Annual Report 2019

Citadel insurance

MISSION STATEMENT

We focus on the needs of our customers to create confidence, trust and loyalty.

As a composite insurer we are able to achieve this by offering a wide range of products designed around innovative insurance solutions for better security and protection.

Strengthened by our commitment to professional management, we ensure the continued growth and profitability of the Company.

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
RISK MANAGEMENT:	Mr. Christopher Worfolk *(Chairman)*
	Ms. Angela Tabone
	Dr. Philippa Taylor-East
	Mr. Brian Galea

AUDITOR:	Ernst and Young Malta Limited
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 & Zammit Pace Advocates
ACTUARIES:	Paul Warren Mazars LLP
CUSTOMER SERVICES OFFICE:	No.28, St. Anne Street, Floriana FRN 9011
BRANCH OFFICES:	Naxxar Branch: 3, Toni Bajjada Square, Naxxar NXR 2590 Ħaż-Żebbuġ Branch: Gate Avenue, Ħaż-Żebbuġ ZBG 2079 Paola Branch: 30, Żabbar Road, Paola PLA 1012 Gżira Branch: 44, Imsida Road, Gżira GZR 1400 San Ġwann Branch: 197, Naxxar Road, San Ġwann SGN 9031 Żejtun Branch: 25th November Avenue, Żejtun ZTN 2018 Mosta Branch: 17A, Eucharistic Congress Road, Mosta MST 9030 Mellieħa Branch: Majestic East, 7, Cross Street c/w Borg Olivier Street, Mellieħa MLH 1437 Victoria Branch: The Tower, 2nd Floor, Fortunato Mizzi Street, Victoria, Gozo VCT 2571

CHAIRMAN'S STATEMENT

2019 has shown that we are able to continue our progress in transforming Citadel to ensure that we are ready to embrace the challenges and opportunities of today and tomorrow. We have achieved our priorities for 2019 to improve investment performance and grow a diverse business.

I am pleased to report that investment performance has made a pivotal turn and the work we have done to improve our strategy has shown marked improvement to our investment returns for 2019. Market conditions were favourable throughout most of the year even though the bond yield market continued to persist at low levels. Our investment portfolios for life and non-life superseded our target expectations for 2019. In the last quarter of the year, we retained our position on our investment assets and were liquid in investment cash to reposition our investments for 2020. This strategy has assisted the Company in mitigating the impact on our investments due to the sharp fall in global equities in the 1st quarter of 2020.

In 2019, we registered another year of strong growth of 10% on our premium income to €16,948,736 for our combined business of life and non-life. The insurance business performance produced encouraging results across our lines for life and general insurance products. 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, has produced a consistent growth in capital. This we achieved by focusing on profitability rather than sales volumes.

The Board, which remained unchanged in 2019, 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.

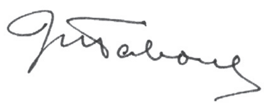
The Directors have regard to the interests of our clients, our employees and our shareholders, while complying with their obligations to promote the success of the Company in line with regulatory requirements.

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 2019, 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 manage and sustain our growth in 2019.

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 organisations 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 for carefully selected causes. In 2019, 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.

2020 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. 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

Our 2019 performance as a composite insurer continued to deliver our clear customer-focused strategy to grow our business. We concentrated on opportunities to simplify our processes to create a healthy business mix across our wide range of products, from personal insurance, commercial to life and savings plans to protect what matters most to customers.

In 2019 our business combined gross premium income which reached our target of just over 10% to €16,948,736, in what is still a highly challenging and competitive local market. The overall technical performance for the year was based on a prudent risk approach with an effective pricing discipline geared to realise our strategy as well as creating value for our stakeholders. On the operational aspect, costs mainly increased to maintain the high level of skilled staff required to drive our business. For 2019 the Company generated a profit before taxation of €650,162 (2018: - €1,317,557) and retained earnings stood at €1,542,453 (2018: €1,324,984). The positive turnaround in the Company's performance for 2019 shows that we hold a robust system of governance which is able to manage uncertainties in an ever changing socio-economic environment.

During 2019, we recovered our investments and the challenges faced in 2018, at the time caused by a direct result of a persistent market volatile environment. In 2019 investment markets started from a low base and finished about 10% above 2018's highest peak. In keeping with our cautious investment approach, our investment portfolios for general and life business registered a positive return of 276% or €1,695,800. Towards the end of the year, we anticipated the markets and repositioned our investments for 2020. This decision has mitigated potential high losses arising from the coronavirus pandemic in the 1st quarter of 2020. At 31 December 2019 our investment assets stood at €13,984,618 whilst cash in hand stood at €6,087,955, an increase of 37% over 2018.

Our general business continued to perform in line with our strategic objective target expectations. General income for 2019 increased by 15.9% to €14,520,786 (2018: €12,526,192). By keeping focused on generating value to our customers, new customer base increased and so did customer loyalty through higher than average retention levels. Even though our technical performance remained constant for our underwriting and risk criteria, we did experience a lower than expected target return. This was due to a big storm event which affected our market in early 2019, of which Citadel's market share was under 1%.

On the other hand, the life business performance which is closely correlated to its investment portfolio, produced better than expected results. Investment performance allocated to the life portfolio was on target even though bonds remained a challenge for yields levels throughout 2019. The life results for the year ended 2019 stood at €1,389,283 (2018: €118,152). The life revenue maintained a constant growth of over 7% and claims overall decreased by 17% over 2018. For 2019 we declared bonuses of 4.5% and 3.5% on our guaranteed products; 3% on other savings plans and 1.5% for single premium plans. Carefully selected funds under the investment risks categories for our unit-linked plans maintained expected returns during the year.

Digialisation remains the focal point of the way we manage our business, to place the customer at the centre of our ethos. We continue to deliver improved digital platforms to engage customers in using simple digital facilities to manage their insurance needs on a 24x7 basis for most of our personal lines products. 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.

Our organic growth across most lines of business under our composite status has contributed to an improved combined ratio. The Solvency II capital for our composite structure requirement of €7.4 million remains healthy. The Minimum Capital Requirement (MCR) and Solvency Capital Requirement (SCR) stood at 126% and 216% respectively at 31 December 2019.

Our objective for 2020 is to continue to simplify change to our operations, enhance underwriting performance and related costs to service our customers. So far 2020 has been struck by the COVID-19 uncertainty around investment market volatility and economic recovery. 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 2020.

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 the International Financial Report Standards (IFRS). The report contains the consolidated financial statements of Citadel Insurance p.l.c. and Citadel Health Agency Limited and the financial information and statements of Citadel Insurance p.l.c. (the Company) for the year ended 31 December 2019.

PRINCIPAL ACTIVITIES

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

Citadel Insurance p.l.c. (the Company) is licensed to carry on general and long-term business in terms of Article 7 of the Insurance Business Act 1998. The Group also operates a Health Insurance Agency under Article 13 of the Insurance Intermediaries Act, 2006, which is currently administering the run-off of its portfolio. Since there are no outstanding claims or liabilities and the process to merge the Health Insurance Agency with the Company shall commence shortly.

REVIEW OF PERFORMANCE

Performance from the 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 €16,948,736 during the year under review compared to €14,788,248 in 2018. The General Business grew by 14.60%, whilst premium growth in the long-term business increased by 7.33% over 2018. The Company's combined technical accounts for the financial year ended 31 December 2019 resulted in generating a positive balance of €1,174,979 (2018:- €531,708) before the allocation of non-technical components.

In 2019 was a positive year for the non-life and life portfolios of investments. Investment gains stood at €1,476,906 (2018:- €715,833). The Company financial assets as fair value and investment property stood at €14,040,860 (2018: €14,048,392). Citadel Insurance plc (the 'Company') registered a profit before taxation of €650,162 compared to a loss in 2018 of €1,317,557 and retained earnings stood at €1,542,453 at 31 December 2019 (2018: €1,324,984). The Group generated a profit before taxation of €649,904 (2018 Loss: €1,305,388) and retained earnings increased to €1,347,531 (2018: €1,130,320). Overall 2019 has been a year of steady performance. The Company has delivered a broad-based growth over its main classes of business.

OUTLOOK

The outlook of the Board of Directors for 2020 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 is well positioned to create customer and shareholders value to deliver sustainable growth.

PRINCIPAL RISKS AND UNCERTAINTIES

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

EVENTS AFTER THE FINANCIAL REPORTING DATE

In early 2020, the existence of a new coronavirus, now known as COVID-19, was confirmed and since this time COVID-19 has spread across China and to a significant number of other countries. 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 the spread of COVID-19 will have an overall material effect on the going concern of the Company.

