2022

ANNUAL REPORT AND FINANCIAL STATEMENTS

GasanMamo
INSURANCE
we're always there

Contents.

Mission Statement.

OUR CUSTOMERS

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

OUR PEOPLE

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

OUR CORPORATE SOCIAL RESPONSIBILITY

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

OUR CUSTOMERS.
PEOPLE.
CSR.


1246
2014
2080
2015
2019
2021


GasanMamo Insurance

Chairman's Statement.

We have continued to pursue our mission to provide value to our customers through the various products and services delivered efficiently and effectively."

I am pleased to present the Annual Report and Financial Statements for 2022.

We have continued to pursue our mission to provide value to our customers through the various products and services delivered efficiently and effectively. The results set out in the pages ahead indicate that our efforts have been well received.

GasanMamo Insurance enjoys a successful track record that dates back decades. We have worked hard to foster longstanding and 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 we will continue to overcome any short-term challenges that will inevitably crop up.

During the year under review, global economic uncertainties abounded. Geopolitical tensions were at fever pitch leading to high inflation and supply chain problems. This scenario unfolded as the world emerged from the shackels brought about by the pandemic. Financial markets were indeed jittery throughout the year leading to the unprecedented scenario of significant declines in equity values and fixed income. In fact, in spite of the macro economic challenges during 2022, the numbers presented herein are reassuring and fill me with confidence that in GasanMamo Insurance, our prudent no nonsense approach to business is correct.

During 2022, 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 €64.5 million compared to €58.2 million in 2021, 10.9% growth year on year. This growth was generated from operations in Malta as well as Cyprus and France and across all lines of business.

The operating performance of the company was bolstered by a relatively benign claims environment where the incidence of large claims was lower than expected.

As indicated, a major factor influencing the financial performance in 2022 was the financial market drawdowns. Following the positive market movement seen in 2021 when the company registered an investment return of €3.2 million (6%), in 2022 the situation was at the other end of the spectrum with an investment loss of €3.14 million (-4.2%).

The Board and Management remained committed to managing expenditure closely, especially due to the inflationary pressures that arose. These actions have comprehensively led to a situation where we are pleased to report that during 2022, GasanMamo's robust financial position has been maintained as we ended the year with a profit before tax of €6.3 million compared to €13.7 million last year and a budget of €9.6 million.

The company's financial position has been augmented further with Capital and Reserves of €50.9 million at the end of 2022 compared to €48.2 million at the end of 2021. 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 GasanMamo Insurance, we remain focussed on our core strategic objective: to continue to grow prudently, delivering quality products and services to our ever expanding and loyal client 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 our surroundings, including the enviroment and the society to which we form part. We remain committed and have played our part in supporting Environment, Youth & Sport, and Culture through various specific initiatives.

Enviromental, Social and Governance (ESG) regulation has moved to a more prominent place in our sector and much is yet to be done in this sphere. This drive is coming from European Regulators and the effort to meet urgent climate change objectives. The concept is completly in sync with the GasanMamo Insurance outlook since this effort promotes principles we have long held close to our heart. We are committed to be more active in this space and play our part in this important effort.

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 the challenges and opportunities that lie ahead.

Joseph A Gasan
Chairman

Managing Director's Review.

> ***It is in this environment that company has once again performed well, registering positive results in all areas of its core technical operations."***

It is my pleasure to present to you the 2022 Annual Report and Accounts.

Following 2021, as economies shook off the effects of lockdowns and COVID 19 restrictions, the year started with guarded optimism. Business patterns and life was getting back to normal as government assistance measures gradually receded. In February, geopolitical uncertainty moved to centre stage following Russia's invasion of Ukraine. This compounded uncertainties that were already there due to supply chain challenges. Serious concerns emerged regarding the supply of Russian gas in Europe upon which much of the European economy was dependent. Ukraine, a major supplier of cereals and fertilizer, triggered strains on food supplies globally sending financial markets into tailspin and resulting in the highest inflation levels witnessed in four decades. At the time of writing, the invasion related conflict has now been ongoing for over twelve months with no end in sight.

The financial strength of the company has been borne out as the company withstood significant market drawdowns without any negative impact on the SCR which closed 2022 at 253% compared to 227% as at 31st December 2021. This confirms that the prudent approach adopted by the Board and the Investment Committee is correct and in line with the overall strategic objective to seek profitable growth that is in line with our risk appetite.

In Malta, the economy continued to perform well with 6.6% growth in GDP year on year. The labour market remains tight, with large numbers of economic migrants joining the workforce. Inflation has become a factor, but it has been kept under control ending the year at 6.1%.

It is in this environment that company has once again performed well, registering positive results in all areas of its core technical operations. Gross Written Premium for the full year exceeded expectations and grew by 10.9% closing at €64.5 compared to €58.2M in 2021. The technical performance benefited from the absence of weather related claims and a relatively benign claims environment.

In line with our strategy, operations beyond Malta's shores have continued to grow and impact the performance of the company. Under our Lumen brand, Cyprus business has once again registered growth and while we remain very small players in that market, together with our partners there Prodromou & Makriyiannis, we are among the fastest growing operations in the Cyprus general insurance market. Our activity in Greece under our GMI Insurance brand has contracted slightly as we push to improve loss ratios in a highly competitive market. We are confident that together with our Greek partners, we will continue to develop and grow.

For the reasons referred to above, investments suffered significant drawdowns for the year thus generating a negative return of 4.2% amounting to -€3.14M in sharp contrast with the performance of 2021 when the company registered a return of €3.22M.

The Combined Operating Ratio for the year was 83.1% compared to 78.91% in 2021. In the circumstances, this is considered to be a strong performance which is in fact only marginally below budget 2022 which was 86.1%. Needless to say, the investment drawdowns were not expected and investment returns were budgeted to be 2.84%.

As anticipated, inflationary pressure on operational and claims costs was felt and managed tightly in order to keep within budget while simultaneously achieving all objectives and the highest possible standards.

The profit before tax for 2022 is €6.3M which is significantly lower than that achieved in 2021 €13.7M. By all accounts 2021 was an extraordinary year and it was not expected that the company would match that performance. In fact, 2022 profit before tax budget was €9.61M. It is clear, that the main variance has come from the investment return which was budgeted to be €2.00M while it in fact was -€3.14M thus resulting in a variance of €5.14M.

The company decided to redevelop its current offices and a few neighbouring properties, a permit is in hand for a substantial portion of this to take place. Another application has been submitted for the last part of the proposed project. An agreement has been reached for the acquisition of another property that will serve as the temporary head office while works in Gzira are under way. It is anticipated that this will take place by mid 2024. This is an exciting project that will enhance the customer and staff experience putting the company at the cutting edge in terms of workspace where we will continue to deliver outstanding service to all our customers.

The GasanMamo Insurance journey continues to be an exciting one, delivering value to all stakeholders. I must first and foremost thank all our customers for their continued loyal support, ours staff and management for their tireless efforts in meeting the highest possible standards in all that we do. I would also like to thank the Board for their support and guidance in setting the tone at the top that is percolated throughout the organisation. Our success would not be possible without the collaboration of all our intermediaries, including Tied Insurance Intermediaries, Agents, and Brokers. I must also mention our gratitude to our reinsurers and thank them for their support.

The GasanMamo Insurance model is tried and tested, yet constantly open to evolve and adapt as required. We are optimistic about our ability to continue delivering value as we grow and expand and look forward to this journey with all stakeholders.

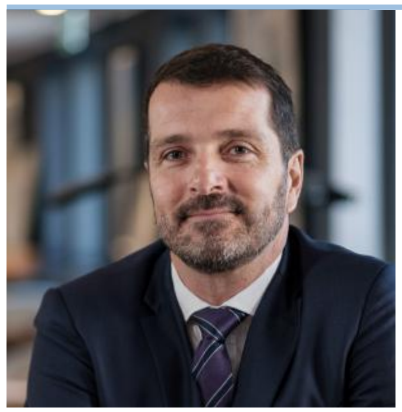
Julian J Mamo
Director

The Board of Directors.

