	231,622	275,000
Additions	38,321	32,181
Fair value loss on revaluation (Note 16)	(3,232)	(107,340)
At end of year	11,017,860	10,751,149
At 31 December		
Cost	9,273,946	8,838,772

The above assets are considered non-current in nature. As at 31 December 2021, the fair value of investment property available for rent and for capital appreciation totalled €9,925,657 (2020: €9,659,645) and €1,092,203 (2020: €1,091,504), respectively.

In 2021, property with a carrying amount of €235,000, was reclassified under Investment Property due to a change in use. The property was previously classified as Property, Plant and Equipment (Note 4).

An internal valuation of the company's investment property was performed to determine the fair value as at 31 December 2021. The directors are of the opinion that the carrying amount of the investment property as at 31 December 2021 is not materially different from its fair value. The company is required to disclose fair values by level of the fair value measurement hierarchy as described in note 2.4.

The company's recurring fair value measurements of investment property are categorised as Level 3 as they are based on significant unobservable inputs.

The fair value movement is accounted for in the statement of comprehensive income.

Valuation processes

The valuations of the properties are performed annually by the directors on the basis of information such as current rents, terms and conditions of lease agreements, capital expenditure, etc. The information used to value the properties and the valuation models used - 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.

5. Investment property - continued

Valuation technique

The valuation was determined by capitalising future net income streams based on significant unobservable inputs. These inputs include:

Future rental cash inflows	based on the actual location, type and quality of the properties and supported by the terms of any existing lease, other contracts or external evidence such as current market rents for similar properties;
Capitalisation rates	based on actual location, size and quality of the properties and taking into account market data at the valuation date.

The company also makes reference to professional independent valuations based on the market comparable approach, that reflects recent transaction prices for similar properties, as necessary.

Information about fair value measurements using significant unobservable inputs (Level 3)

At 31 December 2021

Description	Fair value €	Valuation technique	Range of significant unobservable inputs	
			Rental value €	Capitalisation rate %
Residential and commercial property	11.0m	Capitalisation of future net income streams	0.3m	3.75 – 5.00

At 31 December 2020

Description	Fair value €	Valuation technique	Range of significant unobservable inputs	
			Rental value €	Capitalisation rate %
Residential and commercial property	10.8m	Capitalisation of future net income streams	0.3m	3.75 - 5.00

For each valuation for which rental value and capitalisation rate have been determined to be the significant unobservable inputs, the higher the rental value and the lower the capitalisation rate, the higher the fair value. Conversely, the lower the rental value and the higher the capitalisation rate, the lower the fair value.

6. Investments

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

	2021 €	2020 €
Fair value through profit or loss (Note a)	50,655,183	40,542,921
Loans and deposits (Note b)	5,999,000	4,200,000
Investment in joint venture and associate (Note c)	1,620,466	267,138
	58,274,649	45,010,059

(a) Investment at fair value through profit or loss

	2021 €	2020 €
Equity securities, other variable yield securities and units in collective investment schemes	26,282,652	16,875,391
Debt securities - listed fixed interest rate	22,015,557	21,328,955
Debt securities - listed floating interest rate	2,356,974	2,338,575
	24,372,531	23,667,530
Total investments at fair value through profit or loss	50,655,183	40,542,921

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

Maturity of debt securities and treasury bills:

	2021 €	2020 €
Within 1 year	951,930	1,111,650
Between 1 and 2 years	301,820	952,880
Between 2 and 5 years	11,725,012	6,106,197
Over 5 years	11,393,769	15,496,803
	24,372,531	23,667,530
	2021	2020
Weighted average effective interest rate	1.95%	1.96%

An investment in an unrated collective investment scheme has a commitments balance of €913,433 as at 31st December 2021.

