Annual Report 2021

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.

Citadel Insurance p.l.c.
Annual Report & Consolidated Financial Statements
31^{st} December 2021

Company Registration Number: C 21550

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DIRECTORS, OFFICERS AND OTHER INFORMATION

DIRECTORS:	Mr. Joseph N. Tabone C.P.A. F.I.A., F.C.I.B. *(Chairman) - Resigned (23.07.2021)* Mr. Publius D. Rosso *(Chairman) - appointed (23.07.2021)* 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) Accty, F.I.A., M.A. Fin. Servs - *Resigned (08.11.2021)* 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. - *Resigned (10.11.2021)* Dr. F. Kevin Dingli LL.D., LL.M. (London) KM. Dingli & Dingli Advocates - *Appointed (10.11.2021)*
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 - *Resigned (31.12.2021)*
AUDIT COMMITTEE:	Mr. Michael Warrington *(Chairman) - Resigned (08.11.2021)* Mr. Publius D. Rosso *(Chairman) - appointed (23.07.2021)* Mr. Joseph N. Tabone - *Resigned (23.07.2021)* Prof. Ian Refalo
RISK MANAGEMENT:	Mr. Christopher Worfolk *(Chairman)* Ms. Angela Tabone Dr. Philippa Taylor-East - *Resigned (07.01.2022)* Mr. Brian Galea Mr. Helenio Grech Ms Adrienne Camilleri

AUDITOR:	Mazars - Malta
PRINCIPAL BANKERS:	Bank of Valletta p.l.c. HSBC Bank (Malta) p.l.c. APS Bank p.l.c. BNF Bank p.l.c.
PRINCIPAL LEGAL ADVISORS:	Refalo Advocates
ACTUARIES:	Paul Warren - Cyprus BWCI Limited, Guernsey
CUSTOMER SERVICES OFFICE:	No.28, St. Anne Street, Floriana FRN 9011
BRANCH OFFICES:	Naxxar: 3, Toni Bajjada Square, Naxxar NXR 2590 Ħaż-Żebbuġ: Gate Avenue, Ħaż-Żebbuġ ŻBG 2079 Paola: 57, Cospicua Road, Paola PLA 1012 Żejtun: 25th November Avenue, Żejtun ŻTN 2018 Mosta: 17A, Eucharistic Congress Road, Mosta MST 9030 Ta' Xbiex: Testaferrata Street, Ta' Xbiex, XBX 1402 Mellieħa: Majestic East, 7, Cross Street c/w Borg Olivier Street, Mellieħa MLH 1437 Victoria: The Tower, 2nd Floor, Fortunato Mizzi Street, Victoria, Gozo VCT 2571

CHAIRMAN'S STATEMENT

The Company continues with its strategy to maintain sustainable growth.

Albeit still a threatening reality, 2021 saw an easing of the pandemic-related impacts which has been conducive to rebuilding confidence among people and businesses, in fact the level of economic confidence gradually increased. However, this in turn, brought about record high inflations due to shortages of supplies mainly because of freight limitations and consequent higher prices. Citadel's pragmatic approach in the way it operates was able to weather these negative effects and preserved its level of business.

Earned premium in 2021 remained consistent at €16,195,755 (2020 €16,273,430) for its combined business of life and non-life. The favourable underwriting result attained in 2021, was reflective of the cautious underwriting strategy and guidelines, coupled by an overall favourable experience on the general business realizing a profit of EUR 925,328 (2020 Eur925,395) and a slightly reduced value in Life business with a profit of EUR395,218, (2020 Eur423,118). The continual declining investment yield environment in 2021 and volatile equity markets constrained opportunities to maximise returns within cautious risk parameters.

During 2021 there were some changes to the Board composition. It is with pleasure that I have been entrusted to Chair the Company taking on the role from Mr Joseph N Tabone, the founder of the company, who has successfully led Citadel for over two decades. Other members of the Board largely remained unchanged except for Mr Michael Warrington who retired in November 2021 after 17 years of service as the chair of the audit committee and a valid board member. The Company is grateful for the valuable continuation he has made to the Board and the committees over the years as non-executive director. Currently, the Board is composed of six non-executive directors and one executive director. The Board collectively retains a wealth of experience in financials, risk management, insurance, legislation, investments and management.

Good governance is of fundamental importance to Citadel. During the year the Board continued to evolve a sound and consistent approach to its corporate governance framework. It remains focused on monitoring observance to the legal and regulatory flow of accountability, prescribed delegation of authority, policies and standards involved in the management of the business, including the three lines of defence which assess the effectiveness of controls and enables risks to be managed. Ultimately, reflective in the Company commitments to deliver sustainable growth and superior customer outcomes to clients, customers and stakeholders in line with the business strategy.

As a Company, we recognise that in order to earn the trust of its customers and stakeholders, we need to act responsibly and sustainably in the way we operate our business. Citadel has over the years invested in its people, customers, collaborated with NGOs to provide support and awareness on social, environmental and cultural activities to protect our plant. In understanding the importance to deliver a complete customer experience, the Company takes complaints and feedback seriously and investigates them thoroughly. This automatically translates to a loyal customer basis developed over the years. The Company maintains its commitment to invest with responsibility holding Environmental, Social and Governance (ESG) considerations for its purpose and vision. In 2021 Citadel developed an ESG policy which will continue to build on developing a framework for solutions that meet the specific needs and values of our customers, stakeholders and society at large.

In 2022 the Board will continue to focus on the overall control environment. There remains some economic uncertainty due to the prevailing coronavirus pandemic and the recent geopolitical crisis caused by the Russian aggression on Ukraine. Moving towards our 25th year anniversary, I am confident that our business is sufficiently resilient to maintain financial stability for its stakeholders.

I thank the members of the Board for their guidance and our shareholders for their support and confidence shown since my appointment as Chairman in August 2021. On behalf of the Board I wish to show the great appreciation to our employees for their dedication and professionalism to service customers, and all stakeholders for their loyalty and trust in Citadel.

Publius D. Rosso
Chairman

MANAGING DIRECTOR / CEO REVIEW

During 2021 Citadel continued to build upon its fundamentals of a balanced and diversified insurance business for its unique composite operating across general insurance, health insurance, life insurance and savings products. Building upon our many years of experiences at Citadel we continue to maintain a clear focused strategy to maximise client value to generate sustainable value for all our stakeholders.

In 2021 Citadel generated a profit before taxation for the Company of €540,635 (2020: €485,283) and retained earnings increased by 18% to €2,076,964 (2020: €1,762,429). The combined gross premium income stood at €16,195,755, generating a healthy return of 8.15% on the general and long term technical accounts of €1,320,546. After taking into consideration other operating costs amongst an ever dynamic regulatory landscape and a prevalent low-asset yield environment, the profit after taxation amounted to €314,535 for the Company's business and €266,153 for the Group. The total assets of the Company remain resilient to the effect of the COVID-19 pandemic. The overall investment portfolio increased by 4.2% and stood at €16,743,844, liquidity remained constant at €6,272,704 and Company capital and reserves stood at €9,476,005 (2020: €8,115,103).

The Company's general business premium income met target expectations and stood at €13,484,709 (2020: €13,677,666). As a result, the general business technical account produced a favourable balance, having registered a profit of €925,328. The positive results were generated amid rising costs to service customers due to the pandemic effect on the local economy. Over the years Citadel continues to grow its life business amongst fierce from banks. After taking into consideration the guaranteed run-off business, the life portfolio registered a 4.5% growth in premium income amounting to €2,711,045. The life results for the year end 2021 stood at €395,218 (2020: €423,118). The results were mainly affected by low interest rates that persisted during the year. Notwithstanding, the Company was still able to provide reasonable bonuses and meet its commitments for its run-off guaranteed savings plans and declared bonuses of 3.5% and 4.5%, while a 2.5% has been declared on other savings plans and 1% for single premium plans.

We continue to deliver improved digital platforms and needs-driven innovative insurance solutions to deliver value-for-money protection and capital enhancement solutions using technology-driven means. Our strategy to embed digital solutions is reaching our objectives to become a more, cost-effective and efficient operating business. During 2021 the Company was able to reduce its operating costs by 20% due to enhanced digitalisation to service its customers. Our vision to drive simplification through digital processes will continue to remain our focus for the future.

During 2021 Citadel's diverse business model, robust capital structure and risk culture continued to sustain an adequately capitalised solvency position. The Solvency II capital for our composite structure requirement of €5,536,411 remains healthy. At 31 December 2021, the Minimum Capital Requirement (MCR) stood at 147% and Solvency Capital Requirement (SCR) stood 197%.

Our objectives main focused to deliver on our commitment to drive performance and growth Citadel continues to be in a sound financial position to endure the various challenges facing our environment from the ongoing pandemic and the arising socio-economic current events.

Looking forward to our 25th year anniversary and ahead, we feel confident that we will continue with our responsibilities and abilities to meet the changing needs of our customer and drive stakeholder value for a better performance and sustainable business.