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 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 its Group at the end of each financial year and of the profit or loss of the Company and its 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 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 Companies Act (Cap. 386) are kept. 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 Ernst & Young as auditor of the Company will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors, authorised for issue on 5 May 2020 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 plc (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 met fifteen times. 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 met three times during 2019. The Committee is composed of a non-executive Director, who chairs the Committee, the Managing Director, the Compliance Officer and Head of Finance. 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 twice a month and is chaired by the Managing Director. The members consist of the Executive Head Motor and General Business, the Head of Finance, the Head of Motor Underwriting and Claims, the Head of General Business Underwriting and the Senior Manager General & Motor Claims. 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. *Asset-Liability Management Committee:* : The Committee meets on a quarterly basis. It is composed of the Managing Director, who chairs the meetings, the Head of Finance and an external member. The Committee is responsible for reviewing

the Company's current assets and investments and identifying shortfalls or mismatches between current liabilities arising from the life products versus our investments and the return that the investments will yield.

3. *Product Oversight Committee:* 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. The Committee met three times during 2019.

4. *Senior Management Team:* The Team comprises of all heads of departments. 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.

5. *Reinsurance Team:* The Team is presently composed of the Managing Director, the Executive Head Motor and General Business, Head of Life and the Head of Corporate Services. 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.

6. *Compliance Team:* The team is headed by the Compliance Officer who is assisted by the Assistant Compliance Officer. The Team meets on a regular basis and is responsible to ensure that the Company is compliant with all applicable laws, rules and regulations and to prevent and resolve any compliance issues. The Compliance Officer also meets on a regular basis with the Chairman and Managing Director.

FINANCIAL STATEMENTS

INCOME STATEMENTS

Year Ended 31 December 2019

TECHNICAL ACCOUNT - GENERAL BUSINESS		GROUP AND COMPANY	
		2019	2018
	Note	**€**	€
Earned premiums, net of reinsurance			
Gross premiums written	**6**	**14,520,786**	12,526,192
Outward reinsurance premiums		**(4,889,535)**	(3,611,076)
Net premiums written		**9,631,251**	8,915,116
Change in gross provision for unearned premiums		**(628,097)**	(622,530)
Change in provision for unearned premiums, reinsurers' share		**256,907**	208,575
Change in net provision for unearned premiums		**(371,190)**	(413,955)
Earned premiums, net of reinsurance		**9,260,061**	8,501,161
Allocated investments return transferred from the non-technical account	**7**	**569,069**	(552,256)
Other net technical profit	**6**	**259,177**	250,621
Total technical income		**10,088,307**	8,199,526
Claims incurred, net of reinsurance			
Claims paid			
• Gross amount		**(8,346,497)**	(6,165,810)
• Reinsurers' share		**2,195,853**	890,333
		(6,150,644)	(5,275,477)
Change in the provision for claims			
• Gross amount		**(245,720)**	(92,013)
• Reinsurers' share		**202,286**	(154,649)
		(43,434)	(246,662)
Claims incurred, net of reinsurance		**(6,194,078)**	(5,522,139)
Net operating expenses	**8**	**(3,872,423)**	(3,328,642)
Total technical charges		**(10,066,501)**	(8,850,781)
Balance on technical account for general business		**21,806**	(651,255)

The notes on pages 20 through 57 are an integral part of these financial statements.

TECHNICAL ACCOUNT - LONG TERM BUSINESS		GROUP AND COMPANY	
		2019	2018
	Note	**€**	€
Earned premiums, net of reinsurance			
Gross premiums written	**6**	**2,427,950**	2,262,056
Outward reinsurance premiums		**(1,015,055)**	(913,311)
Earned premiums, net of reinsurance		**1,412,895**	1,348,745
Net income from financial assets	**7**	**250,682**	268,435
Gain/ (loss) on re-measurement of assets at fair value	**7**	**356,880**	(452,068)
Gain/ (loss) on re-measurement of unit-linked assets at fair value	**7**	**179,543**	(116,877)
Other income		**102,974**	95,574
Total technical income		**2,302,974**	1,143,809
Claims incurred, net of reinsurance			
Claims paid			
• Gross amount		**(811,052)**	(714,325)
• Reinsurers' share		**220,574**	293,982
		(590,478)	(420,343)
Change in the provision for claims			
• Gross amount		**155,527**	(80,120)
• Reinsurers' share		**(139,880)**	86,429
		15,647	6,309
Claims incurred, net of reinsurance		**(574,831)**	(414,034)
Change in other technical reserves, net of reinsurance			
Long term business provision, net of reinsurance			
• Gross amount		**1,152,630**	94,723
• Reinsurers' share		**(1,303,908)**	(248,877)
		(151,278)	(154,154)
Technical provisions for linked liabilities		**153,740**	177,861
		2,462	23,707
Net operating expenses	**8**	**(577,432)**	(633,935)
Total technical charges		**(1,149,801)**	(1,024,262)
Balance on technical account for long term business		**1,153,173**	119,547

The notes on pages 20 through 57 are an integral part of these financial statements.

INCOME STATEMENTS cont.

Year Ended 31 December 2019

NON-TECHNICAL ACCOUNT	Note	GROUP 2019 €	GROUP 2018 €	COMPANY 2019 €	COMPANY 2018 €
Balance on the general business technical account (page 14)		**21,806**	(651,255)	**21,806**	(651,255)
Balance on the long term business technical account (page 15)		**1,153,173**	119,547	**1,153,173**	119,547
		1,174,979	(531,708)	**1,174,979**	(531,708)
Investment income	**7**	**96,134**	215,283	**96,134**	215,283
Investment expenses and charges	**7**	**472,935**	(767,539)	**472,935**	(767,539)
Allocated investment return transferred to the general business technical account	**7**	**(569,069)**	552,256	**(569,069)**	552,256
Administrative expenses	**8**	**(853,123)**	(773,680)	**(852,865)**	(785,849)
Fair value gains on investment ppropery	**15**	**328,048**	-	**328,048**	-
Profit/(loss) on ordinary activities before tax		**649,904**	(1,305,388)	**650,162**	(1,317,557)
Current tax (expense)/credit	**12**	**(4,138)**	(142,230)	**(4,138)**	(142,230)
Deferred tax (expense)/credit		**(428,555)**	483,736	**(428,555)**	483,736
		(432,693)	341,506	**(432,693)**	341,506
Profit/(loss) for the financial year		**217,211**	(963,882)	**217,469**	(976,051)

STATEMENT OF COMPREHENSIVE INCOME Year ended 31 December 2019	Note	GROUP 2019 €	GROUP 2018 €	COMPANY 2019 €	COMPANY 2018 €
Profit/(loss)for the year		**217,211**	(963,882)	**217,469**	(976,051)
Items that will not be reclassified profit or loss:					
Revaluation of property, net of deferred tax		-	325,834	-	325,834
Total comprehensive income/(loss)for the year		**217,211**	(638,048)	**217,469**	(650,217)

The notes on pages 20 through 57 are an integral part of these financial statements.

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2019

		GROUP		COMPANY	
		2019	2018	**2019**	2018
	Note	**€**	€	**€**	€
Assets					
Intangible assets	**13**	**372,372**	387,226	**513,420**	547,963
Property, plant and equipment	**14**	**4,597,415**	4,048,592	**4,595,700**	4,046,112
Investment property	**15**	**2,415,000**	1,970,611	**2,415,000**	1,970,611
Investment in subsidiary	**16**	**-**	-	**299,999**	299,999
Financial assets at fair value through profit or loss	**17**	**11,625,860**	12,077,781	**11,625,860**	12,077,781
Assets held to cover linked liabilities	**17**	**1,212,230**	1,365,871	**1,212,230**	1,365,871
Loans and receivables	**17**	**1,000,000**	1,000,000	**1,000,000**	1,000,000
Reinsurers' share of technical provisions	**21**	**4,031,895**	5,016,201	**4,031,895**	5,016,201
Insurance receivables	**18**	**3,376,278**	2,911,849	**3,376,278**	2,911,189
Other receivables	**18**	**313,542**	345,057	**313,545**	359,078
Deferred acquisition costs		**873,397**	826,759	**873,397**	826,759
Current tax assets		**98,620**	91,007	**98,621**	91,007
Cash and cash equivalents	**19**	**6,087,955**	4,420,682	**6,057,618**	4,337,275
Total assets		**36,004,564**	34,461,635	**36,413,563**	34,849,846
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		**1,347,531**	1,130,320	**1,542,453**	1,324,984
Total equity		**7,700,205**	7,482,994	**7,895,127**	7,677,658
Liabilities					
Insurance contract provision	**21**	**19,435,356**	19,888,147	**19,435,356**	19,888,147
Technical provisions for linked liabilities	**21**	**1,212,130**	1,365,870	**1,212,130**	1,365,870
Deferred tax liabilities	**20**	**608,239**	179,684	**608,239**	179,684
Borrowings	**23**	**1,580,550**	1,580,550	**1,580,550**	1,580,550
Amounts owed to banks	**19**	**1,711,825**	1,333,682	**1,711,825**	1,333,682
Reinsurance payables		**2,234,601**	1,602,642	**2,234,601**	1,602,642
Insurance payables	**24**	**516,589**	457,117	**733,321**	653,260
Other payables and accruals	**24**	**1,005,069**	570,949	**1,002,414**	568,353
Total liabilities		**28,304,359**	26,978,641	**28,518,436**	27,172,188
Total equity and liabilities		**36,004,564**	34,461,635	**36,413,563**	34,849,846