6. Investments - continued

The movements for the year are summarised as follows:

	2021 €	2020 €
Year ended 31 December		
At beginning of year	40,542,921	34,824,649
Additions	21,097,073	24,382,808
Disposals (sale and redemptions)	(13,679,092)	(18,263,766)
Net unrealised fair value gains/(losses)	2,694,281	(400,770)
At end of year	50,655,183	40,542,921
As at 31 December		
Cost	47,418,973	38,624,113
Accumulated net fair value gains	3,236,210	1,918,808
	50,655,183	40,542,921

(b) Loans and deposits

	2021 €	2020 €
At 31 December		
Deposits with banks or financial institutions	4,999,000	4,200,000
Loan to group undertaking	1,000,000	-
	5,999,000	4,200,000

Maturity of deposits with banks or financial institutions and loans:

	2021 €	2020 €
Within 1 year	5,999,000	4,200,000

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

	2021 €	2020 €
At fixed rates	5,999,000	4,200,000

Investments amounting to €2,109,500 (2020: €2,109,500) are pledged with banks or financial institutions against borrowings.

6. Investments - continued

(c) Investment in joint venture and associate

	2021 €	2020 €
CCGM Pension Administrators Limited	144,537	36,986
IVALIFE Insurance Limited	1,475,929	230,152

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

	2021 €	2020 €
Authorised, issued and fully paid up		
100,000 Ordinary 'A' shares of €1 each	200,000	100,000
100,000 Ordinary 'B' shares of €1 each	200,000	100,000
	400,000	200,000

Shares carry equal voting rights, and rights to dividends and rank pari-passu. The company has 50% interest in the equity of CCGM. The investment's carrying value is determined by reference to the company's share of the net asset value of CCGM. Unrealised loss on this investment in 2020 amounted to €19,710. In 2021, the net upward movement of €107,551 was the net result of both a shareholder contribution of €150,000 and an unrealised loss on this investment amounting to €42,449.

IVALIFE Insurance Limited's share capital is made up as follow:

	2021 €	2020 €
Issued and partly paid up		
7,500,000 Ordinary shares of €1 each	7,500,000	7,500,000
	7,500,000	7,500,000

Shares carry equal voting rights, and rights to dividends and rank pari-passu. The company has 25% interest in the equity of IVALIFE Insurance Limited. The investment's carrying value is determined by reference to the company's share of the net asset value of IVALIFE Insurance Limited. The €144,848 net downward movement relates to the unrealised loss on the investment in 2020. In 2021, the net upward movement of €1,245,777 was the net result of both a shareholder contribution of €1,500,000 and an unrealised loss on this investment amounting to €254,223.

7. Deferred acquisition costs

	2021 €	2020 €
Year ended 31 December		
At beginning of year	4,230,173	4,080,725
Net amount credited to profit or loss (Note 17)	369,127	149,448
At end of year	4,599,300	4,230,173
Current portion	4,599,300	4,230,173

8. Receivables, prepayments, accrued income and other assets

	2021 €	2020 €
Receivables		
Receivables arising from direct insurance operations:		
- due from policyholders	1,233,336	1,134,173
- due from agents, brokers and intermediaries	6,703,910	6,103,907
	7,937,246	7,238,080
Other receivables		
- receivables from group undertakings	244,189	238,106
- receivables from related parties	33,963	41,356
- receivables from directors	4,995	12,680
- other receivables	42,426	-
	325,573	292,142
Prepayments and accrued income		
- prepayments	245,277	175,233
- accrued interest	275,149	252,832
	520,426	428,065
Other assets	2,970,132	2,970,132
Total receivables, prepayments, accrued income and other assets	11,753,377	10,928,419
Current portion	11,753,377	10,928,419

8. Receivables, prepayments, accrued income and other assets - continued

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 €135,155 (2020: €166,511). As at 31 December 2021, receivables amounting to €7,295,161 (2020: €6,569,874) were fully performing, whereas receivables amounting to €967,659 (2020: €960,348) 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:

	2021 €	2020 €
Less than 3 months	771,221	682,755
Less than 6 months but more than 3 months	120,613	105,482
Less than 12 months but more than 6 months	61,584	134,838
More than 12 months	14,241	37,273
	967,659	960,348

Other assets amounting to €2,970,132 (2020: €2,970,132), represents a payment on a promise of sale agreement entered into in January 2019 to acquire property which is under construction.