Angela Tabone
Managing Director / CEO

DIRECTORS' REPORT

The Directors are pleased to present their annual report of Citadel Insurance p.l.c. together with the audited Financial Statements based on International Financial Reporting Standards (IFRS). The report contains the stand-alone (the "Company") and the consolidated financial statements of Citadel Insurance p.l.c. for the year ended 31 December 2021.

PRINCIPAL ACTIVITIES

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

The Company is licensed to carry on general and long-term business in terms of Article 7 of the Insurance Business Act (Cap. 403).

REVIEW OF PERFORMANCE

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

The Company generated a combined gross written premium of €16,195,755 during the year under review compared to €16,273,430 in 2020. The Non-life technical results stood at €925,328 (2020: €925,395). Premium growth in the long-term business increased by 4.4% over 2020. The Company's combined technical accounts for the financial year ended 31 December 2021 resulted in generating a positive balance of €1,320,546 (2020: €1,348,513) before the allocation of non-technical components.

In 2021 the Company continued to react to market conditions due to the persisting economic environment to safeguard its investments. The Company financial assets at fair value and investment property stood at €14,523,605 (2020: €13,918,187). Citadel Insurance p.l.c. registered a profit before taxation of €540,635 compared to €485,283 in 2020 and retained earnings stood at €2,076,964 at 31 December 2021 (2020: €1,762,429). The Group generated a profit before taxation of €492,253 (2020: €470,195) and retained earnings increased to €1,870,969 (2020: €1,604,816). Overall, 2021 has been a year of steady performance. In 2021 Citadel was able to increase its equity to €9,476,005 (2020: €8,115,103).

In 2021 the Company achieved its business targets in a year of continued disruption from the COVID-19 global pandemic declared in 2020.

Moreover, the recent geopolitical situation in Eastern Europe intensified in late February 2022, with the commencement of Russia's military action against Ukraine. Political events and sanctions are continually changing and differ across the globe.

Citadel continues to respond to a changing business environment by closely monitoring today's challenges to ensure that the interests of all its stakeholders are safeguarded.

OUTLOOK

The outlook of the Board of Directors for 2022 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 shareholder 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 Risks and Note 4 makes reference to judgements in applying accounting policies and accounting estimates.

BOARD OF DIRECTORS

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

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

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

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

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

The directors are responsible for ensuring proper accounting records are kept which disclose with reasonable accuracy, at any time, the financial position of the Company and the Group and which enable the directors to ensure that the financial statements comply with the Insurance Business Act (Cap. 403) and the Maltese Companies Act (Cap. 386). This responsibility includes designing, implementing and maintaining such internal controls as the directors determine are 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 Mazars Malta as auditor of the Company will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors, authorised for issue on 7th April 2022 and signed on its behalf by:

Publius D. Rosso
Chairman

Ian Refalo
Deputy Chairman

STATEMENT OF COMPLIANCE

CORPORATE GOVERNANCE GUIDELINES FOR PUBLIC INTEREST COMPANIES

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

THE BOARD

In line with the requirements of the Guidelines and the provisions of the Company's Memorandum and Articles of Association, the Board is composed of a Chairman, a Managing Director and five 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 two non-executive directors. The Managing Director and other officers of the Company, while not forming part of the Committee, may be asked to attend meetings at the discretion of the Committee. The Committee is responsible for reviewing the financial reporting process, the Company's systems of internal controls and risk management systems including computerised information systems controls and security, overseeing the internal audit function and reviewing the external audit processes.

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

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

INTERNAL STRUCTURES

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

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

2. *Product Oversight Committee:* The Committee ensures 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 at least held on a quarterly basis.

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

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

FINANCIAL STATEMENTS

INCOME STATEMENTS

Year Ended 31 December 2021

TECHNICAL ACCOUNT - GENERAL BUSINESS		GROUP AND COMPANY	
		2021	2020
	Notes	**€**	€
Earned premiums, net of reinsurance			
Gross premiums written	**6**	**13,484,709**	13,677,666
Outward reinsurance premiums		**(4,681,411)**	(4,500,470)
Net premiums written		**8,803,298**	9,177,196
Change in gross provision for unearned premiums		**(44,488)**	567,304
Change in provision for unearned premiums, reinsurers' share		**(37,588)**	(213,732)
Change in net provision for unearned premiums		**(82,076)**	353,572
Earned premiums, net of reinsurance		**8,721,222**	9,530,768
Allocated investments return transferred from the non-technical account	**7**	**433,740**	(102,958)
Other net technical profit	**6**	**278,357**	246,361
Total technical income		**9,433,319**	9,674,171
Claims incurred, net of reinsurance			
Claims paid			
• Gross amount		**(8,275,067)**	(6,844,274)
• Reinsurers' share		**3,757,419**	1,816,603
		(4,517,648)	(5,027,671)
Change in the provision for claims			
• Gross amount		**1,061,223**	(1,208,916)
• Reinsurers' share		**(1,636,837)**	1,651,778
		(575,614)	442,862
Claims incurred, net of reinsurance		**(5,093,262)**	(4,584,809)
Net operating expenses	**8**	**(3,414,729)**	(4,163,967)
Total technical charges		**(8,507,991)**	(8,748,776)
Balance on technical account for general business		**925,328**	925,395

The notes on pages 20 through 58 are an integral part of these financial statements.

TECHNICAL ACCOUNT - LONG TERM BUSINESS		GROUP AND COMPANY	
		2021	2020
	Notes	**€**	€
Earned premiums, net of reinsurance			
Gross premiums written	**6**	**2,711,046**	2,595,764
Outward reinsurance premiums		**(1,119,391)**	(1,035,794)
Earned premiums, net of reinsurance		**1,591,655**	1,559,970
Net income from financial assets	**7**	**206,514**	93,074
Gain/ (Loss) on re-measurement of assets at fair value	**7**	**(148,443)**	(22,479)
Gain/ (Loss) on re-measurement of unit-linked assets at fair value	**7**	**143,498**	(22,733)
Other income		**126,317**	114,815
Total technical income		**1,919,541**	1,722,647
Claims incurred, net of reinsurance			
Claims paid			
• Gross amount		**(1,618,086)**	(398,460)
• Reinsurers' share		**748,078**	84,001
		(870,008)	(314,459)
Change in the provision for claims			
• Gross amount		**343,715**	(555,440)
• Reinsurers' share		**(290,803)**	447,748
		52,912	(107,692)
Claims incurred, net of reinsurance		**(817,096)**	(422,151)
Change in other technical reserves, net of reinsurance			
Long term business provision, net of reinsurance			
• Gross amount		**532,888**	(231,939)
• Reinsurers' share		**(365,216)**	60,623
		167,672	(171,316)
Technical provisions for linked liabilities		**37,530**	65,833
		205,202	(105,483)
Net operating expenses	**8**	**(912,429)**	(771,895)
Total technical charges		**(1,524,323)**	(1,299,529)
Balance on technical account for long term business		**395,218**	423,118

The notes on pages 20 through 58 are an integral part of these financial statements.

INCOME STATEMENTS cont.

Year Ended 31 December 2021

NON-TECHNICAL ACCOUNT		GROUP		COMPANY	
		2021	2020	**2021**	2020
	Notes	**€**	€	**€**	€
Balance on the general business technical account (page 14)		**925,328**	925,395	**925,328**	925,395
Balance on the long term business technical account (page 15)		**395,218**	423,118	**395,218**	423,118
		1,320,546	1,348,513	**1,320,546**	1,348,513
Investment (loss)/return	**7**	**691,016**	(25,743)	**691,016**	(25,743)
Investment expense	**7**	**(55,707)**	(29,353)	**(55,707)**	(29,353)
Fair value gains on investment property	**15**	**69,127**	15,749	**69,127**	15,749
Allocated investment return transferred to the General business technical account	**7**	**(433,740)**	102,958	**(433,740)**	102,958
Allocated investment return transferred to the long term business technical account		**(201,569)**	(47,862)	**(201,569)**	(47,862)
Administrative expenses	**8**	**(897,420)**	(894,067)	**(849,038)**	(878,979)
Profit on ordinary activities before tax		**492,253**	470,195	**540,635**	485,283
Current tax expense	**12**	**444**	(520)	**444**	(520)
Deferred tax expense		**(225,656)**	(212,390)	**(225,656)**	(212,390)
		(226,100)	(212,910)	**(226,100)**	(212,910)
Profit/(loss) for the financial year		**266,153**	257,285	**314,535**	272,373

STATEMENT OF COMPREHENSIVE INCOME Year ended 31 December 2021		GROUP		COMPANY	
	Note	**2021**	2020	**2021**	2020
		€	€	**€**	€
Profit for the year		**266,153**	257,285	**314,535**	272,373
Revaluation of property, net of deferred tax		**1,046,367**	-	**1,046,367**	-
Total comprehensive income for the year		**1,312,520**	257,285	**1,360,902**	272,373

The notes on pages 20 through 58 are an integral part of these financial statements.