The financial statements on pages 14 to 57 were approved by the Board of Directors, authorised for issue on 5 May 2020 and were signed on its behalf by:

Joseph N. Tabone
Chairman

Ian Refalo
Deputy Chairman

STATEMENTS OF CHANGES IN EQUITY

Year Ended 31 December 2019

GROUP	SHARE CAPITAL	PROPERTY REVALUATION RESERVE	CAPITAL RESERVE	RETAINED EARNINGS	TOTAL
	€	€	€	€	€
Balance as at 1st January 2018	**5,000,400**	**1,006,913**	**19,527**	**2,194,202**	**8,221,042**
Loss for the year				(963,882)	(963,882)
Revaluation of properties, net of deferred tax	-	325,834	-	-	325,834
Total comprehensive loss for the year	-	325,834	-	(963,882)	(638,048)
Dividends paid	-	-	-	(100,000)	(100,000)
Balance as at 1st January 2019	**5,000,400**	**1,332,747**	**19,527**	**1,130,320**	**7,482,994**
Profit for the year	-	-	-	217,211	217,211
Total comprehensive income for the year	-	-	-	217,211	217,211
Dividends paid	-	-	-	-	-
Balance at 31st December 2019	**5,000,400**	**1,332,747**	**19,527**	**1,347,531**	**7,700,205**

COMPANY	SHARE CAPITAL	PROPERTY REVALUATION RESERVE	CAPITAL RESERVE	RETAINED EARNINGS	TOTAL
	€	€	€	€	€
Balance as at 1st January 2018	**5,000,400**	**1,006,913**	**19,527**	**2,401,035**	**8,427,875**
Loss for the year				(976,051)	(976,051)
Revaluation of properties, net of deferred tax	-	325,834	-	-	325,834
Total comprehensive loss for the year	-	325,834	-	(976,051)	(650,217)
Dividends paid	-	-	-	(100,000)	(100,000)
Balance as at 1st January 2019	**5,000,400**	**1,332,747**	**19,527**	**1,324,984**	**7,677,658**
Profit for the year	-	-	-	217,469	217,469
Total comprehensive income for the year	-	-	-	217,469	217,469
Balance at 31st December 2019	**5,000,400**	**1,332,747**	**19,527**	**1,542,453**	**7,895,127**

STATEMENTS OF CASH FLOWS

Year ended 31 December 2019

	GROUP		COMPANY	
	2019	2018	**2019**	2018
	€	€	**€**	€
Cash flows from operating activities				
Profit /(Loss) before tax	**649,904**	(1,305,388)	**650,162**	(1,317,557)
Adjustments for:				
Depreciation and amortisation	**386,268**	238,783	**405,192**	257,740
Unrealised (losses) / gains on investments	**(1,087,107)**	1,311,619	**(1,087,107)**	1,311,619
Movement in:				
Technical provisions	**(452,890)**	699,940	**(452,890)**	699,940
Reinsurers' share of technical provisions	**984,306**	108,523	**984,306**	108,523
Receivables	**(1,124,875)**	(37,130)	**(1,111,517)**	(2,619)
Payables	**1,224,008**	168,353	**1,244,538**	168,565
Cash inflows from operations	**579,614**	1,184,700	**632,684**	1,226,211
Tax (paid)/received	**(11,752)**	(126,598)	**(11,752)**	(126,598)
Net cash generated from operations	**567,862**	1,058,102	**620,932**	1,099,613
Cash flows (used in) / generated from investing activities				
Payments to acquire property, plant and equipment	**(185,371)**	(408,281)	**(185,371)**	(408,281)
Payments to acquire intangible assets	**(89,543)**	(121,735)	**(89,543)**	(121,735)
Payments to acquire investments	**-**	(1,115,196)	**-**	(1,115,196)
Proceeds from disposal of investments	**1,539,028**	1,871,806	**1,539,028**	1,871,806
Payments to acquire investment property	**(444,389)**	(1,970,611)	**(444,389)**	(1,970,611)
Net cash (used in)/generated from investing activities	**819,725**	(1,744,017)	**819,725**	(1,744,017)
Cash flows used in financing activities				
Proceeds from maturities of term deposits	**-**	-	**-**	-
Repayments of borrowings	**-**	(500,000)	**-**	(500,000)
Dividends paid	**-**	(100,000)	**-**	(100,000)
Repayment of lease liabilities	**(98,457)**	-	**(98,457)**	-
Net cash used in investing activities	**(98,457)**	(600,000)	**(98,457)**	(600,000)
Net movement in cash and cash equivalents	**1,289,130**	(1,285,915)	**1,342,200**	(1,244,404)
Cash and cash equivalents at beginning of the year	**3,087,000**	4,372,915	**3,003,593**	4,247,997
Cash and cash equivalents at end of the year (note 19)	**4,376,130**	3,087,000	**4,345,793**	3,003,593

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.

2. STATEMENT OF COMPLIANCE

The financial statements have been prepared and presented in accordance with the provisions of the 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 Initial Application of an International Financial Reporting Standard

In the current year, the Group and the Company have applied the following:

IFRS 16 Leases

In the current year, the Company has applied IFRS 16 Leases (as issued by the IASB in January 2016). IFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to the lessee accounting by removing the distinction between operating and finance leases and by requiring the recognition of a right-of-use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low value assets when such recognition exemptions are adopted. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged. IFRS 16 supersedes the following lease Standards and Interpretations upon its effective date: IAS 17 *Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives; and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.*

The date of initial application for the Company is 1 January 2019.

The disclosure requirements in IFRS 16 have not generally been applied to comparative information. Both the accounting policies under IAS 17 and the accounting policies under IFRS 16 are disclosed in the significant accounting policies.

Impact of the new definition of a lease

The change in the definition of a lease mainly relates to the concept of control. IFRS 16 determines whether a contract contains a lease on the basis of whether the customer has the right to control the use of an identified asset for a period of time in exchange for consideration. This is in contrast to the focus on 'risks and rewards' in IAS 17 and related Interpretations.

The new definition in IFRS 16 has not changed the scope of contracts that meet the definition of a lease for the Company.

Impact on lessor accounting

IFRS 16 does not change substantially how a lessor accounts for leases. Under IFRS 16, a lessor continues to classify leases as either finance leases or operating leases and account for those two types of leases differently. However, IFRS 16 has changed and expanded the disclosures required.

Other than for subleases, the Company is not required to make any adjustments for leases in which it is a lessor and shall account for those leases applying IFRS 16 from the date of initial application.

Subleases in which the company is an intermediate lessor

Under IFRS 16, an intermediate lessor accounts for the head lease and the sublease as two separate contracts. Where the head lease is a short-term lease for which the short-term lease exemption is applied, the sublease is classified as an operating lease. In all other cases, the intermediate lessor is required to classify the sublease as a finance or operating lease by reference to the right-of-use asset arising from the head lease (and not by reference to the underlying asset as was the case under IAS 17).

In accordance with the transitional provisions of IFRS 16, the Company has reassessed subleases that were classified as operating leases applying IAS 17 and are ongoing at the date of initial application, to determine whether each sublease should be classified as an operating lease or a finance lease applying this Standard. The assessment has been made on the basis of the remaining contractual terms and conditions of the head lease and sublease at that date.

As disclosed in Note 19, the Company subleases certain properties which it itself leases from other parties. Based on the remaining contractual terms and conditions of the head lease and sublease at the date of initial application, the sublease continues to be classified as an operating sublease.

The accounting treatment of the head lease in which the Company is the lessee is disclosed below in the section entitled – Impact on lessee accounting.

Impact on lessee accounting

Based on the cumulative catch-up approach in the transitional provisions of the Standard, the Company has applied IFRS 16 retrospectively. In terms of this approach, the cumulative effect, if any, of initially applying the Standard is recognised in equity at the date of initial application. The Company has applied this election consistently to all of its leases in which it is a lessee. The comparative information has not been restated and continues to be reported under IAS 17 and related interpretations.

Former finance leases

As further disclosed in Note 14 the Company leases a number of motor vehicles which were previously classified as finance leases applying IAS 17.

For such leases, the carrying amount of the leased assets and obligations under finance leases applying IAS 17 immediately before the date of initial application is reclassified to right-of-use assets and lease liabilities respectively without any adjustments, (except in cases where the Company has elected to apply the low-value lease recognition exemption). The right-of-use asset and the lease liability are accounted for applying IFRS 16 from the date of initial application.

Former operating leases

As further disclosed in Note 14, the Company leases certain buildings classified as property, plant and equipment, which were previously classified as operating leases applying IAS 17.

IFRS 16 changes how the Company accounts for such leases, which were off-balance-sheet. In terms of IFRS 16, the Company recognises a right-of-use asset and a lease liability, except as otherwise stated below. The Company recognises depreciation of the right-of-use asset and interest expense on the lease liability in the statement of profit or loss. The right-of-use asset is tested for impairment in accordance with IAS 36. In the statement of cash flows, the total amount of cash paid is separated into a principal portion (presented within financing activities) and the interest portion (presented in accordance with the company's accounting policy for interest payable). The treatment of short-term leases and leases of low value assets is further described in the Company's significant accounting policies.