9. Deferred income tax

	2021 €	2020 €
Year ended 31 December		
At beginning of year	(1,537,645)	(1,594,082)
(Charged)/credited to profit or loss (Note 19)	(985,741)	56,437
Credited to other comprehensive income (Note 26)	15,790	-
At end of year	(2,507,596)	(1,537,645)

Deferred income taxes are calculated on all temporary differences under the liability method using a principal tax rate of 35% (2020: 35%), with the exception of investment property and freehold and other property, for which deferred income taxes are calculated using a principal tax rate of 8% or 10% of the carrying amount depending on the acquisition date. 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:

	2021 €	2020 €
Temporary difference on fixed assets	(33,824)	(25,162)
Temporary differences attributable to unrealised foreign exchange differences	(20,952)	60,489
Temporary differences on impairment of receivables	47,305	58,279
Temporary difference on revaluation on land and buildings	(623,650)	(639,440)
Temporary differences on investment property	(773,680)	(637,910)
Temporary differences on unrealised capital gains	(1,102,795)	(353,901)
	(2,507,596)	(1,537,645)

9. Deferred income tax - continued

Movements in deferred tax arising on revaluation of land and buildings are accounted for in other comprehensive income. All other temporary differences are accounted for in the profit and loss account. Deferred income tax assets and liabilities are offset when there is a legally enforceable right to set-off under the Malta Income Tax regime.

10. Cash and cash equivalents

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

	2021 €	2020 €
Cash at bank and in hand	12,204,101	14,045,007

Cash at bank and in hand includes amounts held with investment managers amounting to €2,154,908 (2020: €2,643,799).

The deposits held with banks earn interest as follows:

	2021 €	2020 €
At floating rates	10,004,507	11,377,164

11. Share capital

	2021 €	2020 €
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 which the company is required to adhere to in terms of the Insurance Business Act (Cap. 403) and any amount that is not distributable under the Maltese Companies Act, (Cap. 386), to the extent that it represents unrealised profits.

13. Technical provisions and reinsurance assets

	2021 €	2020 €
Gross technical provisions		
Claims reported and loss adjustment expenses	28,120,593	26,980,675
Claims incurred but not reported	1,663,746	1,085,626
Unearned premiums	26,703,115	24,832,626
Total technical provisions - Gross	56,487,454	52,898,927
Reinsurers' share of technical provisions		
Claims reported and loss adjustment expenses	9,343,072	11,709,441
Unearned premium	2,001,086	1,519,386
Total reinsurers' share of technical provisions	11,344,158	13,228,827
Net technical provisions		
Claims reported and loss adjustment expenses	18,777,521	15,271,234
Claims incurred but not reported	1,663,746	1,085,626
Unearned premiums	24,702,029	23,313,240
Total technical provisions - Net	45,143,296	39,670,100
Current portion	38,777,541	38,624,156

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. The incurred but not enough reported (IBNER) reserve includes both the recoveries and the movement of known claims. This reserve captures the expected inadequacy of case estimates of outstanding claims. As at 31 December 2021 this amounted to €3,196,669 (2020: €2,550,259).

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. Percentages were updated during the year. This did not have a significant impact.

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.

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.