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2021

		GROUP		COMPANY	
		2021	2020	**2021**	2020
	Notes	**€**	€	**€**	€
Assets					
Intangible assets	**13**	**564,226**	474,008	**665,434**	595,136
Property, plant and equipment	**14**	**5,821,426**	4,818,655	**5,817,001**	4,818,655
Investment property	**15**	**2,709,999**	2,549,999	**2,709,999**	2,549,999
Investment in subsidiary	**16**	**-**	-	**94,510**	90,000
Financial assets at fair value through profit or loss	**17**	**11,813,606**	11,368,188	**11,813,606**	11,368,188
Assets held to cover linked liabilities	**17**	**1,125,729**	1,146,296	**1,125,729**	1,146,296
Loans and receivables	**17**	**1,000,000**	1,000,000	**1,000,000**	1,000,000
Reinsurers' share of technical provisions	**21**	**3,647,868**	5,978,312	**3,647,868**	5,978,312
Insurance receivables	**18**	**2,741,630**	3,393,551	**2,741,630**	3,393,551
Other receivables	**18**	**233,433**	303,598	**334,632**	340,083
Deferred acquisition costs		**845,333**	769,159	**845,333**	769,159
Current tax assets		**66,222**	71,708	**66,222**	71,708
Cash and cash equivalents	**19**	**6,367,201**	6,613,491	**6,272,704**	6,523,491
Total assets		**36,936,673**	38,486,965	**37,134,668**	38,644,578
Equity and liabilities					
Share capital	**22**	**5,000,400**	5,000,400	**5,000,400**	5,000,400
Revaluation reserve		**2,379,114**	1,332,747	**2,379,114**	1,332,747
Capital reserve		**19,527**	19,527	**19,527**	19,527
Retained earnings		**1,870,969**	1,604,816	**2,076,964**	1,762,429
Total equity		**9,270,010**	7,957,490	**9,476,005**	8,115,103
Liabilities					
Insurance contract provision	**21**	**18,971,010**	20,864,347	**18,971,010**	20,864,347
Technical provisions for linked liabilities	**21**	**1,108,767**	1,146,296	**1,108,767**	1,146,296
Deferred tax liabilities	**20**	**1,156,285**	820,629	**1,156,285**	820,629
Borrowings	**23**	**1,366,546**	1,366,546	**1,366,546**	1,366,546
Amounts owed to banks	**19**	**1,024,354**	1,759,148	**1,024,354**	1,759,148
Reinsurance payables		**773,101**	2,769,523	**773,101**	2,769,523
Insurance payables	**24**	**514,158**	349,315	**514,158**	349,315
Other payables and accruals	**24**	**2,752,442**	1,453,671	**2,744,442**	1,453,671
Total liabilities		**27,666,663**	30,529,475	**27,658,663**	30,529,475
Total equity and liabilities		**36,936,673**	38,486,965	**37,134,668**	38,644,578

The notes on pages 20 through 58 are an integral part of these financial statements.

The financial statements on pages 14 to 58 were approved by the Board of Directors, authorised for issue on 7th April 2022 and were signed on its behalf by:

Publius D. Rosso - *Chairman*

Ian Refalo - *Deputy Chairman*

STATEMENTS OF CHANGES IN EQUITY

Year Ended 31 December 2021

GROUP	SHARE CAPITAL	PROPERTY REVALUATION RESERVE	CAPITAL RESERVE	RETAINED EARNINGS	TOTAL
	€	€	€	€	€
Balance as at 1st January 2020	**5,000,400**	**1,332,747**	**19,527**	**1,347,531**	**7,700,205**
Profit for the year - Total comprehensive income	-	-	-	257,285	257,285
Balance as at 1st January 2021	**5,000,400**	**1,332,747**	**19,527**	**1,604,816**	**7,957,490**
Profit for the year - Total comprehensive income	-	-	-	266,153	266,153
Revaluation of property, net of deferred tax	-	1,046,367	-	-	1,046,367
Balance at 31st December 2021	**5,000,400**	**2,379,114**	**19,527**	**1,870,969**	**9,270,010**

COMPANY	SHARE CAPITAL	PROPERTY REVALUATION RESERVE	CAPITAL RESERVE	RETAINED EARNINGS	TOTAL
	€	€	€	€	€
Balance as at 1st January 2020	**5,000,400**	**1,332,747**	**19,527**	**1,542,453**	**7,895,127**
Profit for the year - Total comprehensive income	-	-	-	272,373	272,373
Merger of CHIAL into parent	-	-	-	(52,397)	(52,397)
Balance as at 1st January 2021	**5,000,400**	**1,332,747**	**19,527**	**1,762,429**	**8,115,103**
Profit for the year - Total comprehensive income	-	-	-	314,535	314,535
Revaluation of property, net of deferred tax	-	1,046,367	-	-	1,046,367
Balance at 31st December 2021	**5,000,400**	**2,379,114**	**19,527**	**2,076,964**	**9,476,005**

STATEMENTS OF CASH FLOWS

Year Ended 31 December 2021

	Notes	GROUP 2021 €	GROUP 2020 €	COMPANY 2021 €	COMPANY 2020 €
Cash flows from operating activities					
Profit before tax		**492,253**	470,195	**540,635**	485,283
Adjustments for:					
Depreciation and amortisation	11	**545,820**	488,884	**565,250**	560,455
Unrealised gains/(losses) on investments	7	**(400,885)**	310,513	**(400,885)**	310,513
Movement in:					
Technical provisions & assets held to cover linked liabilities		**(1,910,300)**	1,429,091	**(1,910,300)**	1,429,091
Reinsurers' share of technical provisions		**2,330,444**	(1,946,417)	**2,330,444**	(1,946,417)
Receivables and deferred acquisition costs		**645,912**	96,909	**581,198**	60,427
Payables and right-of-use assets		**(331,455)**	547,966	**(339,455)**	491,492
Cash inflows from operations		**1,371,790**	1,397,141	**1,366,887**	1,390,844
Tax received/(paid)		**5,042**	26,393	**5,042**	26,393
Net cash generated from operations		**1,376,832**	1,423,534	**1,371,929**	1,417,237
Cash flows (used in) / generated from investing activities					
Payments to acquire property, plant and equipment net of proceeds from disposals		**(273,693)**	(204,533)	**(268,775)**	(225,198)
Payments to acquire intangible assets	13	**(277,725)**	(245,566)	**(277,727)**	(278,267)
Payments to acquire investments		**(52,841)**	(90,000)	**(57,351)**	(90,000)
Proceeds from sale of investments		**8,308**	52,841	**8,308**	52,841
Payments to acquire investment property		**(160,000)**	(119,250)	**(160,000)**	(119,250)
Net cash (used in)/generated from investing activities		**(755,951)**	(606,508)	**(755,545)**	(659,874)
Cash flows used in financing activities					
Repayments of borrowings		**-**	(214,004)	**-**	(214,004)
Repayment of lease liabilities (principal amount)		**(132,377)**	(124,809)	**(132,377)**	(124,809)
Net cash used in financing activities		**(132,377)**	(338,813)	**(132,377)**	(338,813)
Net movement in cash and cash equivalents		**488,504**	478,213	**484,007**	418,550
Cash and cash equivalents at beginning of the year		**4,854,343**	4,376,130	**4,764,343**	4,345,793
Cash and cash equivalents at end of the year	19	**5,342,847**	4,854,343	**5,248,350**	4,764,343

The notes on pages 20 through 58 are an integral part of these financial statements.

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 Maltese Companies Act (Cap 386) (the "Act"), which requires adherence to International Financial Reporting Standards, as adopted by the EU ("EU IFRSs"), and their interpretations adopted by the International Accounting Standards Board ("IASB"), and the provisions of the Insurance Business Act (Cap 403).

2.1 New standards, amendments and interpretations issued but not effective for the financial year beginning 1st January 2021 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 1st January 2018, with earlier application permitted. The Company has applied the temporary exemption as allowed under the Amendment to IFRS 4 described above, and has therefore deferred the application of IFRS 9 to be concurrent with the effective date of IFRS 17.

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

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

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

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

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

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

IFRS 17 'Insurance Contracts' was issued in May 2017 and sets out the requirements that an entity should apply in accounting for insurance contracts it issues and reinsurance contracts it holds. IFRS 17 is effective from 1st January 2023. The Standard is still subject to being endorsed for use in the EU. Industry practice and interpretation of the Standard is still developing. The Company is currently considering the implication of IFRS 17 and its impact on the financial results and position as part of its IFRS 17 implementation project. The Company is continuing on its project to adopt the necessary changes stipulated within this Standard.

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of Preparation

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

In 2021 the Company continued 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 responded to reduce the sensitivity to economic shocks to market volatility.

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

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

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

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

The preparation of financial statements in conformity with EU IFRS, requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 4.