The lease liability is measured at the present value of the remaining lease payments, discounted using the Company's incremental borrowing rate at the date of initial application.

The Company has recognised a right-of-use asset at the date of initial application. In accordance with the transitional provisions of IFRS 16, the Company has measured the right-of-use asset at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position immediately before the date of initial application.

Practical expedients

The Group and the Company as a lessee has used the following practical expedients, on a lease-by-lease basis, at initial application, as permitted by Paragraph C10 of IFRS 16:

a) The Group and the Company applied a single discount rate to a portfolio of leases with reasonably similar characteristics.

b) The Group and the Company relied on its assessment of whether leases are onerous applying IAS 37 Provisions, Contingent Liabilities and Contingent Assets immediately before the date of initial application as an alternative to performing an impairment review.

c) The Group and the Company did not apply the requirements in paragraph C8 of IFRS 16 to leases for which the lease term ends within 12 months of the date of initial application of IFRS 16. Such leases were accounted for in the same way as short-term leases.

d) The Group and the Company excluded initial direct costs from the measurement of the right-of-use assets at the date of initial application.

e) The Group and the Company used hindsight, were appropriate, in determining the lease term when the contract contains options to extend or terminate the lease.

Impairment assessment

The Company has relied on its assessment of whether leases are onerous applying IAS 37 immediately before the date of initial application as an alternative to performing an impairment review. Accordingly, it has not adjusted the right-of-use asset at the date of initial application by the amount of any provision for onerous leases recognised in the statement of financial position since no such provision had been recognised.

Single discount rate

The Company has applied a single discount rate to the lease of branches from which it operates in the normal course of business having an average remaining lease term of 5.4 years.

Lease term ending within 12 months of the date of initial application

The Company has elected not to recognise a right-of-use asset and a lease liability to leases for which the lease term ends within 12 months of the date of initial application. Accordingly, the Company has accounted for those leases in the same way as short term leases for which the recognition exemption is applied and has included the cost associated with those leases within the disclosure of short-term lease expense in the current period.

Lessee accounting - Transitional disclosures for all leases

The weighted average lessee's incremental borrowing rate applied to lease liabilities at the date of initial application of IFRS 16 was 4%.

The reconciliation between operating lease commitments disclosed in the annual financial statements of the Group and the Company as at 31 December 2018 and the lease liabilities recognised at 1 January 2019, in the statement of financial position at that date is the following:

	GROUP OF COMPANY
Operating lease commitments disclosed in the prior year financial statements	1,011,879
Less: operating lease commitments excluded from lease liabilities using practical expedients of IFRS 16	(13,450)
Less: operating lease commitments excluded from lease liabilities as a result of lease terms revised to a shorter duration	(284,144)
Operating lease commitments included in lease liabilities as per IFRS 16, undiscounted	714,285
Operating lease commitments discounted to their present value on the date of initial application of IFRS 16, using the Company's weighted average incremental borrowing rate	620,757
Lease liabilities at 1 January 2019	620,757

2.2 New standards, amendments and interpretations issued but not effective for the financial year beginning 1 January 2019 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 17 'Insurance contracts' requires insurance liabilities provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. IFRS 17 supersedes IFRS 4 'Insurance Contracts' and related interpretations. On 17 March 2020, the IASB decided that the effective date of the Standard will be deferred to annual reporting periods beginning on or after 1 January 2023. The IASB expects to issue the amendments in the second quarter of 2020.

The amendments to IAS 1 'Presentation of Financial Statements' and IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors', the amendments clarify the definition of material and how it should be applied by including in the definition guidance that until now has featured elsewhere in IFRS Standards. In addition, the explanations accompanying the definition have been improved. Finally, the amendments ensure that the definition of material is consistent across all IFRS Standards. The amendments are effective for periods beginning on or after 1 January 2020, with earlier adoption permitted.

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 (IFRS) 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

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 in Note 25, 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 are 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.

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. Minority interests in the results and net assets of subsidiary undertakings are disclosed separately.

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.

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 365th 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 International Financial Reporting Standard 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.

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
TThe 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 and are recognized 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. 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 Other financial instruments
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.

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 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.

3.10.3 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.

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 Bank overdraft

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

3.10.5 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.

3.10.6 Payables

Payables are classified with 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.

3.10.7 Shares issued by the Company

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

3.10.8 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

3.11 Impairment

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. 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.

3.12 Leases

The Company as lessee

Comparative year

In the comparative year, the significant accounting policies for leases were as follows:

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership to the lessee. All other leases are classified as operating leases. Lease classification is made at the inception of the lease, which is the earlier of the date of the lease agreement and the date of commitment by the parties to the principal provisions of the lease.

Current year

In the current year, the significant accounting policies for leases are as follows:

The company 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 Company 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 Company applies the recognition exemption. For these leases, the Company 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 Company uses its incremental borrowing rate. The Company'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 Company 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 Company 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 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. The Company 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.

3.13 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.

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 statements, are discussed below:

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.

The key assumptions concerning the future, and other key sources of estimation uncertainty, at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below:

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.

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 and national mortality tables, adjusted where appropriate to reflect the Company's own experience. The estimated number of deaths determines the value of the benefit payments and the extent of the valuation premiums. The main source of uncertainty is that epidemics 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.

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).

5. INSURANCE AND FINANCIAL RISK MANAGEMENT

5.1.1 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.

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 part 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 buys facultative reinsurance in certain specified circumstances.

Ceded reinsurance contains credit risk, and such reinsurance recoverables 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.

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 is 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.

2019	WITHIN 1 YEAR	BETWEEN 1-5 YEARS	OVER 5 YEARS	TOTAL
	€	€	€	€
Assets held at variable rates				
Cash and cash equivalents	6,087,955	-	-	6,087,955
Assets held at fixed rates				
Debt securities	248,641	1,830,177	5,010,548	7,089,365
Loans and receivables	-	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 31st December 2019	4,376,130	(1,000,000)	-	3,376,130
Net exposure on assets held at fixed rates at 31st December 2019	248,641	2,249,627	5,010,548	7,508,815

2018	WITHIN 1 YEAR	BETWEEN 1-5 YEARS	OVER 5 YEARS	TOTAL
	€	€	€	€
Assets held at variable rates				
Cash and cash equivalents	4,420,682	-	-	4,420,682
Assets held at fixed rates				
Debt securities	203,425	1,674,969	3,961,872	5,840,266
Loans and receivables	-	1,000,000	-	1,000,000
Total interest-bearing assets	4,624,107	2,674,969	3,961,872	11,260,948
Liabilities issued at variable rates				
Borrowings	(1,333,738)	(1,000,000)	-	(2,333,738)
Liabilities issued at fixed rates				
Borrowings	-	(580,550)	-	(580,550)
Net exposure on assets held at variable rates at 31st Decemberr 2018	3,086,944	(1,000,000)	-	2,086,944
Net exposure on assets held at fixed rates at 31st December 2018	203,425	2,094,419	3,961,872	6,259,716

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 Company 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 Company'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 Company'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.

Insurance liabilities are not directly sensitive to the level of market interest rates, as they are not discounted and are contractually non-interest bearing. 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.

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

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 2019 was estimated at €37,544 (2018 - €31,299).

The Company is not subject to significant cash flow interest rate risk as this arises primarily on cash and cash equivalents for which cash flow is not significant.

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 Company's portfolio is analysed by category as follows:

2019	GENERAL BUSINESS	LIFE BUSINESS	TOTAL	MARKET VALUE
				€
Bank deposits	0.00%	7.92%	7.92%	**1,000,000**
Corporate bonds (local and foreign)	11.28%	19.11%	30.39%	**3,837,462**
Government bonds	5.05%	20.71%	25.76%	**3,251,903**
Equity securities	24.44%	6.49%	30.94%	**3,906,170**
Collective investment scheme	1.62%	3.37%	4.99%	**630,325**
	42.39%	**57.60%**	**100.00%**	**12,625,860**

2018	GENERAL BUSINESS	LIFE BUSINESS	TOTAL	MARKET VALUE
				€
Bank deposits	0.00%	7.65%	7.65%	**1,000,000**
Corporate bonds (local and foreign)	7.13%	14.81%	21.95%	**2,870,303**
Government bonds	4.97%	17.74%	22.71%	**2,969,963**
Equity securities	29.88%	12.06%	41.93%	**5,483,818**
Collective investment scheme	4.08%	1.69%	5.76%	**753,697**
	46.06%	**53.95%**	**100.00%**	**13,077,781**

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 +/- €173,219 (2018: +/- €274,191) on the Company'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.