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

JOSEPH A. GASAN
Chairman

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.



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.

MARK MAMO
Director

Mark Mamo B.Sc. (Hons.), Dip CII, graduated from CASS Business School in London in 2002 and soon after joined the GasanMamo team. Mark's first role within the company was that of project development and in 2006 participated in the launch of the medical insurance products. In 2013, Mark joined the senior management team and is today responsible for the health insurance department as well as heading the marketing, sales, network, and ICT teams. He also sits on several committees at GasanMamo. Mark joined the GasanMamo board as a director in 2022.

BAUDOUIN DESCHAMPS
Director

Baudouin 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 and sits on several boards in the insurance industry.

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

Nicholas 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

MARK MAMO
General Manager
Network, Health & IT

MICHAEL FARRUGIA
Financial Controller

LESLIE CAUSON
General Manager
Personal & Commercial, Reinsurance and Overseas Markets

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.

Four 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 and TCA Assurance in France. The company is pleased with their performance and confident of their continued growth.

BRANCH OFFICES

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

HEAD OFFICE

Gżira, Msida Road

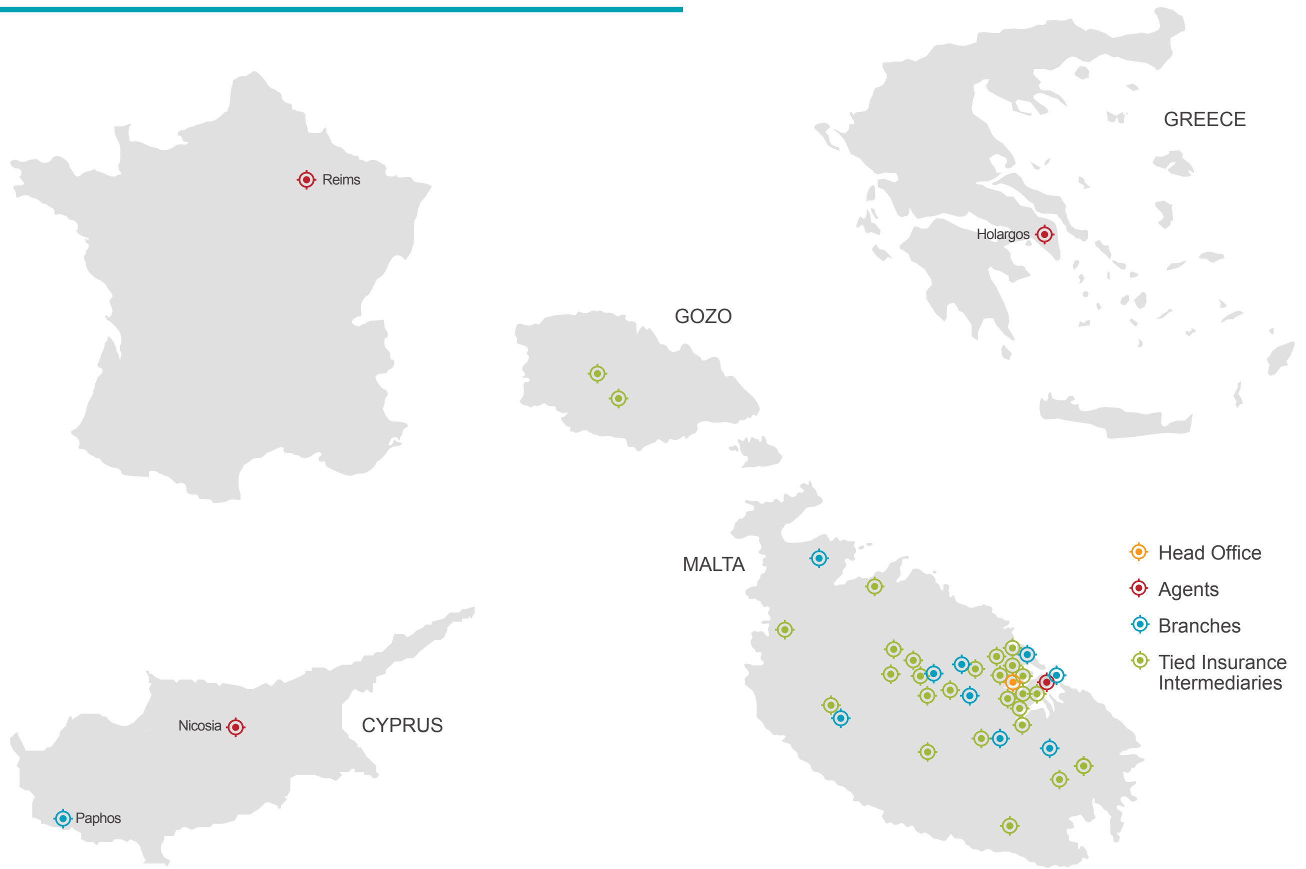
AGENTS

Thomas Smith Insurance Agency Limited
Malta

Prodromou & Makriyiannis Insurance
Underwriting Agents & Consultants Limited
Cyprus

ELPA Insurance Agents S.A.
Greece

TCA Assurances
France



GASANMAMO INSURANCE LIMITED

Annual Report and Financial Statements
31 December 2022

Company Registration Number: C3143

Directors' report

The directors present their report and the audited financial statements for the year ended 31 December 2022.

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

As economies shook off the effects of lockdown and COVID 19 restrictions, the year started with guarded optimism. Business patterns and life was getting back to normal as pandemic related government assistance measures gradually receded. In February, geopolitical uncertainty moved to centre stage following Russia's invasion of Ukraine. This compounded uncertainties that were already there due to supply chain challenges. Serious concerns emerged regarding the supply of Russian gas in Europe upon which much of the European economy was dependent. Ukraine, a major supplier of cereals and fertilizer, triggered strains on food supplies globally. This unnerved financial markets and contributed to the highest inflation levels witnessed in decades. At the time of writing, the war in Ukraine has now been ongoing for twelve months with no end in sight.

The financial strength of the company has been borne out as the company withstood significant market drawdowns without raising any SCR concerns, in fact at year end 2022 SCR closed at 253% compared to 227% as at 31st December 2021. This confirms that the prudent approach adopted by the Board and the Investment Committee is correct and in line with the overall strategic objective to seek profitable growth that is in line with our risk appetite.

In Malta, the economy continued to perform well with 6.6% growth in GDP year on year. The labour market is tight with large numbers of economic migrants joining the workforce. Inflation has become a factor, but it has been kept under control ending the year at 6.1%.

It is in this environment that company has once again performed well, registering positive results in all areas of its core technical operations. Gross Written Premium for the full year exceeded expectations and grew by 10.9% closing at €64.5 compared to €58.2M in 2021. The technical performance benefited from the absence of weather related claims and a relatively benign claims environment. In line with our strategy, operations beyond Malta's shores have continued to grow and impact the performance of the company. Under our Lumen brand, Cyprus business has once again registered growth. While we remain very small players in that market, together with our partners there, Prodromou & Makriyiannis, we are among the fastest growing operations in the Cyprus general insurance market. Our activity in Greece under our GMI Insurance brand has contracted slightly as we push to improve loss ratios in a highly competitive market. We are confident that together with our Greek partners, we will continue to develop and grow.

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The Combined Operating Ratio for the year was 83.1% compared to 78.91% in 2021. In the circumstances, this is considered to be a strong performance which is in fact, only marginally below budget 2022 which was 86.1%. The investment drawdowns were not anticipated, and investment returns were budgeted to be 2.84%.

The solvency position remained strong with an SCR ratio of 253% and MCR ratio of 599%. The Company is well placed to pursue its mission of achieving profitable growth in line with its strategy.

Directors' report – CONTINUED

Risks and uncertainty

The top of the list of issues triggering uncertainty is the war in Ukraine. During 2022, this had a devastating effect on economic outlook and the world economy was severely impacted. There is now more confidence that economies will recover and cope with the strains on gas supplies, thus bringing inflation under control. This has had a stabilising effect on markets and economies as they see light at the end of the tunnel.

