Citadel Insurance p.l.c.

Annual Report & Consolidated Financial Statements

31st December 2020

Company Registration Number: C 21550

CONTENTS

DIRECTORS, OFFICERS AND OTHER INFORMATION

Directors:	Mr. Joseph N. Tabone C.P.A. F.I.A., F.C.I.B. (*Chairman*) Prof. Ian Refalo B.A. LL.D Dip.IL (Cambridge) *(Deputy Chairman)* Ms. Angela Tabone *(Managing Director)* Mr. Anthony Paris Mr. Michael Warrington C.P.A. A.C.I.B., B.A.(Hons) Acctcy, F.I.A., M.A. Fin. Servs Mr. Stephen Pandolfino B.A. (Hons) Accty, F.I.A., C.P.A., A.C.I.B. Dr. Joseph J. Vella LL.D. Mr. Christopher Worfolk B.A. (Hons), M.Sc.
Company Secretary:	Dr. Philippa Taylor-East B.A. LL.D.
Registered & Head Office:	"Casa Borgo", 26, Market Street, Floriana FRN 1082, Malta.
Company Registration Number:	C 21550
Investment Committee:	Mr. Anthony Paris *(Chairman)* Mr. Stephen Pandolfino Ms. Angela Tabone Mr. Edward Cachia
Audit Committee:	Mr. Michael Warrington *(Chairman)* Mr. Joseph N. Tabone Prof. Ian Refalo B.A. LL.D Dip.IL (Cambridge)
Risk Management:	Mr. Christopher Worfolk *(Chairman)* Ms. Angela Tabone Dr. Philippa Taylor-East Mr. Brian Galea Mr. Helenio Grech Ms Adrienne Camilleri
Auditor:	PricewaterhouseCoopers
Principal Bankers:	Bank of Valletta p.l.c. HSBC Bank (Malta) p.l.c. APS Bank Limited BNF Bank p.l.c.
Principal Legal Advisors:	Refalo Advocates
Actuaries:	Paul Warren Mazars LLP

DIRECTORS, OFFICERS AND OTHER INFORMATION

Customer Services Office:	No.28, St. Anne Street, Floriana FRN 9011.
Branch Offices:	**Naxxar Branch:** 3, Toni Bajjada Square, Naxxar NXR 2590. **Ħaż-Żebbug Branch:** Gate Avenue, Ħaż-Żebbug ZBG 2079. **Paola Branch:** 57, Cospicua Road, Paola PLA 1012. **San Gwann Branch:** 8, Cali House, Triq tal-Balal, San Gwann. **Zejtun Branch:** 25th November Avenue, Zejtun. **Victoria Branch:** The Tower, 2nd Floor, Fortunato Mizzi Street, Victoria, Gozo. **Mosta Branch:** 17A, Eucharistic Congress Road, Mosta. **Mellieha Branch:** Majestic East, 7, Cross Street c/w Borg Olivier Street, Mellieha.

CHAIRMAN'S STATEMENT

For the most part, 2020 will undoubtedly remain synonymous with moments of uncertainty, challenges, yet simultaneously, with defining notes of persistency and resilience.

In spite of the volatility and investment losses experienced in the global financial markets, the impact on the company's invested assets was confined to a loss of less than 0.5% of investment assets. The declining yield environment and strained equity markets have constrained the opportunities available to maximise return within cautious risk parameters. Thus, the prudent investment strategy was quick to respond to a flight to high quality secure assets, which was evidenced in the minimal investment loss incurred. This cautious investment strategy was mirrored in the significant re-bound from the investment losses registered earlier on in the year to the investment result reported at year end.

The favourable underwriting result attained in 2020, was reflective of the cautious underwriting strategy and guidelines in place, coupled by an overall favourable experience on the general business (Profit of EUR 925,395) from reduced loss incidence and severity due to pandemic-mitigating restrictions on social gatherings and cross-border mobility, net of business interruption losses. The life portfolio continued to grow steadily with a registered increase of nearly 7% of transacted premiums from 2019. However, overall premium income saw a slight decrease of nearly 4% our premium income to €16,273,430 for its combined business of life and non-life. The Company's values to maintain a disciplined approach to risk to grow our business remained unchanged despite pressures of competition. We are proud to report that our values and commitment to earn our customers' trust, that has evolved over two decades, have produced a consistent growth in capital. This we achieved by focusing on profitability rather than sales volumes.

The Board, which remained unchanged in 2020, is composed of seven non-executive directors and one executive director. The Board which holds a wealth of experience in financials, risk management, insurance, legislation, investments and management, directs the Company to meet its strategic objectives. The Board recognises that the long-term success of our business is dependent on the way it works with its diverse number of important stakeholders. The directors have regard to the interests of our clients, our employees and our shareholders, while complying with their obligations to promote the success of the Company in line with regulatory requirements.

Citadel operates a robust system of governance and risk management framework, which it embeds into its ongoing operational processes within a highly regulated environment. During 2020, the Company continued to drive a culture of good governance to maintain a sound and ethical governance structure to deliver its values to clients, customers and stakeholders. Good governance and an effective risk-based decision-making culture have contributed towards our strategic drivers, vital to preserve growth and shareholder value in 2021.

The objective of the Corporate Social Responsibility (CSR) Committee is to integrate social and environmental concerns into our business in line with Citadel's values. We collaborate with other entities and non-government organisation to provide support in-kind and awareness on social, environment and cultural activities. The Committee meets regularly to organise awareness campaigns and fund raising events of carefully selected causes. In 2020, the Company continued to support a number of events and sponsorships to promote interest in the preservation and protection of our historical buildings, our national heritage and environment.

2021 has started positively from an insurance growth perspective. However, the slow-down in worldwide economies due to the coronavirus pandemic may have an effect on our business growth. However, I feel that our business is resilient to contain and sustain our financial stability.

I thank the members of the Board for their guidance and our shareholders for their support and confidence. My gratitude goes to our members of staff for their continued dedication and professionalism and to our customers for their loyalty and trust.

Joseph N Tabone
Chairman

MANAGING DIRECTOR/CEO REVIEW

Throughout 2020 the company's focus was intricately geared at ensuring adaptability and maximising the client value delivered through our insurance offering. The efforts undertaken to swiftly, yet effectively re-think the company's operations and strategic plans: providing an uninterrupted and uncompromised service to our clients and cautiously monitor and proactively apply business-continuity, investment and risk-response strategies, bear fruit in the company's 2020 year- end results reported.

In 2020 our business' combined gross premium income reduced by 4% to €16,273,430 in what is still a highly challenging and competitive local market. As a composite, we have gained a significant benefit from being able to not only make good for less favourable experience under some classes, in spite of the challenges posed by the pandemic, but managed to grow a cautious and diverse portfolio. A return in excess of 1.3% on both Company and Group assets was still registered, in the face of increased operating costs amongst an ever dynamic regulatory and technical landscape and a prevalent low-asset yield environment. For 2020 the Company generated a profit before taxation of €485,283 (2019: €650,162) and retained earnings increased by 14% to €1,762,429 (2019: €1,542,453). The positive turnaround in the Company's performance for 2020 shows that we hold a robust system of governance which is able to manage uncertainties in a year challenged by the uncertainty of COVID-19 and an ever changing socio-economic environment.

During 2020, the intermittent investment losses suffered in the first quarter of the year were quickly recovered through actively monitoring and adapting our investment portfolio, as the global financial market evolved. In keeping with our cautious investment approach, our investment portfolios for general and life business registered a respective return of -0.45% or (€55,096). Towards the end of the year, we anticipated the markets and repositioned our investments for 2021. At 31 December 2020 our investment assets stood at €12,368,188 whilst cash in hand stood at €6,613,491 (Group), €6,523,491 (Company), a group combined increase of 1.4% over 2019.

Our general business income exceeded target expectations, due to the favourable loss experience on the motor and travel book, inherent to the mobility restrictions in place by governments to inhibit the disease's spread. This favourable result also mirrors the value that the company's extensive reinsurance structure provides, mitigating adverse loss development such as those inherent to business interruption. General Business premium volume for 2020 contracted by 5.8% to €13,677,666 (2019: €14,520,786), this is in part inherent due to the lower socio-economic activity inherent to the pandemic mitigating measures. Nevertheless, through a diligent and cautious underwriting, a loyal customer base and a robust reinsurance programme, a significant profit of €925,395, a remarkable growth over 2019 was registered.

The life portfolio in contrast registered a significant growth in premium income of around 7%, whilst maintaining sufficiently cautious underwriting standards, that enable the company to soundly manage its technical liabilities resulting from these risks. Investment performance allocated to the life portfolio was on target albeit persistent low base-rates. These results were attained through active monitoring of the life portfolio and associated investment. Thus, the company was able to effectively still provide reasonable bonuses on the company's savings policies. For 2020 we declared bonuses of 3.5% and 4.5% on our guaranteed products; 2.5% on other savings plans and 1% for single premium plans. Carefully selected funds under the investment risks categories for our unit-linked plans maintained expected returns during the year. The life results for the year ended 2020 stood at €423,118 (2019: €1,153,173).

A synergistic drive towards product innovation and digitalisation in 2021 remains the forefront of the way we manage our business, with the customer remaining the apex of what drives our business. We continue to deliver improved digital platforms and needs-driven innovative insurance solutions to deliver value-for-money protection and capital enhancement solutions using technology-driven means. Our strategy to embed innovative solutions in our digitalised applications is reaching our objectives to become a more productive, cost-effective and efficient operating business.

The operational diversification, robust capital structure and risk-management culture has led to the company to maintain an adequately capitalised solvency position throughout 2020. The Solvency II capital for our composite structure requirement of €4,689,642 million remains healthy. The Minimum Capital Requirement (MCR) and Solvency Capital Requirement (SCR) stood at 128% and 202% respectively at 31 December 2020.

Our objectives for 2021 are to continue to simplify change to our operations, enhance underwriting performance and related costs to service our customers. Positively, the Company managed to sustain the adverse impact of the COVID-19 pandemic during 2020 and was able to withstand the uncertainty around investment market volatility and economic recovery caused by the pandemic. The Company continues to be in a strong financial position to endure the pandemic during 2021. Our resilient foundation and good track record on how we apply risk, coupled with high international reinsurance securities will enable the Company to manage and withstand any adverse consequences to the pandemic. We are confident that we will be able to continue to deliver on stakeholder value, customer experience and sustain our capital in 2021.

Angela Tabone
Managing Director/CEO

DIRECTORS' REPORT

The Directors are pleased to present their annual report of Citadel Insurance p.l.c. together with the audited Financial Statements based on International Financial Report Standards (IFRS). The report contains the stand-alone (the "Company") and the consolidated financial statements of Citadel Insurance p.l.c. for the year ended 31 December 2020.

Principal Activities

The principal activities of the Citadel Group consist of the business of insurance.

The Company is licensed to carry on general and long-term business in terms of Article 7 of the Insurance Business Act (Cap. 403). Citadel Health Insurance Agency Limited, its subsidiary, merged into Citadel Insurance p.l.c. with effect from 1 January 2020, in line with the resolution of the Board of the Directors dated 6th July 2020 and as approved by the Registrar of the companies on the 10th December 2020. The assets and liabilities were assumed by the Company as the surviving entity. Following this transaction, there was no change in the ultimate shareholding. Accordingly, the result of the merger has been presented as a movement within equity. The directors consider that amounts recognised for assets, liabilities and result of the merger are not material to warrant the disclosures that would have otherwise been required in terms of IFRSs.

Review of Performance

Performance from activities has been strong and growth in the major areas of the business remains diverse and consistent and in line with its accounting policies.

The Company generated a combined gross written premium of €16,273,430 during the year under review compared to €16,948,736 in 2019. The Non-life technical results stood at €925,395 (2019: €21,806). Premium growth in the long term business increased by 7% over 2019. The Company's combined technical accounts for the financial year ended 31 December 2020 resulted in generating a positive balance of €1,348,513 (2019: €1,174,979) before the allocation of non-technical components.

In 2020 the Company was quick to react to market conditions due to the prevailing economic environment to safeguard its investments The Company financial assets at fair value and investment property stood at €13,915,187 (2019: €14,040,860). Citadel Insurance p.l.c. registered a profit before taxation of €485,283 compared to €650,162 in 2019 and retained earnings stood at €1,762,429 at 31 December 2020 (2019: €1,542,453). The Group generated a profit before taxation of €470,195 (2019: €649,904) and retained earnings increased to €1,604,816 (2019: €1,347,531). Overall, 2020 has been a year of steady performance. In 2020 Citadel was able to increase its equity to €8,115,103 (2019: €7,895,127).

In early 2020, the COVID-19 global pandemic was declared and is still ongoing at the date of issue of these financial statements. COVID-19 has caused disruption to businesses and economic activity which has been reflected in recent fluctuations in global stock markets. From the onset, the Company was quick to respond to changing market conditions and took the relative financial action to contain its capital and liquidity position. Citadel still remains well capitalised in line with statutory requirements and the Company's financial position remains healthy even in the current circumstances. Citadel does not consider that the COVID-19 pandemic will have an overall material effect on the going concern of the Company.

Outlook

The outlook of the Board of Directors for 2021 is of a prudent approach to meet its strategy. The Board believes that the Company is well aligned and resourced to manage new challenges in the environment it operates. The Board is confident that the Company will continue to evolve and well positioned to create customer and shareholders value to deliver sustainable growth.

Principal Risk and Uncertainties

The Company's principal risks and uncertainties are disclosed in Note 5 dealing with the management of Insurance and Financial Risks and Note 4 makes reference to judgements in applying accounting policies and accounting estimates.

Board of Directors

The Directors of the Company who served during the period under review were:

Mr Joseph N. Tabone (*Chairman*)
Prof Ian Refalo (*Deputy Chairman*)
Ms Angela Tabone
Mr Stephen Pandolfino
Mr Anthony Paris
Dr Joseph J. Vella
Mr Michael Warrington
Mr Christopher J. Worfolk

In accordance with paragraph 69 (d) of the Company's articles of association the Directors are to continue in office.

Statement of Directors' Responsibilities

The directors are required by the Insurance Business Act (Cap. 403) and the Maltese Companies Act (Cap. 386) to prepare financial statements in accordance with International Financial Reporting Standards as adopted by the EU which give a true and fair view of the state of affairs of the Company and the Group at the end of each financial year and of the profit or loss of the Company and the Group for the year then ended. In preparing the financial statements, the directors should:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable; and
- prepare the financial statements on a going concern basis, unless it is inappropriate to presume that the Company and the Group will continue in business as a going concern.

The directors are responsible for ensuring proper accounting records are kept which disclose with reasonable accuracy, at any time, the financial position of the Company and the Group and which enable the directors to ensure that the financial statements comply with the Insurance Business Act (Cap. 403) and the Maltese Companies Act (Cap. 386). This responsibility includes designing, implementing and maintaining 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. The directors are also responsible for safeguarding the assets of the Company and the Group, and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors

A resolution to reappoint PricewaterhouseCoopers as auditor of the Company will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors, authorised for issue on 8 April 2021 and signed on its behalf by:

Joseph N Tabone
Chairman

Ian Refalo
Deputy Chairman

STATEMENT OF COMPLIANCE

Corporate Governance Guidelines for Public Interest Companies

Citadel Insurance p.l.c. (the "Company"), being a large private company, has adopted the "Corporate Governance Guidelines for Public Interest Companies" (the "Guidelines") issued by the Malta Financial Services Authority (the "Authority") in August 2006. The Company has implemented the Guidelines in conjunction with other provisions made by prevalent legislation which regulates the local insurance business market. The Board of Directors (the "Board") firmly believes in pursuing the Guidelines and has endorsed them except in extraordinary circumstances that justify non-adherence thereto.

The Board

In line with the requirements of the Guidelines and the provisions of the Company's Memorandum and Articles of Association, the Board is composed of a Chairman, a Managing Director and six non-executive and independent Directors. All Directors are fit and proper persons and, are, individually and collectively, of sufficient calibre, with the necessary skills and experience to provide leadership, integrity and judgement in directing the Company. Each member of the Board has undergone a satisfactory due diligence process conducted by the Authority prior to his or her appointment.