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

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

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

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included

within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

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

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

3.2 Basis of Consolidation

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

3.3 Insurance Contracts

3.3.1 Classification

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

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

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

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

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

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

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

3.3.2 Recognition and measurement of contracts

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

The provision for unearned premiums represents that part of gross and reinsurers' share of premiums written which is estimated to be earned in the following or subsequent financial years. The provision is calculated separately for each insurance contract on the 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 IFRS 4 – Insurance Contracts.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

3.5 Expenses

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

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

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

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

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

A deferred tax asset is recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

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

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

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

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

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

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

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

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

3.9 Property, plant and equipment

Owned assets
Land and buildings comprise the offices occupied by the Group.

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

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

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

Subsequent costs

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

Property, plant and equipment also include right-of-use assets in terms of IFRS 16 Leases. The accounting policy for right-of-use assets is included below in the Section entitled 'Leases'.

Depreciation

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

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

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

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

3.10 Financial assets and other financial instruments

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

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

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

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

- *Loans and receivables*

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

3.13 Impairment

3.13.1 Impairment of financial assets

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

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

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

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

3.13.2 Impairment of non-financial assets

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

3.14 Shares issued by the Company

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

3.15 Leases

The Group and the Company as lessee

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

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

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

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

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

- Fixed lease payments (including in-substance fixed payments), less any lease incentives;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- The amount expected to be payable by the lessee under

residual value guarantees;
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The number of deaths in past years has been considerably less than the management estimate which is expressed as a percentage of the reassurance rate. If the number of deaths increased by a large percentage then there would be a reduced profit in that year, but that might reflect a normal fluctuation for a small portfolio. If such high claims experience occurred for two successive years then management would consider increasing the mortality assumption. Due to the high level of reassurance this would increase net liability by circa €100,000 for a 10% increase in the mortality assumption and decrease liability by €100,000 for a 10% decrease.

4.4 Leases - Estimating the incremental borrowing rate

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

5. INSURANCE AND FINANCIAL RISK MANAGEMENT

5.1 Insurance risk

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

General insurance contracts – Liability

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

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

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

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

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

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

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

Long-term life insurance contracts

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

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

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

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

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

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

Short-duration life insurance contracts

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

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

5.2 Financial risk

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

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

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

Asset/liability matching

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

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

Market risk

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

Interest rate risk

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

2021	NOTES	WITHIN 1 YEAR	BETWEEN 1-5 YEARS	OVER 5 YEARS	TOTAL
		€	€	€	€
Assets held at variable rates					
Cash and cash equivalents	19	**6,367,201**	**-**	**-**	**6,367,201**
Assets held at fixed rates					
Debt securities	17	**206,375**	**1,868,351**	**4,141,761**	**6,216,486**
Loans and receivables	17	**1,000,000**	**-**	**-**	**1,000,000**
Total interest-bearing assets		**7,573,576**	**1,868,351**	**4,141,761**	**13,583,687**
Liabilities issued at variable rates					
Borrowings		**(2,024,354)**	**-**	**-**	**(2,024,354)**
Liabilities issued at fixed rates					
Borrowings		**-**	**(366,546)**	**-**	**(366,546)**
Net exposure on assets held at variable rates at 31st December 2021		**4,342,847**	**-**	**-**	**4,342,847**
Net exposure on assets held at fixed rates at 31st December 2021		**1,206,375**	**1,501,805**	**4,141,761**	**6,849,940**

2020	NOTES	WITHIN 1 YEAR	BETWEEN 1-5 YEARS	OVER 5 YEARS	TOTAL
		€	€	€	€
Assets held at variable rates					
Cash and cash equivalents	19	**6,613,491**	**-**	**-**	**6,613,491**
Assets held at fixed rates					
Debt securities	17	**793,685**	**1,107,149**	**5,315,236**	**7,216,070**
Loans and receivables	17	**-**	**1,000,000**	**-**	**1,000,000**
Total interest-bearing assets		**7,407,176**	**2,3107,149**	**5,315,236**	**14,829,561**
Liabilities issued at variable rates					
Borrowings		**(1,759,148)**	**(1,000,000)**	**-**	**(2,759,148)**
Liabilities issued at fixed rates					
Borrowings		**-**	**(366,546)**	**-**	**(366,546)**
Net exposure on assets held at variable rates at 31st December 2020		**4,854,343**	**(1,000,000)**	**-**	**3,854,343**
Net exposure on assets held at fixed rates at 31st December 2020		**793,685**	**1,740,603**	**5,315,236**	**7,849,524**

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

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

The sensitivity for interest rate risk illustrates how changes in the fair value or future cash flows of financial instruments will fluctuate because of changes in market interest rates at the reporting date. The Group's and the Company's fair value interest rate risk arises primarily on debt securities that carry a fixed rate of interest and are measured at fair value. The net effect of an immediate 50 basis point increase/decrease in yields at the end of 2021 was estimated at €34,250 (2020 - €39,248).

Equity price risk

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

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

2021	GENERAL BUSINESS	LIFE BUSINESS	TOTAL	MARKET VALUE
				€
Bank deposits	0.00%	7.80%	7.80%	**1,000,000**
Corporate bonds (local and foreign)	9.91%	19.27%	29.18%	**3,739,527**
Government bonds	3.75%	15.58%	19.33%	**2,476,959**
Equity	37.00%	1.90%	38.90%	**4,984,533**
Collective investment scheme	1.59%	3.19%	4.78%	**612,587**
	52.26%	**47.74%**	**100.00%**	**12,813,606**

2020	GENERAL BUSINESS	LIFE BUSINESS	TOTAL	MARKET VALUE
				€
Bank deposits	0.00%	8.09%	8.09%	1,000,000
Corporate bonds (local and foreign)	13.00%	21.25%	34.25%	4,236,617
Government bonds	4.92%	19.17%	24.09%	2,979,453
Equity	26.16%	1.96%	28.12%	3,478,685
Collective investment scheme	1.65%	3.80%	5.45%	673,433
	45.73%	54.27%	100.00%	12,368,188

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 +/- €249,227 (2020 – +/- €173,934) on the Company's results, and in substantially the same impact on the Group's results.

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

The directors do not consider the Company's and the Group's exposure to exchange risk to be significant.

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

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

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

The total financial assets bearing credit risk are the following:

	GROUP		COMPANY	
	2021	2020	**2021**	2020
	€	€	**€**	€
Cash and cash equivalents	**6,367,201**	6,613,491	**6,272,704**	6,523,491
Financial assets at fair value through profit or loss	**6,216,486**	7,216,070	**6,216,486**	7,216,070
Loans and receivables	**1,000,000**	1,000,000	**1,000,000**	1,000,000
Reinsurers' share of technical provisions	**3,647,868**	5,978,312	**3,647,868**	5,978,312
Insurance receivables	**3,001,955**	3,393,551	**3,103,154**	3,393,551
	20,233,510	24,201,424	**20,240,212**	24,111,424

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	
	2021	2020	**2021**	2020
	€	€	**€**	€
A+	**1,946,079**	2,892,670	**1,946,079**	2,892,670
BBB	**2,803,411**	-	**2,708,914**	-
BBB-	**-**	1,768,656	**-**	1,678,656
Unrated	**1,617,711**	1,952,165	**1,617,711**	1,952,165
	6,367,201	6,613,491	**6,272,704**	6,523,491

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 2021 40% of the Company's and the Group's debt securities comprised of Government Bonds (43% in 2020), of which 71% (72% in 2020) are investments in Government Bonds on the Malta Stock Exchange and 29% (28% in 2020) are quoted on equivalent exchanges. The remaining 60% (57% in 2020) are represented by investments in corporate bonds of which 35% (30% in 2020) are listed on the Malta Stock Exchange and 65% (70% in 2020) are listed on equivalent European exchanges.

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

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

	2021		2020	
	Government Bonds	**Corporate Bonds**	Government Bonds	Corporate Bonds
	€	**€**	€	€
AA	**-**	**35,782**	-	-
AA-	**-**	**172,130**	121,270	208,317
A+	**-**	**-**	-	107,655
A	**159,835**	**179,710**	-	211,480
A-	**1,750,880**	**793,157**	2,267,847	768,542
BBB+	**110,190**	**456,211**	113,780	348,328
BBB	**113,910**	**440,444**	79,853	840,404
BBB-	**342,145**	**371,270**	396,703	480,215
Unrated	**-**	**1,290,822**	-	1,271,676
	2,476,960	**3,739,526**	2,979,453	4,236,617

The Company has a loan and receivable balance held with a reliable financial institution, amounting to €1,000,000 (2020: €1,000,000).

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

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

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

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

	GROUP		COMPANY	
	2021	2020	**2021**	2020
	€	€	**€**	€
Past due for:				
Between one and six months	**1,620,280**	2,112,914	**1,620,280**	2,112,914
Over six months	**580,000**	698,996	**580,000**	698,996
	2,200,280	2,811,910	**2,200,280**	2,811,910

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

	GROUP		COMPANY	
	2021	2020	**2021**	2020
	€	€	**€**	€
Specifically provided for receivables	**147,391**	162,155	**147,391**	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.