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.

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.

Underwriting
With the substantial COVID19 related claims fully settled well within estimates we are happy to have closed this chapter. We have learned from this experience and where required wordings have been amended to improve clarity. We also draw comfort from the positive reaction that we have received from our handling of these sensitive and unusual claims. They have served to further cement an excellent rapport that we have with clients who have witnessed first hand that "we're always there".

Our attention to detail with respect to underwriting remains a critical part of our operation, using processes and technology to ensure that we remain vigilant. Regular training is key in our effort to underwrite all lines of business correctly.

Operational
The operations are steady and clearly defined where all staff are aware of their important role in the context of the grander scheme of things. The focus on collective effort, with clear accountability and coupled with procedures and practices that ensure good governance as well as appropriate technical expertise are maintained at all times.

Economic
Rising global economic uncertainty and high inflation were trademarks for 2022, in Malta the situation was managed with inflation being suppressed through government's commitment to absorb the elevated costs for gas and fuel, thus keeping utility and transport costs down. Meanwhile economic activity persevered and in the year under review the economy grew by 6.6%.

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 2023, the directors recommended the payment of a final net dividend of €1,500,000 which was paid in February 2023.

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 €2,000,000 (2021: €3,500,000) were declared and paid out in 2022.

Reserves

The directors propose that the balance of retained earnings amounting to €34,507,585 (2021: €33,637,699) 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 - *Deputy Chairman – retired 30/03/2022*
Julian J Mamo - *Managing Director*
Mark Gasan
Mark M Mamo – *appointed 31/03/2022*
Baudouin Deschamps
Robert Rogers
Nicholas Bell

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.

The financial statements of GasanMamo Insurance Limited for the year ended 31 December 2022 are included in the Annual Report 2022, 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.

Directors' report – CONTINUED

Company Secretary

Vanessa Portelli B.A., LL.D.

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.

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*

Directors' report – CONTINUED

Audit Committee – continued

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 portfolio managers. The Investment Committee is made up of:

Joseph A Gasan – *Chairman*
Julian J Mamo
Mark Gasan
Mark M Mamo
Baudouin Deschamps
Robert Rogers
Nicholas Bell
Michael Farrugia
Ian Sultana
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.

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

Directors' report – CONTINUED

Governance, Risk and Compliance Committee – continued

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

Julian J Mamo – *Chairman*
Vanessa Portelli
Leslie Causon
Baudouin Deschamps
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 the Managing Director is invited to attend the meetings as required. Meetings are held at least annually and are minuted. The Remuneration Committee is made up of:

Joseph A Gasan – *Chairman*
Albert P Mamo – *retired 30/03/2022*
Robert Rogers
Nicholas Bell – *appointed 31/03//2022*
Mark Gasan

Directors' report - CONTINUED

IT Steering Committee

The committee is responsible for assisting the Board in meeting its responsibilities in providing strategic leadership through the prioritisation for aligning strategic business and ICT projects, ensuring open communication between the ICT department and the other business units to promote collaborative planning. The Committee ensures that ICT & Information Security (IS) planning is backed by the establishment of appropriate ICT & IS governance arrangements to ensure that the application, management and review of the company's ICT plan are consistent with the goals and objectives of the company. The IT Steering committee is made up of:

Mark Mamo – *Chairman*
Francis Valletta
Bernard Buhagiar
Marcon Agius
George Portelli Hale
Pierre Barbara
Steve Mizzi
Steve Bilocca

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
Robert Rogers
Francis Valletta
Vanessa Portelli
Mark M Mamo
Michael A Farrugia
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*
Lucas Farrugia – *Staff Representative*
Maria Grech Gerada – *Member & Secretary*

Directors' report - CONTINUED

Debtors Review Committee

The committee meets monthly, 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*

Going Concern

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

On behalf of the Board

Joseph A Gasan
Chairman

Julian J Mamo
Director

Registered office
GasanMamo Insurance Limited
Msida Road
Gzira GZR 1405
Malta

29 March 2023

Ernst & Young Malta Limited
Regional Business Centre
Achille Ferris Street
Msida MSD 1751, Malta

Tel: +356 2134 2134
Fax: +356 2133 0280
ey.malta@mt.ey.com
ey.com

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 69, which comprise the Statement of Financial Position as at 31 December 2022, 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 2022, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the 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

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 48% of the total liabilities as of 31 December 2022.

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 - 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 2022.

Building a better working world

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.

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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.

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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 of the Company on 11 October 2021, and subsequently reappointed at the Company's general meetings for each financial year thereafter. The total uninterrupted engagement period as statutory auditor, including previous renewals and reappointments, amounts to 2 years.

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 29 March 2023.

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
30 March 2023

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Statement of financial position

	Notes	2022 €	2021 €
		As at 31 December	
ASSETS			
Property, plant and equipment:			
- land and buildings	4	**6,324,035**	4,898,239
- plant and equipment	4	**526,280**	366,458
Right of use assets	25	**696,436**	686,275
Investment property	5	**17,626,597**	11,017,860
Other assets	8	**-**	2,970,132
Investments	6	**55,862,354**	58,274,649
Reinsurers' share of technical provisions	13	**12,217,261**	11,344,158
Deferred acquisition costs	7	**4,921,518**	4,599,300
Current taxation		**451,333**	-
Receivables:			
- receivables arising from direct insurance operations	8	**8,762,660**	7,937,246
- other receivables	8	**759,487**	325,573
- prepayments and accrued income	8	**586,911**	520,426
Cash and cash equivalents	10	**15,564,528**	12,204,101
Total assets		**124,299,400**	115,144,417
EQUITY			
Capital and reserves			
Share capital	11	**12,000,000**	12,000,000
Retained earnings	12	**34,507,585**	33,637,799
Revaluation reserve	26	**4,424,023**	2,511,486
Total equity		**50,931,608**	48,149,285
LIABILITIES			
Technical provisions	13	**64,858,170**	56,487,454
Payables:			
- payables arising out of direct insurance operations	14	**2,566,392**	2,363,320
- other payables	14	**1,518,246**	1,427,411
- accruals and deferred income	14	**1,425,036**	1,980,996
Lease liability	25	**744,453**	716,642
Current taxation		**-**	1,511,713
Deferred taxation	9	**2,255,495**	2,507,596
Total liabilities		**73,367,792**	66,995,132
Total equity and liabilities		**124,299,400**	115,144,417

The notes on pages 23 to 69 are an integral part of these financial statements.

The financial statements on pages 18 to 69 were authorised by the Board on 29 March 2023 and were signed on its behalf by:

Joseph A Gasan
Chairman

Julian J Mamo
Director

Statement of comprehensive income
Technical account - General business

	Notes	Year ended 31 December 2022 €	2021 €
Earned premiums, net of reinsurance			
Gross premiums written		**64,521,029**	58,205,528
Outward reinsurance premiums		**(11,658,387)**	(11,625,348)
Net premiums written		**52,862,642**	46,580,180
Change in the net provision for unearned premiums	13	**(2,836,255)**	(1,388,789)
Earned premiums, net of reinsurance		**50,026,387**	45,191,391
Allocated investment (charge) / return transferred from the non-technical account	16	**(3,958,101)**	1,876,030
Total technical income		**46,068,286**	47,067,421
Claims incurred, net of reinsurance			
Claims paid			
- gross amount		**25,383,862**	22,553,169
- reinsurers' share	13	**(4,250,685)**	(5,088,017)
		21,133,177	17,465,152
Change in the provision for claims			
- gross amount	13	**5,540,550**	1,718,037
- reinsurers' share	13	**(879,192)**	2,366,368
		4,661,358	4,084,405
Claims incurred, net of reinsurance		**25,794,535**	21,549,557
Net operating expenses	15,17	**15,099,497**	13,509,483
Total technical charges		**40,894,032**	35,059,040
Balance on the technical account - general business		**5,174,254**	12,008,381