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	
	2019	2018	**2019**	2018
	€	€	**€**	€
Cash and cash equivalents	**6,087,955**	4,420,682	**6,057,618**	4,337,275
Debt securities	**7,089,365**	5,840,266	**7,089,365**	5,840,266
Loans and receivables	**1,000,000**	1,000,000	**1,000,000**	1,000,000
Reinsurers' share of technical provisions	**4,031,895**	5,016,201	**4,031,895**	5,016,201
Insurance and other receivables	**3,689,820**	3,256,906	**3,689,823**	3,270,267
	21,899,035	19,534,055	**21,868,701**	19,464,009

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	
	2019	2018	**2019**	2018
	€	€	**€**	€
AA-	**2,823,341**	527,076	**2,823,341**	519,674
BBB+	**-**	1,632,475	**-**	1,559,012
BBB	**-**	1,744	**-**	1,744
BBB-	**1,368,339**	-	**1,338,002**	-
No ratings	**1,896,274**	2,259,387	**1,896,274**	2,256,845
	6,087,955	4,420,682	**6,057,618**	4,337,275

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 2019 46% of the Company's debt securities comprised of Government Bonds (43% in 2018), of which 70% (84% in 2018) are investments in Government Bonds on the Malta Stock Exchange and 30% (16% in 2018) are quoted on equivalent exchanges. The remaining 54% (57% in 2018) represented investments in corporate bonds listed of which 31% (34% in 2018) are listed on the Malta Stock Exchange and 69% (66% in 2018) are listed on equivalent European exchanges.

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

	2019		2018	
	Government Bonds	**Corporate Bonds**	Government Bonds	Corporate Bonds
	€	**€**	€	€
A	**172,561**	**234,391**	234,225	301,156
A-	**2,616,757**	**826,163**	2,341,542	606,882
A+	**-**	**-**	-	105,530
AA	**-**	**-**	-	-
AA-	**-**	**367,272**	110,168	205,871
AA+	**-**	**-**	-	-
AAA	**-**	**-**	107,415	-
BB+	**-**	**-**	-	-
BBB	**75,849**	**520,581**	-	-
BBB-	**386,737**	**215,200**	67,979	103,360
BBB+	**-**	**473,379**	108,634	188,132
No Rating	**-**	**1,200,476**	-	1,359,372
	3,251,903	**3,837,462**	2,969,963	2,870,303

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	
	2019	2018	2019	2018
	€	€	€	€
Past due for:				
Between one and six months	1,904,114	848,915	1,904,114	848,915
Over six months	710,871	865,963	710,871	865,963
	2,614,985	1,714,878	2,614,985	1,714,878

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

	GROUP		COMPANY	
	2019	2018	2019	2018
	€	€	€	€
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.

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

2018	LESS THAN 1 YEAR	BETWEEN 1-5 YEARS	OVER 5 YEARS	TOTAL
	€ '000	€ '000	€ '000	€ '000
Insurance contract provisions				
claims outstanding	2,095	3,610	209	5,914
Subordinated loans	-	1,581	-	1,581
Bank borrowings	1,334	-	-	1,334
Reinsurance payables	1,603	-	-	1,603
Insurance and other payables	1,222	-	-	1,222
	6,254	5,191	209	11,654

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 2019 and 2018, 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 Company's financial instruments as disclosed in note 17 are measured using Level 1 methodologies. The Company's land and buildings as disclosed in note 14 are measured using Level 2 methodologies. The Company's 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.

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 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**	**2,631,601**	**8,442,216**
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**
Year ended 31 December 2018					
Gross premiums written	3,373,055	3,527,723	1,808,562	3,816,852	12,526,192
Gross premiums earned	3,237,176	3,385,613	1,743,226	3,537,647	11,903,662
Gross claims incurred	2,423,982	1,861,598	513,657	1,458,586	6,257,823
Other net technical profit	-	139,122	36,565	74,934	250,621
Gross operating expenses	1,477,874	1,545,640	792,405	1,672,319	5,488,239
Reinsurance outwards	337,464	-	394,219	568,973	1,300,656

Long-Term Business:	2019	2018
	€	€
Individual premiums and premiums under group contracts	**185,478**	158,116
Periodic premiums and single premiums	**2,168,211**	2,016,579
Premiums from participating and non-participating contracts and those where the investment risk is borne by the policyholders	**74,261**	87,361
	2,427,950	2,262,056

7. INVESTMENT RETURN

	GROUP		COMPANY	
	2019	2018	**2019**	2018
	€	€	**€**	€
Investment gains:				
Income from financial assets at fair value through profit or loss				
• dividend and interest income	**261,572**	457,481	**261,572**	457,481
• net fair value gain	**1,087,107**	-	**1,087,107**	-
Income from loans and receivables	**35,172**	40,777	**35,172**	40,777
	1,383,851	498,258	**1,383,851**	498,258
Investment expenses and charges:				
Net fair value losses on financial assets at fair value through profit or loss	**-**	(1,311,619)	**-**	(1,311,619)
Net investment management and transaction charges	**(27,677)**	(39,405)	**(27,677)**	(39,406)
	(27,677)	(1,351,024)	**(27,677)**	(1,351,025)
Net investment return	**1,356,174**	(852,766)	**1,356,174**	(852,767)

8. NET OPERATING EXPENSES

	GROUP		COMPANY	
	2019	2018	**2019**	2018
	€	€	**€**	€
Acquisition costs	**1,943,031**	1,680,769	**1,943,031**	1,680,769
Change in deferred acquisition costs	**(75,566)**	(48,590)	**(75,566)**	(48,590)
Administrative expenses	**5,084,362**	4,706,123	**5,084,104**	4,718,292
Reinsurance commissions and profit participation	**(1,648,849)**	(1,602,045)	**(1,648,849)**	(1,602,045)
	5,302,978	4,736,257	**5,302,720**	4,748,426
Allocated to:				
General business	**3,872,423**	3,328,642	**3,872,423**	3,328,642
Long-term business	**577,432**	633,935	**577,432**	633,935
Non-technical account	**853,123**	773,680	**852,865**	785,849
	5,302,978	4,736,257	**5,302,720**	4,748,426

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

9. EMPLOYEE BENEFIT EXPENSE

	GROUP		COMPANY	
	2019	2018	**2019**	2018
	€	€	**€**	€
Salaries	**2,203,997**	2,067,033	**2,203,997**	2,067,033
Salaries of key management (including Directors)	**687,728**	646,401	**687,728**	646,401
Social security costs	**179,789**	170,681	**179,789**	170,681
	3,071,514	2,884,115	**3,071,514**	2,884,115

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

	GROUP		COMPANY	
	2019	2018	**2019**	2018
	No.	No.	**No.**	No.
Accounts and administration	**34**	36	**34**	36
Insurance business	**67**	62	**67**	62
	101	98	**101**	98

10. DIRECTORS' COMPENSATION

	GROUP		COMPANY	
	2019	2018	**2019**	2018
	€	€	**€**	€
Director's remuneration and fees	**442,899**	443,151	**442,685**	443,151
	442,899	443,151	**442,685**	443,151

11. PROFIT/ (LOSS) BEFORE TAX

The profit/ (loss) before tax is stated after charging the following:

	GROUP		COMPANY	
	2019	2018	**2019**	2018
	€	€	**€**	€
Stated after charging:				
Auditors' remuneration				
Annual statutory audit	**47,000**	30,000	**45,000**	28,000
Other assurance services	**25,000**	19,000	**25,000**	19,000
Other non-audit services	**-**	7,440	**-**	7,440
Tax advisory and compliance services	**4,000**	4,030	**3,290**	3,500
Depreciation and amortisation	**413,991**	204,605	**432,914**	221,544
Subordinated loan interest				
Shareholders' subordinated loan interest	**23,720**	27,952	**23,720**	27,952
Bank loan interest	**40,555**	77,579	**40,555**	77,579

The tax advisory and compliance services for 2019 are not charged by the Group statutory auditors.

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	
	2019	2018	2019	2018
	€	€	€	€
Profit/ (loss) for the year	649,904	(1,305,388)	650,162	(1,317,557)
Tax at the applicable rate of 35%	227,557	(461,145)	227,557	(461,145)
Tax effect of:				
Depreciation charges not deductible by way of capital allowances in determining taxable income	34,224	44,805	34,224	44,805
Dividends at rates other than 35%	(754)	(1,691)	(754)	(1,691)
Unrealised movements reversed on sold investments	140,015	(66,971)	140,015	(66,971)
Disallowed lease cost	671	-	671	-
Other movements	-	-	-	-
Unrelieved foreign tax	4,138	8,307	4,138	8,307
Prior year differences on tax receivable balance	-	135,189	-	135,189
Transfer of asset to investment property	(24,953)	-	(24,953)	-
Other deferred tax on investment property	193,200	-	193,200	-
Revualation of property	(114,817)	-	(114,817)	-
Prior year deferred Tax	113,427	-	113,427	-
Tax charge for the year	432,693	(341,506)	432,693	(341,506)

13. INTANGIBLE ASSETS

GROUP	TENANCY RIGHTS	COMPUTER SOFTWARE	TOTAL
	€	€	€
Year ended 31 December 2018			
Opening net book value	203,282	143,732	347,014
Additions	-	121,735	121,735
Amortisation	(20,343)	(61,180)	(81,523)
Closing net book value	**182,939**	**204,287**	**387,226**
Acquisition cost/revalued amount	305,000	1,632,452	1,937,452
Accumulated amortisation	(122,061)	(1,428,165)	(1,550,226)
Closing net book value	**182,939**	**204,287**	**387,226**
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**

NOTES TO THE FINANCIAL STATEMENTS cont.