Responsibilities of the Board

In the best interests of the Company and its shareholders, the Board is responsible for the execution of the basic roles of corporate governance namely: accountability, monitoring, strategy formulation and policy development of the Company. Pursuant to the current nature and demands of the Company's business, the Board meets every quarter unless further meetings are required. It reviews and evaluates corporate strategy, major operational and financial plans, risk management policy, performance objectives and monitors implementation and corporate performance within the parameters of all relevant laws, regulations, rules and directives, and codes of best business practice.

The Board has delegated authority and vested accountability for the Company's day-to-day administration of the business to a senior management team headed by the Managing Director. The Board has also established a number of committees at senior managerial level and set out appropriate internal controls and procedures, as required by Chapter 6: System of Governance of the Insurance Rules, particularly to monitor the Company's exposure to risk. Further detail on risk management policies, controls and procedures is provided within the Notes to these Financial Statements.

Board Committees

The Board has set up specific committees to deal with specialist subject matters and responsibilities with tailor made terms of reference.

1. *Audit Committee*: The Committee, which fulfils the requirements of Annex II to Chapter 6 of the Insurance Rules, meets at least on a quarterly basis and more frequently if circumstances so require. The Committee is appointed by the Board and currently consists of three non-executive directors. The Managing Director and other officers of the Company, while not forming part of the Committee, may be asked to attend meetings at the discretion of the Committee. The Committee is responsible for reviewing the financial reporting process, the Company's systems of internal controls and risk management systems including computerised information systems controls and security, overseeing the internal audit function and reviewing the external audit processes.

2. *Investment Committee:* The members of the Committee are appointed by the Board and for the year under review. The Committee is composed of two non-executive directors, one of whom chairs the Committee, the Managing Director and an external member. The Committee is responsible for formulating, monitoring and reviewing the Company's investment strategy and policies and investment processes. Other officers of the Company, while not forming part of the Committee, may be invited to attend.

3. *Risk Management Committee:* The Committee is required to meet at least on a quarterly basis and its remit is to oversee the Company's risk management systems, practices and procedures to ensure effectiveness of risk identification and management, and compliance with internal guidelines and external requirements. The Committee is composed of a non-executive director, who chairs the Committee, the Managing Director, the Compliance Officer, Head of Finance, Risk Officer and Head of Life & Health. The members of the Committee are appointed by the Board and other officers of the Company, while not forming part of the Committee, may be required to attend meetings on the request of the Committee.

Internal Structures

The following internal structures have been set up to ensure effective and appropriate internal controls, systems and procedures pursuant to the nature and extent of the operations of the Company:

1. *Claims Committee:* The Committee meets regularly and is chaired by the Managing Director. The other members consisted of the Executive Head Motor and General Business, the Head of Finance and the Head of General Business Underwriting. The Terms of Reference of the Committee include the review of motor and non-motor liability claims, the review of death claims, the review of claims reserves and the appointment of experts. Other officers of the Company, including the Head of Life, may be invited to attend.

2. *Product Oversight Committee:* The Committee was set up in 2019 to ensure sound governance in designing, monitoring, reviewing and distributing products to clients. The Committee is chaired by the Managing Director. Other members include the Executive Head Motor and General Business, the Head of General Business Underwriting, the Head of Life & Health and the Compliance Officer. Meetings are held on a regular basis.

3. *Senior Management Team:* The Team comprises all heads of department. It is responsible for managing the day-to-day operations of the Company, executing the Company's technical and business strategy, identifying, defining and prioritising projects and initiatives, allocating resources and co-ordinating same. Team meets regularly to ensure growth and profitability in all areas and develop the necessary internal structures to meet the Company's business targets. It is charged with the implementation of Board-approved strategies and plans.

4. *Reinsurance Team*: The Team is presently composed of the Managing Director, the Executive Head Motor and General Business and Head of Life. The Team is responsible for reviewing current reinsurance programmes and prepare for the treaty renewals. The Team maintains close contact with the appointed international reinsurance brokers.

FINANCIAL STATEMENTS

Financial statements:

INCOME STATEMENTS
Year Ended 31 December 2020

TECHNICAL ACCOUNT – GENERAL BUSINESS		Group and Company	
		2020	2019
	Notes	**€**	€
Earned premiums, net of reinsurance			
Gross premiums written	**6**	**13,677,666**	14,520,786
Outward reinsurance premiums		**(4,500,470)**	(4,889,535)
Net premiums written		**9,177,196**	9,631,251
Change in gross provision for unearned premiums		**567,304**	(628,097)
Change in provision for unearned premiums, reinsurers' share		**(213,732)**	256,907
Change in net provision for unearned premiums		**353,572**	(371,190)
Earned premiums, net of reinsurance		**9,530,768**	9,260,061
Allocated investments return transferred from the non-technical account	**7**	**(102,958)**	569,069
Other net technical profit	**6**	**246,361**	259,177
Total technical income		**9,674,171**	10,088,307
Claims incurred, net of reinsurance			
Claims paid			
- gross amount		**(6,844,274)**	(8,346,497)
- reinsurers' share		**1,816,603**	2,195,853
		(5,027,671)	(6,150,644)
Change in the provision for claims			
- gross amount		**(1,208,916)**	(245,720)
- reinsurers' share		**1,651,778**	202,286
		442,862	(43,434)
Claims incurred, net of reinsurance		**(4,584,809)**	(6,194,078)
Net operating expenses	**8**	**(4,163,967)**	(3,872,423)
Total technical charges		**(8,748,776)**	(10,066,501)
Balance on technical account for general business		**925,395**	21,806

The notes on pages 20 through 63 are an integral part of these financial statements.

INCOME STATEMENTS
Year Ended 31 December 2020

TECHNICAL ACCOUNT – LONG TERM BUSINESS		Group and Company	
		2020	2019
	Notes	**€**	€
Earned premiums, net of reinsurance			
Gross premiums written	**6**	**2,595,764**	2,427,950
Outward reinsurance premiums		**(1,035,794)**	(1,015,055)
Earned premiums, net of reinsurance		**1,559,970**	1,412,895
Net income from financial assets		**93,074**	250,682
(Loss) / gain on re-measurement of assets at fair value		**(22,479)**	356,880
(Loss) / gain on re-measurement of unit-linked assets at fair value		**(22,733)**	179,543
Other income		**114,815**	102,974
Total technical income		**1,722,647**	2,302,974
Claims incurred, net of reinsurance			
Claims paid			
- gross amount		**(398,460)**	(811,052)
- reinsurers' share		**84,001**	220,574
		(314,459)	(590,478)
Change in the provision for claims			
- gross amount		**(555,440)**	155,527
- reinsurers' share		**447,748**	(139,880)
		(107,692)	15,647
Claims incurred, net of reinsurance		**(422,151)**	(574,831)
Change in other technical reserves, net of reinsurance			
Long term business provision, net of reinsurance			
- Gross amount		**(231,939)**	1,152,630
- Reinsurers' share		**60,623**	(1,303,908)
		(171,316)	(151,278)
Technical provisions for linked liabilities		**65,833**	153,740
		(105,483)	2,462
Net operating expenses	**8**	**(771,895)**	(577,432)
Total technical charges		**(1,299,529)**	(1,149,801)
Balance on technical account for long term business		**423,118**	1,153,173

The notes on pages 20 through 63 are an integral part of these financial statements

INCOME STATEMENTS
Year Ended 31 December 2020

NON-TECHNICAL INCOME		GROUP		COMPANY	
		2020	2019	**2020**	2019
	Notes	**€**	€	**€**	€
Balance on the general business technical account (page 12)		**925,395**	21,806	**925,395**	21,806
Balance on the long term technical account (page 13)		**423,118**	1,153,173	**423,118**	1,153,173
		1,348,513	1,174,979	**1,348,513**	1,174,979
Investment (loss)/return	7	**(25,743)**	1,383,851	**(25,743)**	1,383,851
Investment expense	7	**(29,353)**	(27,677)	**(29,353)**	(27,677)
Allocated investment return transferred to the General Business technical account	7	**102,958**	(569,069)	**102,958**	(569,069)
Allocated investment return transferred to the Long term Business technical account	7	**(47,862)**	(787,105)	**(47,862)**	(787,105)
Administrative expenses	8	**(894,067)**	(853,123)	**(878,979)**	(852,865)
Fair value gains on investment property	15	**15,749**	328,048	**15,749**	328,048
Profit on ordinary activities before tax		**470,195**	649,904	**485,283**	650,162
Current tax expense	12	**(520)**	(4,138)	**(520)**	(4,138)
Deferred tax expense		**(212,390)**	(428,555)	**(212,390)**	(428,555)
		(212,910)	(432,693)	**(212,910)**	(432,693)
Profit for the financial year		**257,285**	217,211	**272,373**	217,469

The notes on pages 20 through 63 are an integral part of these financial statements

STATEMENTS OF COMPREHENSIVE INCOME
Year Ended 31 December 2020

	GROUP		COMPANY	
	2020	2019	**2020**	2019
	€	€	**€**	€
Profit for the year	**257,285**	217,211	**272,373**	217,469
Total comprehensive income for the year	**257,285**	217,211	**272,373**	217,469

The notes on pages 20 through 63 are an integral part of these financial statements.

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2020

		GROUP		COMPANY	
	Notes	2020 €	2019 €	2020 €	2019 €
Assets					
Intangible assets	13	474,008	372,372	595,136	513,420
Property, plant and equipment	14	4,818,655	4,597,415	4,818,655	4,595,700
Investment property	15	2,549,999	2,415,000	2,549,999	2,415,000
Investment in subsidiary	16	-	-	90,000	299,999
Financial assets at fair value through profit or loss	17	11,368,188	11,625,860	11,368,188	11,625,860
Assets held to cover linked liabilities	17	1,146,296	1,212,230	1,146,296	1,212,230
Loans and receivables	17	1,000,000	1,000,000	1,000,000	1,000,000
Reinsurers' share of technical provisions	21	5,978,312	4,031,895	5,978,312	4,031,895
Insurance receivables	18	3,393,551	3,376,278	3,393,551	3,376,278
Other receivables	18	303,598	313,542	340,083	313,545
Deferred acquisition costs		769,159	873,397	769,159	873,397
Current tax assets		71,708	98,620	71,708	98,621
Cash and cash equivalents	19	6,613,491	6,087,955	6,523,491	6,057,618
Total assets		38,486,965	36,004,564	38,644,578	36,413,563
Equity and liabilities					
Share capital	22	5,000,400	5,000,400	5,000,400	5,000,400
Revaluation reserve		1,332,747	1,332,747	1,332,747	1,332,747
Capital reserve		19,527	19,527	19,527	19,527
Retained earnings		1,604,816	1,347,531	1,762,429	1,542,453
Total equity		7,957,490	7,700,205	8,115,103	7,895,127
Liabilities					
Insurance contract provision	21	20,864,347	19,435,356	20,864,347	19,435,356
Technical provisions for linked liabilities	21	1,146,296	1,212,130	1,146,296	1,212,130
Deferred tax liabilities	20	820,629	608,239	820,629	608,239
Borrowings	23	1,366,546	1,580,550	1,366,546	1,580,550
Amounts owed to banks	19	1,759,148	1,711,825	1,759,148	1,711,825
Reinsurance payables		2,769,523	2,234,601	2,769,523	2,234,601
Insurance payables	24	349,315	516,589	349,315	733,321
Other payables and accruals	24	1,453,671	1,005,069	1,453,671	1,002,414
Total liabilities		30,529,475	28,304,359	30,529,475	28,518,436
Total equity and liabilities		38,486,965	36,004,564	38,644,578	36,413,563

The notes on pages 20 through 63 are an integral part of these financial statements.

The financial statements on pages 12 to 63 were approved by the Board of Directors, authorised for issue on 8 April 2021 and were signed on its behalf by:

Joseph N. Tabone
Chairman

Ian Refalo
Deputy Chairman

STATEMENTS OF CHANGES IN EQUITY
Year ended 31 December 2020

Group	Share Capital	Property Revaluation Reserve	Capital Reserve	Retained Earnings	Totals
	€	€	€	€	€
Balance as at 1st January 2019	**5,000,400**	**1,332,747**	**19,527**	**1,130,320**	**7,482,994**
Total comprehensive income for the year	-	-	-	217,211	217,211
Balance as at 1st January 2020	**5,000,400**	**1,332,747**	**19,527**	**1,347,531**	**7,700,205**
Total comprehensive income for the year	-	-	-	257,285	257,285
Balance as at 31st December 2020	**5,000,400**	**1,332,747**	**19,527**	**1,604,816**	**7,957,490**

The notes on pages 20 through 63 are an integral part of these financial statements.

Company	Share Capital	Property Revaluation Reserve	Capital Reserve	Retained Earnings	Totals
	€	€	€	€	€
Balance as at 1st January 2019	**5,000,400**	**1,332,747**	**19,527**	**1,324,984**	**7,677,658**
Total comprehensive income for the year	-	-	-	217,469	217,469
Balance as at 1st January 2020	**5,000,400**	**1,332,747**	**19,527**	**1,542,453**	**7,895,127**
Profit for the year - total comprehensive income for the year	-	-	-	272,373	272,373
Merger of subsidiary – total transactions with owners (note 16)	-	-	-	(52,397)	(52,397)
Balance as at 31st December 2020	**5,000,400**	**1,332,747**	**19,527**	**1,762,429**	**8,115,103**

The notes on pages 20 through 63 are an integral part of these financial statements.

STATEMENTS OF CASH FLOWS
Year ended 31 December 2020

		Group		Company	
	Notes	**2020**	2019	**2020**	2019
		€	€	**€**	€
Cash flows from operating activities					
Profit before tax		**470,195**	649,904	**485,283**	650,162
Adjustments for:					
Depreciation and amortisation	**11**	**488,884**	386,268	**560,455**	405,192
Unrealised losses / (gains) on investments	**7**	**310,513**	(1,087,107)	**310,513**	(1,087,107)
Movements in:					
Technical provisions and assets held to cover linked liabilities		**1,429,091**	(452,890)	**1,429,091**	(452,890)
Reinsurers' share of technical provisions		**(1,946,417)**	984,306	**(1,946,417)**	984,306
Receivables and deferred acquisition costs		**96,909**	(1,124,875)	**60,427**	(1,111,517)
Payables and right-of-use assets		**547,966**	1,224,008	**491,492**	1,244,538
Cash inflows from operations		**1,397,141**	579,614	**1,390,844**	632,684
Tax received / (paid)		**26,393**	(11,752)	**26,393**	(11,752)
let cash generated from operations		**1,423,534**	567,862	**1,417,237**	620,932
Cash flows (used in) / generated from investing activities					
Payments to acquire property, plant and equipment, net of proceeds from disposals	**14**	**(204,533)**	(185,371)	**(225,198)**	(185,371)
Payments to acquire intangible assets	**13**	**(245,566)**	(89,543)	**(278,267)**	(89,543)
Payments to incorporate a subsidiary	**16**	**(90,000)**	-	**(90,000)**	-
Proceeds from sale of investments		**52,841**	1,539,028	**52,841**	1,539,028
Payments to acquire investment property	**15**	**(119,250)**	(444,389)	**(119,250)**	(444,389)
Iet cash (used in) / generated from investing activities		**(606,508)**	819,725	**(659,874)**	819,725
Cash flows used in financing activities					
Repayments of borrowings		**(214,004)**	-	**(214,004)**	-
Repayment of lease liabilities (principal amount)		**(124,809)**	(98,457)	**(124,809)**	(98,457)
Net cash used in financing activities		**(338,813)**	(98,457)	**(338,813)**	(98,457)
let movement in cash and cash equivalents		**478,213**	1,289,130	**418,550**	1,342,200
lash and cash equivalents at beginning of the year		**4,376,130**	3,087,000	**4,345,793**	3,003,593
lash and cash equivalents at end of the year	**19**	**4,854,343**	4,376,130	**4,764,343**	4,345,793

The notes on pages 20 through 63 are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2020

1. GENERAL AND STATUTORY INFORMATION

Citadel Insurance p.l.c. (the “Company”) is a composite and underwrites long term and general insurance risks located wholly on the Maltese islands. The Company is a public limited company incorporated and domiciled in Malta with registration number C 21550.

The address of its registered office is “Casa Borgo”, 26 Market Street, Floriana, FRN 1082, Malta.