Statement of comprehensive income
Non-technical account

	Notes	Year ended 31 December 2022 €	2021 €
Balance on technical account - general business (page 19)		**5,174,254**	12,008,381
Investment income	16	**(2,876,493)**	3,489,570
Investment expenses and charges	16	**(262,232)**	(265,920)
Allocated investment charge / (return) transferred to the general business technical account	16	**3,958,101**	(1,876,030)
Other income		**1,025,590**	983,984
Administration expenses	17	**(677,927)**	(600,949)
Profit before income tax		**6,341,293**	13,739,036
Tax expense	19	**(3,471,507)**	(5,234,910)
Profit for the year		**2,869,786**	8,504,126
Earnings per share	21	**0.24**	0.71

Statement of other comprehensive income

	Notes	Year ended 31 December 2022 €	2021 €
Profit for the year		**2,869,786**	8,504,126
Other comprehensive income: items that will not be reclassified to profit or loss			
Revaluation movement on land and buildings		**2,125,041**	-
Movement in deferred tax relating to land and buildings	9, 26	**(212,504)**	15,790
Total other comprehensive income, net of tax		**1,912,537**	15,790
Total comprehensive income for the year		**4,782,323**	8,519,916

The notes on pages 23 to 69 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 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**
Balance at 1 January 2022		12,000,000	33,637,799	2,511,486	48,149,285
Comprehensive income					
Profit for the year - total comprehensive income		-	2,869,786	-	2,869,786
Other comprehensive income					
Revaluation movement on land and buildings (Note 4)		-	-	2,125,041	2,125,041
Movement in deferred tax relating to land and buildings upon disposal of property		-	-	(212,504)	(212,504)
Total comprehensive income for the year		**-**	**2,869,786**	**1,912,537**	**4,782,323**
Transactions with owners					
Dividends - total transactions with owners	22	-	(2,000,000)	-	(2,000,000)
Balance at 31 December 2022		**12,000,000**	**34,507,585**	**4,424,023**	**50,931,608**

The notes on pages 23 to 69 are an integral part of these financial statements.

Statement of cash flows

	Notes	Year ended 31 December 2022 €	2021 €
Cash flows from operating activities			
Cash generated from operations	23	**16,387,708**	15,414,231
Dividends received	16	**461,979**	363,738
Interest received	16	**491,686**	470,883
Rental income	16	**352,054**	334,050
Tax paid		**(5,897,531)**	(3,808,720)
Net cash generated from operating activities		**11,795,896**	12,774,182
Cash flows from investing activities			
Investment in an associate	6	**(500,000)**	(1,650,000)
Purchase of property, plant and equipment	4	**(447,694)**	(185,450)
Proceeds from disposal of property, plant and equipment		**-**	137,490
Purchase of investment property, net of deposits	5	**(1,950,364)**	(38,321)
Disposal of investment property	5	**235,000**	-
Purchase of investments - fair value through profit or loss	6	**(17,613,457)**	(21,097,073)
Disposal of investments - fair value through profit or loss	6	**14,511,453**	13,679,092
Net placement of deposits with banks or financial institutions	6	**(501,000)**	(1,799,000)
Net cash used in investing activities		**(6,266,062)**	(10,953,262)
Cash flows from financing activities			
Lease payments	25	**(169,407)**	(161,826)
Dividends paid	22	**(2,000,000)**	(3,500,000)
Net cash used in financing activities		**(2,169,407)**	(3,661,826)
Net movement in cash and cash equivalents		**3,360,427**	(1,840,906)
Cash and cash equivalents at beginning of year		**12,204,101**	14,045,007
Cash and cash equivalents at end of year	10	**15,564,528**	12,204,101

The notes on pages 23 to 69 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 2022

In 2022, the company adopted new standards, amendments and interpretations to existing standards that are mandatory for the Company's accounting period beginning on 1 January 2022. The adoption of these revisions to the requirements of IFRSs as adopted by the EU did not result in substantial changes to the company's accounting policies 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 Insurance Contracts 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 is effective for annual periods beginning on or after 1 January 2023.

Classification

Products sold by the Company will be classified as insurance contracts when the Company accepts significant insurance risk from a policyholder by agreeing to compensate the policyholder if a specified uncertain future event adversely affects the policyholder.

1. Summary of significant accounting policies - continued

1.1 Basis of preparation - continued

Aggregation

Insurance contracts are aggregated into groups for measurement purposes. Groups of contracts are determined by first identifying portfolios of contracts, each comprising contracts subject to similar risks and managed together. Contracts in different product lines may be in different portfolios.

Each portfolio is then divided into annual cohorts (i.e., by year of inception) and each annual cohort into three groups:
•any contracts that are onerous on initial recognition;
•any contracts that, on initial recognition, have no significant possibility of becoming onerous subsequently; and
•any remaining contracts in the annual cohort.

For the Company's contracts accounted for applying the Premium Allocation Approach ('PAA'), it would determine that contracts are not onerous on initial recognition, unless there are facts and circumstances indicating otherwise. The Company will assess the likelihood of changes in applicable facts and circumstances to determine whether contracts not onerous on initial recognition belong to a group with no significant possibility of becoming onerous in the future. The Company will use its judgement to determine the facts and circumstances that would indicate that a group of contracts is onerous either on initial recognition or subsequent measurement.

Contract boundaries

Under IFRS 17, the measurement of a group of contracts includes all of the future cash flows within the boundary of each contract in the group. Compared with the current accounting, the Company does not expect the IFRS 17 contract boundary requirements to significantly change the scope of cash flows to be included in the measurement of existing and future recognised contracts.

The period covered by the premiums within the contract boundary is the 'coverage period', which is relevant when applying a number of requirements in IFRS 17. Cash flows are within the contract boundary if they arise from substantive rights and obligations that exist during the reporting period in which the Company can compel the policyholder to pay premiums or has a substantive obligation to provide services (including insurance coverage). The Company's insurance contracts largely cover a period not extending beyond one year.

Measurement

For contracts with a coverage period shorter or equal to one year, there is the option to choose PAA as a simplified measurement model. The Company is currently finalizing its assessment as to whether its contracts are PAA-eligible, and it is expected that it will apply the PAA to most insurance and reinsurance contracts held because the following criteria are expected to be met at inception:

- Insurance contracts and loss-occurring reinsurance contracts: The coverage period of each contract in the group is one year or less.

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

1.1 Basis of preparation - continued

Measurement - continued

- Risk-attaching reinsurance contracts: The Company is currently testing if the resulting measurement of the asset for remaining coverage would differ materially from the result of applying the accounting policies described above.

Liability for remaining coverage

At initial recognition, for a group of contracts that is not onerous, the Company shall measure the carrying amount of the liability for remaining coverage ('LRC') as:

- the premiums, if any, received in cash;
- minus any insurance acquisition cash flows at that date considering that the Company will not elect to recognize such payments as an expense when incurred; and
- plus or minus any amount arising from the de-recognition at that date of any asset for insurance acquisition cash flows and any other asset or liability previously recognized for cash flows related to the group of contracts that the Company pays or receives before the group of insurance contracts is recognized.

The carrying amount of the LRC at the end of each subsequent reporting period for a group of contracts that is not onerous shall represent the carrying amount at the start of the reporting period:

- plus premiums received in that period;
- minus insurance acquisition cash flows paid in the period;
- plus any amounts relating to the amortization of the acquisition cash flows recognized as an expense in the reporting period; and
- minus the amount recognized as insurance revenue for the services provided in the period.

Acquisition cash flows

For contracts that will be measured under the PAA, if the coverage period for each contract in the group is one year or less, the Company may choose to expense insurance acquisition cash flows when they are incurred, instead of including them in the measurement of the LRC. The Company will not elect to recognise insurance acquisition cash flows as incurred for any groups of contracts. Under IFRS 17, the Company will defer all insurance acquisition cash flows.

Liability for incurred claims

The liability for incurred claims ('LIC') for groups of insurance contracts measured under the PAA will be estimated based on the fulfilment cash flows related to incurred claims, adjusted for the time value of money and the effect of financial risk since the claims are not expected to be paid within one year of being incurred.