Year Ended 31 December 2019

COMPANY	TENANCY RIGHTS	COMPUTER SOFTWARE	CLIENT LIST	TOTAL
	€	€	€	€
Year ended 31 December 2018				
Opening net book value	203,282	143,038	181,188	527,508
Additions	-	121,735	-	121,735
Amortisation	(20,343)	(60,717)	(20,220)	(101,280)
Closing net book value	**182,939**	**204,056**	**160,968**	**547,963**
Acquisition cost/revalued amount	305,000	1,599,750	199,473	2,104,223
Accumulated amortisation	(122,061)	(1,395,694)	(38,505)	(1,556,260)
Closing net book value	**182,939**	**204,056**	**160,968**	**547,963**
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**

Tenancy rights relate to the acquired rights to a property, which empowers it to lease the property. The tenancy rights are being amortised over 15 years, being the rent period under the initial lease agreement. The economic useful life for computer software is determined as 5 years.

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 2018						
Opening net book value	3,127,774	17,025	43,072	243,866	-	3,431,737
Transfer	(79,831)	79,831	-	-	-	-
Acquisitions	164,926	154,514	6,800	82,041	-	408,281
Revaluation during the year	365,834	-	-	-	-	365,834
Provision for the year	(78,703)	(4,972)	(2,333)	(71,252)	-	(157,260)
Closing net book value	**3,500,000**	**246,398**	**47,539**	**254,655**	-	**4,048,592**
Acquisition cost/revalued amount	3,500,000	308,885	211,335	1,694,727	-	5,714,947
Accumulated depreciation	-	(62,487)	(163,796)	(1,440,072)	-	(1,666,355)
Closing net book value	**3,500,000**	**246,398**	**47,539**	**254,655**	-	**4,048,592**
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 (NBV)	-	-	(29,325)	-	(29,325)	-
Acquisitions/Disposals	68,063	40,304	-	161,873	14,149	284,389
Transfers	(99,018)					(99,018)
Revaluation during the year	-	-	-	-	-	-
Provision 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 provision	-	-	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**

COMPANY	LAND AND BUILDINGS	LEASEHOLD PREMISES	MOTOR VEHICLES	FURNITURE AND FITTINGS	RIGHT-OF-USE ASSETS	TOTAL
	€	€	€	€	€	€
Year ended 31 December 2018						
Opening net book value	3,127,774	17,025	43,074	240,584	-	3,428,457
Transfer	(79,831)	79,831	-	-	-	-
Acquisitions	164,925	154,514	6,800	82,041	-	408,280
Revaluation during the year	365,834	-	-	-	-	365,834
Provision for the year	(78,703)	(4,972)	(2,333)	(70,452)	-	(156,460)
Closing net book value	**3,500,000**	**246,398**	**47,541**	**252,173**	-	**4,046,112**
Acquisition cost/revalued amount	3,500,000	308,885	192,047	1,681,051	-	5,447,638
Accumulated depreciation	-	(62,487)	(144,506)	(1,428,878)	-	(1,635,871)
Closing net book value	**3,500,000**	**246,398**	**47,541**	**252,143**	-	**4,046,112**
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)
Revaluation during the year	-	-	-	-	-	-
Provision 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 provision	-	-	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)	(1,784,363)
Closing net book value	**3,434,234**	**263,866**	**21,058**	**315,184**	**561,358**	**4,595,700**

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 €1,990,618 (2018 €1,957,366).

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 5.4 years (2018: 6.4 years).

RIGHT-OF-USE ASSETS	LAND & BUILDING	MOTOR VEHICLES	TOTAL
	€	**€**	**€**
Cost			
At 01.01.2018 and 31.12.2018	645,323	-	645,323
Additions resulting from right-of-use assets recognised upon initial application of IFRS 16, which are not classified as investment property	-	29,325	29,325
At 01.01.2019	**645,323**	**29,325**	**674,648**
Additions	-	14,149	14,149
Disposals	-	-	-
Revaluation	-	-	-
Effect of foreign currency exchange differences	-	-	-
Movements from re-measurement of lease liabilities	-	-	-
At 31.12.2019	**645,323**	**43,474**	**688,797**
Accumulated depreciation and impairment			
At 01.01.2018 and 31.12.2018	-	-	-
Impairment loss	-	-	-
Reversal of impairment loss	-	-	-
Provision for the year	**120,142**	**7,297**	**127,439**
Eliminated on disposals	-	-	-
Eliminated on revaluation	-	-	-
Effect of foreign currency exchange differences	-	-	-
At 31.12.2019	**120,142**	**7,297**	**127,439**
Carrying Amount			
At 31.12.2018	-	-	-
At 31.12.2019	**525,180**	**36,177**	**561,357**

15. INVESTMENT PROPERTY

	GROUP		COMPANY	
	2019	2018	**2019**	2018
	€	€	**€**	€
Opening NBV	**1,970,611**	-	**1,970,611**	-
Additions	**45,048**	1,970,611	**45,048**	1,970,611
Transferred from property, plant and equipment	**71,293**	-	**71,293**	-
Increase in FV during the year	**328,048**	-	**328,048**	-
At 31 December 2019	**2,415,000**	1,970,611	**2,415,000**	1,970,611

The properties were purchased in 2018 and management have assessed that fair value at year-end to be equivalent to the acquisition cost. On an annual basis, the Company will be engaging external, independent and qualified valuer 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 2019. There has been no change to the valuation technique during the year.

The unobservable inputs used in the discounted cashflow valuation relate to ongoing rental rates of €170/square metre for offices in the area and a capitalisation rate of 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

	2019	2018
	€	€
Investment held in subsidiary	**299,999**	299,999

NAME	REGISTERED OFFICE	% OF EQUITY HELD	
		2019	2018
Citadel Health Insurance Agency (in Run-Off) Limited	75, St Francis Street, Floriana, Malta	**100%**	100%

	CAPITAL AND RESERVES	
	€	€
Citadel Health Insurance Agency (in Run-Off) Limited	**246,130**	266,307

	PROFIT / (LOSS)	
	€	€
Citadel Health Insurance Agency (in Run-Off) Limited	**(20,177)**	(8,050)

17. FINANCIAL ASSETS

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

	GROUP		COMPANY	
	2019	2018	**2019**	2018
	€	€	**€**	€
Fair value through profit or loss	**12,838,090**	13,443,652	**12,838,090**	13,443,652
Loans and receivables	**1,000,000**	1,000,000	**1,000,000**	1,000,000
	13,838,090	14,443,652	**13,838,090**	14,443,652

17.1 Investments at fair value through profit and loss

	GROUP		COMPANY	
	2019	2018	**2019**	2018
	€	€	**€**	€
Designated upon initial recognition				
Equity securities and collective investment schemes:				
Listed shares	**3,906,170**	5,483,818	**3,906,170**	5,483,818
Collective investment schemes	**630,325**	753,697	**630,325**	753,697
Assets held to cover linked liabilities	**1,212,230**	1,365,871	**1,212,230**	1,365,871
	5,748,725	7,603,386	**5,748,725**	7,603,386
Debt securities - fixed interest rate:				
Government bonds	**3,251,903**	2,969,963	**3,251,903**	2,969,963
Listed corporate bonds	**3,837,462**	2,870,303	**3,837,462**	2,870,303
	7,089,365	5,840,266	**7,089,365**	5,840,266
Total investments at fair value through profit and loss	**12,838,090**	13,443,652	**12,838,090**	13,443,652

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		COMPANY	
	2019	2018	**2019**	2018
	€	€	**€**	€
Within 1 year	**248,641**	203,425	**248,641**	203,425
Between 1 and 5 years	**1,830,177**	1,674,969	**1,830,177**	1,674,969
Over 5 years	**5,010,548**	3,961,872	**5,010,548**	3,961,872
	7,089,365	5,840,266	**7,089,365**	5,840,266
Weighted average effective interest rate at the reporting date	**2.95%**	2.15%	**2.95%**	2.15%

17.2 Loans and receivables

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

	GROUP		COMPANY	
	2019	2018	**2019**	2018
	€	€	**€**	€
Due in 2022	**1,000,000**	1,000,000	**1,000,000**	1,000,000
Weighted average effective interest rate at the reporting date	**1.8%**	1.8%	**1.8%**	1.8%

All loans and receivables are 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	
	2019	2018	**2019**	2018
	€	€	**€**	€
Receivables arising from insurance activities:				
• Due from policy holders	**495,230**	592,471	**495,230**	592,471
• Due from intermediaries	**2,881,048**	2,319,378	**2,881,048**	2,318,718
	3,376,278	2,911,849	**3,376,278**	2,911,189
Other receivables:				
• Amounts due from subsidiary	-	-	-	14,018
• Accrued interest	**99,485**	116,423	**99,485**	116,423
• Other prepayments and accrued income	**214,057**	228,634	**214,060**	228,637
	313,542	345,057	**313,545**	359,078
Total receivables	**3,689,820**	3,256,906	**3,689,823**	3,270,267

No interest is due on the above receivables.