2021	LESS THAN 1 YEAR	BETWEEN 1-5 YEARS	OVER 5 YEARS	TOTAL
	€ '000	**€ '000**	**€ '000**	**€ '000**
Insurance contract provisions - claims outstanding	**5,132**	**-**	**-**	**5,132**
Subordinated loans	**1,000**	**367**	**-**	**1,367**
Bank borrowings	**1,024**	**-**	**-**	**1,024**
Reinsurance payables	**773**	**-**	**-**	**773**
Lease liabilities	**156**	**447**	**58**	**661**
Insurance and other payables	**3,259**	**-**	**-**	**3,259**
	11,344	**814**	**58**	**12,216**

2020	LESS THAN 1 YEAR	BETWEEN 1-5 YEARS	OVER 5 YEARS	TOTAL
	€ '000	€ '000	€ '000	€ '000
Insurance contract provisions -				
claims outstanding	2,957	4,960	203	8,120
Subordinated loans	-	1,366	-	1,366
Bank borrowings	1,759	-	-	1,759
Reinsurance payables	2,770	-	-	2,770
Lease liabilities	137	519	261	917
Insurance and other payables	1,803	-	-	1,803
	9,426	6,845	464	16,735

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 2021 and 2020, the carrying amounts of other short term instruments approximated their fair values due to the short term maturities of these assets and liabilities. The fair value of long term instruments is not materially different from their carrying amounts.

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

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

Capital risk management
The Group's objectives when managing capital are:

- To comply with the obligations to maintain positive solvency position based on the regulatory requirements of the insurance market where the Group operates;
- To safeguard the Group's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- To provide an adequate return to shareholders by pricing insurance contracts commensurately with the level of risk.

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

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

The Group was compliant with the respective regulatory solvency requirements throughout the financial period. The Company opted for the standard formula under the Solvency II regime to calculate the SCR as the assumptions underlying the standard formula are considered a good fit for the Company's risk profile. At 31 December 2021, the Company's eligible own funds adequately covered the required SCR and amounted to €10,903,660 (2020: €9,460,602), an improvement of €1,443,058.

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 2021					
Gross premiums written	**3,581,398**	**4,064,277**	**2,046,911**	**3,792,123**	**13,484,709**
Gross premiums earned	**3,540,579**	**4,017,954**	**2,008,528**	**3,873,160**	**13,440,221**
Gross claims incurred	**2,474,045**	**1,850,779**	**764,022**	**2,124,998**	**7,213,844**
Other net technical profit	**-**	**158,549**	**42,598**	**77,210**	**278,357**
Gross operating expenses	**1,600,039**	**1,815,790**	**914,495**	**1,694,199**	**6,024,523**
Reinsurance outwards	**359,625**	**-**	**239,379**	**449,491**	**1,048,495**
Year ended 31 December 2020					
Gross premiums written	3,426,766	3,945,392	1,950,604	4,354,904	13,677,666
Gross premiums earned	3,413,652	3,930,294	1,924,019	4,977,006	14,244,971
Gross claims incurred	2,179,017	1,459,966	2,604,220	1,812,987	8,056,190
Other net technical profit	-	121,509	39,488	85,364	246,361
Gross operating expenses	1,509,372	1,737,809	859,174	1,918,184	6,024,539
Reinsurance outwards	327,140	-	(1,192,913)	1,021,612	155,839

Long-Term Business:	2021	2020
	€	**€**
Individual premiums and premiums under group contracts	**178,996**	170,855
Periodic premiums and single premiums	**2,471,688**	2,353,845
Premiums from participating and non-participating contracts and those where the investment risk is borne by the policyholders	**60,362**	71,064
	2,711,046	2,595,764

7. INVESTMENT RETURN

	GROUP		COMPANY	
	2021	2020	**2021**	2020
	€	€	**€**	€
Investment gains:				
Income from financial assets at fair value through profit or loss				
• dividend and interest income	**256,912**	257,045	**256,912**	257,045
• net fair value (loss) /gain	**400,885**	(310,513)	**400,885**	(310,513)
Income from loans and receivables	**33,219**	27,725	**33,219**	27,725
	691,016	(25,743)	**691,016**	(25,743)
Investment expenses and charges:				
Net investment management and transaction charges	**(55,707)**	(29,353)	**(55,707)**	(29,353)
	(55,707)	(29,353)	**(55,707)**	(29,353)
Net investment (loss) /return	**635,309**	(55,096)	**635,309**	(55,096)
Analysed between:				
Allocated investment return transferred to the general business technical account	**433,740**	(102,958)	**433,740**	(102,958)
Investment return included in the long term business technical account	**201,569**	47,862	**201,569**	47,862
Net investment return / (loss)	**635,309**	(55,096)	**635,309**	(55,096)

8. NET OPERATING EXPENSES

	GROUP		COMPANY	
	2021	2020	**2021**	2020
	€	€	**€**	€
Acquisition costs	**1,708,173**	1,753,461	**1,708,173**	1,753,461
Change in deferred acquisition costs	**(6,226)**	104,238	**(6,226)**	104,238
Administrative expenses	**5,395,429**	5,403,437	**5,347,047**	5,388,349
Reinsurance commissions and profit participation	**(1,872,798)**	(1,431,207)	**(1,872,798)**	(1,431,207)
	5,224,578	5,829,929	**5,176,196**	5,814,841
Allocated to:				
General business	**3,414,729**	4,163,967	**3,414,729**	4,163,967
Long-term business	**912,429**	771,895	**912,429**	771,895
Non-technical account	**897,420**	894,067	**849,038**	878,979
	5,224,578	5,829,929	**5,176,196**	5,814,841

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

9. EMPLOYEE BENEFIT EXPENSE

	GROUP		COMPANY	
	2021	2020	**2021**	2020
	€	€	**€**	€
Salaries	**1,941,335**	2,091,156	**1,941,335**	2,091,156
Salaries of key management (including Directors)	**654,754**	689,472	**654,754**	689,472
Social security costs	**177,327**	184,596	**177,327**	184,596
	2,773,416	2,965,224	**2,773,416**	2,965,224

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

	GROUP		COMPANY	
	2021	2020	**2021**	2020
	No.	No.	**No.**	No.
Accounts and administration	**33**	36	**33**	36
Insurance business	**63**	64	**63**	64
	96	100	**96**	100

10. DIRECTORS' COMPENSATION

	GROUP		COMPANY	
	2021	2020	**2021**	2020
	€	€	**€**	€
Director's remuneration and fees	**397,676**	449,499	**397,676**	449,499
	397,676	449,499	**397,676**	449,499

11. PROFIT/ (LOSS) BEFORE TAX

The profit before tax is stated after charging the following:

	GROUP		COMPANY	
	2021	2020	**2021**	2020
	€	€	**€**	€
Stated after charging:				
Auditors' remuneration				
Annual statutory audit	**52,500**	50,000	**52,500**	50,000
Other assurance services	**25,650**	25,000	**25,650**	25,000
Depreciation and amortisation	**545,820**	488,884	**565,250**	560,455
Subordinated loan interest				
Shareholders' subordinated loan interest	**16,511**	21,767	**16,511**	21,767
Bank loan interest	**40,555**	46,728	**40,555**	46,728

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	
	2021	2020	**2021**	2020
	€	€	**€**	€
Profit for the year	**492,253**	470,195	**540,635**	485,283
Tax at the applicable rate of 35%	**172,289**	164,568	**189,222**	169,849
Tax effect of:				
Depreciation on ineligible assets	**42,889**	58,913	**42,889**	58,913
Dividend income exempt from tax	**(165)**	(114)	**(165)**	(114)
Unrealised movements on investments disposed	**2,173**	(22,217)	**2,173**	(22,217)
Disallowed administrative expenses	**770**	671	**770**	671
Other movements	**16,349**	5,281	**(584)**	-
Unrelieved foreign tax	**444**	520	**444**	520
Fair value gain on investment property	**(24,194)**	-	**(24,194)**	-
Other deferred tax on investment property	**12,800**	10,800	**12,800**	10,800
Revaluation of property, plant & equipment	**-**	(5,512)	**-**	(5,512)
Prior year deferred tax not recognised	**2,745**	-	**2,745**	-
Tax charge for the year	**226,100**	212,910	**226,100**	212,910

13. INTANGIBLE ASSETS

GROUP	TENANCY RIGHTS	COMPUTER SOFTWARE	TOTAL
	€	€	€
Year ended 31 December 2020			
Opening net book value	162,596	209,776	372,372
Additions	-	245,566	245,566
Amortisation	(20,343)	(123,587)	(143,930)
Closing net book value	142,253	331,755	474,008
Acquisition cost/revalued amount	305,000	1,967,561	2,272,561
Accumulated amortisation	(162,747)	(1,635,806)	(1,798,553)
Closing net book value	142,253	331,755	474,008
Year ended 31 December 2021			
Opening net book value	142,253	331,755	474,008
Additions	-	277,725	277,725
Amortisation	(20,343)	(167,164)	(187,507)
Closing net book value	**121,910**	**442,316**	**564,226**
Acquisition cost/revalued amount	305,000	2,245,286	2,550,286
Accumulated amortisation	(183,090)	(1,802,970)	(1,986,060)
Closing net book value	**121,910**	**442,316**	**564,226**