Claims outstanding - Gross

Estimate of the ultimate claims costs:

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	Total
	€	€	€	€	€	€	€	€	€	€	€
At end of reporting year	14,165,946	14,919,844	16,680,060	19,521,393	15,758,540	18,823,566	22,244,950	26,006,094	26,985,629	23,274,608	
- one year later	13,562,717	14,828,377	14,593,910	18,580,047	14,164,549	17,075,810	21,701,974	27,318,626	27,299,097		
- two years later	13,383,321	14,580,222	14,221,883	18,825,596	14,684,713	16,404,444	21,065,858	25,555,024			
- three years later	13,235,431	14,369,068	14,234,696	18,332,484	14,469,250	16,269,544	21,603,053				
- four years later	13,194,822	14,244,658	14,176,098	18,803,557	14,426,057	16,344,903					
- five years later	13,121,787	14,114,118	14,028,506	18,900,773	14,470,623						
- six years later	12,994,125	14,167,682	13,984,739	19,070,632							
- seven years later	12,831,493	14,231,420	14,089,182								
- eight years later	12,828,889	14,546,319									
- nine years later	12,812,976										
Current estimates of : Cumulative claims	12,812,976	14,546,319	14,089,182	19,070,632	14,470,623	16,344,903	21,603,053	25,555,024	27,299,097	23,274,608	189,066,417
Cumulative payments to date	(12,764,377)	(13,759,697)	(13,913,314)	(17,536,986)	(13,759,432)	(15,488,415)	(19,541,726)	(21,969,138)	(20,664,911)	(10,700,162)	(160,098,158)
Liability recognised in the statement of financial position											
Liability in respect of prior years	48,599	786,622	175,868	1,533,646	711,191	856,488	2,061,327	3,585,886	6,634,186	12,574,446	28,968,259
Total liability recognised in the statement of financial position											816,079
											29,784,338

13. Technical provisions and reinsurance assets - continued

Claims outstanding - Net

Estimate of the ultimate claims costs:

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	Total
	€	€	€	€	€	€	€	€	€	€	€
At end of reporting year	13,875,114	14,206,396	15,976,787	17,904,856	15,758,540	18,491,566	20,039,335	22,511,412	18,244,673	19,933,214	
- one year later	13,280,100	14,127,162	14,221,788	17,086,976	14,164,549	17,075,810	19,530,721	21,988,151	18,859,797		
- two years later	13,108,062	13,885,349	13,796,256	17,154,951	14,684,713	16,404,444	18,787,564	20,809,095			
- three years later	12,966,166	13,675,346	13,809,068	16,902,151	14,440,807	16,269,544	19,025,364				
- four years later	12,926,133	13,550,935	13,750,470	16,907,743	14,440,859	16,344,903					
- five years later	12,853,098	13,420,395	13,611,085	16,963,477	14,449,425						
- six years later	12,725,436	13,473,959	13,584,318	17,166,278							
- seven years later	12,562,804	13,537,697	13,688,761								
- eight years later	12,560,200	13,852,596									
- nine years later	12,544,287										
Current estimates of : Cumulative claims	12,544,287	13,852,596	13,688,761	17,166,278	14,449,425	16,344,903	19,025,364	20,809,095	18,859,797	19,933,214	166,673,720
Cumulative payments to date	(12,495,688)	(13,065,974)	(13,512,895)	(16,422,265)	(13,738,234)	(15,488,415)	(17,489,493)	(18,912,897)	(16,148,031)	(9,774,643)	(147,048,533)
Liability recognised in the statement of financial position											
Liability in respect of prior years	48,599	786,622	175,868	744,013	711,191	856,488	1,535,871	1,896,198	2,711,766	10,158,571	19,625,187
Total liability recognised in the statement of financial position											816,080
											20,441,267