By virtue of a resolution signed and passed on 6th July 2020, by the Board of Directors of the Company and the Company’s subsidiary Citadel Health Insurance Agency (In Run-off) Limited, the latter has been merged into the Company and struck off through the merger. The effective date for accounting purposes was 1 January 2020.

On 12 March 2020, the Company registered a new wholly owned subsidiary, Spiral Insurance Brokers PCC Limited. The subsidiary is in the progress of obtaining its insurance broking protected cell company license.

2. STATEMENT OF COMPLIANCE

The financial statements have been prepared and presented in accordance with the provisions of the Maltese Companies Act (Cap 386) (the “Act”), which requires adherence to International Financial Reporting Standards, as adopted by the EU (“EU IFRSs”), and their interpretations adopted by the International Accounting Standards Board (“IASB”), and the provisions of the Insurance Business Act (Cap 403).

2.1 New standards, amendments and interpretations issued but not effective for the financial year beginning 1 January 2020 and not early adopted

Certain new standards and amendments, revisions and interpretations to existing standards have been published by the date of authorisation for issue of these financial statements but are not mandatory for the current accounting period.

The Group and the Company have not early adopted these new standards or these amendments, revisions and interpretations to existing standards.

The final version of IFRS 9 ‘Financial Instruments’ brings together the classification and measurement, impairment and hedge accounting phases of the IASB's project to replace IAS 39 'Financial Instruments: Recognition and Measurement'. The Standard supersedes all previous versions of IFRS 9.

IFRS 9 introduces a logical approach for the classification of financial assets, which is driven by cash flow characteristics and the business model in which an asset is held. This single, principle-based approach replaces existing rule-based requirements that are generally considered to be overly complex and difficult to apply. The new model also results in a single, forward-looking ‘expected loss’ impairment model that will require more timely recognition of expected credit losses.

IFRS 9 also removes the volatility in profit or loss that was caused by changes in the credit risk of liabilities elected to be measured at fair value. This change in accounting means that gains caused by the deterioration of an entity’s own credit risk on such liabilities are no longer recognised in profit or loss.

IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with earlier application permitted. The Company has applied the temporary exemption as allowed under the Amendment to IFRS 4 described above, and has therefore deferred the application of IFRS 9 to be concurrent with the effective date of IFRS 17.

IFRS 4 (Amendments), ‘Applying IFRS 9 Financial instruments with IFRS 4 Insurance contracts’ provides two options for entities that issue insurance contracts within the scope of IFRS 4 i.e. an option that permits entities to reclassify, from profit or loss to other comprehensive income, some of the income or expenses arising from designated financial assets (the "overlay approach") or a temporary exemption from applying IFRS 9 for entities whose predominant activity is issuing contracts within the scope of IFRS 4 (the "deferral approach" or the “temporary relief”). The application of both approaches is optional and an entity is permitted to stop applying them before the new insurance contracts standard is applied.

The activities of the Group and the Company are predominantly connected with insurance. In this regard, the directors have assessed the following:

a) The Group and the Company has not previously applied any version of IFRS 9.
b) The total carrying amount of liabilities arising from contracts within the scope of IFRS 4 for the year ended 31 December 2015 (the prescribed date of assessment under the optional temporary relief) represents over 80% of total liabilities, which is considered significant.

There has been no change in the Group’s and the Company’s activities that warrants a reassessment of the above information.

The amendment of IFRS 4 requires entities to disclose the fair value at the end of the reporting period and the change in fair value during the period for groups of financial assets with contractual cash flows that are solely payments of principal and interest as (“SPPI”) and other financial assets separately. Such disclosure is not required since the Group and the Company invest in debt instruments held at fair value through profit and loss (“FVTPL”) and are of a trading nature, not capitalized at SPPI.

The Group and the Company will continue to apply IAS 39 until the expiry date for the temporary exemption in line with an effective date of IFRS 17. Additional disclosures on financial assets are provided in Note 5.2.

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 from 1 January 2023. The Standard is still subject to being endorsed for use in the EU. Industry practice and interpretation of the Standard is still developing. The Standard is still subject to being endorsed for use in the EU. The Group and the Company are currently considering the implication of IFRS 17 and its impact on the financial results and position as part of its IFRS 17 implementation project. Towards the end of the reporting year the results obtained from carrying out an IFRS 17 impact analysis for the Company were submitted to the regulator in the format of its ‘2019 Statement of comprehensive income’ and Statement of financial position’ which were transformed to adopt the necessary changes stipulated within this Standard.

IFRS 17 together with IFRS 9 will result in a profound change to the accounting in IFRS financial statements for insurance companies. Management is considering the implications of these standards and their impact on the Group’s and the Company’s financial results and positions. There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

The amendments to IAS 1 ‘Presentation of Financial Statements’: the amendments affect only the presentation of liabilities in the statement of financial position — not the amount or timing of recognition of any asset, liability income or expenses, or the information that entities disclose about those items. The amendments clarify (1) that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period and align the wording in all affected paragraphs to refer to the "right" to defer settlement by at least twelve months and make explicit that only rights in place "at the end of the reporting period" should affect the classification of a liability; (2) that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability; and (3) make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services. The amendments are effective for periods beginning on or after 1 January 2022, with earlier adoption permitted. This has not yet been endorsed by the EU.

Only the IFRSs and amendments that are relevant to the Company and the Group have been disclosed above. The directors are currently reviewing new and revised International Financial Reporting Standards as adopted by the EU including interpretations of IFRS and amendments to IFRS, that were in issue at the date of authorisation of these financial statements, but not yet effective, to determine whether these will have a material impact on the financial statements of the Company in the period of initial application.

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of Preparation

In early 2020, the COVID-19 global pandemic was declared and is still ongoing at the date of issue of these financial statements. COVID-19 has caused disruption to businesses and economic activity, which has been reflected in recent fluctuations in global stock markets.

From the onset, the Group and the Company were quick to respond to changing market conditions and took the relative financial action to contain its capital and liquidity position. We reviewed the balance sheet exposure and took action to reduce the sensitivity to economic shocks to market volatility.

Based on the risks underwritten by the Company and the nature of its reinsurance arrangements, the Company has determined that the outbreak did not have a significant impact on the Company's business, and management is confident that the Company will not, also based on reinsurance cover, be impacted in a negative manner.

Citadel Insurance p.l.c. still remains well capitalised in line with statutory requirements and the Company's financial position remains healthy even in the current circumstances. Taking into consideration the analysis carried out in the Own Risk and Solvency Assessment, the Company envisages that it will continue to satisfy all regulatory solvency requirements.

These financial statements have been prepared on a going concern basis, which assumes that the Company will continue in existence for the foreseeable future. As explained above, the directors do not anticipate a material impact on the going concern status stemming from the COVID-19 pandemic.

These financial statements are prepared under the historical cost convention except for land and buildings, which are carried at revalued amounts and financial instruments at fair value through profit or loss and investment property, which is stated at their fair value, in accordance with EU IFRS.

The preparation of financial statements in conformity with EU IFRS, requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group'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 4.

The financial statements are presented in Euro (€) which is the functional currency of the Company and Group. The accounting policies set out below have been applied consistently to all periods presented in these financial statements. The accounting policies make reference to the "Company" where that policy is only relevant to Citadel Insurance p.l.c., otherwise reference is made to the "Group".

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

For financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

For assets and liabilities that are recognised in the financial statements at fair value on a recurring basis, the Company determines when transfers are deemed to have occurred between Levels in the hierarchy at the end of each reporting period.

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

3.2 Basis of Consolidation

The group financial statements include the financial statements of the Company and its subsidiary. The results of the subsidiary are included in the group income statement. All material intra-group transactions are eliminated on consolidation.

3.3 Insurance Contracts

3.3.1 Classification

The Company issues contracts that transfer insurance risk or financial risk or both.

Insurance contracts are those contracts under which the Company accepts significant insurance risk from another party by agreeing to compensate the policyholder or other beneficiary if a specified uncertain future event adversely affects the policyholder or other beneficiary. Insurance risk is risk other than financial risk.

Financial risk is the risk of a possible future change in one or more of a specified interest rate, financial instrument price, commodity price, foreign exchange rates, index of prices or rates, a credit rating or credit index or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract. Insurance contracts may also transfer some financial risk.

A number of insurance contracts contain a Discretionary Participation Feature (DPF). This feature entitles the holder to receive, as a supplement to guaranteed benefits, additional bonuses:

- that are likely to be an insignificant portion of the total contractual benefits;
- whose amount or timing is contractually at the discretion of the Company; and
- that are contractually based on investment returns on assets held by the Company, for its life portfolio.

The class of products incorporated within this definition pertains to the With-Profits product portfolio.

Board policy and the terms and conditions of these contracts set out the bases for the determination of the amounts on which the additional discretionary benefits are based and within which the Company may exercise its discretion as to the amount and timing of their payment to contract holders. Nevertheless discretionary benefits substantially comprise an immaterial amount of the total benefit provided by such products, in view of the guaranteed rates borne the majority of these products.

3.3.2 Recognition and measurement of contracts

Premiums from general insurance business

General insurance business is accounted for on an annual basis. General business written premiums comprise the premiums on contracts entered into during the year, irrespective of whether they relate in whole or in part to a later accounting period. Premiums are disclosed gross of commission payable to intermediaries and exclude taxes and levies based on premiums. Premiums written include adjustments to premiums written in prior accounting periods.

The provision for unearned premiums represents that part of gross and reinsurers' share of premiums written which is estimated to be earned in the following or subsequent financial years. The provision is calculated separately for each insurance contract on the 365^{th} basis, where the incidence of risk is the same throughout the contract. Where the incidence of risk varies during the term of the contract, the provision is based on the estimated risk profile of business written.

Premiums from long term insurance

In respect of long term business, premiums, policy fees and surrender charges are accounted for on a receivable basis, or in the case of unit-linked business when the liability is recognised, and exclude any taxes and duties based on premiums.

Claims arising from general insurance business

Net claims incurred comprise all claims occurring during the year less amounts recoverable from reinsurance together with related administrative expenses and any adjustments to claims outstanding from previous years. Provision is made for the full estimated cost of claims notified but not settled together with an estimate in respect of claims incurred but not reported at the end of the financial year.

Liabilities for unpaid claims are estimated using the input of assessment 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.

Included in the provision is an estimate of the costs of handling the outstanding claims. Provision for claims outstanding is based on information available to the Directors and the eventual outcome may vary from the original assessment. The provisions for outstanding claims are reviewed periodically on a one for one basis to ensure their adequacy.

Provision is made for unexpired risks when it is anticipated, on the basis of information available at year end, that the unearned premiums will be insufficient to meet future claims and related expenses of business in force at the end of the year.

The above method of provisioning satisfies the minimum liability adequacy test as required by IFRS 4 – Insurance Contracts.

Claims arising from long term insurance business

Long term business claims reflect the cost of all claims during the year, including policyholder bonuses allocated in anticipation of a bonus declaration. Claims payable on the maturity of contracts are accounted for when the claim becomes due for payment and claims payable for death are accounted for on notification.

A liability for contractual benefits that are expected to be incurred in the future is recorded when the premiums are recognised. The provisions for claims outstanding relating to long term business are determined by using recognised actuarial methods. The liability is based on assumptions as to mortality, persistency, maintenance expenses and investment income that are established at the time the contract is issued and at the end of the reporting period.

Material salvage and other recoveries

Estimates of salvage and other recoveries are taken to the income statement when it is probable that the economic benefits associated with the transaction will flow to the Company and the revenue can be reliably measured.

Reinsurance

The Company cedes reinsurance in the normal course of business for the purpose of limiting its net loss potential through the diversification of its risks. Reinsurance arrangements do not relieve the Company from its direct obligations to its policyholders.

Outward reinsurance premiums are recognised as a deduction from income in accordance with the pattern of reinsurance service received.

Premiums ceded and benefits reimbursed are presented in the income statement and statement of financial position on a gross basis.

Only contracts that give rise to a significant transfer of insurance risk are accounted for as insurance contracts. Amounts recoverable under such contracts are recognised in the same year as the related claim.

The benefits to which the Company is entitled under its reinsurance contracts held are recognised as reinsurance assets. These assets consist of receivables (classified as reinsurance assets) 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.

Amounts recoverable under reinsurance contracts are assessed for impairment at the end of each reporting period. Such assets are deemed as being impaired if objective evidence exists, as a result of an event that occurred after its initial recognition, that the Company may not recover all amounts due and that the event has a reliably measurable impact on the amounts that the Company will receive from the reinsurer.

Deferred acquisition costs

Acquisition costs comprise all direct and indirect costs arising from entering into general insurance contracts. Acquisition costs are accrued over an equivalent period to that over which the underlying business is written and charged to the accounting periods in which the related premiums are earned. Deferred acquisition costs, which are stated net of deferred reinsurers' commission, represent those acquisition costs incurred in respect of unearned premiums existing at the end of the reporting period.

Liability measurement

A unit-linked insurance contract is an insurance contract with an embedded derivative linking payments on the contract of units with the consideration received from the contract holders. This embedded derivative meets the definition of an insurance contract and is not therefore accounted for separately from the host insurance contract. The liability for such contracts is adjusted for all changes in the fair value of the underlying assets.

3.4 Revenue

The accounting policy in relation to revenue from insurance contracts is disclosed in note 3.3.2.

3.4.1 Fees and commission

Fees and commission income includes fees on investment management services contracts that are recognised as the services are provided. Annual management charges, surrender charges and policy administration charges are recognised when accrued.

3.4.2 Investment income

Interest income is recognised in the income statement as it accrues. Dividend income is recognised in the income statement on the date the Group's right to receive payment is established which, in the case of quoted securities is usually the ex-dividend date.

Investment return is initially recorded in the non-technical account, except for income attributed to the long term business which is recognised immediately in the long term business technical account. A transfer is made from the non-technical account to the general business technical account of the actual investment return on investments deemed to form an integral part of the core business activities.

3.5 Expenses

3.5.1 Employee benefits

The Group contributes towards the state pension defined contribution plan in accordance with local legislation and to which it has no commitment beyond the payment of fixed contributions. Employee benefit costs are recognised as an expense during the year in which these are incurred.

3.5.2 Net financing costs

Net financing costs comprise interest payable on borrowings. These are charged against income without restriction.

3.6 Income tax

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the income statement with the exception of those items recognised in other comprehensive income or directly in equity, in which case it is dealt with in other comprehensive income or in equity, as appropriate.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided in full using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period.

A deferred tax asset is 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 tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

3.7 Foreign currency transactions

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the end of the reporting period are translated to Euro at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to Euro at foreign exchange rates ruling at the dates the fair value was determined.

3.8 Intangible assets

An intangible asset is recognised if it is probable that the expected future economic benefits that are attributable to the asset will flow to the Group and the cost of the asset can be measured reliably.

Intangible assets are initially measured at cost. Expenditure on an intangible asset is recognised as an expense in the period when it is incurred unless it forms part of the cost of the asset that meets the recognition criteria.

The Group assesses whether the useful life of intangible assets is finite or indefinite. Intangible assets with a finite useful life are amortised. Amortisation is charged to profit or loss so as to write off the cost of intangible assets less any estimated residual value, over their estimated useful lives. The amortisation method applied, the residual value and the useful life are reviewed, and adjusted if appropriate, at the end of each reporting period.

Intangible assets are derecognised on disposal or when no future economic benefits are expected from their use or disposal. Gains or losses arising from derecognition represent the difference between the net disposal proceeds, if any, and the carrying amount, and are included in profit or loss in the period of derecognition.

3.8.1 Computer software

In determining the classification of an asset that incorporates both intangible and tangible elements, the Group uses judgement to assess which element is more significant. Computer software that is an integral part of the related hardware is classified as property, plant and equipment and accounted for in accordance with the Group's accounting policy on property, plant and equipment. Where the software is not an integral part of the related hardware, this is classified as an intangible asset and carried at cost less any accumulated amortisation and any accumulated impairment losses. Computer software classified as an intangible asset is amortised on a straight-line basis over five years.

3.8.2 Tenancy rights

The cost of buying the rights to tenancy and the right to lease is recognised as an intangible asset with a finite economic life. The rights are amortised over 15 years.

3.8.3 Policy lists

Policy lists are classified as intangible assets of the Company and are recognised upon acquisition. After initial recognition, policy lists are carried at cost less any accumulated amortisation and any accumulated impairment losses. Policy lists are amortised on a straight-line basis over ten years.