During the year, bad debts written off amounted to €27,983(2018 - €250). Receivables are disclosed net of provision for doubtful debts of €162,155 (2018 - €162,155).

19. CASH AND CASH EQUIVALENTS

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

	GROUP		COMPANY	
	2019	2018	**2019**	2018
	€	€	**€**	€
Cash at bank and in hand	**6,087,955**	4,420,682	**6,057,618**	4,337,275
Bank balance overdrawn	**(1,711,825)**	(1,333,682)	**(1,711,825)**	(1,333,682)
Net balance	**4,376,130**	3,087,000	**4,345,793**	3,003,593

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)	-	**(56,754)**
Unabsorbed tax losses	(577,773)	134,082	**(443,691)**
Temporary differences on property, plant and equipment	41,869	(26,716)	**15,153**
Unrealised gains on investments	422,342	138,133	**560,475**
Revaluation of property	350,000	-	**350,000**
Right-of-use asset	-	(10,144)	**(10,144)**
Fair value movement on investment property	-	193,200	**193,200**
	179,684	**428,555**	**608,239**

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 2019, the Group had an unrecognised deferred tax asset of €47,970 (2018 – €47,970) emanating from unabsorbed capital losses.

At 31 December 2019, the Group also had unabsorbed tax losses at its subsidiary of €55,583 (2018 – €55,583) for which no deferred tax asset is recognised in the statement of financial position. The crystallisation of this asset remains doubtful given the expected pattern of income in the future years and has therefore not been recognised.

21. INSURANCE LIABILITIES AND REINSURANCE ASSETS

COMPANY	2019			2018		
	GROSS	RE-INSURERS' SHARE	NET	GROSS	RE-INSURERS' SHARE	NET
	€	€	€	€	€	€
General business						
Provision for unearned premiums	6,565,520	(1,670,484)	4,895,036	5,937,424	(1,413,577)	4,523,847
Claims outstanding	6,073,581	(1,175,192)	4,898,389	5,839,862	(972,906)	4,866,956
	12,639,101	(2,845,676)	9,793,425	11,777,286	(2,386,483)	9,390,803
Long term business						
Claims outstanding	282,074	(236,066)	46,008	437,601	(375,946)	61,655
Technical provisions:						
Non-Linked	6,514,181	(950,153)	5,564,028	7,673,260	(2,253,772)	5,419,488
Linked	1,212,130	-	1,212,130	1,365,870	-	1,365,870
	8,008,385	(1,186,219)	6,822,166	9,476,731	(2,629,718)	6,847,013
Total insurance contract provisions	20,647,486	(4,031,895)	16,615,591	21,254,017	(5,016,201)	16,237,816
Split as follows:						
Current	12,921,175	(3,081,742)	9,839,433	12,214,887	(2,762,429)	9,452,458
Non-current	7,726,311	(950,153)	6,776,158	9,039,130	(2,253,772)	6,785,358
	20,647,486	(4,031,895)	16,615,591	21,254,017	(5,016,201)	16,237,816
Provision for unearned premiums						
At beginning of year	5,937,424	(1,413,577)	4,523,847	5,314,893	(1,205,003)	4,109,890
Premiums written	14,520,786	(4,889,535)	9,631,251	12,526,192	(3,611,076)	8,915,116
Less:						
Premiums earned	(13,892,690)	4,632,628	(9,260,062)	(11,903,661)	3,402,502	(8,501,159)
At end of year	6,565,520	(1,670,484)	4,895,036	5,937,424	(1,413,577)	4,523,847
General and long term business						
Movement in provision for claims outstanding						
At beginning of year	6,277,463	(1,348,852)	4,928,611	6,105,330	(1,417,072)	4,688,258
Claims settled during the year	(8,802,568)	2,421,499	(6,381,069)	(6,575,090)	1,154,809	(5,420,281)
Increase/(decrease) in liabilities:						
- arising from current year claims	5,876,565	(1,893,321)	3,983,244	4,377,399	(1,183,551)	3,193,848
- arising from prior year claims	3,004,195	(590,584)	2,413,610	2,369,824	96,962	2,466,786
At end of year	6,355,656	(1,411,258)	4,944,397	6,277,463	(1,348,852)	4,928,611

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.

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 2019 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 and engineering classes of business as well as the life business and the incurred but not reported liability.

COMPANY	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	NET
	€	€	€	€	€	€	€	€	€	€	€
Estimates of the ultimate claims costs:											
At end of accident year	2,481,631	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	24,862,567
One year later	2,928,419	3,273,106	3,340,111	2,673,144	2,683,888	2,787,473	2,809,620	3,256,794	3,472,248		27,224,804
Two years later	2,874,637	3,120,003	3,363,645	2,508,772	2,505,945	2,647,604	2,681,028	3,109,818			22,811,451
Three years later	2,778,176	3,030,430	3,377,848	2,515,530	2,471,335	2,685,164	2,569,678				19,428,161
Four years later	2,751,144	3,073,424	3,463,049	2,537,955	2,499,831	2,659,930					16,985,334
Five years later	2,764,344	3,056,597	3,553,877	2,560,715	2,500,453						14,435,984
Six years later	2,748,441	3,038,057	3,668,007	2,556,747							12,011,252
Seven years later	2,795,576	3,090,706	3,707,289								9,593,571
Eight years later	2,826,110	3,125,742									5,951,852
Nine years later	2,838,179										2,838,179
Current estimate of cumulative claims	2,838,179	3,125,742	3,707,289	2,556,747	2,500,453	2,659,930	2,569,678	3,109,818	3,472,248	2,894,153	29,434,237
Current payments to-date	(2,813,624)	(3,011,071)	(3,446,458)	(2,536,008)	(2,439,851)	(2,585,271)	(2,389,973)	(2,739,712)	(2,612,706)	(1,105,350)	(25,680,024)
Liability recognised in the statement of financial position	24,555	114,671	260,831	20,739	60,602	74,659	179,705	370,106	859,542	1,788,803	3,754,213
Liabilities in respect of prior years											271,526
Liabilities in respect of classes of business not in the analysis											918,658
Total reserve included in statement of financial position											4,944,397

Life business

Analysis of movements in technical provisions – Non-Linked:

	2019			2018		
	GROSS	RE-INSURERS' SHARE	NET	GROSS	RE-INSURERS' SHARE	NET
	€	€	€	€	€	€
At beginning of year	7,673,260	(2,253,772)	5,419,488	7,767,983	(2,502,649)	5,265,334
Movement in reserves	(1,159,079)	1,303,619	144,540	(94,433)	248,587	154,154
At end of year	6,514,181	(950,153)	5,564,028	7,673,550	(2,254,062)	5,419,488

Life business

Analysis of movements in technical provisions – Linked:

	2019	2018
	€	€
At beginning of year	1,365,870	1,543,731
Premiums received in year	137,153	176,918
Liabilities released on payment of deaths, surrenders and terminations during the year	(470,436)	(225,627)
Changes in unit prices	179,543	(129,152)
At end of year	1,212,130	1,365,870

Unit linked liabilities are not ceded to reinsurers.

22. SHARE CAPITAL

COMPANY	2019 AND 2018
	€
Authorised:	
7,200,000 ordinary shares of €1.00 each	7,200,000
Issued and fully paid up:	
2,570,400 ordinary 'A' shares of €1.00 each	2,570,400
1,008,000 ordinary 'B' shares of €1.00 each	1,008,000
918,000 ordinary 'C' shares of €1.00 each	918,000
504,000 ordinary 'D' shares of €1.00 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	
	2019	2018	**2019**	2018
	€	€	**€**	€
Unsecured 4% shareholders' subordinated loans	**580,550**	580,550	**580,550**	580,550
Unsecured bank subordinated loans	**1,000,000**	1,000,000	**1,000,000**	1,000,000
	1,580,550	1,580,550	**1,580,550**	1,580,550

The shareholders' subordinated loans amounting to €215,017 are due for repayment in April 2020.