13. Technical provisions and reinsurance assets - continued

(a) Claims and loss adjustment expenses

	Year ended 31 December 2021		
	Gross €	Reinsurance €	Net €
Notified claims still outstanding	26,980,675	(11,709,441)	15,271,234
Incurred but not reported	1,085,626	-	1,085,626
Total at beginning of year	28,066,301	(11,709,441)	16,356,860
Claims settled during the year	(20,998,445)	5,088,017	(15,910,428)
Increase/(decrease) in liabilities			
- arising from current year claims	23,274,611	(3,341,394)	19,933,217
- arising from prior year claims	(558,128)	619,746	61,618
Total at the end of year	29,784,339	(9,343,072)	20,441,267
Notified claims still outstanding	28,120,593	(9,343,072)	18,777,521
Incurred but not reported	1,663,746	-	1,663,746
Total at the end of year	29,784,339	(9,343,072)	20,441,267
	Year ended 31 December 2020		
	Gross €	Reinsurance €	Net €
Notified claims still outstanding	20,439,543	(4,110,799)	16,328,744
Incurred but not reported	1,885,292	-	1,885,292
Total at beginning of year	22,324,835	(4,110,799)	18,214,036
Claims settled during the year	(21,738,213)	3,099,873	(18,638,340)
Increase/(decrease) in liabilities			
- arising from current year claims	26,985,627	(8,740,954)	18,244,673
- arising from prior year claims	494,052	(1,957,561)	(1,463,509)
Total at the end of year	28,066,301	(11,709,441)	16,356,860
Notified claims still outstanding	26,980,675	(11,709,441)	15,271,234
Incurred but not reported	1,085,626	-	1,085,626
Total at the end of year	28,066,301	(11,709,441)	16,356,860

The company registered a gross favourable run-off of €0.6m (2020: gross adverse run-off of €0.5m). After the effect of reinsurance, mainly coming from the company's business in Greece which is heavily reinsured, this amounted to a net adverse run-off of €0.06m (2020: €1.5m).

Variations occur when compared to prior year claims estimates due to a combination of factors including claims being settled for different amounts than estimated, and changes made to reserve estimates as more information becomes available. Favourable movements are indicative of an adequate reserving methodology in prior years.

13. Technical provisions and reinsurance assets - continued

(b) Unearned premiums

The movements for the year are summarised as follows:

	Gross €	Reinsurance €	Net €
Year ended 31 December 2021			
At beginning of year	24,832,626	(1,519,386)	23,313,240
Net amount charged/(credited) to profit or loss	1,870,489	(481,700)	1,388,789
At end of year	26,703,115	(2,001,086)	24,702,029
Year ended 31 December 2020			
At beginning of year	24,002,011	(1,335,945)	22,666,066
Net amount charged/(credited) to profit or loss	830,615	(183,441)	647,174
At end of year	24,832,626	(1,519,386)	23,313,240

14. Other payables, accruals and deferred income

	2021 €	2020 €
Payables arising out of direct insurance operations	2,363,320	1,345,059
Other payables		
Payables to fellow subsidiaries	9,584	3,221
Other payables	322,504	442,023
Document duty and other tax payables	1,095,323	968,685
	1,427,411	1,413,929
Accruals and deferred income		
Accrued expenses and deferred income	1,980,996	2,473,578
Total other payables and accruals and deferred income	5,771,727	5,232,566
Current portion	5,771,727	5,232,566

15. Net operating expenses

	2021 €	2020 €
Acquisition costs	10,184,666	10,338,175
Change in deferred acquisition costs (Note 7)	(369,127)	(149,448)
Administrative expenses	3,693,944	3,466,119
	13,509,483	13,654,846

Total commissions accounted for in the financial period in the company's technical result amounted to €6,334,730 (2020: €6,725,021). Administrative expenses mainly comprise staff costs.