3.9 Property, plant and equipment

Owned assets

Land and buildings comprise the offices occupied by the Group.

Following initial recognition at cost, land and buildings are revalued by a professional qualified architect at least on a triennial basis, such that their carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period. Any accumulation at the date of the revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset. Any surpluses arising on revaluation are credited to a revaluation reserve. Any deficiencies resulting from decreases in value are deducted from this reserve to the extent that it is sufficient to absorb them, with any excess charged to the income statement.

All other property, plant and equipment are stated at historical cost net of accumulated depreciation (see below) and impairment losses (see note 3.11).

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Subsequent costs

The Group recognises in the carrying amount of an item of property, plant and equipment the cost of replacing part of such an item when that cost is incurred if it is probable that the future economic benefits embodied with the item will flow to the Group and the cost of the item can be measured reliably. All other costs are charged to the statement of profit or loss during the financial period in which they are incurred.

With effect from 1 January 2019, property, plant and equipment also include right-of-use assets in terms of IFRS 16 *Leases*. The accounting policy for right-of-use assets is included below in the Section entitled 'Leases'.

Depreciation

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives at the following rates:

	%
Buildings	2 – 8
Motor vehicles	15
Furniture, fittings and other equipment	10 - 20

The depreciation method and the assets' residual values and useful lives are reviewed at the end of each reporting period and adjusted if appropriate.

With effect from 1 January 2019, right-of-use assets are depreciated over the shorter period of the lease term and the useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the company expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

3.10 Financial Assets and other financial instruments

The Group classifies its financial assets in the following categories: at fair value through profit or loss, and loan and receivables. The classification is dependent on the purpose for which the investments were acquired.

The directors determine the appropriate classification of financial assets at initial recognition.

- *Financial assets at fair value through profit or loss*

  Financial assets at fair value through profit or loss include financial assets held for trading, i.e. financial assets acquired principally for the purpose of selling in the short-term. A financial asset is also classified in this category if, on initial recognition, it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. Assets in this category are classified as current assets if expected to be settled within twelve months; otherwise, they are classified as non-current.

- *Loans and receivables*

  Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the asset. They are included in current assets, except for maturities greater than twelve months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise of cash and cash equivalents, loans and receivable balance and insurance and other receivables in the statement of financial position.

Financial assets and financial liabilities are recognised on the Group statement of financial position when the Group has become a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially recognised at their fair value plus directly attributable transaction costs for all financial assets or financial liabilities not classified at fair value through profit or loss. Loans and receivables are subsequently carried at amortised cost using the effective interest method. Amortised cost is the initial measurement amount adjusted for the amortisation of any difference between the initial and maturity amounts using the effective interest method.

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when the Group has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Financial assets are derecognised when the contractual rights to the cash flows from the financial assets expire or when the entity transfers the financial asset and the transfer qualifies for derecognition.

Financial liabilities are derecognised when they are extinguished. This occurs when the obligation specified in the contract is discharged, cancelled or expires.

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments are recorded at the proceeds received, net of direct issue costs.

The Group evaluates the terms of financial instruments that it issues, the substance of the contractual arrangement and the definitions of a financial liability and an equity instrument to determine whether the financial instruments are financial liabilities or equity instruments or whether they contain both a liability and an equity component, in which case such components are classified separately as financial liabilities and equity instruments.

3.10.1 Receivables

Receivables are classified with assets and are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired.

3.10.2 Investments

The Group's investments are classified into the following categories – financial assets at fair value through profit or loss and loans and receivables. The classification depends on the purpose for which the investments were acquired.

Financial assets at fair value through profit or loss are those that are held for trading purposes or those financial assets that are so designated by the Group upon initial recognition. After initial recognition, financial assets at fair value through profit or loss are measured at their fair value. Gains and losses arising from a change in fair value are recognised in profit or loss in the period in which they arise.

Dividend income on financial assets at fair value through profit or loss is recognised with investment income, if any, arising on other financial assets. Interest income and fair value gains and losses on financial assets at fair value through profit or loss are disclosed within the line item investment income.

3.10.3 Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market other than those that are held for trading or are designated upon initial recognition as at fair value through profit or loss or those for which the Group may not recover substantially all of its initial investment other than because of credit deterioration. After initial recognition, loans and receivables are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the financial asset is derecognised or impaired and through the amortisation process.

3.10.4 Offsetting financial instruments

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

3.10.5 Bank overdraft

Subsequent to initial recognition, interest-bearing bank overdrafts are carried at face value in view of their short-term maturities.

3.10.6 Other borrowings

Subsequent to initial recognition, other borrowings are measured at amortised cost using the effective interest method unless the effect of discounting is immaterial. Any difference between the proceeds, net of transaction costs, and the settlement or redemption value of other borrowings is recognised in profit or loss over the period of the borrowings.

3.10.7 Payables

Payables are classified within liabilities and are stated at their nominal value unless the effect of discounting is material, in which case payables are measured at amortised cost using the effective interest method.

3.10.8 Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

3.11 Investments in subsidiary undertaking

A subsidiary is an entity that is controlled by the Company. The Company controls an investee when the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Investments in subsidiaries are accounted for on the basis of the direct equity interest and are stated at cost less any accumulated impairment losses. Dividends from the investment are recognised in profit or loss.

3.12 Investment Property

Investment property is property held to earn rentals or for capital appreciation or both. Investment property is recognised as an asset when it is probable that the future economic benefits that are associated with the investment property will flow to the entity and the cost can be measured reliably.

Investment property is initially measured at cost, including transaction costs. Subsequent to initial recognition, investment property is stated at fair value at the end of the reporting period. Gains or losses arising from changes in the fair value of investment property are recognised in profit or loss in the period in which they arise.

Investment property is derecognised on disposal or when it is permanently withdrawn from use and no future economic benefits are expected from its disposal. Gains or losses on derecognition represent the difference between the net disposal proceeds, if any, and the carrying amount and are recognised in profit or loss in the period of derecognition.

3.13 Impairment

3.13.1 Impairment of financial assets

The Group assesses at each reporting date whether there is objective evidence that any assets other than those stated at fair value through profit or loss and deferred tax assets, are impaired. A financial asset or group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset ("a loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. The Company first assesses whether objective evidence of impairment exists. If any such indication exists, the carrying value is reduced to the estimated recoverable amount by means of a charge to the income statement, unless the asset is carried at a revalued amount.

For loans and receivables, objective evidence that a financial asset or group of financial assets is impaired included observable data that comes to the attention of the Group about the following events:

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

Impairment losses recognised in prior periods are reversed if there are indications that the conditions leading to the original impairment loss no longer exist, or if there has been a change in the estimates used to determine the recoverable amount. Such losses are then reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, had no impairment loss been recognised for the asset.

3.13.2 Impairment of non-financial assets

Assets that are subject to depreciation and amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets of the Group and the Company that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

3.14 Shares issued by the Company

Ordinary shares issued by the Company are classified as equity instruments.

3.15 Leases

The Group and the Company as lessee

The Group assesses whether the contract is, or contains, a lease at inception of a contract. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The lease term is determined as the non-cancellable period of a lease, together with both (a) periods covered by an option to extend the lease if the lessee is reasonably certain to exercise that option; and (b) periods covered by an option to terminate the lease if the lessee is reasonably certain not to exercise that option.

The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, unless otherwise stated below. For short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets, the Group applies the recognition exemption. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the pattern of the lessee's benefit.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate. The Group's incremental borrowing rate is the rate of interest that the lessee would have to pay to borrow over a similar term and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment.

Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- The amount expected to be payable by the lessee under residual value guarantees;
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the statement of financial position. The lease liability is subsequently measured by increasing the carrying amount to reflect interest in the lease liability (using effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability to reflect revised in-substance fixed lease payments or whenever: (a) there is a change in the lease term or a change in the assessment of a purchase option being exercised, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate; or (b) there is a change in future lease payments resulting from a change in an index or a rate or a change in the amounts expected to be payable under a residual value guarantee, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used). For such remeasurements, the amount is recognised as an adjustment to the right-of-use asset, unless the carrying amount of the right-of-use asset is reduced to zero, in which case the amount is recognised in profit or loss.

The carrying amount of the lease liability is also remeasured when a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The right-of-use assets are initially measured at the commencement date at cost, being the amount of the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs.

Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated over the shorter period of the lease term and the useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease. The Group applies the accounting policy entitled ‘Impairment’ to determine and to measure the extent of any impairment losses on the right-of-use assets.

Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in ‘Other operating expenses’ in profit or loss.

4. JUDGEMENTS IN APPLYING ACCOUNTING POLICIES AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of financial statements in conformity with EU IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and underlying assumptions are continually evaluated and reviewed and are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. As a result, actual results may differ from these estimates.

Any revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The judgements (apart from those involving estimations) made by management in the process of applying the Company's accounting policies and that can significantly affect the amounts recognised in the financial statement described in this paragraph. Other the key assumptions concerning the future, and key sources of estimation uncertainty, at the end of the reporting period, may also have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year:

4.1 Determining the lease term of contracts with renewal and termination options – Company as lessee

The Company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. The Company has several lease contracts that include extension and termination options. The Company applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the company reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate. The Company included up to 10 years of the renewal period as part of the lease term for leases of its operating branches premises having a shorter non-cancellable period.

4.2 Ultimate liability arising from claims made under insurance contracts – General Business

The Company continually reviews and updates its estimates arising from reported and unreported losses and establishes resulting provisions and adequate amounts recoverable under reinsurance. Adjustments from this review are reflected in the income statement. Claim reserves are based on claim by claim estimates supplemented with additional reserves for claims incurred but not reported ("IBNR"). The process relies on the basic assumption that past experience, adjusted for the effect of current developments and likely trends, is an appropriate basis for developing expectations of future events that are deemed to be reasonable under the circumstances. Note 21 contains further information pertaining to historical development of claims.

4.3 Ultimate liability arising from claims made under insurance contracts – Long Term Business

The Company makes estimates of the expected number of deaths for each of the years that it is exposed to risk. These estimates are based on standard industry mortality tables, adjusted where appropriate to reflect the Company's own experience. The estimated number of deaths determines the value of the expected benefit payments and the extent of the valuation premiums. The main source of uncertainty is that epidemics, pandemics and wide-ranging lifestyle changes, such as in eating, smoking and exercise habits, could result in future mortality being significantly worse than in the past for the age groups in which the Company has significant exposure to mortality risk.

The Company makes estimates for future deaths, voluntary returns, investment returns and administration expenses at the inception of long-term insurance contracts with fixed and guaranteed terms. These estimates form the assumptions used to calculate the liabilities arising from these contracts and are “locked” in for the duration of the contract. New estimates are then made on an annual basis in order to establish long-term contract liabilities, which reflect best estimate assumptions. If the liabilities are considered adequate the original assumptions are not altered. If they are deemed as not adequate, then the assumptions are “unlocked” and altered to prudently reflect the best estimate assumptions. Any improvements in estimates have no impact on the value of the liabilities and related assets until the liabilities are derecognised, while significant enough deterioration in estimates is immediately recognised to make the liabilities adequate.

The number of deaths in past years has been considerably less than the management estimate which is expressed as a percentage of the reassurance rate. If the number of deaths increased by a large percentage then there would be a reduced profit in that year, but that might reflect a normal fluctuation for a small portfolio. If such high claims experience occurred for two successive years then management would consider increasing the mortality assumption. Due to the high level of reassurance this would increase net liability by about 100K euro for a 10% increase in the mortality assumption and decrease liability by 100K Euro for a 10% decrease.

4.4 Leases - Estimating the incremental borrowing rate

The Company cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Company ‘would have to pay’, which requires estimation when no observable rates are available (such as for an entity that does not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the Company’s functional currency). The Company estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as its credit rating). The change in management’s estimate in IBR, would not have a material impact on the Company’s liabilities.

5. INSURANCE AND FINANCIAL RISK MANAGEMENT

5.1 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 primary insurance activity carried out by the Company assumes risks that relate to motor, property, engineering, marine, travel, credit, liability, accident, life, financial or other losses that may arise from an insurable event. The Company is therefore exposed to the uncertainty surrounding the timing and severity of claims under the insurance contract. The Company also has exposure to market risk through its insurance and investment activities.

The Company manages its insurance risk through underwriting limits, approval procedures for transactions that involve new products or that exceed set limits, pricing guidelines, centralised management of reinsurance and monitoring of emerging issues.

The Company uses relevant methods to assess and monitor insurance risk exposures both for individual types of risks insured and overall risks. The theory of probability is applied to the pricing and provisioning for a portfolio of insurance contracts. The principal risk is that the frequency and severity of claims is greater than expected. Insurance events are, by their nature, random, and the actual number and size of events during any one year may vary from those estimated.

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 manages these risks through its underwriting strategy, adequate reinsurance arrangements and proactive claims handling, as discussed in the subsequent notes.

5.1.1 Concentration of insurance risk

The Company's concentration of insurance risk is on the whole resulting from risks situated in Malta.

5.1.2 Underwriting strategy

Since its establishment, the Company has developed its own underwriting criteria and strategy which have evolved in line with the technical underwriting disciplines of its international treaty reinsurers.

The positive portfolio results over the years have borne out the Company's strategy of pursuing prudent underwriting policies and focusing on risk selection. The Company's consistent pursuit of this strategy is a reflection of the fact that from the outset it has taken a long-term view of the business.

The Company continues to provide risk management guidance to clients with a view to improving the underwriting results of risk exposures associated with diverse sectors of commercial and industrial activity.

5.1.3 Reinsurance strategy

The Company reinsures a portion of the risks it underwrites in order to control its exposures to losses and protect capital resources. The Company buys a combination of proportionate and non-proportionate reinsurance treaties to reduce the Company's net exposure. In addition, the Company also buys facultative reinsurance in certain specified circumstances.

Ceded reinsurance contains credit risk, and such reinsurance recoverable are reported after deductions, if any, for known insolvencies and, uncollectible items. The Company monitors the financial condition of reinsurers on an ongoing basis and reviews its reinsurance arrangements periodically.

The Company utilises a reinsurance agreement with non-affiliated reinsurers to control its exposure to losses resulting from one occurrence and for the accumulation of net property losses arising out of one occurrence.

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

5.1.4 Terms and conditions of insurance contracts

The terms and conditions of insurance contracts that have a material effect on the amount, timing and uncertainty of future cash flows arising from insurance contracts are set out below.

Nature of risks covered

The following gives an assessment of the Company's main products and the ways in which it manages the associated risks.

General insurance contracts – Motor

The Company writes all classes of motor insurance in Malta providing cover in Malta and statutory cover in the European Union. Motor insurance can cover the policyholder against material own damage and third-party liability depending on the level of cover in force.

In Malta there is compulsory motor insurance legislation obliging motorists to have third party liability cover. Prior to May 2004, third party cover was unlimited but was subsequently changed by means of legislative amendments to a limit of €1,164,687. The adoption of the 5th Motor Insurance Directive provided for further increases to the third-party liability limit, up to € 5,000,000 for death or bodily injury. With effect from 11th June 2017, the third-party liability limit increased to €6,070,000 for death or bodily injury.

'Own damage' claims are easily quantifiable and settled and are therefore classified as 'short-tailed', meaning that expense deterioration and investment return will be of negligible importance. This contrasts with the 'long-tailed' classes where the ultimate claim cost takes longer to determine, making expenses and investment return considerably more important.

There are numerous components underlying the liability aspect of motor insurance. Most of these have relatively moderate payment patterns (with most of the claims for a given accident year closed within five years), while others can have longer payment patterns. This can give rise to an element of uncertainty about claim reserves.

The insurance risk is managed primarily through pricing, product design, risk selection, appropriate investment strategy, rating and reinsurance. The Company therefore monitors and reacts to changes in the general economic and commercial environment in which it operates.

General insurance contracts – Property

The Company writes property insurance in Malta and in respect of Maltese interests abroad. Property insurance indemnifies, subject to any limits or excesses, the policyholder against loss or damage to their own material property and business interruption arising from this damage.

The event giving rise to a claim for damage to buildings or contents usually occurs suddenly (as for fire and burglary) and the cause is easily determinable. The claim will thus be notified promptly and can be settled without delay. Property business is therefore classified as 'short-tailed'.