These amounts will be settled in cash, whilst the balance of €365,532 has been extended. No guarantees have been given or received. The bank subordinated loans are repayable as follows:

	GROUP		COMPANY	
	2019	2018	**2019**	2018
	€	€	**€**	€
Due in 2020	**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, OTHER PAYABLES AND DEFERRED INCOME

	GROUP		COMPANY	
	2019	2018	**2019**	2018
	€	€	**€**	€
Direct insurance contract payables	**510,375**	**451,427**	**507,618**	448,097
Amounts due to related parties	**6,214**	**5,690**	**225,703**	205,163
Insurance payables	**516,589**	**457,117**	**733,321**	653,260
Amounts due to subsidiary	-	-	-	-
Amounts due to shareholders	-	-	-	-
Lease liabilities	**541,851**	-	**541,851**	-
Other payables and accruals	**463,218**	570,949	**460,563**	568,353
	1,005,069	570,949	**1,002,414**	568,353

LEASE LIABILITIES	GROUP AND COMPANY	
The lease liabilities recognised are further analysed as follows	2019	2018
	€	€
Total undiscounted minimum lease payments payable in settlement of lease liabilities	**614,758**	-
Less: future finance charges	**72,907**	-
Present value of lease obligations	**541,851**	-
Less: amounts included in current liabilities	**95,463**	-
Amounts included in non-current liabilities	**446,388**	-

The total cash outflow for leases amounts to €135,106 and attributable as follows:

	GROUP AND COMPANY
Total cash outflow for 2019 for leases	2019
	€
Short-term leases (for which the expedient was taken)	13,450
Payments relating to right-of-use assets	121,656
	135,106

25. EVENTS AFTER THE REPORTING PERIOD

2020 begun with the outbreak of a new strain of the Coronavirus (COVID-19) in China. The virus spread around the world and was subsequently declared a pandemic by the World Health Organisation on 11 March 2020.

From the onset, the Company gave significant importance to mitigate any adverse effect on its key areas of business as a result of the pandemic. Priority was given to ensure that the Company's business will continue to operate even under a Government imposed lock down. Moreover, due consideration was given to its key areas of business for operational risk, market risk, underwriting risk and liquidity risk.

The Company was 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 and market volatility. Our quick response to contain the Company's investment holdings blunted the impact on the investment portfolio. Although the markets declined significantly in value, we have to-date curtailed any adverse future effect on our investments.

The Company takes a prudent approach to risk and has evaluated the underwriting risks that may cause an adverse effect on its results. The Company is highly protected by robust reinsurance programmes with AA rated and above lead international reinsurers to limit its net exposure on it business. Based on the nature of its reinsurance arrangements, the Company has determined that the outbreak is not expected to have any significant impact on the Company's business.

As a result of the on-going investment in its information technology Citadel manages effectively and efficiently its operational risk. The Company was able to continue to deliver its service with minimal interruption to stakeholders. Moreover, the Company has a liquidity plan that sets out the main aims of the liquidity risk framework to identify and manage liquidity risk. Since the Company has taken immediate measures to limit exposures to its main areas of operation, the pandemic should not have any adverse effect on its cash and cash equivalent.

The Company performs own risk and solvency assessments based on scenarios applicable to its composite status. The Solvency position was calculated and Citadel Insurance would remain capitalised in line with statutory requirements and its financial position would remain 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.

In conclusion whist it still early to predict the effect of this event, the Company is confident that it will be able to withstand any financial impact to continue as a going concern and to meet its regulatory obligations.

26. RELATED PARTY DISCLOSURES

Citadel Insurance p.l.c. is the parent company of Citadel Health Insurance Agency Limited as disclosed in note 16.

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.

INDEPENDENT AUDITOR'S REPORT

to the members of Citadel Insurance p.l.c.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the separate and consolidated financial statements (the "financial statements") of Citadel Insurance p.l.c. (the "Company") and of the Group of which the Company is the parent, set on pages 14 to 57, which comprise the separate and consolidated statements of financial position as at 31 December 2019, and the separate and consolidated statements of comprehensive income, the separate and consolidated statements of changes in equity and the separate and consolidated statements of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company and its Group as at 31 December 2019, and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU ("IFRS") and the requirements of the Companies Act, Cap. 386 of the Laws of Malta (the "Companies Act") and the Insurance Business Act, Cap. 403 of the Laws of Malta (the "Insurance Business Act").

Basis for Opinion

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

Emphasis of matter

We draw attention to Note 25 to the financial statements, which describes the effect of COVID-19 on the Company's business. Our opinion is not modified in respect of this matter

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

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

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

Estimation of claims outstanding from general insurance business

The Group's and the Company's provisions for claims outstanding, including claims notified but not settled and claims incurred but not yet reported at the statement of financial position date, on the general business insurance contracts underwritten, as described and disclosed in notes 3, 4.2 and 21, represents 22% of the total liabilities of the Group and the Company as of 31 December 2019.

The provisions for claims notified but not settled are estimated on a case-by-case basis based on information available to the Company and reviewed periodically for their adequacy. The provisions for claims notified but not settled are supplemented with additional provisions for claims incurred but not reported based on statistical analyses.

The estimation of claims outstanding, including claims notified but not settled and claims incurred but not yet reported, made under insurance contracts involves significant judgement, given that the ultimate liability may vary as a result of subsequent developments. Due to the significance of the balances and the estimation involved in the assessment of these provisions, we have considered the valuation and adequacy of the provisions for claims outstanding from general insurance business as a key audit matter.

Our audit procedures over the provisions for claims notified but not settled included amongst others:

- Evaluating the design and implementation of key controls over the estimation process by inquiring with the process owners and reviewing process documents;
- Reconciling the individual claims outstanding as per claims register to the amounts reported in the financial statements; and
- Testing on a sample basis provisions for claims notified but not settled by inspecting the claims documentation, including correspondence and loss adjustors' reports, and analysing developments after year end.

Our audit procedures over the provisions for claims incurred but not reported ("IBNR") included the following:

- Assessing the Company's methodology for estimating the IBNR by line of insurance business written; and

- Testing the adequacy of the Company's IBNR using statistical analyses, taking into consideration past experience and likely trends, and inspecting claims registers after year end.

We have also assessed the relevance and adequacy of disclosures relating to the claims outstanding from general insurance business presented in notes 3, 4.2 and 21.

Valuation of technical provisions from long-term insurance business

The Group's and the Company's technical provisions from long-term insurance business, as described and disclosed in notes 3, 4.3 and note 21, represent 28% of the total liabilities of the Group and the Company as of 31 December 2019.

These technical reserves are determined by using recognised actuarial methods, being mainly based on assumptions with respect to mortality, persistency, maintenance expenses and investment income. The valuation of the long-term technical reserves is determined by the Company's appointed actuary and is approved by the Company.

The valuation of technical provisions from long-term insurance business involves significant judgement, given that the estimated key inputs may vary from actuals. Due to the significance of the balances and estimation involved in the assessment thereof, we have considered the valuation of the long-term technical reserves as a key audit matter.

Our audit procedures over the valuation of technical provisions from long-term insurance business included amongst others:

- Evaluating the design and implementation of key controls over the valuation process by inquiring with the process owners and reviewing process documents;

- Assessing the Company's appointed actuary's competence, capabilities and objectivity, and obtaining an understanding of the work of the appointed actuary;

- Reconciling the balances of technical provisions from long-term insurance business as calculated by the Company's appointed actuary to the amounts reported in the financial statements;

- Testing the completeness and integrity of the data provided to the Company's appointed actuary for the purpose of determining technical reserves by reconciling it to the insurance system, and inspecting on a sample basis with underlying documentation; and

- Involving our actuaries to assist with evaluating the appropriateness of the Company's appointed actuary's work, focusing on the appropriateness of the methodology and the reasonableness of the key assumptions used.

We have also assessed the relevance and adequacy of disclosures relating to the technical provisions from long-term insurance business presented in notes 3, 4.3 and 21.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon other than our reporting on other legal and regulatory requirements.

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

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

The directors are responsible for the preparation and fair presentation of the financial statements in accordance with IFRS and the requirements of the Companies Act and the Insurance Business Act, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company and the Group or to cease operations, or have no realistic alternative but to do so.

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;

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

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

- 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, related safeguards.

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

Matters on which are required to report by the Companies Act

Directors' report

We are required to express an opinion as to whether the directors' report has been prepared in accordance with the applicable legal requirements. In our opinion the directors' report has been prepared in accordance with the Companies Act. In addition, in the light of the knowledge and understanding of the Group and its environment obtained in the course of the audit, we are required to report if we have identified material misstatements in the director's report. We have nothing to report in this regard.

Other requirements

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

- proper accounting records have not been kept;

- proper 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; and

- we have not received all the information and explanations we require for our audit.

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

Appointment
We were appointed as the statutory auditors by the Extraordinary General Meeting of the Company on 4 September 2019. Therefore, this is the first year of appointment as statuary auditors.

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

Non-audit services
No prohibited non-audit services referred to in Article 18A(1) of the Accountancy Profession Act, Cap. 281 of the Laws of Malta were provided by us to the Company and the Group, and we remain independent of the Company and the Group as described in the Basis for opinion section of our report. No other services besides statutory audit services and services disclosed in the annual report and in the financial statements were provided by us to the Group and its controlled undertakings.

The partner in charge of the audit resulting in this independent auditor's report is
Shawn Falzon for and on behalf of
Ernst & Young Malta Limited
Certified Public Accounts

5 May 2020

Citadel Insurance plc
Casa Borgo, 26 Market Street, Floriana FRN1082, Malta

Tel: (+356) 2557 9000
Freephone: 8007 2322
E-mail: info@citadelplc.com

www.citadelplc.com