16. Investment return

	2021 €	2020 €
Investment income		
Interest receivable from financial assets that are not at fair value through profit or loss	55,947	41,849
Income from financial assets at fair value through profit or loss:		
- Dividend income	363,738	178,754
- Interest income	470,883	474,497
Rental income on investment property	334,050	318,775
Exchange differences	173,329	(209,021)
Gains on/(losses from) financial assets at fair value through profit or loss	2,391,527	(111,437)
Losses from revaluation of investment property (Note 5)	(3,232)	(107,340)
Loss from investments in joint venture and associate (Note 6)	(296,672)	(199,558)
	3,489,570	386,519
Investment expenses and charges		
Investment management fees and charges	229,004	199,822
Other investment expenses	36,916	43,854
	265,920	243,676
Total investment return	3,223,650	142,843
Analysed between:		
Allocated investment return/(charge) transferred to the general technical account	1,876,030	(16,617)
Investment return included in the non-technical account	1,347,620	159,460
	3,223,650	142,843

17. Expenses by nature

	2021 €	2020 €
Employee benefit expense and directors' fees	4,448,546	4,228,886
Commissions (Note 15)	6,334,730	6,725,021
Change in deferred acquisition costs (Note 7)	(369,127)	(149,448)
Depreciation of property, plant and equipment (Note 4)	96,342	263,976
Amortisation of right-of-use asset (Note 25)	147,422	147,919
Decrease in provision for impairment of receivables (Note 8)	(31,356)	(8,633)
Other expenses	3,483,875	3,034,861
Total operating expenses and administration expenses	14,110,432	14,241,582
Analysed between:		
Included in the general business technical account (Note 15)	13,509,483	13,654,846
Included in the non-technical account	600,949	586,736
	14,110,432	14,241,582

Auditor's fees

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

	2021 €	2020 €
Annual statutory audit	67,850	58,400
Other assurance services	29,500	24,544
Tax compliance services	-	3,139

18. Employee benefit expense

	2021 €	2020 €
Salaries (including directors' salaries)	5,680,607	5,445,233
Social security costs	353,713	342,116
	6,034,320	5,787,349

The average number of persons employed during the year was:

	2021 €	2020 €
Directors	1	1
Direct	109	110
Indirect	53	49
	163	160

19. Tax expense

	2021 €	2020 €
Current income tax expense	4,249,169	4,509,034
Deferred income tax charge/(credit) (Note 9)	985,741	(56,437)
	5,234,910	4,452,597

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

	2021 €	2020 €
Profit before income tax	13,739,036	12,186,220
Tax on profit at 35%	4,808,663	4,265,177
Tax effect of:		
Expenses not allowable for tax purposes	359,056	293,897
Exempt losses and application of flat rate foreign tax credit	(50,702)	(82,053)
Different tax rates applicable to investment property	155,895	29,744
Income charged at lower rates of tax	(49,633)	(67,823)
Overstatement of tax in prior year	9,629	13,655
Other differences	2,002	-
Tax expense	5,234,910	4,452,597

20. Directors' emoluments

	2021 €	2020 €
Directors' fees, salaries and other emoluments	533,101	508,336

During the year, no benefits in kind were provided to the directors (2020: Nil).

21. 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.

	2021	2020
Net profit attributable to shareholders (€)	8,504,124	7,733,623
Weighted average number of ordinary shares in issue	12,000,000	12,000,000
Earnings per share (€)	0.71	0.64

22. Dividends

	2021 €	2020 €
Net dividends paid on ordinary shares	3,500,000	1,500,000
Dividends per ordinary share	0.29	0.13

After the end of the reporting period, the directors recommended the payment of a final dividend in the net amount of €2,000,000 which was paid in February 2022.

23. Cash generated from operations

	2021 €	2020 €
Profit before tax	13,739,036	12,186,220
Adjustments for:		
Depreciation of plant and equipment (Note 4)	296,485	317,176
Profit on disposal of plant and equipment (Note 4)	8,004	(4,000)
Decrease in provision for bad debts (Note 8)	(31,356)	(8,633)
Profit on disposal of investment property (Note 5)	-	-
Non-cash movements in plant and equipment (Note 4)	-	-
Non-cash movements in investments (Notes 5 and 6)	(3,563,049)	(262,949)
Non-cash movements in leases (Note 25)	178,412	171,313
Movements in:		
Technical provisions (net) (Note 13)	5,473,196	(1,209,999)
Debtors and prepayments including DAC	(1,162,732)	(402,772)
Creditors and accruals (Note 14)	476,235	578,342
Cash generated from operations	15,414,231	11,364,698