COMPANY	TENANCY RIGHTS	COMPUTER SOFTWARE	CLIENT LIST	TOTAL
	€	€	€	€
Year ended 31 December 2020				
Opening net book value	162,596	209,776	141,048	513,420
Additions	-	278,267	-	278,267
Amortisation	(20,343)	(156,288)	(19,920)	(196,551)
Closing net book value	142,253	331,755	121,128	595,136
Acquisition cost/revalued amount	305,000	1,967,560	199,473	2,472,033
Accumulated amortisation	(162,747)	(1,635,805)	(78,345)	(1,876,897)
Closing net book value	142,253	331,755	121,128	595,136
Year ended 31 December 2021				
Opening net book value	142,253	331,755	121,128	595,136
Additions	-	277,727	-	277,727
Amortisation	(20,343)	(167,166)	(19,920)	(207,429)
Closing net book value	**121,910**	**442,316**	**101,208**	**665,434**
Acquisition cost/revalued amount	305,000	2,245,286	199,473	2,749,759
Accumulated amortisation	(183,090)	(1,802,970)	(98,265)	(2,084,325)
Closing net book value	**121,910**	**442,316**	**101,208**	**665,434**

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 2020						
Opening net book value	3,434,234	263,866	21,058	316,901	561,358	4,597,417
Acquisitions/disposals	66,056	(1,487)	-	139,960	355,877	560,406
Movements from remeasurement of lease liabilities	-	-	-	-	5,784	5,784
Depreciation charge for the year	(60,972)	(22,736)	(4,979)	(109,515)	(146,750)	(344,952)
Closing net book value	3,439,318	239,643	16,079	347,346	776,269	4,818,655
Acquisition cost/revalued amount	3,535,101	347,702	164,539	1,996,560	1,050,458	7,094,360
Accumulated depreciation	(95,783)	(108,059)	(148,460)	(1,649,214)	(274,189)	(2,275,705)
Closing net book value	3,439,318	239,643	16,079	347,346	776,269	4,818,655
Year ended 31 December 2021						
Opening net book value	3,439,318	239,643	16,079	347,346	776,269	4,818,655
Transfers	-	-	41,488	-	(41,488)	-
Acquisitions/disposals	69,253	-	11,423	113,947	35,881	230,504
Movements from remeasurement of lease liabilities	-	-	-	-	(104,856)	(104,856)
Revaluation during the year	1,156,367	-	-	-	-	1,156,367
Depreciation charge for the year	(64,938)	(17,767)	(27,078)	(111,122)	(137,408)	(358,313)
Deprecation released on disposal	-	-	11,996	-	67,073	79,069
Closing net book value	**4,600,000**	**221,867**	**53,908**	**350,171**	**595,471**	**5,821,426**
Acquisition cost/revalued amount	4,600,000	347,702	217,450	2,110,508	939,995	8,215,655
Accumulated depreciation	-	(125,826)	(163,542)	(1,760,337)	(344,524)	(2,394,229)
Closing net book value	**4,600,000**	**221,867**	**53,908**	**350,171**	**595,471**	**5,821,426**

COMPANY	LAND AND BUILDINGS	LEASEHOLD PREMISES	MOTOR VEHICLES	FURNITURE AND FITTINGS	RIGHT-OF-USE ASSETS	TOTAL
	€	€	€	€	€	€
Year ended 31 December 2020						
Opening net book value	3,434,234	263,866	21,058	315,184	561,358	4,595,700
Acquisitions/(disposals)	66,056	(1,487)	6,992	153,637	355,877	581,075
Movements from remeasurement of lease liabilities	-	-	-	-	5,784	5,784
Depreciation charge for the year	(60,972)	(22,736)	(11,971)	(121,475)	(146,750)	(363,904)
Closing net book value	3,439,318	239,643	16,079	347,346	776,269	4,818,655
Acquisition cost/revalued amount	3,535,101	347,702	164,539	1,996,561	1,050,458	7,094,361
Accumulated depreciation	(95,783)	(108,059)	(148,460)	(1,649,215)	(274,189)	(2,275,706)
Closing net book value	3,439,318	239,643	16,079	347,346	776,269	4,818,655
Year ended 31 December 2021						
Opening net book value	**3,439,318**	**239,643**	**16,079**	**347,346**	**776,269**	**4,818,655**
Acquisitions/(disposals)	**69,253**	-	**11,423**	**109,030**	**35,881**	**225,587**
Transfers at NBV	-	-	**41,488**	-	**(41,488)**	-
Revaluation during the year	**1,156,367**	-	-	-	-	**1,156,367**
Movements from remeasurement of lease liabilities	-	-	-	-	**(104,856)**	**(104,856)**
Depreciation charge for the year	**(64,938)**	**(17,767)**	**(27,078)**	**(110,630)**	**(137,408)**	**(357,821)**
Depreciation released on disposal	-	-	**11,996**	-	**67,073**	**79,069**
Closing net book value	**4,600,000**	**221,876**	**53,908**	**345,746**	**595,471**	**5,817,001**
Acquisition cost/revalued amount	**4,600,000**	**347,702**	**217,450**	**2,105,591**	**939,995**	**8,210,738**
Accumulated depreciation	-	**(125,826)**	**(163,542)**	**(1,759,845)**	**(344,524)**	**(2,393,737)**
Closing net book value	**4,600,000**	**221,876**	**53,908**	**345,746**	**595,471**	**5,817,001**

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 2021.

The main unobservable inputs in the discounted cash flow valuation relate to ongoing rental rates of €200/square metre for offices in the area (2020: €180/square metre) and a capitalisation rate of 6.5% (2020: 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.

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 €1,934,282 (2020: €1,962,450).

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'. The average remaining lease term is 4 years (2020: 5.8 years).

15. INVESTMENT PROPERTY

	GROUP		COMPANY	
	2021	2020	**2021**	2020
	€	€	**€**	€
Opening net book value	**2,549,999**	2,415,000	**2,549,999**	2,415,000
Additions	**90,873**	119,250	**90,873**	119,250
Transferred from property, plant and equipment	**-**	-	**-**	-
Increase in fair value during the year	**69,127**	15,749	**69,127**	15,749
Closing net book value at 31 December	**2,709,999**	2,549,999	**2,709,999**	2,549,999

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

The fair value of the investment property has been arrived at on the basis of a recent valuation carried out by an independent professionally qualified valuer on the basis of market value that reflects recent transactions for similar properties and discounted cash flows using the applicable discount rate and market yield. The directors are of the opinion that the fair value of the property has not altered significantly since the date of the valuation and hence this is an appropriate estimate of the fair value at 31 December 2021. There has been no change to the valuation technique during the year.

The main unobservable inputs used in the discounted cash flow valuation relate to ongoing rental rates of €200/square metre for offices in the area (2020: €180/square metre) and a capitalisation rate of 6.5% (2020: 6.5%). Changes in unobservable inputs might result in a significantly higher/lower fair value measurement. The higher the price per square metre, the higher the fair value whilst the higher the discount rate, the lower the fair value.

16. INVESTMENTS IN SUBSIDIARY

Investments in subsidiaries are accounted for at cost.

	2021	2020
	€	**€**
Investments in subsidiaries at beginning of year	**90,000**	299,999
Add: Investments in subsidiary during the year.	**4,510**	90,000
Less: Elimination of investment in subsidiary upon merger of Citadel Health Insurance Agency Limited into Citadel Insurance p.l.c.	**-**	(299,999)
Investments in subsidiaries at end of year	**94,510**	90,000

A new subsidiary, Spiral Insurance Brokers PCC Limited was incorporated on 12 March 2020. The registered address is 75 St Francis Street Floriana, Malta, and the Company registration number is C 95214. The Company obtained its authorisation from the Malta Financial Services in September 2021. Due to new regulatory requirements the Company increased the share capital of the subsidiary during 2021

NAME	REGISTERED OFFICE	% OF EQUITY HELD	
		2021	2020
Spiral Insurance Brokers PCC Limited	75, St Francis Street, Floriana, Malta	**100%**	100%
		CAPITAL AND RESERVES	
		€	€
Spiral Insurance Brokers PCC Limited		**(10,277)**	53,515
		PROFIT / (LOSS)	
		€	€
Spiral Insurance Brokers PCC Limited		**(63,792)**	(36,485)