The key risks associated with this product are underwriting risk, competitive risk and claims experience risk (including the variable incidence of natural causes). The Company is also exposed to the risk of dishonest actions by policyholders.

Underwriting risk is the risk that the Company does not charge premiums appropriate for the different properties it insures. The risk on any policy will vary according to many factors such as location, safety measures in place and the age of property. For domestic property insurance it is expected that there will be large numbers of properties with similar risk profiles. However, for commercial business this will not be the case. Many commercial property proposals comprise of a unique combination of location, type of business, and safety measures in place. Calculating a premium commensurate with the risk for these policies will be subjective, and hence risky.

Property classes are exposed to the risk that the insured will make false or invalid claims, or exaggerate the amount claimed following a loss. This largely explains why economic conditions correlate with the profitability of a property portfolio.

General insurance contracts – Liability

The Company writes liability insurance in Malta and in respect of Maltese interests abroad. Under these contracts monetary compensation is paid for property damage and bodily injury suffered by employees or members of the public.

General liability is considered a 'long tail' line, as it takes a relatively long period of time to finalise and settle claims for a given accident year. The speed of claim reporting and claim settlement is a function of the specific coverage provided, the jurisdiction and specific policy provisions. There are numerous components underlying the liability product line. Most of these have relatively moderate payment patterns (with most of the claims for a given accident year closed within five years), while others can have longer payment patterns.

While the majority of liability coverages are written on an "occurrence basis," certain liability coverages (such as those covering professional liability) are generally insured on a "claims-made" basis.

This line is typically the largest source of uncertainty regarding claim provisions.

The key risks associated with this product are underwriting risk, competitive risk, and claims experience risk (including the variable incidence of natural disasters). The Company is also exposed to the risk of dishonest actions by policyholders.

As with the liability aspect of motor insurance, the insurance risk is managed primarily through pricing, product design, risk selection, appropriate investment strategy, rating and reinsurance.

The Company therefore monitors and reacts to changes in the general economic and commercial environment in which it operates.

Long term life insurance contracts

The Company writes long term business in Malta. These contracts insure events associated with human life over a long duration.

The most significant factors that could increase the overall frequency of claims are epidemics or widespread changes in lifestyle resulting in earlier or more claims than expected. At present, these risks do not vary significantly in relation to the location of the risk insured by the Company. However, undue concentration by amounts could have an impact on the severity of payments on a portfolio basis.

The Company manages these risks through its underwriting policy and reinsurance arrangements. Medical selection is also included in the Company's underwriting procedures with premiums varied to reflect the health condition and family medical history of the applicants.

For contracts with fixed and guaranteed benefits and fixed future premiums there are no mitigating terms and conditions that reduce the insurance risk accepted.

For contracts with Discretionary Participation Features (DPF), the participating nature of these contracts results in a portion of the insurance risk being shared with the insured party.

Uncertainty in the estimation of future payments and premium receipts for long term insurance contracts arises from the unpredictability of long term changes in overall levels of mortality and variability in policyholder behaviour.

Short-duration life insurance contracts

These contracts are issued to employers to insure events associated with the human life of their employees. The risk is affected by the nature of the industry in which the employer operates in addition to the factors noted above. The Company attempts to manage this risk through its underwriting, claims handling and reinsurance policy.

There is no specific need to estimate mortality rates or morbidity rates for future years because these contracts have a short duration.

5.2 Financial risk

The exposures to risk and the way risks arise, together with the Group's objectives, policies and processes for managing and measuring these risks are disclosed in more detail below.

The Group is exposed to financial risks through its financial assets, financial liabilities, reinsurance assets and insurance liabilities. These comprise mainly market risk, credit risk, and liquidity risk. Each of these financial risks is described below, together with a summary of the ways in which the Group manages these risks.

Where possible, the Group aims to reduce and control risk concentrations. Concentrations of financial risk arise when financial instruments with similar characteristics are influenced in the same way by changes in economic or other factors. The amount of the risk exposure associated with financial instruments sharing similar characteristics is disclosed in more detail in the notes to the financial statements.

Asset/liability matching

The Company actively manages its assets using an approach that balances quality, diversification, asset/liability matching, liquidity and investment return. The goal of the investment process is to optimise the net of taxes, risk-adjusted investment income and risk-adjusted total return, whilst ensuring that the assets and liabilities are managed on a cash flow and duration basis.

The Company establishes target asset portfolios for life and non-life products, which represents the investment strategies used to profitably fund its liabilities within acceptable levels of risk. These strategies include objectives for effective duration, yield curve, liquidity, asset sector concentration and credit quality. The estimates used in determining the approximate amounts and timing of payments to or on behalf of policyholders for insurance liabilities are regularly re-evaluated. Many of these estimates are inherently subjective and could impact the Company's ability to achieve its asset/liability management goals and objectives.

Market risk

Market risk can be described as the risk of change in fair value or future cash flows of a financial instrument due to changes in interest rates, equity prices or foreign currency exchange rates.

Interest rate risk

The Group and Company are exposed to cash flow interest rate risk on cash deposits and borrowings carrying a floating interest rate and to fair value interest rate risk on debt instruments carrying a fixed interest rate and re-measured at fair value. Investments in equity instruments are not exposed to interest rate risk.

2020	Notes	Within 1 year	Between 1-5 years	Over 5 years	Total
		€	€	€	€
Assets held at variable rates					
Cash and cash equivalents	19	**6,613,491**	**-**	**-**	**6,613,491**
Assets held at fixed rates					
Debt securities	17	**793,685**	**1,322,469**	**5,099,916**	**7,216,070**
Loans and receivables	17	**-**	**1,000,000**	**-**	**1,000,000**
Total interest-bearing assets		**7,407,176**	**2,322,469**	**5,099,916**	**14,829,561**
Liabilities issued at variable rates					
Borrowings		**(1,759,148)**	**(1,000,000)**	**-**	**(2,759,148)**
Liabilities issued at fixed rates					
Borrowings		**-**	**(366,546)**	**-**	**(366,546)**
Net exposure on assets held at variable rates at 31 December 2020		**4,854,343**	**(1,000,000)**	**-**	**3,854,343**
Net exposure on assets held at fixed rates at 31 December 2020		**793,685**	**1,955,923**	**5,099,916**	**7,849,524**

2019	Notes	Within 1 year	Between 1-5 years	Over 5 years	Total
		€	€	€	€
Assets held at variable rates					
Cash and cash equivalents	19	6,087,955	-	-	6,087,955
Assets held at fixed rates					
Debt securities	17	248,641	1,830,177	5,010,548	7,089,365
Loans and receivables	17	-	1,000,000	-	1,000,000
Total interest-bearing assets		6,336,596	2,830,177	5,010,548	14,177,320
Liabilities issued at variable rates					
Borrowings		(1,711,825)	(1,000,000)	-	(2,711,825)
Liabilities issued at fixed rates					
Borrowings		-	(580,550)	-	(580,550)
Net exposure on assets held at variable rates at 31 December 2019		4,376,130	(1,000,000)	-	3,376,130
Net exposure on assets held at fixed rates at 31 December 2019		248,641	2,249,627	5,010,548	7,508,815

The Company's exposure to market risk for changes in interest rate is concentrated primarily in its investment portfolio, and to a lesser extent, in any debt obligations arising. The Group monitors this exposure through regular reviews of its asset and liability positions. When developing and reviewing investment strategies, the investment committee seeks to mitigate the Group's exposure to interest rate risk by spreading its investment in debt securities over a wide range of maturity dates. Estimates of cash flows, as well as the impact of interest rate fluctuations relating to the Group's investment portfolio and insurance liabilities, are modelled and reviewed quarterly. The overall objective of these strategies is to limit the net changes in the value of assets and liabilities arising from interest rate movements.

General insurance liabilities presented in the accounts are generally of a short term duration/tail and are therefore not discounted and not rate-sensitive liabilities. In those instances where interest is payable (e.g. in the case of damages awarded by the courts), interest is included in the claims cost whilst the investment income earned until the claim is settled is credited to profit or loss as it accrues. Liabilities emanating from Long-term business insurance contracts are presented as discounted.

The sensitivity for interest rate risk illustrates how changes in the fair value or future cash flows of a financial instruments will fluctuate because of changes in market interest rates at the reporting date. The Group's and the Company's fair value interest rate risk arises primarily on debt securities that carry a fixed rate of interest and are measured at fair value. The net effect of an immediate 50 basis point increase/decrease in yields at the end of 2020 was estimated at €39,248 (2019 - €37,544).

Equity price risk

The portfolio of marketable equity securities and certain collective investment schemes has exposure to price risk, which is defined as the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices, other than those arising from interest rate risk or currency risk. The Company's objective is to earn competitive relative returns by investing in a diverse portfolio of high quality, liquid securities. Portfolio characteristics are analysed regularly and equity price risk is actively managed. Holdings are diversified across industries, and concentrations in any one Company or industry are limited by parameters established by the Company's investment committee, as well as by statutory requirements.

The Group's and the Company's portfolio is analysed by category as follows:

2020	General Business	Life Business	Total	Market Value
				€
Bank deposits	**0.00%**	**8.09%**	**8.09%**	**1,000,000**
Corporate bonds (local & foreign)	**13.00%**	**21.25%**	**34.25%**	**4,236,617**
Government bonds	**4.92%**	**19.17%**	**24.09%**	**2,979,453**
Equity	**26.16%**	**1.96%**	**28.12%**	**3,478,685**
Collective investment scheme	**1.65%**	**3.80%**	**5.45%**	**673,433**
	45.73%	**54.27%**	**100.00%**	**12,368,188**

2019	General Business	Life Business	Total	Market Value
				€
Bank deposits	0.00%	7.92%	7.92%	1,000,000
Corporate bonds (local & foreign)	11.28%	19.11%	30.39%	3,837,462
Government bonds	5.05%	20.71%	25.76%	3,251,903
Equity	24.44%	6.49%	30.94%	3,906,170
Collective investment scheme	1.62%	3.37%	4.99%	630,325
	42.39%	57.61%	100.00%	12,625,860

Sensitivity analysis

The sensitivity for equity price risk illustrates how changes in the fair value of equity securities will fluctuate because of changes in market prices, whether those changes are caused by factors specific to the individual issuer, or factors affecting all similar equity traded in the market. An increase or a decrease of 5% in equity prices, with all other variables held constant, would result in an impact of +/- €173,934 (2019 – +/- €173,219) on the Company's results, and in substantially the same impact on the Group's results.

Currency risk

Whereas the majority of the Group's financial assets and liabilities are denominated in Euro which is the functional currency, some financial assets are held in other currencies. The Group may therefore be exposed to currency risk as the value of instruments denominated in other currencies may fluctuate due to changes in exchange rates. Any movements in the rates of exchange of those financial assets that are denominated in other foreign currencies are not deemed to have a significant effect on the Group's results. The directors do not consider the Company's and the Group's exposure to exchange risk to be significant.

Significant guarantees

On death or maturity there is an effective guarantee under the conventional "With-Profit" policies. The Company pays the higher of the sum assured plus attaching regular bonuses and the asset share.

Credit risk

The Group has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Key areas where the Group is exposed to credit risk are:

- Cash and cash equivalents
- Financial assets at fair value through profit or loss - debt securities
- Loans and receivables
- Reinsurance assets
- Insurance receivables

The total financial assets bearing credit risk are the following:

	Group		Company	
	2020	2019	**2020**	2019
	€	€	**€**	€
Cash and cash equivalents	**6,613,491**	6,087,955	**6,523,491**	6,057,618
Financial assets at fair value through profit or loss	**7,216,070**	7,089,365	**7,216,070**	7,089,365
Loans and receivables	**1,000,000**	1,000,000	**1,000,000**	1,000,000
Reinsurers' share of technical provisions	**5,978,312**	4,031,895	**5,978,312**	4,031,895
Insurance receivables	**3,393,551**	3,689,820	**3,393,551**	3,689,823
	24,201,424	21,899,035	**24,111,424**	21,868,701

The carrying amounts disclosed above represent the maximum exposure to credit risk.

The Group's cash is placed with quality financial institutions. The 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 table below shows the credit rating of the financial institutions at which cash is held by the Company and Group at the end of the reporting period using the Standard and Poor's credit rating symbols.

	Group		Company	
	2020	2019	**2020**	2019
	€	€	**€**	€
A+	**2,892,670**	-	**2,892,670**	-
AA-	**-**	2,823,341	**-**	2,823,341
BBB-	**1,768,656**	1,368,339	**1,678,656**	1,338,002
Unrated	**1,952,165**	1,896,274	**1,952,165**	1,896,274
	6,613,491	6,087,955	**6,523,491**	6,057,618

An investment committee was established to manage the Group's credit and market risk arising out of its investment activities. The committee is bound by an investment policy, which establishes maximum exposures to individual counterparties and minimum holdings in securities issued by first class names. The Board of Directors has approved this investment policy and subsequent revisions. At 31 December 2020 43% of the Company's and the Group's debt securities comprised of Government Bonds (46% in 2019), of which 72% (70% in 2019) are investments in Government Bonds on the Malta Stock Exchange and 28% (30% in 2019) are quoted on equivalent exchanges. The remaining 57% (54% in 2019) are represented by investments in corporate bonds of which 30% (31% in 2019) are listed on the Malta Stock Exchange and 70% (69% in 2019) are listed on equivalent European exchanges.

Where the cash and cash equivalents are held with unrated subsidiaries as part of a wider network, the rating of the group was utilised for presentation purposes.

The table below shows the credit rating of the debt securities at the end of the reporting period using an internal credit rating.

	2020		2019	
	Government Bonds	**Corporate Bonds**	Government Bonds	Corporate Bonds
	€	**€**	€	€
A	**-**	**211,480**	172,561	234,391
A-	**2,267,847**	**768,542**	2,616,757	826,163
A+	**-**	**107,655**	-	-
AA-	**121,270**	**208,317**	-	367,272
BBB	**79,853**	**840,404**	75,849	520,581
BBB-	**396,703**	**480,215**	386,737	215,200
BBB+	**113,780**	**348,328**	-	473,379
Unrated	**-**	**1,271,676**	-	1,200,476
	2,979,453	**4,236,617**	3,251,903	3,837,462

The Company has a loan and receivable balance held with a reliable financial institution, amounting to €1,000,000 (2019: €1,000,000).

The Company cedes insurance risk to limit exposure to underwriting losses under various agreements that cover individual risks, group risks or defined blocks of business, on a co-insurance, proportional and non-proportional yearly renewable term excess or catastrophe excess of loss basis. These reinsurance agreements spread the risk and minimise the effect of losses. The amount of each risk retained depends on the Company's evaluation of the specific risk, subject in certain circumstances, to maximum limits based on characteristics of coverage. Under the terms of the reinsurance agreements, the reinsurer agrees to reimburse the ceded amount in the event the claim is paid. However, the Company remains liable to its policyholders with respect to ceded insurance if any reinsurer fails to meet the obligations it assumes. The Company manages its credit risk arising through its reinsurance arrangements by using mainly "A" rated reinsurers. When selecting a reinsurer, the Company considers their relative security. The security of the reinsurer is assessed from public rating information and from internal investigations.

The credit rating of the Company's reinsurers based on rating attributed by Standard & Poor's or equivalent are higher than "A-".

The Group is exposed to contract holders for insurance premium due. Insurance receivables are presented net of an allowance for doubtful debts. An allowance for doubtful debts is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows. Credit risk with respect to insurance receivables is limited due to credit control procedures in place and the large number of customers comprising the Group's debtor base.

Within insurance and other receivables are the following receivables that are classified as past due but not impaired, these represent balances over and above the standard credit terms:

	Group		Company	
	2020	2019	**2020**	2019
Past due for:	**€**	€	**€**	€
Between one and six months	**2,112,914**	1,904,114	**2,112,914**	1,904,114
Over six months	**698,996**	710,871	**698,996**	710,871
	2,811,910	2,614,985	**2,811,910**	2,614,985

Within insurance and other receivables are the following receivables that are classified as impaired and therefore provided for:

	Group		Company	
	2020	2019	**2020**	2019
	€	€	**€**	€
Specifically provided for receivables	**162,155**	162,155	**162,155**	162,155

Balances are determined to be impaired because of significant financial difficulties experienced by the counterparties or pending legal cases.