GasanMamo Insurance Ltd.
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1. **Summary of significant accounting policies** - continued

1.1 Basis of preparation - continued

Liability for incurred claims - continued

The Company will determine the risk-free discount rates based on the risk-free interest rate term structure published by the European Insurance and Occupational Pensions Authority ('EIOPA'), whilst considering any differential to such rate when factoring the liquidity characteristics of the contracts.

The risk adjustment for non-financial risk is that compensation that the Company requires for bearing the uncertainty about the amount and timing of the cash flows of groups of insurance contracts. The risk adjustment will reflect an amount that an insurer would rationally pay to remove the uncertainty that future cash flows will exceed the expected value amount. Applying a confidence level technique, the Company will estimate the probability distribution of the expected present value of the future cash flows from the contracts at each reporting date and calculate the risk adjustment for non-financial risk as the excess of the value at risk at the target confidence level over the expected present value of the future cash flows allowing for the associated risks over all future years.

The Company is not in a position to disclose known or reasonably estimable information relevant to assessing the possible financial impact that the application of IFRS 17 will have on its financial statements in the period of initial application when the 2022 financial statements were authorised for issue.

Reinsurance

Reinsurance contracts held shall be assessed separately from the underlying insurance contracts issued. The Company will divide portfolios of reinsurance contracts held applying the same principles set out above, except that the references to onerous contracts refer to contracts on which there is a net gain on initial recognition.

The same accounting policies will also be applied as for insurance contracts issued to measure a group of reinsurance contracts held, adapted where necessary to reflect features that differ from those of insurance contracts. The Company will apply the PAA to groups of reinsurance contracts that it holds which at the inception of the group the effective coverage period of each contract in the group of reinsurance contracts held is one year or less.

Under the PAA, the initial measurement of the asset equals the reinsurance premium paid. The Company will measure the amount relating to remaining service by allocating the amount of expected reinsurance premium payments over the coverage period of receiving services for the group. For all reinsurance contracts held the allocation will be based on the passage of time.

On initial recognition of each group of reinsurance contracts held, the Company expects that the time between receiving each part of the services and the related reinsurance premium due date is no more than a year. Accordingly, the Company will not adjust the asset for remaining coverage to reflect the time value of money and the effect of financial risk.

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

1.1 Basis of preparation - continued

Reinsurance - continued

Where the reinsurance contracts held cover a group of onerous underlying insurance contracts, the Company will adjust the carrying amount of the asset for remaining coverage and will recognize a gain when, in the same period, it will report a loss on initial recognition of an onerous group of underlying insurance contracts. The recognition of this gain will result in the accounting for the loss recovery component of the asset for the remaining coverage of a group of reinsurance contracts held. The loss recovery component will be adjusted to reflect changes in the loss component of the onerous group of underlying contracts, but it cannot exceed the portion of the loss component of the onerous group of underlying contracts that the Company expects to recover from the reinsurance contracts.

The assets for incurred claims ('AIC') will be estimated based on the fulfilment cash flows related to incurred claims and shall also include an estimate for the effect of any risk of non-performance by the issuers of the reinsurance contract, including the effects of collateral and losses from disputes.

Transition

Under IFRS 17, there is an option for a modified retrospective approach ('MRA') towards transition, which is based on maximising the Company's use of reasonable and supportable information available without undue cost and effort to the entity, with certain modifications permitted to the extent that a fully retrospective approach is not possible, with the objective to achieve the closest outcome to the fully retrospective approach as possible. The Company is expected to apply the MRA.

Although the Company has made significant progress as of the date of the publication of these financial statements, it cannot reasonably assess the possible impact that IFRS 17 will have on the entity's financial statements upon initial application. This is due to the fact the Company is still carrying out quality-control checks and final calibration of the models in order to derive such quantification on equity upon initial application and the comparative figures.

1.2 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 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

1.3 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.

1.4 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.

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.

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. **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).

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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. Since cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified expected credit loss as at 31 December 2022 was €46,615.

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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.

<u>Insurance contracts - General business</u>

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.

<u>Reinsurance contracts held</u>

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.

<u>Receivables and payables related to insurance contracts</u>

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 does not have hedging activities.

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 81% (2021: 80%) of its premium income from risks written in Malta whilst the other 19% (2021: 20%) 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.

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:

	2022	2021
	€	€
Assets at floating interest rates (Notes 6 and 10)	**16,309,585**	12,361,481
Assets at fixed interest rates (Note 6)	**29,105,750**	28,014,557
	45,415,335	40,376,038

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 2022 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 150 basis points lower with all other variables held constant, the increase in pre-tax profit for the year would have been €1,630,915 (2021: €1,995,894) higher. An increase of 150 basis points, with all other variables held constant, would have resulted in pre-tax profit being €1,480,478 (2021: €2,247,070) 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:

	2022	2021
	€	€
Assets subject to equity price risk (Note 6)	**21,588,286**	26,282,652

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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 €2,158,829 (2021: €2,628,265).

(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 2022, the company's exposure to foreign currency investments, principally comprising a mix of US Dollar and UK Pound, represented 8% of the company's total investments (2021: 10%). 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 2022 and 2021, significantly all of the company's receivables classified as unrated were not past due or impaired.

	As at 31 December 2022					
	AAA to AA- €	A+ to A- €	B to BB- €	BBB+ to BBB- €	Unrated €	Total €
Investments						
Fair value through profit or loss	4,428,493	7,218,154	1,175,210	10,183,132	3,130,833	26,135,822
Loan to group undertaking	-	-	-	-	1,000,000	1,000,000
Deposits with banks or financial institutions	-	-	-	1,000,000	4,500,000	5,500,000
	4,428,493	7,218,154	1,175,210	11,183,132	8,630,833	32,635,822
Loans and receivables						
Receivables and accrued income	-	-	-	-	9,790,896	9,790,896
Cash and cash equivalents	-	5,548	683,076	6,796,413	8,079,491	15,564,528
	-	5,548	683,076	6,796,413	17,870,387	25,355,424
Total	4,428,493	7,223,702	1,858,286	17,979,545	26,501,220	57,991,246
Reinsurers' share of technical provisions						**10,222,264**
Total assets bearing credit risk						**68,213,510**

2. Management of insurance and financial risk - continued

2.2 Financial risk management - continued

(b) Credit risk - continued

	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	**24,372,532**
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	**30,371,532**
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	**51,113,601**
Reinsurers' share of technical provisions						**9,343,072**
Total assets bearing credit risk						**60,456,673**

(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 2022	**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	**4,084,638**	**-**	**-**	**-**	**4,084,638**
Accruals and deferred income	**1,425,036**	**-**	**-**	**-**	**1,425,036**
	5,509,674	**-**	**-**	**-**	**5,509,674**

	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	**16,692,148**	**3,534,921**	**4,914,493**	**10,183,327**	**35,324,889**

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**

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 2022, the Company's eligible own funds amounting to €50.7 million (2021: €46.2 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 2022 and 2021, 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.

	2022	2021
	€	€
Assets		
Financial assets at fair value through profit or loss:		
Investments - Level 1	**46,095,080**	49,564,491
Investments - Level 3	**1,629,028**	1,090,692

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 2021					
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	5,324,061	139,720	192,335	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**
Year ended 31 December 2022					
Opening net book amount	4,898,239	126,787	107,470	132,201	5,264,697
Additions	58,757	42,681	261,145	85,110	447,693
Disposals	-	-		(99,506)	(99,506)
Revaluations (Note 26)	2,125,041	-	-	-	2,125,041
Depreciation charge	(758,002)	(37,020)	(114,072)	(78,023)	(987,117)
Depreciation released on disposals	-	-	-	99,507	99,507
Closing net book amount	**6,324,035**	**132,448**	**254,543**	**139,289**	**6,850,315**
At 31 December 2022					
Revalued amount / cost	**7,947,330**	**1,756,574**	**3,486,261**	**596,230**	**13,786,395**
Accumulated depreciation	**(1,623,295)**	**(1,624,126)**	**(3,231,718)**	**(456,941)**	**(6,936,080)**
Net book amount	**6,324,035**	**132,448**	**254,543**	**139,289**	**6,850,315**

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 2022 based on professional independent valuations. The valuation for the year ended 31 December 2021 was deemed to have remained unchanged when compared to the valuation in the prior year.