17. FINANCIAL ASSETS

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

	GROUP		COMPANY	
	2021	2020	**2021**	2020
	€	€	**€**	€
Fair value through profit or loss	**12,939,335**	12,514,484	**12,939,335**	12,514,484
Loans and receivables	**1,000,000**	1,000,000	**1,000,000**	1,000,000
	13,939,335	13,514,484	**13,939,335**	13,514,484

17.1 Investments at fair value through profit and loss

	GROUP		COMPANY	
	2021	2020	**2021**	2020
	€	€	**€**	€
Designated upon initial recognition				
Equity securities and collective investment schemes:				
Listed shares	**4,984,533**	3,478,685	**4,984,533**	3,478,685
Collective investment schemes	**612,587**	673,433	**612,587**	673,433
Assets held to cover linked liabilities	**1,125,729**	1,146,296	**1,125,729**	1,146,296
	6,722,849	5,298,414	**6,722,849**	5,298,414
Debt securities - fixed interest rate:				
Government bonds	**2,476,959**	2,979,453	**2,476,959**	2,979,453
Listed corporate bonds	**3,739,527**	4,236,617	**3,739,527**	4,236,617
	6,216,486	7,216,070	**6,216,486**	7,216,070
Total investments at fair value through profit and loss	**12,939,335**	12,514,484	**12,939,335**	12,514,484

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	
	2021	2020	**2021**	2020
	€	€	**€**	€
Within 1 year	**206,375**	793,685	**206,375**	793,685
Between 1 and 5 years	**1,868,351**	1,107,149	**1,868,351**	1,107,149
Over 5 years	**4,141,760**	5,315,236	**4,141,760**	5,315,236
	6,216,486	7,216,070	**6,216,486**	7,216,070
Weighted average effective interest rate at the reporting date	**3.06%**	3.18%	**3.06%**	3.18%

17.2 Loans and receivables

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

	GROUP		COMPANY	
	2021	2020	**2021**	2020
	€	€	**€**	€
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 non-current in nature. No investments are pledged to third parties at the financial year end. Financial assets are held primarily in the Company's functional currency.

18. INSURANCE AND OTHER RECEIVABLES

	GROUP		COMPANY	
	2021	2020	**2021**	2020
	€	€	**€**	€
Receivables arising from insurance activities:				
• Due from policy holders	**123,688**	370,245	**123,688**	370,245
• Due from intermediaries	**2,617,942**	3,023,306	**2,617,942**	3,023,306
	2,741,630	3,393,551	**2,741,630**	3,393,551
Other receivables:				
• Accrued interest	**78,130**	98,646	**78,130**	98,646
• Other prepayments and accrued income	**155,303**	204,952	**256,502**	241,437
	233,433	303,598	**334,632**	340,083
Total receivables	**2,975,063**	3,697,149	**3,076,262**	3,733,634

No interest is due on the above receivables.

During the year, bad debts written off amounted to €20,263 (2020 - €6,870). Receivables are disclosed net of provision for doubtful debts of €147,391 (2020 - €162,155).

19. CASH AND CASH EQUIVALENTS

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

	GROUP		COMPANY	
	2021	2020	**2021**	2020
	€	€	**€**	€
Cash at bank and in hand	**6,367,201**	6,613,491	**6,272,704**	6,523,491
Bank balance overdrawn	**(1,024,354)**	(1,759,148)	**(1,024,354)**	(1,759,148)
Net balance as shown in the statements of cash flows	**5,342,847**	4,854,343	**5,248,350**	4,764,343

20. DEFERRED TAX

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

GROUP AND COMPANY	BALANCE AT BEGINNING OF YEAR	RECOGNISED IN PROFIT OR LOSS	RECOGNISED IN OTHER COMPREHENSIVE INCOME	BALANCE AT END OF YEAR
	€	€	€	€
Provision for impairment losses	(58,525)	7,902	-	(50,623)
Unabsorbed tax losses	(234,200)	108,360	-	(125,840)
Temporary differences on property, plant and equipment	22,164	6,902	-	29,066
Unrealised gains on investments	538,043	99,505	-	637,548
Revaluation of property	350,000	-	110,000	460,000
Right-of-use assets	(852)	(9,814)	-	(10,666)
Fair value movement on investment property	203,999	12,801	-	216,800
	820,629	**225,656**	**110,000**	**1,156,285**

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 2021, the Group had an unrecognised deferred tax asset of €47,970 (2020 – €47,970) emanating from unabsorbed capital losses.

21. INSURANCE LIABILITIES AND REINSURANCE ASSETS

COMPANY	2021			2020		
	GROSS	RE-INSURERS' SHARE	NET	GROSS	RE-INSURERS' SHARE	NET
	€	€	€	€	€	€
General business						
Provision for unearned premiums	6,042,704	(1,419,164)	4,623,540	5,998,216	(1,456,752)	4,541,464
Claims outstanding including IBNR	6,221,274	(1,190,134)	5,031,140	7,282,497	(2,826,970)	4,455,527
	12,263,978	(2,609,298)	9,654,680	13,280,713	(4,283,722)	8,996,991
Long term business						
Claims outstanding	493,798	(393,010)	100,788	837,514	(683,814)	153,700
Technical provisions:						
Non-Linked	6,213,234	(645,560)	5,567,674	6,746,120	(1,010,776)	5,735,344
Linked	1,108,767	-	1,108,767	1,146,297	-	1,146,297
	7,815,799	(1,038,570)	6,777,229	8,729,931	(1,694,590)	7,035,341
Total insurance contract provisions	20,079,777	(3,647,868)	16,431,909	22,010,644	(5,978,312)	16,032,332
Split as follows:						
Current	12,757,776	(3,002,308)	9,755,468	14,118,226	(4,967,536)	9,150,690
Non-current	7,322,001	(645,560)	6,676,441	7,892,417	(1,010,776)	6,881,641
	20,079,777	(3,647,868)	16,431,909	22,010,644	(5,978,312)	16,032,332
Provision for unearned premiums						
At beginning of year	5,998,216	(1,456,752)	4,541,464	6,565,520	(1,670,484)	8,236,004
Premiums written	13,484,709	(4,681,411)	8,803,298	13,677,666	(4,500,470)	9,177,196
Less:						
Premiums earned	(13,440,221)	4,718,999	(8,721,222)	(14,244,970)	1,373,234	12,871,736
At end of year	6,042,704	1,419,164	4,623,540	5,998,216	(1,456,752)	4,541,464
General and long term business						
Movement in provision for claims outstanding						
At beginning of year	8,120,011	(3,510,784)	4,609,227	6,355,656	(1,411,258)	4,944,398
Claims paid during the year	(9,231,423)	4,505,498	(4,725,925)	(6,949,476)	1,900,604	(5,042,872)
Increase/(decrease) in liabilities:						
- arising from current year claims	6,245,706	(2,645,337)	3,600,369	5,246,293	(2,074,038)	3,172,255
- arising from prior year claims	1,580,778	67,479	1,648,257	3,467,538	(1,926,092)	1,541,446
At end of year	6,715,072	(1,583,144)	5,131,928	8,120,011	(3,510,784)	4,609,227

Claims paid are exclusive of surrenders and maturities.

Claims development

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

While the information in the table provides a historical perspective on the adequacy of unpaid claims estimates established in previous years, readers of these financial statements are cautioned against extrapolating redundancies or deficiencies of the past on current unpaid loss balances. The Company believes that the estimate of total claims outstanding as of the end of 2021 is adequate. Although the amounts provided reflect managements' best estimate of the total claims outstanding, the Company's total outlay in relation to such claims becomes final on payment.

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

COMPANY	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	NET
	€	€	€	€	€	€	€	€	€	€	€
Estimates of the ultimate claims costs:											
At end of accident year	2,661,472	2,310,243	2,159,562	2,154,508	2,222,247	2,400,713	2,584,016	2,894,153	2,124,631	2,373,066	23,884,611
One year later	3,340,111	2,673,144	2,683,888	2,787,473	2,809,620	3,256,794	3,472,248	3,587,429	2,361,033		26,971,740
Two years later	3,363,645	2,508,772	2,505,945	2,647,604	2,681,028	3,109,818	3,339,323	3,462,044			23,618,179
Three years later	3,377,848	2,515,530	2,471,335	2,685,164	2,569,678	3,045,711	3,330,333				19,995,599
Four years later	3,463,049	2,537,955	2,499,831	2,659,930	2,559,627	3,091,662					16,812,054
Five years later	3,553,877	2,560,715	2,500,453	2,693,614	2,578,207						13,886,866
Six years later	3,668,007	2,556,747	2,536,209	2,703,645							11,464,607
Seven years later	3,707,289	2,556,692	2,543,760								8,807,742
Eight years later	3,729,183	2,561,806									6,290,989
Nine years later	3,777,251										3,777,251
Current estimates of cumulative claims	3,777,251	2,561,806	2,543,760	2,703,645	2,578,207	3,091,662	3,330,333	3,462,044	2,361,033	2,373,066	28,782,807
Current payments to-date	(3,536,006)	(2,542,425)	(2,478,292)	(2,599,799)	(2,479,880)	(2,960,108)	(3,023,371)	(3,126,100)	(1,747,330)	(833,668)	(25,326,979)
Liabilities recognised in the statement of financial position	**241,245**	**19,381**	**65,468**	**103,846**	**98,327**	**131,554**	**306,962**	**335,944**	**613,703**	**1,539,398**	**3,455,828**
Liabilities in respect of prior years											**345,571**
Liabilities in respect of classes of business not in the analysis											**1,330,529**
Total reserve included in statement of financial position											**5,131,928**