Liquidity risk

The Company has to meet daily calls on its cash resources, notably from claims arising on its general and life insurance contracts. There is therefore a risk that cash will not be available to settle liabilities when due. The Company manages this risk by setting minimum limits on the proportion of maturing assets that will be available to settle these liabilities. It also holds a number of listed investments that can be readily disposed of should such need arise. Furthermore, the Company has set a minimum level of borrowing facilities that could be utilised to cover claims maturities and surrenders at unusually high levels.

The following maturity analysis shows the expected timing of cash flows arising from the Company's financial liabilities. The analysis includes both interest and principal cash flows.

2020	Less than 1 Year	Between 1 - 5 Years	Over 5 years	Total
	€ '000	€ '000	€ '000	€ '000
Insurance contract provisions – claims outstanding	2,957	4,960	203	8,120
Subordinated loans	-	1,366	-	1,366
Bank borrowings	1,759	-	-	1,759
Reinsurance payables	2,770	-	-	2,770
Lease liabilities	137	519	261	917
Insurance and other payables	1,803	-	-	1,803
	9,426	6,845	464	16,735

2019	Less than 1 Year	Between 1 - 5 Years	Over 5 years	Total
	€ '000	€ '000	€ '000	€ '000
Insurance contract provisions – claims outstanding	2,270	3,701	160	6,131
Subordinated loans	215	1,366	-	1,581
Bank borrowings	1,712	-	-	1,712
Reinsurance payables	2,235	-	-	2,235
Lease liabilities	115	395	105	615
Insurance and other payables	1,208	-	-	1,208
	7,754	5,462	265	13,481

Reconciliation of liabilities arising from financing activities

Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Statement of Cash Flows as cash flows from financing activities. The liabilities arising from financing activities are the loans and receivables and borrowings in which the movement is attributable to cash flow movement as presented on the Statement of Cash Flows.

Fair values

The investments held by the Company as reported under note 17.1 to the financial statements, "Financial Assets at fair value through profit or loss" are stated at their respective market values. These financial assets comprise listed equities, bonds, funds and government bonds whose market value is based on readily available quoted prices.

At 31 December 2020 and 2019, the carrying amounts of other short term instruments approximated their fair values due to the short term maturities of these assets and liabilities. The fair value of long term instruments is not materially different from their carrying amounts.

IFRS 7 requires the disclosure of fair value measurement methodologies in a three-level hierarchy, as described in the basis of preparation paragraph in note 3.

All the Group's and the Company's financial instruments as disclosed in note 17 are measured using Level 1 methodologies. The land and buildings as disclosed in note 14 are measured using Level 3 methodologies. The investment property as disclosed in note 15 are measured using Level 3.

Capital risk management

The Group's objectives when managing capital are:

- To comply with the obligations to maintain positive solvency position based on the regulatory requirements of the insurance market where the Group operates;
- To safeguard the Group'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.

The Group's directors manage the Group's capital structure and make adjustments to it, in light of changes in economic conditions. The capital requirement of the Group is maintained in accordance with regulatory solvency and capital requirement of the insurance market in which it operates.

The Group is financed by shareholders' total equity together with subordinated shareholder and bank borrowings. The capital structure is reviewed on an ongoing basis. Based on recommendations of the directors, the Group balances its overall capital structure through the payments of dividends, new share issues as well as the issue of new debt or the redemption of existing debt. The Group's overall strategy remains unchanged from the prior year.

The Group was compliant with the respective regulatory solvency requirements throughout the financial period. 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 a good fit for the Company's risk profile. At 31 December 2020, the Company's eligible own funds adequately covered the required SCR and amounted to € 9,460,602 (2019: €9,349,629), an improvement of €110,973.

6. SEGMENTAL ANALYSIS

COMPANY	Motor (third party liability)	Motor (other classes)	Fire and other damage to property	All other classes	Total
General Business:	**€**	**€**	**€**	**€**	**€**
Year ended 31 December 2020:					
Gross premiums written	**3,426,766**	**3,945,392**	**1,950,604**	**4,354,904**	**13,677,666**
Gross premiums earned	**3,413,652**	**3,930,294**	**1,924,019**	**4,977,006**	**14,244,971**
Gross claims incurred	**2,179,017**	**1,459,966**	**2,604,220**	**1,812,987**	**8,056,190**
Other net technical profit	**-**	**121,509**	**39,488**	**85,364**	**246,361**
Gross operating expenses	**1,509,372**	**1,737,809**	**859,174**	**1,918,184**	**6,024,539**
Reinsurance outwards	**327,140**	**-**	**(1,192,913)**	**1,021,612**	**155,839**
Year ended 31 December 2019:					
Gross premiums written	3,514,271	3,806,861	1,905,402	5,294,253	14,520,787
Gross premiums earned	3,368,215	3,648,645	1,834,723	5,041,106	13,892,690
Gross claims incurred	2,685,739	1,990,754	1,284,123	2,631,600	8,592,216
Other net technical profit	-	158,528	36,742	63,906	259,177
Gross operating expenses	1,482,383	1,605,803	803,733	2,233,211	6,125,129
Reinsurance outwards	345,278	-	95,020	516,390	956,688

Long Term Business

	2020	2019
	€	€
Individual premiums and premiums under group contracts	170,855	185,478
Periodic premiums and single premiums	2,353,845	2,168,211
Premiums from participating and non-participating contracts and those where the investment risk is borne by the policyholders	71,064	74,261
	2,595,764	2,427,950

7. INVESTMENT RETURN

	Group		Company	
	2020	2019	2020	2019
	€	€	€	€
Investment gains:				
Income from financial assets at fair value through profit or loss				
- Dividend and interest income	257,045	261,572	257,045	261,572
- Net fair value (loss) / gain	(310,513)	1,087,107	(310,513)	1,087,107
Income from loans and receivables	27,725	35,172	27,725	35,172
	(25,743)	1,383,851	(25,743)	1,383,851
Investment expenses and charges:				
Net investment management and transaction charges	(29,353)	(27,677)	(29,353)	(27,677)
	(29,353)	(27,677)	(29,353)	(27,677)
Net investment (loss) / return	(55,096)	1,356,174	(55,096)	1,356,174
Analysed between:				
Allocated investment return transferred to the general business technical account	(102,958)	569,069	(102,958)	569,069
Investment return included in the long term business technical account	47,862	787,105	47,862	787,105
Net investment (loss) / return	(55,096)	1,356,174	(55,096)	1,356,174

8. NET OPERATING EXPENSES

	Group		Company	
	2020	2019	**2020**	2019
	€	€	**€**	€
Acquisition costs	**1,753,461**	1,943,031	**1,753,461**	1,943,031
Change in deferred acquisition costs	**104,238**	(75,566)	**104,238**	(75,566)
Administrative expenses	**5,403,437**	5,084,362	**5,388,349**	5,084,104
Reinsurance commissions and profit participation	**(1,431,207)**	(1,648,849)	**(1,431,207)**	(1,648,849)
	5,829,929	5,302,978	**5,814,841**	5,302,720
Allocated to:				
General business	**4,163,967**	3,872,423	**4,163,967**	3,872,423
Long term business	**771,895**	577,432	**771,895**	577,432
Non-technical account	**894,067**	853,123	**878,979**	852,865
	5,829,929	5,302,978	**5,814,841**	5,302,720

Acquisition costs are fully made up of commission payable for the year.

9. EMPLOYEE BENEFIT EXPENSE

	Group		Company	
	2020	2019	**2020**	2019
	€	€	**€**	€
Salaries	**2,091,156**	2,203,997	**2,091,156**	2,203,997
Salaries of key management (including directors)	**689,472**	687,728	**689,482**	687,728
Social security costs	**184,596**	179,789	**184,596**	179,789
	2,965,224	3,071,514	**2,965,224**	3,071,514

The average number of persons employed by the Group during the year, including executive director, was as follows:

	Group		Company	
	2020	2019	**2020**	2019
	No.	No.	**No.**	No.
Accounts and administration	**36**	34	**36**	34
Insurance business	**64**	67	**64**	67
	100	101	**100**	101

10. DIRECTORS' COMPENSATION

	Group		Company	
	2020	2019	**2020**	2019
	€	€	**€**	€
Director's remuneration and fees	**449,499**	442,899	**449,499**	442,685
	449,499	442,899	**449,499**	442,685

11. PROFIT BEFORE TAX

The profit before tax is stated after charging the following:

	Group		Company	
	2020	2019	**2020**	2019
	€	€	**€**	€
Stated after charging:				
Auditors' remuneration				
Annual statutory audit	**50,000**	47,000	**50,000**	45,000
Other assurance services	**25,000**	25,000	**25,000**	25,000
Tax advisory services	**-**	4,000	**-**	3,290
Depreciation and amortisation	**488,884**	413,991	**560,455**	432,914
Subordinated loan interest				
Shareholders' subordinated loan interest	**21,767**	23,720	**21,767**	23,720
Bank loan interest	**46,728**	40,555	**46,728**	40,555

12. INCOME TAX

The income tax expense for the year and the result of the accounting profit multiplied by the tax rate applicable in Malta are reconciled as follows:

	Group		Company	
	2020	2019	**2020**	2019
	€	€	**€**	€
Profit for the year	**470,195**	649,904	**485,283**	650,162
Tax at the applicable rate of 35%	**164,568**	227,466	**169,849**	227,557
Tax effect of:				
Depreciation charges not deductible by way of capital allowances in determining taxable income	**58,913**	34,224	**58,913**	34,224
Dividends at rates other than 35%	**(114)**	(754)	**(114)**	(754)
Unrealised movements reversed on sold investments	**(22,217)**	140,015	**(22,217)**	140,015
Disallowed lease cost	**671**	671	**671**	671
Other movements	**5,281**	91	**-**	-
Unrelieved foreign tax	**520**	4,138	**520**	4,138
Transfer of asset to investment property	**-**	(24,953)	**-**	(24,953)
Other deferred tax on investment property	**10,800**	193,200	**10,800**	193,200
Revaluation of investment property	**(5,512)**	(114,817)	**(5,512)**	(114,817)
Prior year deferred tax	**-**	113,427	**-**	113,427
Tax charge for the year	**212,910**	432,693	**212,910**	432,693

13. INTANGIBLE ASSETS

GROUP	Tenancy Rights	Computer Software	Total
	€	€	€
Year ended 31 December 2019			
Opening net book value	182,939	204,287	387,226
Additions	-	89,543	89,543
Amortisation	(20,343)	(84,054)	(104,397)
Closing net book value	162,596	209,776	372,372
Acquisition cost/revalued amount	305,000	1,721,995	2,026,995
Accumulated amortisation	(142,404)	(1,512,219)	(1,654,623)
Closing net book value	162,596	209,776	372,372
Year ended 31 December 2020			
Opening net book value	**162,596**	**209,776**	**372,372**
Additions	**-**	**245,566**	**245,566**
Amortisation	**(20,343)**	**(123,587)**	**(143,930)**
Closing net book value	**142,253**	**331,755**	**474,008**
Acquisition cost/revalued amount	**305,000**	**1,967,561**	**2,272,561**
Accumulated amortisation	**(162,747)**	**(1,635,806)**	**(1,798,553)**
Closing net book value	**142,253**	**331,755**	**474,008**

COMPANY	Tenancy Rights	Computer Software	Client List	Total
	€	€	€	€
Year ended 31 December 2019				
Opening net book value	182,939	204,056	160,968	547,963
Additions	-	89,543	-	89,543
Amortisation	(20,343)	(83,823)	(19,920)	(124,086)
Closing net book value	162,596	209,776	141,048	513,420
Acquisition cost/revalued amount	305,000	1,689,293	199,473	2,193,766
Accumulated amortisation	(142,404)	(1,479,517)	(58,425)	(1,680,346)
Closing net book value	162,596	209,776	141,048	513,420
Year ended 31 December 2020				
Opening net book value	**162,596**	**209,776**	**141,048**	**513,420**
Additions	**-**	**278,267**	**-**	**278,267**
Amortisation	**(20,343)**	**(156,288)**	**(19,920)**	**(196,551)**
Closing net book value	**142,253**	**331,755**	**121,128**	**595,136**
Acquisition cost/revalued amount	**305,000**	**1,967,560**	**199,473**	**2,472,033**
Accumulated amortisation	**(162,747)**	**(1,635,805)**	**(78,345)**	**(1,876,897)**
Closing net book value	**142,253**	**331,755**	**121,128**	**595,136**

14. PROPERTY, PLANT AND EQUIPMENT

GROUP	Land and Buildings	Leasehold Premises	Motor Vehicles	Furniture and Fittings	Right-of-use Assets	Total
	€	€	€	€	€	€
Year ended 31 December 2019						
Opening net book value	3,500,000	246,398	47,539	254,655	-	4,048,592
Additions resulting from right-of-use assets recognised upon initial application of IFRS 16	-	-	-	-	645,323	645,323
Transfers from property, plant and equipment previously held under finance leases (Net Book Value)	-	-	(29,325)	-	29,325	-
Acquisitions/Disposals	68,063	40,304	-	161,873	14,149	284,389
Transfers	(99,018)	-	-	-	-	(99,018)
Depreciation charge for the year	(62,536)	(22,836)	(6,915)	(99,627)	(127,439)	(319,353)
Depreciation released on transfer	27,725	-	-	-	-	27,725
Reversal of prior year depreciation charge	-	-	9,759	-	-	9,759
Closing net book value	3,434,234	263,866	21,058	316,901	561,358	4,597,417
Acquisition cost/revalued amount	3,469,045	349,189	164,539	1,856,600	688,797	6,528,170
Accumulated depreciation	(34,811)	(85,323)	(143,481)	(1,539,699)	(127,439)	(1,930,752)
Closing net book value	3,434,234	263,866	21,058	316,901	561,358	4,597,417
Year ended 31 December 2020						
Opening net book value	**3,434,234**	**263,866**	**21,058**	**316,901**	**561,358**	**4,597,417**
Acquisitions/(disposals)	**66,056**	**(1,487)**	**-**	**139,960**	**355,877**	**560,406**
Movements from remeasurement of lease liabilities	**-**	**-**	**-**	**-**	**5,784**	**5,784**
Depreciation charge for the year	**(60,972)**	**(22,736)**	**(4,979)**	**(109,515)**	**(146,750)**	**(344,952)**
Closing net book value	**3,439,318**	**239,643**	**16,079**	**347,346**	**776,269**	**4,818,655**
Acquisition cost/revalued amount	**3,535,101**	**347,702**	**164,539**	**1,996,560**	**1,050,458**	**7,094,360**
Accumulated depreciation	**(95,783)**	**(108,059)**	**(148,460)**	**(1,649,214)**	**(274,189)**	**(2,275,705)**
Closing net book value	**3,439,318**	**239,643**	**16,079**	**347,346**	**776,269**	**4,818,655**

COMPANY	Land and Buildings	Leasehold Premises	Motor Vehicles	Furniture and Fittings	Right-of-use Assets	Total
	€	€	€	€	€	€
Year ended 31 December 2019						
Opening net book value	3,500,000	246,398	47,541	252,173	-	4,046,112
Additions resulting from right-of-use assets recognised upon initial application of IFRS 16	-	-	-	-	645,323	645,323
Transfers from property, plant and equipment previously held under finance leases (NBV)	-	-	(29,325)	-	29,325	-
Acquisitions/Disposals	68,603	40,304	-	161,873	14,149	284,389
Transfers	(99,018)	-	-	-	-	(99,018)
Depreciation charge for the year	(62,536)	(22,836)	(6,917)	(98,862)	(127,439)	(318,590)
Depreciation released on transfer	27,725	-	-	-	-	27,725
Reversal of prior year depreciation charge	-	-	9,759	-	-	9,759
Closing net book value	3,434,234	263,866	21,058	315,184	561,358	4,595,700
Acquisition cost/revalued amount	3,469,045	349,189	157,547	1,842,924	688,797	6,507,502
Accumulated depreciation	(34,811)	(85,323)	(136,489)	(1,527,740)	(127,439)	(1,911,802)
Closing net book value	3,434,234	263,866	21,058	315,184	561,358	4,595,700
Year ended 31 December 2020						
Opening net book value	**3,434,234**	**263,866**	**21,058**	**315,184**	**561,358**	**4,595,700**
Acquisitions/(disposals)	**66,056**	**(1,487)**	**6,992**	**153,637**	**355,877**	**581,075**
Movements from remeasurement of lease liabilities	**-**	**-**	**-**	**-**	**5,784**	**5,784**
Depreciation charge for the year	**(60,972)**	**(22,736)**	**(11,971)**	**(121,475)**	**(146,750)**	**(363,904)**
Closing net book value	**3,439,318**	**239,643**	**16,079**	**347,346**	**776,269**	**4,818,655**
Acquisition cost/revalued amount	**3,535,101**	**347,702**	**164,539**	**1,996,561**	**1,050,458**	**7,094,361**
Accumulated depreciation	**(95,783)**	**(108,059)**	**(148,460)**	**(1,649,215)**	**(274,189)**	**(2,275,706)**
Closing net book value	**3,439,318**	**239,643**	**16,079**	**347,346**	**776,269**	**4,818,655**

Land and buildings

Land and buildings are revalued by an independent, professionally qualified valuer every three years on an open market value basis. The fair value of land and buildings is computed by multiplying the office space in square metres by the market price per square metre of land and buildings with a similar structure in terms of age, size and location. The last revaluation was carried out during 2018.