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 2022 and at 31 December 2021 use significant unobservable inputs and is accordingly categorised within Level 3 of the fair valuation hierarchy.

The company decided to redevelop its current offices classified as property, plant and equipment and a few neighbouring properties classified as either property, plant and equipment or investment property. A permit is in hand for a substantial portion of this to take place. Another application has been submitted for the last part of the proposed project.

Had the cost model been used, the carrying amount as at 31 December would have been as follows:

	2022 €	2021 €
Historical cost	**3,633,226**	3,574,468
Accumulated depreciation	**(2,362,179)**	(1,622,790)
	1,271,047	1,951,678

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 2022 was circa €1,398 (2021: €980) 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

	2022 €	2021 €
Year ended 31 December		
At beginning of year	**11,017,860**	10,751,149
Transfers (Note 4)	**-**	231,622
Additions	**4,920,494**	38,321
Disposals	**(210,000)**	-
Fair value gain / (loss) on revaluation (Note 16)	**1,898,243**	(3,232)
At end of year	**17,626,597**	11,017,860
At 31 December		
Cost	**14,001,981**	9,273,946

The above assets are considered non-current in nature. As at 31 December 2022, the fair value of investment property available for rent and for capital appreciation totalled €13,053,638 (2021: €9,925,657) and €4,572,959 (2021: €1,092,203), respectively.

In 2022, investment property was disposed of and the resulting gain amounted to €42,541. This was recognised under investment income in profit or loss (Note 16).

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).

The company decided to redevelop its current offices classified as property, plant and equipment and a few neighbouring properties classified as either property, plant and equipment or investment property. A permit is in hand for a substantial portion of this to take place. Another application has been submitted for the last part of the proposed project.

An internal valuation of the company's investment property was performed to determine the fair value as at 31 December 2022. The directors are of the opinion that the carrying amount of the investment property as at 31 December 2022 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 2022

Description	Fair value €	Valuation technique	Range of significant unobservable inputs: Rental value €	Range of significant unobservable inputs: Capitalisation rate %
Residential and commercial property	9.7m	Capitalisation of future net income streams	0.4m	3.75 – 5.00

The cost of a property acquired during the year ended 31 December 2022 for €3,280,450 is deemed to be equivalent to its fair value. Other properties valued at €4,572,958 were measured using the residual value. The average price per square metre as at December 2022 was circa €1,136 for these properties.

At 31 December 2021

Description	Fair value €	Valuation technique	Range of significant unobservable inputs: Rental value €	Range of significant unobservable inputs: Capitalisation rate %
Residential and commercial property	9.9m	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. Other properties valued at €1,092,203 were measured using the residual value. The average price per square metre as at December 2021 was circa €497 for these properties.

6. Investments

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

	2022 €	2021 €
Fair value through profit or loss (Note a)	**47,724,108**	50,655,183
Loans and deposits (Note b)	**6,500,000**	5,999,000
Investment in joint venture and associate (Note c)	**1,638,246**	1,620,466
	55,862,354	58,274,649

(a) Investment at fair value through profit or loss

	2022 €	2021 €
Equity securities, other variable yield securities and units in collective investment schemes	**21,588,286**	26,282,652
Debt securities - listed fixed interest rate	**22,605,750**	22,015,557
Debt securities - listed floating interest rate	**3,530,072**	2,356,974
	26,135,822	24,372,531
Total investments at fair value through profit or loss	**47,724,108**	50,655,183

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

Maturity of debt securities and treasury bills:

	2022 €	2021 €
Within 1 year	**789,605**	951,930
Between 1 and 2 years	**2,317,570**	301,820
Between 2 and 5 years	**15,786,127**	11,725,012
Over 5 years	**7,242,520**	11,393,769
	26,135,822	24,372,531

	2022	2021
Weighted average effective interest rate	**1.97%**	1.95%

An investment in an unrated collective investment scheme has a commitments balance of €803,473 as at 31st December 2022 (€913,433 as at 31st December 2021).

6. Investments - continued

The movements for the year are summarised as follows:

	2022 €	2021 €
Year ended 31 December		
At beginning of year	**50,655,184**	40,542,921
Additions	**17,613,457**	21,097,073
Disposals (sale and redemptions)	**(14,511,453)**	(13,679,092)
Net unrealised fair value (losses)/gains	**(6,033,080)**	2,694,281
At end of year	**47,724,108**	50,655,183
As at 31 December		
Cost	**50,100,782**	47,418,973
Accumulated net fair value (losses)/gains	**(2,376,674)**	3,236,210
	47,724,108	50,655,183

(b) Loans and deposits

	2022 €	2021 €
At 31 December		
Deposits with banks or financial institutions	**5,500,000**	4,999,000
Loan to group undertaking	**1,000,000**	1,000,000
	6,500,000	5,999,000

Maturity of deposits with banks or financial institutions and loans:

	2022 €	2021 €
Within 1 year	**5,000,000**	5,999,000
Between 1 and 5 years	**1,500,000**	-
	6,500,000	5,999,000

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

	2022 €	2021 €
At fixed rates	**6,500,000**	5,999,000

Investments amounting to €2,109,500 (2021: €2,109,500) are pledged with banks or financial institutions against borrowings.

In 2022 the loan to group undertaking was unsecured, bore interest at a weighted average rate of 2.50% and was repayable on demand.

6. Investments - continued

(c) Investment in joint venture and associate

	2022 €	2021 €
CCGM Pension Administrators Limited	**94,117**	144,537
IVALIFE Insurance Limited	**1,544,129**	1,475,929
	1,638,246	1,620,466

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

	2022 €	2021 €
Authorised, issued and fully paid up		
100,000 Ordinary 'A' shares of €1 each	**200,000**	200,000
100,000 Ordinary 'B' shares of €1 each	**200,000**	200,000
	400,000	400,000

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 2022 amounted to €50,420. 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:

	2022 €	2021 €
Issued and partly paid up		
Ordinary shares of €1 each	**9,500,000**	7,500,000
	9,500,000	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. In 2022, the net upward movement of €68,200 was the net result of both a shareholder contribution of €500,000 and an unrealised loss on this investment amounting to €431,800. 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.

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7. Deferred acquisition costs

	2022 €	2021 €
Year ended 31 December		
At beginning of year	**4,599,300**	4,230,173
Net amount credited to profit or loss (Note 17)	**322,218**	369,127
At end of year	**4,921,518**	4,599,300
Current portion	**4,921,518**	4,599,300

8. Receivables, prepayments, accrued income and other assets

	2022 €	2021 €
Receivables		
Receivables arising from direct insurance operations:		
- due from policyholders	**1,417,761**	1,233,336
- due from agents, brokers and intermediaries	**7,344,899**	6,703,910
	8,762,660	7,937,246
Other receivables		
- receivables from group undertakings	**337,392**	244,189
- receivables from related parties	**41,209**	33,963
- receivables from directors	**12,219**	4,995
- other receivables	**368,667**	42,426
	759,487	325,573
Prepayments and accrued income		
- prepayments	**318,161**	245,277
- accrued interest	**268,749**	275,149
	586,910	520,426
Other assets	**-**	2,970,132
Total receivables, prepayments, accrued income and other assets	**10,109,057**	11,753,377
Current portion	**10,109,057**	11,753,377

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 expected credit losses of €32,129 (2021: €135,155). As at 31 December 2022, receivables amounting to €8,142,479 (2021: €7,295,161) were fully performing, whereas receivables amounting to €1,379,668 (2021: €967,659) 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:

	2022	2021
	€	€
Less than 3 months	**491,957**	771,221
Less than 6 months but more than 3 months	**531,252**	120,613
Less than 12 months but more than 6 months	**225,354**	61,584
More than 12 months	**131,106**	14,241
	1,379,669	967,659

Other assets amounting to €2,970,132 in 2021 represents a payment on a promise of sale agreement entered into in January 2019 to acquire property which was under construction.