24. 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:

	2021 €	2020 €
Income		
Gross premium income - Parent company	117,626	125,997
Gross premium income - Other related parties	398,346	385,363
Interest – Parent company	8,151	-
Expenditure		
Services provided in relation to claims paid	3,953,316	4,103,324
Rent	12,860	12,670
Administrative and operating expenses	36,975	27,625
Capital expenditure		
Fixed asset additions	64,547	21,178

24. Related party transactions - continued

Year-end balances owed by or to group undertakings and other related parties are disclosed in notes 6, 8 and 14 to these financial statements respectively.

The key management of the company are considered to be the directors. Directors' remuneration has been disclosed in note 20 to these financial statements.

25. Lease commitments

Lease commitments - where the Company is the lessee

Rights-of-use assets

	2021 €	2020 €
Opening carrying amount of right-of-use assets	742,276	635,006
Adjustment to right-of-use asset	91,421	255,189
Amortisation charge (Note 17)	(147,422)	(147,919)
Closing carrying amount of right-of-use assets	686,275	742,276

Lease liabilities

	2021 €	2020 €
Opening carrying amount of lease liability	756,057	640,938
Adjustment to lease liability	91,421	255,187
Lease payments	(161,826)	(163,462)
Interest expense	30,990	23,394
Closing carrying amount of lease liability	716,642	756,057

The undiscounted maturity analysis of lease liability follows:

	2021 €	2020 €
Not later than 1 year	169,845	162,050
Later than 1 year and not later than 5 years	416,853	441,705
Later than 5 years	241,768	280,064
	828,466	883,819

The right of use asset and the lease liability relate to property being leased for own use. The right-of-use assets are non-current assets. Current portion of lease liability as at 31 December 2021 amounted to €143,783 (2020: €134,460).

25. Lease commitments - continued

Lease commitments - where the Company is the lessor

	2021 €	2020 €
Not later than 1 year	304,056	258,551
Later than 1 year and not later than 5 years	377,962	322,695
Later than 5 years	87,432	141,571
	769,450	722,817

26. Revaluation surplus

	2021 €	2020 €
At beginning of year	2,554,226	2,554,226
Movement in deferred tax relating to land and buildings upon disposal of property (Note 9)	15,790	-
Transfer of revaluation surplus to retained earnings upon disposal of land and buildings	(58,530)	-
At end of year	2,511,486	2,554,226

27. Contingencies

At 31 December 2021 there were contingent liabilities amounting to €19,380 (2020: €39,511) in respect of guarantees in favour of third parties.

28. Statutory information


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

The parent company of Gasamamo Insurance Limited is Gasan Group Limited, a company registered in Malta, with its registered address at Gasan Centre Level 4, Triq il-Merghat, Zone 1, Central Business District, Birkirkara, Malta. Gasan Group Limited is the undertaking that draws up the consolidated financial statements of the smallest body of undertakings of which Gasamamo Insurance Limited forms part as a subsidiary company.

The ultimate parent company of Gasamamo Insurance Limited is J.A.G. Limited, a company registered in Malta, with its registered address at Gasan Group Offices, Gasan Centre Level 4, Triq il-Merghat, Zone 1, Central Business District, Birkirkara, Malta. The ultimate controlling party of Gasamamo Insurance Limited and J.A.G. Limited is Mr. J. A. Gasan. The financial statements of Gasamamo Insurance Limited are included in the consolidated financial statements prepared by J.A.G. Limited.

29. Events after reporting date

During 2022, the directors recommended the payment of a final net dividend of €2,000,000 which was paid in February 2022.



Gasamamo Insurance Limited
Msida Road, Gżira GZR 1405, Malta

gasamamo.com