The carrying amount of land and buildings that would have been included in the financial statements had these assets been carried at cost less accumulated depreciation is €1,962,450 (2019 €1,990,618).

None of the Company's owned property, plant and equipment are subject to operating leases in which the Company is the lessor. The right-of-use assets that meet the definition of property, plant and equipment is further analysed as follows.

Right of Use Assets

The Company leases several branches premises from which it operates in the normal course of business included, within 'Land and Buildings' and several vehicles, included within 'Motor Vehicles'. The average remaining lease term is 5.8 years (2019: 5.4 years).

Right-of-use assets	Land and Building	Motor Vehicles	Total
	€	€	€
Cost			
As at 1 January 2019	**645,323**	**29,325**	**674,648**
Additions	**-**	**14,149**	**14,149**
At 31 December 2019	**645,323**	**43,474**	**688,797**
Additions	**355,877**	**-**	**355,877**
Movements from re-measurement of lease liabilities	**5,784**	**-**	**5,784**
As at 31 December 2020	**1,006,984**	**43,474**	**1,050,458**
Accumulated depreciation and impairment			
As at 1 January 2019	**-**	**-**	**-**
Depreciation charge for the year	**120,142**	**7,297**	**127,439**
As at 31 December 2019	**120,142**	**7,297**	**127,439**
Depreciation charge for the year	**139,453**	**7,297**	**146,750**
As at 31 December 2020	**259,595**	**14,594**	**274,189**
Carrying amount			
At 31 December 2019	**525,181**	**36,177**	**561,358**
At 31 December 2020	**747,389**	**28,880**	**776,269**

15. INVESTMENT PROPERTY

	Group		Company	
	2020	2019	**2020**	2019
	€	€	**€**	€
Opening net book value	**2,415,000**	1,970,611	**2,415,000**	1,970,611
Additions	**119,250**	45,048	**119,250**	45,048
Transferred from property, plant and equipment	**-**	71,293	**-**	71,293
Increase in fair value during the year	**15,749**	328,048	**15,749**	328,048
Closing net book value at 31 December	**2,549,999**	2,415,000	**2,549,999**	2,415,000

The properties were purchased in 2006 and 2018 and management assessed the fair value at acquisition to be equivalent to the acquisition cost. On an annual basis, the Company engages external, independent and qualified valuers to determine the fair value of the properties in question.

The fair value of the investment property has been arrived at on the basis of a recent valuation carried out by an independent professionally qualified valuer on the basis of market value that reflects recent transactions for similar properties and discounted cash flows using the applicable discount rate and market yield. The directors are of the opinion that the fair value of the property has not altered significantly since the date of the valuation and hence this is an appropriate estimate of the fair value at 31 December 2020. There has been no change to the valuation technique during the year.

The main unobservable inputs used in the discounted cash flow valuation relate to ongoing rental rates of €180/square metre for offices in the area (2019: €170/square metre) and a capitalisation rate of 6.5% (2019: 6.5%). Changes in unobservable inputs might result in a significantly higher/lower fair value measurement. The higher the price per square metre, the higher the fair value whilst the higher the discount rate, the lower the fair value.

16. INVESTMENTS IN SUBSIDIARY

Investments in subsidiaries are accounted for at cost.

	2020	**2019**
	€	€
Investments in subsidiaries at beginning of year	**299,999**	299,999
Add: Incorporation of Spiral Insurance Brokers PCC Limited	**90,000**	-
Less: Elimination of investment in subsidiary upon merger of Citadel Health Insurance Agency Limited into Citadel Insurance p.l.c.	**(299,999)**	-
Investments in subsidiaries at end of year	**90,000**	299,999

Citadel Health Insurance Agency Limited was merged into Citadel Insurance p.l.c. with an effect from 1 January 2020. Upon the merger all assets and liabilities of Citadel Health Insurance Agency Limited were assumed by Citadel Insurance p.l.c., and subsequent to the merger, Citadel Health Insurance Agency Limited was struck off.

A new subsidiary, Spiral Insurance Brokers PCC Limited was incorporated on 12 March 2020. The registered address is 75 St Francis Street Floriana, Malta, and the Company registration number is C 95214. The subsidiary is in the progress of obtaining its insurance broking protected cell company license.

Name	Registered Office	% of Equity Held	
		2020	2019
Citadel Health Insurance Agency Limited	75, St Francis Street, Floriana, Malta	**-**	100%
Spiral Insurance Brokers PCC Limited	75, St Francis Street, Floriana, Malta	**100%**	-

	Capital and Reserves	
	€	€
Spiral Insurance Brokers PCC Limited		-
Citadel Health Insurance Agency Limited	**53,515**	246,130
	-	

	Profit / (Loss)	
	€	€
Spiral Insurance Brokers PCC Limited	**(36,485)**	-
Citadel Health Insurance Agency Limited	**-**	(20,177)

17. FINANCIAL ASSETS

The Group’s and Company's investments are summarised by measurement category in the table below:

	Group		Company	
	2020	2019	**2020**	2019
	€	€	**€**	€
Fair value through profit or loss	**12,514,484**	12,838,090	**12,514,484**	12,838,090
Loans and receivables	**1,000,000**	1,000,000	**1,000,000**	1,000,000
	13,514,484	13,838,090	**13,514,484**	13,838,090

17.1 Investments at fair value through profit and loss

	Group 2020 €	Group 2019 €	Company 2020 €	Company 2019 €
Designated upon initial recognition				
Equity securities and collective investment schemes:				
Listed shares	**3,478,685**	3,906,170	**3,478,685**	3,906,170
Collective investment schemes	**673,433**	630,325	**673,433**	630,325
Assets held to cover linked liabilities	**1,146,296**	1,212,230	**1,146,296**	1,212,230
	5,298,414	5,748,725	**5,298,414**	5,748,725
Debt securities - fixed interest rate:				
Government bonds	**2,979,453**	3,251,903	**2,979,453**	3,251,903
Listed corporate bonds	**4,236,617**	3,837,462	**4,236,617**	3,837,462
	7,216,070	7,089,365	**7,216,070**	7,089,365
Total investments at fair value through profit and loss	**12,514,484**	12,838,090	**12,514,484**	12,838,090

The Company uses this designation as doing so results in more relevant information because a group of financial assets is managed and its performance is evaluated on a fair value basis, in accordance with the documented investment strategy, and information about the group is provided internally on that basis to the Company's key management personnel.

Maturity of fixed income debt securities:

	Group 2020 €	Group 2019 €	Company 2020 €	Company 2019 €
Within 1 year	**793,685**	248,641	**793,685**	248,641
Between 1 and 5 years	**1,107,149**	1,830,177	**1,107,149**	1,830,177
Over 5 years	**5,315,236**	5,010,548	**5,315,236**	5,010,548
	7,216,070	7,089,365	**7,216,070**	7,089,365
Weighted average effective interest rate at the reporting date	**3.18%**	2.95%	**3.18%**	2.95%

17.2 Loans and receivables

The maturities of the Group's and the Company's loans and receivables are summarised below:

	Group 2020 €	Group 2019 €	Company 2020 €	Company 2019 €
Due in 2022	**1,000,000**	1,000,000	**1,000,000**	1,000,000
Effective Interest rate at the reporting date	**1.8%**	1.8%	**1.8%**	1.8%

All loans and receivables are non-current in nature. No investments are pledged to third parties at the financial year end. Financial assets are held primarily in the Company's functional currency.

18. INSURANCE AND OTHER RECEIVABLES

	Group		Company	
	2020	2019	**2020**	2019
	€	€	**€**	€
Receivables arising from insurance activities:				
- Due from policy holders	**370,245**	495,230	**370,245**	495,230
- Due from intermediaries	**3,023,306**	2,881,048	**3,023,306**	2,881,048
	3,393,551	3,376,278	**3,393,551**	3,376,278
Other receivables:				
- Accrued interest	**98,646**	99,485	**98,646**	99,485
- Other prepayments and accrued income	**204,952**	214,057	**241,437**	214,060
	303,598	313,542	**340,083**	313,545
Total receivables	**3,697,149**	3,689,820	**3,733,634**	3,689,823

No interest is due on the above receivables.

During the year, bad debts written off amounted to €6,870 (2019 - €27,983). Receivables are disclosed net of provision for doubtful debts of €162,155 (2019 - €162,155).

19. CASH AND CASH EQUIVALENTS

Balances of cash and cash equivalents as shown on the statements of cash flow are analysed below:

	Group		Company	
	2020	2019	**2020**	2019
	€	€	**€**	€
Cash at bank and in hand	**6,613,491**	6,087,955	**6,523,491**	6,057,618
Bank balance overdrawn	**(1,759,148)**	(1,711,825)	**(1,759,148)**	(1,711,825)
Net balance as shown in the statements of cash flows	**4,854,343**	4,376,130	**4,764,343**	4,345,793

20. DEFERRED TAX

Deferred tax (assets)/liabilities are attributable to the following:

Group and Company	Balance at beginning of year	Recognised in income	Balance at end of year
	€	€	€
Provision for impairment losses	(56,754)	(1,771)	**(58,525)**
Unabsorbed tax losses	(443,691)	209,491	**(234,200)**
Temporary differences on property, plant and equipment	15,153	7,011	**22,164**
Unrealised gains on investments	560,475	(22,432)	**538,043**
Revaluation of property	350,000	-	**350,000**
Right-of-use assets	(10,144)	9,292	**(852)**
Fair value movement on investment property	193,200	10,799	**203,999**
	608,239	212,390	**820,629**

Deferred tax assets and deferred tax liabilities are offset to the extent that the Group has a legally enforceable right to set off current assets against current liabilities.

At 31 December 2020, the Group had an unrecognised deferred tax asset of €47,970 (2019 – €47,970) emanating from unabsorbed capital losses.

At 31 December 2020, the Group also had unabsorbed tax losses at its subsidiary of € Nil (2019 – €55,583) for which no deferred tax asset is recognised in the statement of financial position.

21. INSURANCE LIABILITIES AND REINSURANCE ASSETS

Company	2020 Gross €	2020 Re-insurers' share €	2020 Net €	2019 Gross €	2019 Re-insurers' share €	2019 Net €
General business						
Provision for unearned premiums	**5,998,216**	**(1,456,752)**	**4,541,464**	6,565,520	(1,670,484)	4,895,036
Claims outstanding including IBNR	**7,282,497**	**(2,826,970)**	**4,455,527**	6,073,581	(1,175,192)	4,898,389
	13,280,713	**(4,283,722)**	**8,996,991**	12,639,101	(2,845,676)	9,793,425
Long term business						
Claims outstanding	**837,514**	**(683,814)**	**153,700**	282,074	(236,066)	46,008
Technical provisions:						
Non-Linked	**6,746,120**	**(1,010,776)**	**5,735,344**	6,514,181	(950,153)	5,564,028
Linked	**1,146,296**	**-**	**1,146,296**	1,212,130	-	1,212,130
	8,729,930	**(1,694,590)**	**7,035,340**	8,008,385	(1,186,219)	6,822,166
Total insurance contract provisions	**22,010,643**	**(5,978,312)**	**16,032,331**	20,647,486	(4,031,895)	16,615,591
Split as follows:						
Current	**14,118,226**	**(4,967,536)**	**9,150,690**	12,921,175	(3,081,742)	9,839,433
Non-current	**7,892,417**	**(1,010,776)**	**6,881,641**	7,726,311	(950,153)	6,776,158
	22,010,643	**(5,978,312)**	**16,032,331**	20,647,486	(4,031,895)	16,615,591
Provision for unearned premiums						
At beginning of year	**6,565,520**	**(1,670,484)**	**4,895,036**	5,937,424	(1,413,577)	4,523,847
Premiums written	**13,677,666**	**(4,500,470)**	**9,177,196**	14,520,786	(4,889,535)	9,631,251
Less:						
Premiums earned	**(14,244,970)**	**4,714,202**	**(9,530,768)**	(13,892,690)	4,632,628	(9,260,062)
At end of year	**5,998,216**	**(1,456,752)**	**4,541,464**	6,565,520	(1,670,484)	4,895,036
General and long-term business						
Movement in provision for claims outstanding						
At beginning of year	**6,355,656**	**(1,411,258)**	**4,944,398**	6,277,463	(1,348,852)	4,928,611
Claims paid during the year	**(6,949,476)**	**1,900,604**	**(5,042,872)**	(8,802,568)	2,421,499	(6,381,069)
Incurred claims:						
- arising from current year claims	**5,246,293**	**(2,074,038)**	**3,172,255**	5,876,565	(1,893,321)	3,983,244
- arising from prior year claims	**3,467,538**	**(1,926,092)**	**1,541,446**	3,004,195	(590,584)	2,413,610
At end of year	**8,120,011**	**(3,510,784)**	**4,609,227**	6,355,656	(1,411,258)	4,944,397

Claims paid are exclusive of surrenders and maturities.

Claims development

Claims development information is disclosed in order to illustrate the insurance risk inherent in the Company. The tables compare the claims paid on an accident year with the provisions established for these claims. The top part of the table provides a review of current estimates of cumulative claims net of reinsurance and demonstrates how the estimated claims have changed at subsequent reporting or accident year-ends. The estimate is increased or decreased as losses are paid and more information becomes known with the development of unpaid claims. The lower part of the table provides a reconciliation of the total provision included in the statement of financial position and the estimate of cumulative claims. The claims development table contains figures that are presented net of reinsurance due to the fact that the reinsurance recoverables for the classes presented in this triangulation are minimal and do not exceed their respective attachment points under the reinsurance treaties.

While the information in the table provides a historical perspective on the adequacy of unpaid claims estimates established in previous years, readers of these financial statements are cautioned against extrapolating redundancies or deficiencies of the past on current unpaid loss balances. The Company believes that the estimate of total claims outstanding as of the end of 2020 is adequate. Although the amounts provided reflect managements' best estimate of the total claims outstanding, the Company's total outlay in relation to such claims becomes final on payment.

Liability in respect of classes of business not in the analysis includes the marine, fire, accident, credit, engineering and health classes of business as well as the life business and the incurred but not reported liability.