9. Deferred income tax

	2022	2021
	€	€
Year ended 31 December		
At beginning of year	**(2,507,596)**	(1,537,645)
Charged to profit or loss (Note 19)	**464,605**	(985,741)
Credited to other comprehensive income (Note 26)	**(212,504)**	15,790
At end of year	**(2,255,495)**	(2,507,596)

Deferred income taxes are calculated on all temporary differences under the liability method using a principal tax rate of 35% (2021: 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:

	2022	2021
	€	€
Temporary difference on fixed assets	**(25,895)**	(33,824)
Temporary differences attributable to unrealised foreign exchange differences	**(85,927)**	(20,952)
Temporary differences on impairment of receivables	**27,560**	47,305
Temporary difference on revaluation on land and buildings	**(836,154)**	(623,650)
Temporary differences on investment property	**(1,271,505)**	(773,680)
Temporary differences on unrealised capital gains	**(63,574)**	(1,102,795)
	(2,255,495)	(2,507,596)

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:

	2022	2021
	€	€
Cash at bank and in hand	**15,564,528**	12,204,101

Cash at bank and in hand includes amounts held with investment managers amounting to €2,747,170 (2021: €2,154,908). Cash and cash equivalents are stated net of an allowance for expected credit losses amounting to €46,615 (2021: nil).

The deposits held with banks earn interest as follows:

	2022	2021
	€	€
At floating rates	**12,779,513**	10,004,507

11. Share capital

	2022	2021
	€	€
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

	2022 €	2021 €
Gross technical provisions		
Claims reported and loss adjustment expenses	**32,657,931**	28,120,593
Claims incurred but not reported	**2,666,958**	1,663,746
Unearned premiums	**29,533,281**	26,703,115
Total technical provisions - Gross	**64,858,170**	56,487,454
Reinsurers' share of technical provisions		
Claims reported and loss adjustment expenses	**10,222,264**	9,343,072
Unearned premium	**1,994,997**	2,001,086
Total reinsurers' share of technical provisions	**12,217,261**	11,344,158
Net technical provisions		
Claims reported and loss adjustment expenses	**22,435,667**	18,777,521
Claims incurred but not reported	**2,666,958**	1,663,746
Unearned premiums	**27,538,284**	24,702,029
Total technical provisions - Net	**52,640,909**	45,143,296
Current portion	**44,230,432**	38,777,541

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 2022 this amounted to €3,480,488 (2021: €3,196,669).

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:

	2013 €	2014 €	2015 €	2016 €	2017 €	2018 €	2019 €	2020 €	2021 €	2022 €	Total €
At end of reporting year	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	30,272,552	
- one year later	14,828,377	14,593,910	18,580,047	14,164,549	17,075,810	21,701,974	27,318,626	27,299,097	24,313,571		
- two years later	14,580,222	14,221,883	18,825,596	14,684,713	16,404,444	21,065,858	25,555,024	25,622,477			
- three years later	14,369,068	14,234,696	18,332,484	14,469,250	16,269,544	21,603,053	25,089,958				
- four years later	14,244,658	14,176,098	18,803,557	14,426,057	16,344,903	21,678,226					
- five years later	14,114,118	14,028,506	18,900,773	14,470,623	16,443,468						
- six years later	14,167,682	13,984,739	19,070,632	14,455,875							
- seven years later	14,231,420	14,089,182	18,980,328								
- eight years later	14,546,319	14,022,010									
- nine years later	14,636,892										
Current estimates of :											
Cumulative claims	14,636,892	14,022,010	18,980,328	14,455,875	16,443,468	21,678,226	25,089,958	25,622,477	24,313,571	30,272,552	205,515,357
Cumulative payments to date	(13,796,517)	(13,963,725)	(17,700,675)	(13,787,308)	(15,506,574)	(19,962,956)	(22,652,017)	(22,927,196)	(17,848,332)	(12,869,696)	(171,014,996)
Liability recognised in the statement of financial position	840,375	58,285	1,279,653	668,567	936,894	1,715,270	2,437,941	2,695,281	6,465,239	17,402,856	34,500,361
Liability in respect of prior years											824,528
Total liability recognised in the statement of financial position											35,324,889

13. Technical provisions and reinsurance assets - continued

Claims outstanding - Net

Estimate of the ultimate claims costs:

	2013 €	2014 €	2015 €	2016 €	2017 €	2018 €	2019 €	2020 €	2021 €	2022 €	Total €
At end of reporting year	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	24,574,262	
- one year later	14,127,162	14,221,788	17,086,976	14,164,549	17,075,810	19,530,721	21,988,151	18,859,797	20,397,856		
- two years later	13,885,349	13,796,256	17,154,951	14,684,713	16,404,444	18,787,564	20,809,095	16,939,981			
- three years later	13,675,346	13,809,068	16,902,151	14,440,807	16,269,544	19,025,364	21,835,444				
- four years later	13,550,935	13,750,470	16,907,743	14,404,859	16,344,903	19,005,240					
- five years later	13,420,395	13,611,085	16,963,477	14,449,425	16,437,647						
- six years later	13,473,959	13,584,318	17,166,278	14,434,677							
- seven years later	13,537,697	13,688,761	17,071,602								
- eight years later	13,852,596	13,621,589									
- nine years later	13,943,169										
Current estimates of : Cumulative claims	13,943,169	13,621,589	17,071,602	14,434,677	16,437,647	19,005,240	21,835,444	16,939,981	20,397,856	24,574,262	178,261,467
Cumulative payments to date	(13,102,794)	(13,563,304)	(16,570,686)	(13,766,110)	(15,506,574)	(17,619,729)	(20,553,787)	(15,378,424)	(16,129,650)	(11,792,312)	(153,983,370)
Liability recognised in the statement of financial position	840,375	58,285	500,916	668,567	931,073	1,385,511	1,281,657	1,561,557	4,268,206	12,781,950	24,278,097
Liability in respect of prior years											824,528
Total liability recognised in the statement of financial position											25,102,625

13. Technical provisions and reinsurance assets - continued

(a) Claims and loss adjustment expenses

	Year ended 31 December 2022 Gross €	Reinsurance €	Net €
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 beginning of year	**29,784,339**	**(9,343,072)**	**20,441,267**
Claims settled during the year	**(23,753,275)**	**4,250,685**	**(19,502,590)**
Increase/(decrease) in liabilities			
- arising from current year claims	**30,272,549**	**(5,698,285)**	**24,574,264**
- arising from prior year claims	**(978,724)**	**568,408**	**(410,316)**
Total at the end of year	**35,324,889**	**(10,222,264)**	**25,102,625**
Notified claims still outstanding	**32,657,931**	**(10,222,264)**	**22,435,667**
Incurred but not reported	**2,666,958**	**-**	**2,666,958**
Total at the end of year	**35,324,889**	**(10,222,264)**	**25,102,625**

	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**

The company registered a gross favourable run-off of €1.0m (2021: gross adverse run-off of €0.6m). 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 €0.41m (2021: €0.06m).

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 2022			
At beginning of year	**26,703,115**	**(2,001,086)**	**24,702,029**
Net amount charged/(credited) to profit or loss	**2,830,166**	**6,089**	**2,836,255**
At end of year	**29,533,281**	**(1,994,997)**	**27,538,284**

	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

14. Other payables, accruals and deferred income

	2022 €	2021 €
Payables arising out of direct insurance operations	**2,566,392**	2,363,320
Other payables		
Payables to fellow subsidiaries	**79,059**	9,584
Other payables	**284,700**	322,504
Document duty and other tax payables	**1,154,487**	1,095,323
	1,518,246	1,427,411
Accruals and deferred income		
Accrued expenses and deferred income	**1,425,036**	1,980,996
Total other payables and accruals and deferred income	**5,509,674**	5,771,727
Current portion	**5,509,674**	5,771,727

15. Net operating expenses

	2022 €	2021 €
Acquisition costs	**10,877,669**	10,184,666
Change in deferred acquisition costs (Note 7)	**(322,218)**	(369,127)
Administrative expenses	**4,544,046**	3,693,944
	15,099,497	13,509,483

Total commissions accounted for in the financial period in the company's technical result amounted to €6,785,301 (2021: €6,334,730). Administrative expenses mainly comprise staff costs.