Life business

Analysis of movements in technical provisions – Non-Linked:

	2021			2020		
	GROSS	RE-INSURERS' SHARE	NET	GROSS	RE-INSURERS' SHARE	NET
	€	€	€	€	€	€
At beginning of year	6,746,120	(1,010,776)	5,735,344	6,514,181	(950,153)	5,564,028
Movement in reserves	(532,886)	365,216	(167,670)	231,939	(60,623)	171,316
At end of year	6,213,234	(645,560)	5,567,674	6,746,120	(1,010,776)	5,735,344

Life business

Analysis of movements in technical provisions – Linked:

	2021	2020
	€	€
At beginning of year	1,146,297	1,212,130
Premiums received in year	422,595	197,064
Liabilities released on payment of deaths, surrenders and terminations during the year	(603,623)	(240,163)
Changes in unit prices	143,498	(22,733)
At end of year	1,108,767	1,146,296

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

22. SHARE CAPITAL

COMPANY	2021 AND 2020
	€
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	
	2021	2020	**2021**	2020
	€	€	**€**	€
Unsecured 4% shareholders' subordinated loans	**366,546**	366,546	**366,546**	366,546
Unsecured bank subordinated loans	**1,000,000**	1,000,000	**1,000,000**	1,000,000
	1,366,546	1,366,546	**1,366,546**	1,366,546

The Shareholders' subordinated loans of €366,546 has been extended indefinitely and is considered to be non-current. No guarantees have been given or received.

The bank subordinated loans are repayable as follows:

	GROUP		COMPANY	
	2021	2020	**2021**	2020
	€	€	**€**	€
Due in 2022	**1,000,000**	1,000,000	**1,000,000**	1,000,000
	1,000,000	1,000,000	**1,000,000**	1,000,000

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

24. INSURANCE PAYABLES, OTHER PAYABLES AND DEFERRED INCOME

	GROUP		COMPANY	
	2021	**2020**	**2021**	**2020**
	€	**€**	**€**	**€**
Direct insurance contract payables	**509,638**	344,132	**509,638**	344,132
Amounts due to related parties	**4,520**	5,183	**4,520**	5,183
Insurance payables	**514,158**	349,315	**514,158**	349,315
Lease liabilities	**617,781**	778,703	**617,781**	778,703
Other payables and accruals	**2,134,661**	674,968	**2,126,661**	674,968
	2,752,442	1,453,671	**2,744,442**	1,453,671

Amounts due to related parties are unsecured, interest free and payable on demand.

LEASE LIABILITIES	GROUP AND COMPANY	
	2021	2020
	€	€
Total undiscounted minimum lease payments payable in settlement of lease liabilities	**661,121**	916,629
Less: future finance charges	(39,196)	(137,926)
Present value of lease obligations	**621,925**	778,703
Less: amounts included in current liabilities	**(143,559)**	(107,678)
Amounts included in non-current liabilities	**478,366**	671,025

The total cash outflow for leases amounts to €160,896 (2020: €169,382).

25. EVENTS AFTER THE REPORTING PERIOD

The recent geopolitical situation in Eastern Europe intensified in late February 2022, with the commencement of Russia's military action against Ukraine. Political events and sanctions are continually changing and differ across the globe. Citadel closely monitoring today's challenges to ensure that the interest of all its stakeholders are safeguarded.

26. RELATED PARTY DISCLOSURES

Citadel Insurance p.l.c. is the parent company of Spiral Insurance Brokers PCC 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.

Amounts due to related parties are unsecured, interest free and payable on demand.

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INDEPENDENT AUDITORS' REPORT

To the members of Citadel Insurance Plc

Report on the Audit of the Financial Statements

Opinion

We have audited the consolidated financial statements of Citadel Insurance Plc (the Group), set out on pages 13 to 57, which comprise the consolidated statement of financial position as at 31 December 2021 and the consolidated statements of profit or loss, statements of changes in equity and 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 consolidated financial statements give a true and fair view of the financial position of the Group and the Company as at 31 December 2021, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU (EU IFRSs) and have been prepared in accordance with the requirements of the Companies Act (Cap. 386).

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 Group and the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants together with the ethical requirements that are relevant to our audit of the financial statements in accordance with the Accountancy Profession Directive issued in terms of the Accountancy Profession Act (Cap. 281) in 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.

Key Audit Matters

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.

Valuation of Technical provisions and IBNR

Risk description

At 31 December 2021 the Company had technical provisions amounting to Eur20,079,777

As described in the Accounting Policies in note 3.3 to the financial statements, provisions are made at the year-end for all claims notified by the insured on a case by case basis and for claims incurred but not reported. The level of provisioning is based on the information which is currently available, including potential loss claims which have been intimated to the Company, experience of the development of similar claims and includes an estimated allowance for subrogation, based on information available to the Group and reviewed periodically for adequacy. The directors consider the provision for these claims to be fairly stated on the basis of information currently available to them however the ultimate liability may vary as a result of subsequent information and events and may lead to significant adjustments to the amount provided reflected in the financial statements in the accounting period in which the adjustments arise.

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INDEPENDENT AUDITORS' REPORT

To the members of Citadel Insurance PLC (continued)

Key Audit Matters (continued)

Claims payable and technical provisions (continued)

How the scope of our audit responded to the risk
We obtained assurance over the appropriateness of management's assumptions applied in calculating technical liabilities by:

- Assessing balances analytically and obtaining explanations for material movements.
- Discussing with management the actuarial methodology used by reviewing their reserving policy and method of assessing margin for uncertainty
- Assessing the adequacy of the technical provisions through an analysis of the technical provisioning report prepared by the entity's actuaries, focusing our testing on the main risk programs
- Assessed the appropriateness of the assumptions in the light of the specific characteristics of the business, industry practices and other available information
- Considered whether the claims outstanding and IBNR reserving methodology was applied consistently across the years

Other Matter

The financial statements of the Group and the Company for the year ended December 31, 2020, were audited by another auditor who expressed an unmodified opinion on those statements on 8 April 2021.

Other Information

The directors are responsible for the other information. The other information comprises the Chairman's statement, the Managing Director review and the directors' report. Our opinion on the financial statements does not cover this information, including the directors' report. 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.

With respect to the Directors' Report, we also considered whether the Directors' Report includes the disclosures required by Article 177 of the Maltese Companies Act (Cap. 386). Based on the work we have performed, in our opinion:

- the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the directors' report has been prepared in accordance with the Maltese Companies Act (Cap.386).

In addition, in light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we are required to report if we have identified material misstatements in the directors' report. We have nothing to report in this regard.

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Responsibilities of the Directors

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

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

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 scepticism throughout the audit. We also:

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

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

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

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

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INDEPENDENT AUDITORS' REPORT

To the members of Citadel Insurance PLC (continued)

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

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

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

We also provide 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 consolidated 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.

Report on Other Legal and Regulatory Requirements

Under the Maltese Companies Act (Cap. 386) we are required to report to you if, in our opinion:

- We have not received all the information and explanations we require for our audit.
- Adequate accounting records have not been kept, or that returns adequate for our audit have not been received from branches not visited by us.
- The financial statements are not in agreement with the accounting records and returns.

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

Additionally, the financial statements have been properly prepared in accordance with the requirements of the Insurance Business Act (Cap. 403), 1998.

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INDEPENDENT AUDITORS' REPORT
To the members of Citadel Insurance PLC (continued)

Use of audit report
This report is made solely to the company's members as a body in accordance with the requirements of the Companies Act (Cap 386) of the laws of Malta. Our audit work has been undertaken so that we might state to the company's members those matters that we are required to state to them in an audit's report and for no other purpose. To the full extent permitted by law we do not accept to anyone other that the company's members as a body for our audit work, for this report or for the opinions we have formed.

Appointment
We were appointed by the shareholders as auditors of Citadel Insurance PLC on 15 December 2021, as for the year ended 31 December 2021 and have operated as statutory auditor ever since that date.

Consistency with the additional report to those charged with Governance
Our opinion on our audit of the financial statements is consistent with the additional report to the audit committee required to be issued by the Audit Regulation (as referred to in the Act);

Non-audit services
We have not provided any of the prohibited services as set out in Article 18A of the Accountancy Profession Act.

This copy of the audit report has been signed by
Paul Giglio (Partner) for and on behalf of

Mazars Malta
Certified Public Accountants
Birkirkara
Malta

8 April 2022

Citadel
insurance

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