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	Net
	€	€	€	€	€	€	€	€	€	€	€
At end of accident year	2,994,023	2,661,472	2,310,243	2,159,562	2,154,508	2,222,247	2,400,713	2,584,016	2,894,153	2,124,631	24,505,568
One year later	3,273,106	3,340,111	2,673,144	2,683,888	2,787,473	2,809,620	3,256,794	3,472,248	3,587,429		27,883,813
Two years later	3,120,003	3,363,645	2,508,772	2,505,945	2,647,604	2,681,028	3,109,818	3,339,323			23,276,138
Three years later	3,030,430	3,377,848	2,515,530	2,471,335	2,685,164	2,569,678	3,045,711				19,695,696
Four years later	3,073,424	3,463,049	2,537,955	2,499,831	2,659,930	2,559,627					16,793,816
Five years later	3,056,597	3,553,877	2,560,715	2,500,453	2,693,614						14,365,256
Six years later	3,038,057	3,668,007	2,556,747	2,536,209							11,799,020
Seven years later	3,090,706	3,707,289	2,556,692								9,354,687
Eight years later	3,125,742	3,729,183									6,854,925
Nine years later	3,138,307										3,138,307
Current Estimates of Cumulative Claims	3,138,307	3,729,183	2,556,692	2,536,209	2,693,614	2,559,627	3,045,711	3,339,323	3,587,429	2,124,631	29,310,726 29,310,727
Current payments to date	(3,053,613)	(3,449,958)	(2,537,214)	(2,441,252)	(2,596,128)	(2,453,174)	(2,870,683)	(2,910,081)	(2,717,273)	(727,619)	(25,756,995)
Liabilities recognised in the statement of financial position	**84,694**	**279,225**	**19,478**	**94,957**	**97,486**	**106,453**	**175,028**	**429,242**	**870,156**	**1,397,012**	**3,553,731**
Liabilities in respect of prior years											**197,133**
Liabilities in respect of classes of business not in the analysis											**858,363**
Total reserve included in statement of financial position											**4,609,227**

Life business

Analysis of movements in technical provisions - Non-Linked:

	2020			2019		
	Gross €	Re-insurers' share €	Net €	Gross €	Re-insurers' share €	Net €
At beginning of year	**6,514,181**	**(950,153)**	**5,564,028**	7,673,260	(2,253,772)	5,419,488
Movement in reserves	**231,939**	**(60,623)**	**171,316**	(1,159,079)	1,303,619	144,540
	6,746,120	**(1,010,776)**	**5,735,344**	6,514,181	(950,153)	5,564,028

Life business

Analysis of movements in technical provisions -Linked:

	2020	2019
	€	€
At beginning of year	**1,212,130**	1,365,870
Premiums received in year	**197,064**	137,153
Liabilities released on payment of death, surrenders and terminations during the year	**(240,163)**	(470,436)
Changes in unit prices	**(22,733)**	179,543
At end of year	**1,146,296**	1,212,130

Unit linked liabilities are not ceded to reinsurers and are classified as non-current.

22. SHARE CAPITAL

COMPANY	2020 and 2019
	€
Authorised:	
7,200,000 ordinary shares of Eur1.00 each	**7,200,000**
Issued and fully paid up	
2,570,400 ordinary 'A' shares of Eur1.00 each	**2,570,400**
1,008,000 ordinary 'B' shares of Eur1.00 each	**1,008,000**
918,000 ordinary 'C' shares of Eur1.00 each	**918,000**
504,000 ordinary 'D' shares of Eur1.00 each	**504,000**
	5,000,400

The management and administration of the Company is entrusted to a Board of Directors consisting of not less than two (2) and not more than nine (9) directors as appointed by the shareholders in accordance with their appointment rights, whereby the holders of the ordinary 'A' shares can appoint five (5) directors including the Chairman.

Otherwise save as may be expressly provided in the Memorandum and Articles of Association, the ordinary shares of the different classes shall rank pari passu for all intents and purposes of law.

23. BORROWINGS

SUBORDINATED LOANS	Group		Company	
	2020	2019	**2020**	2019
	€	€	**€**	€
Unsecured 4% shareholders' subordinated loans	**366,546**	580,550	**366,546**	580,550
Unsecured bank subordinated loans	**1,000,000**	1,000,000	**1,000,000**	1,000,000
	1,366,546	1,580,550	**1,366,546**	**1,580,550**

The shareholders' subordinated loans amounting to €214,004 were paid in 2020.

These amounts were settled in cash, whilst the balance of €366,546 has been extended indefinitely and is considered to be non-current. No guarantees have been given or received.

The bank subordinated loans are repayable as follows:

	Group		Company	
	2020	2019	**2020**	2019
	€	€	**€**	€
Due in 2022	**1,000,000**	1,000,000	**1,000,000**	1,000,000
	1,000,000	1,000,000	**1,000,000**	1,000,000

As at year end the bank borrowings bore interest at the rate of 4.00% per annum.

24. INSURANCE PAYABLES AND OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2020	2019	**2020**	2019
	€	€	**€**	€
Direct insurance contract payables	**344,132**	510,375	**344,132**	507,618
Amounts due to related parties	**5,183**	6,214	**5,183**	225,703
Insurance payables	**349,315**	516,589	**349,315**	733,321
Lease liabilities	**778,703**	541,851	**778,703**	541,851
Other payables and accruals	**674,968**	463,218	**674,968**	460,563
	1,453,671	1,005,069	**1,453,671**	1,002,414

Amounts due to related parties are unsecured, interest free and payable on demand.
The lease liabilities recognised are further analysed as follows:

Lease liabilities	Group and Company	
	2020	2019
	€	€
Total undiscounted minimum lease payments payable in settlement of lease liabilities	**916,629**	614,758
Less: future finance charges	**137,926**	72,907
Present value of lease obligations	**778,703**	541,851
Less: amounts included in current liabilities	**107,678**	95,463
Amounts included in non-current liabilities	**671,025**	446,388

The total cash outflow for leases amounts to EUR 169,382 (2019: EUR 135,106).

25. EVENTS AFTER THE REPORTING PERIOD

No events after the reporting period that would require disclosure have been identified, other than the uncertainty caused by the ongoing COVID-19 pandemic that has been disclosed in note 2.

26. RELATED PARTY DISCLOSURES

As disclosed in note 16, Citadel Insurance p.l.c. was the parent company of Citadel Health Insurance Agency Limited which was merged into the parent company and subsequently struck off during 2020.

The immediate and ultimate parent company of Citadel Insurance p.l.c. is Citadel Holdings Limited, the registered office of which is Apartment 12, 182/183 Tower Reef Apts., Tower Road, Sliema, Malta. Consolidated financial statements which include the financial results of the Company may be obtained from the ultimate parent company's registered office.

The Directors consider the ultimate controlling party to be Joseph N. Tabone.

The terms and conditions of the subordinated loans due to related parties are disclosed in note 23.

Other related party transactions are disclosed in the remaining notes in the financial statements. Amounts due to related parties are unsecured, interest free and payable on demand.

Independent auditor's report

To the Shareholders of Citadel Insurance p.l.c.

Report on the audit of the financial statements

Our opinion

In our opinion:

- The Group financial statements and Parent Company financial statements (the "financial statements") give a true and fair view of the Group and the Parent Company's financial position of Citadel Insurance p.l.c. as at 31 December 2020, and of the Group's and the Parent Company's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the EU; and
- The financial statements have been prepared in accordance with the requirements of the Maltese Companies Act (Cap. 386).

Our opinion is consistent with our additional report to the Audit Committee.

What we have audited

Citadel Insurance p.l.c.'s financial statements, set out on pages 12 to 63, comprise:

- the Consolidated and Parent Company income statements for the year ended 31 December 2020;
- the Consolidated and Parent Company statements of comprehensive income for the year then ended;
- the Consolidated and Parent Company statements of financial position as at 31 December 2020;
- the Consolidated and Parent Company statements of changes in equity for the year then ended;
- the Consolidated and Parent Company statements of cash flows for the year then ended; and
- the notes to the financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report.

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

Independent auditor’s report - continued

To the Shareholders of Citadel Insurance p.l.c.

Independence

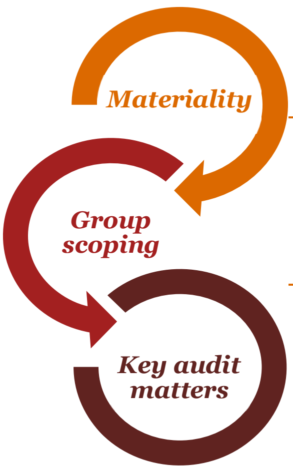
We are independent of the Group and the Parent Company in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code) together with the ethical requirements of the Accountancy Profession (Code of Ethics for Warrant Holders) Directive issued in terms of the Accountancy Profession Act (Cap. 281) that are relevant to our audit of the financial statements in Malta. We have fulfilled our other ethical responsibilities in accordance with these Codes.

To the best of our knowledge and belief, we declare that non-audit services that we have provided to the Parent Company and its subsidiaries are in accordance with the applicable law and regulations in Malta and that we have not provided non-audit services that are prohibited under Article 18A of the Accountancy Profession Act (Cap. 281).

The non-audit services that we have provided to the Parent Company and its subsidiaries, in the period from 1 January 2020 to 31 December 2020, are disclosed in note 11 to the financial statements.

Our audit approach

Overview



- Overall group materiality: €162,700, which represents 1% of gross written premium.

- The audit carried out by the group engagement team covered the Parent Company and its only wholly owned subsidiary.

- Ultimate liability arising from claims made under long-term insurance contracts – non-linked.
- Ultimate liability arising from claims made under general insurance contracts.

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we considered where the directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Overall materiality	€162,700
How we determined it	1% of gross written premium
Rationale for the materiality benchmark applied	We chose gross written premium as the benchmark because, in our view, it is the benchmark against which the performance of the group is most commonly measured by users of the financial statements and is a generally accepted benchmark. We chose 1% which is within the range of quantitative materiality thresholds that we consider acceptable.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above €8,135 as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Independent auditor's report - continued

To the Shareholders of Citadel Insurance p.l.c.

Key audit matters

Key audit matters are those matters that, in our professional judgement, 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.

Key audit matter	How our audit addressed the Key audit matter
Ultimate liability arising from claims made under long-term insurance contracts – non-linked business	
The Group's long-term insurance contracts comprise unit-linked and non-linked businesses (including term and participating). The liability pertaining to non-linked insurance contracts is a significant and complex estimate that makes use of judgemental assumptions taken by the Group. In calculating the insurance contract liabilities management utilises the Group's own historic experience and available market data in order to determine appropriate assumptions. The valuation of the ultimate liability arising from long-term insurance contracts involves significant judgement, given that the estimate is sensitive to changes in key inputs. The Group's technical reserves are determined using recognised actuarial methods, being mainly based on assumptions with respect to mortality, morbidity, persistency, maintenance expenses and investment income. Due to the significance of the balances and estimation involved in the assessment thereof, we have considered the valuation of ultimate liability arising from claims made under long-term insurance contracts as a key audit matter.	Our audit procedures addressing the ultimate liability arising from claims made under long-term insurance contracts, non-linked, included the following procedures: • we tested the completeness, accuracy and integrity of the underlying data utilised for the purposes of measurement by reference to its sources; • we evaluated the design and implementation of key manual and automated controls over the estimation process; • we assessed the Group's appointed actuary's competence, capabilities and objectivity, and obtained an understanding of the work of the appointed actuary; • we applied our industry knowledge and experience and involved our actuarial experts to evaluate the appropriateness of the methodology, reasonableness of the key assumptions used and accuracy of the valuation of the ultimate liability; and

Key audit matter	How our audit addressed the Key audit matter
Relevant references in the financial statements are: • Significant accounting policy and Insurance risk note: Notes 3.3 and 5.1; • Judgements in applying accounting policies and key sources of estimation uncertainty: Note 4; and • Note on insurance liabilities: Note 21	• assessed the appropriateness of the assumptions in light of the specific characteristics of the business, industry practices and any other available information such as general population data. We also assessed the appropriateness of the disclosures within the financial statements. Based on the work performed we found the ultimate liability arising from claims made under long-term insurance contracts, non-linked, to be consistent with the explanations and evidence obtained.
Ultimate liability arising from claims made under general insurance contracts The Group's provision for claims outstanding, including claims notified but not settled and claims incurred but not reported (IBNR) on the general business insurance contracts underwritten represents a significant portion of the Group's total liabilities. The provisions for claims notified but not settled are estimated on a case-by-case basis, which also includes an estimated allowance for subrogation, based on information available to the Group and reviewed periodically for adequacy. These are supplemented with additional provisions for IBNR claims to cater for the claims that take a longer time to develop, based on a statistical analysis of historical data. We focused on this area due to its magnitude, inherent subjectivity and complexity.	Our audit procedures addressing the ultimate liability arising from claims made under general insurance contracts, included the following procedures: • we analysed claim patterns and also sample tested claims files, including specific reserves driven by the COVID-19 pandemic, to obtain audit evidence around the adequacy of case estimates; • we evaluated the design and implementation of key manual and automated controls over the estimation process by inquiring with the process owners and reviewing process documents; • we considered the quality of historical reserving by reviewing variations arising from prior year technical provisions, including the impact on IBNR claims provision; • we applied our industry knowledge and experience in understanding and evaluating the IBNR claims reserving methodology;

Key audit matter	How our audit addressed the Key audit matter
Relevant references in the financial statements are: • Significant accounting policy and Insurance risk note: Notes 3.3 and 5.1; • Judgements in applying accounting policies and key sources of estimation uncertainty: Note 4; and • Note on insurance liabilities: Note 21	• we also performed our own independent IBNR claims provision projections, and compared the results to management's estimates; and • we considered whether the claims outstanding and IBNR reserving methodology was applied consistently across the years. We also assessed the appropriateness of the disclosures within the financial statements. Based on the work performed we found the ultimate liability arising from claims made under general insurance contracts to be consistent with the explanations and evidence obtained.

How we tailored our group audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

The Group is composed of two components: Citadel Insurance p.l.c. (the Parent Company) and Spiral Insurance Brokers PCC Limited (its wholly owned subsidiary). We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

Independent auditor's report - continued

To the Shareholders of Citadel Insurance p.l.c.

Other information

The directors are responsible for the other information. The other information comprises the Directors, officers and other information, the Directors' report, the Managing Director/CEO review, the Chairman's statement and the Statement of compliance (but 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 except as explicitly stated within the *Report on other legal and regulatory requirements*.

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

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.

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

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

In preparing the financial statements, the directors are responsible for assessing the Group's and the Parent 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 Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Parent 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 Group's or the Parent 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, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's or the Parent company's ability to continue as a going concern. In particular, it is difficult to evaluate all of the potential implications that COVID-19 will have on the Group's and the Parent Company's trade, customers, suppliers, and the disruption to their business and the overall economy.
- 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Independent auditor's report - continued
To the Shareholders of Citadel Insurance p.l.c.

Report on other legal and regulatory requirements

The *Annual Report and Consolidated Financial Statements 2020* contains other areas required by legislation or regulation on which we are required to report. The directors are responsible for these other areas.

The table below sets out these areas presented within the Annual Report, our related responsibilities and reporting, in addition to our responsibilities and reporting reflected in the *Other information* section of our report. Except as outlined in the table, we have not provided an audit opinion or any form of assurance.

Area of the *Annual Report and Consolidated Financial Statements 2020* and the related directors' responsibilities	**Our responsibilities**	**Our reporting**
Directors' report (on pages 6 to 8) The Maltese Companies Act (Cap. 386) requires the directors to prepare a Directors' report, which includes the contents required by Article 177 of the Act and the Sixth Schedule to the Act.	We are required to consider whether the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements. We are also required to express an opinion as to whether the Directors' report has been prepared in accordance with the applicable legal requirements. In addition, we are required to state whether, in the light of the knowledge and understanding of the Group and its environment obtained in the course of our audit, we have identified any material misstatements in the Directors' report, and if so to give an indication of the nature of any such misstatements.	In our opinion: • the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and • the Directors' report has been prepared in accordance with the Maltese Companies Act (Cap. 386). We have nothing to report to you in respect of the other responsibilities, as explicitly stated within the *Other information* section.

Independent auditor's report *- continued*

To the Shareholders of Citadel Insurance p.l.c.

Area of the *Annual Report and Consolidated Financial Statements 2020* and the related Directors' responsibilities	**Our responsibilities**	**Our reporting**
	Other matters on which we are required to report by exception We also have responsibilities under the Maltese Companies Act (Cap. 386) to report to you if, in our opinion: • adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us. • the financial statements are not in agreement with the accounting records and returns. • we have not received all the information and explanations which, to the best of our knowledge and belief, we require for our audit.	We have nothing to report to you in respect of these responsibilities.

Independent auditor's report *- continued*

To the Shareholders of Citadel Insurance p.l.c.

Other matter – use of this report

Our report, including the opinions, has been prepared for and only for the Parent Company's shareholders as a body in accordance with Article 179 of the Maltese Companies Act (Cap. 386) and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior written consent.

Appointment

We were first appointed as auditors of the Company by directors' resolution on 20 August 2020 for the year ended 31 December 2020.

PricewaterhouseCoopers
78, Mill Street
Zone 5, Central Business District
Qormi
Malta

Stephen Mamo
Partner

8 April 2021