16. Investment return

	2022 €	2021 €
Investment income		
Interest receivable from financial assets that are not at fair value through profit or loss	**64,912**	55,947
Income from financial assets at fair value through profit or loss:		
- Dividend income	**461,979**	363,738
- Interest income	**491,686**	470,883
Rental income on investment property	**352,054**	334,050
Exchange differences	**157,290**	173,329
(Losses from)/gains on financial assets at fair value through profit or loss	**(5,845,436)**	2,391,527
Gains/(Losses) from revaluation of investment property (Note 5)	**1,898,243**	(3,232)
Gain on disposal of investment property	**25,000**	-
Loss from investments in joint venture and associate (Note 6)	**(482,221)**	(296,672)
	(2,876,493)	3,489,570
Investment expenses and charges		
Investment management fees and charges	**217,888**	229,004
Other investment expenses	**44,344**	36,916
	262,232	265,920
Total investment return	**(3,138,725)**	3,223,650
Analysed between:		
Allocated investment (charge)/return transferred to the general technical account	**(3,958,101)**	1,876,030
Investment return included in the non-technical account	**819,376**	1,347,620
	(3,138,725)	3,223,650

17. Expenses by nature

	2022 €	2021 €
Employee benefit expense and directors' fees	**4,786,043**	4,448,546
Commissions (Note 15)	**6,785,301**	6,334,730
Change in deferred acquisition costs (Note 7)	**(322,218)**	(369,127)
Depreciation of property, plant and equipment (Note 4)	**887,610**	96,342
IFRS 16 amortisation and interest expense (Note 25)	**187,057**	147,422
Decrease in allowance for expected credit losses (Note 8)	**(56,411)**	(31,356)
Other expenses	**3,510,042**	3,483,875
Total operating expenses and administration expenses	**15,777,424**	14,110,432
Analysed between:		
Included in the general business technical account (Note 15)	**15,099,497**	13,509,483
Included in the non-technical account	**677,927**	600,949
	15,777,424	14,110,432

Auditor's fees

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

	2022 €	2021 €
Annual statutory audit	**67,850**	67,850
Other assurance services	**29,500**	29,500
Tax compliance services	**3,540**	-
Other non-audit services	**17,700**	-

18. Employee benefit expense

	2022 €	2021 €
Salaries (including directors' salaries)	**6,042,002**	5,680,607
Social security costs	**382,410**	353,713
	6,424,412	6,034,320

The average number of persons employed during the year was:

	2022 €	2021 €
Directors	**1**	1
Direct	**114**	109
Indirect	**54**	53
	169	163

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19. Tax expense

	2022 €	2021 €
Current income tax expense	**3,936,112**	4,249,169
Deferred income tax (credit)/charge (Note 9)	**(464,605)**	985,741
	3,471,507	5,234,910

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

	2022 €	2021 €
Profit before income tax	**6,341,293**	13,739,036
Tax on profit at 35%	**2,219,453**	4,808,663
Tax effect of:		
Expenses not allowable for tax purposes	**1,589,534**	359,056
Exempt losses and application of flat rate foreign tax credit	**(93,791)**	(50,702)
Different tax rates applicable to investment property	**(160,421)**	155,895
Income charged at lower rates of tax	**(75,541)**	(49,633)
Overstatement of tax in prior year	**114**	9,629
Other differences	**(7,840)**	2,002
Tax expense	**3,471,507**	5,234,910

20. Directors' emoluments

	2022 €	2021 €
Directors' fees, salaries and other emoluments	**610,077**	533,101

During the year, no benefits in kind were provided to the directors (2021: 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.

	2022	2021
Net profit attributable to shareholders (€)	**2,869,786**	8,504,126
Weighted average number of ordinary shares in issue	**12,000,000**	12,000,000
Earnings per share (€)	**0.24**	0.71

22. Dividends

	2022 €	2021 €
Net dividends paid on ordinary shares	**2,000,000**	3,500,000
Dividends per ordinary share	**0.17**	0.29

After the end of the reporting period, the directors recommended the payment of a final dividend in the net amount of €1,500,000 which was paid in February 2023.

23. Cash generated from operations

	2022 €	2021 €
Profit before tax	**6,341,293**	13,739,036
Adjustments for:		
Depreciation of plant and equipment (Note 4)	**987,117**	296,485
Loss on disposal of plant and equipment (Note 4)	**-**	8,004
Gain on disposal of investment property (Note 5)	**(42,541)**	-
Decrease in allowance for expected credit losses (Note 17)	**(56,411)**	(31,356)
Non-cash movements in investment property (Note 5)	**(1,880,702)**	-
Non-cash movements in investments (Notes 5 and 6)	**5,207,955**	(3,563,049)
Non-cash movements in leases (Note 25)	**187,057**	178,412
Movements in:		
Technical provisions (net) (Note 13)	**7,497,613**	5,473,196
Debtors and prepayments including DAC	**(1,591,620)**	(1,162,732)
Creditors and accruals (Note 14)	**(262,053)**	476,235
Cash generated from operations	**16,387,708**	15,414,231

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:

	2022 €	2021 €
Income		
Gross premium income - Parent company	**137,486**	117,626
Gross premium income - Other related parties	**654,402**	398,346
Interest – Parent company	**52,790**	8,151
Operating expenditure		
Services provided in relation to claims paid	**4,250,596**	3,953,316
Rent	**6,478**	12,860
Administrative and operating expenses	**25,243**	36,975
Capital expenditure		
Fixed asset additions	**107,989**	64,547
Investment property additions	**3,280,450**	-

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

	2022 €	2021 €
Opening carrying amount of right-of-use assets	**686,275**	742,276
Additions and adjustment to right-of-use assets	**164,996**	91,421
Amortisation charge (Note 17)	**(154,835)**	(147,422)
Closing carrying amount of right-of-use assets	**696,436**	686,275

Lease liabilities

	2022 €	2021 €
Opening carrying amount of lease liability	**716,642**	756,057
Additions and adjustment to lease liability	**164,996**	91,421
Lease payments	**(169,407)**	(161,826)
Interest expense (Note 17)	**32,222**	30,990
Closing carrying amount of lease liability	**744,453**	716,642

The undiscounted maturity analysis of lease liability follows:

	2022 €	2021 €
Not later than 1 year	**185,902**	169,845
Later than 1 year and not later than 5 years	**414,320**	416,853
Later than 5 years	**237,143**	241,768
	837,365	828,466

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 2022 amounted to €159,441 (2021: €143,783).

25. Lease commitments - continued

Lease commitments - where the Company is the lessor

	2022	2021
	€	€
Not later than 1 year	**368,464**	304,056
Later than 1 year and not later than 5 years	**628,940**	377,962
Later than 5 years	**548,154**	87,432
	1,545,558	769,450

26. Revaluation surplus

	2022	2021
	€	€
At beginning of year	**2,511,486**	2,554,226
Movement in deferred tax relating to land and buildings upon disposal of property (Note 9)	**2,125,041**	15,790
Transfer of revaluation surplus to retained earnings upon disposal of land and buildings	**(212,504)**	(58,530)
At end of year	**4.424,023**	2,511,486

27. Contingencies

At 31 December 2022 there were contingent liabilities amounting to €15,746 (2021: €19,380) in respect of guarantees in favour of third parties.

28. Statutory information

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

The parent company of GasanMamo Insurance Limited is Gasan Group Limited, a company registered in Malta, with its registered address at Gasan Centre 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 GasanMamo Insurance Limited forms part as a subsidiary company.

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

29. Events after reporting date

During 2023, the directors recommended the payment of a final net dividend of €1,500,000 which was paid in February 2023.

GasanMamo Insurance Limited
Msida Road, Gżira GZR 1405, Malta

gasanmamo.com