

RCI Life Limited

Annual Report and Financial Statements for the year ended

31 December 2021

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Directors' Report

The Directors present the annual report and the audited financial statements of RCI Life Limited (the "Company") for the year ended 31 December 2021.

Principal activities

The Company's principal activity is that of carrying on long-term business of insurance falling within Class I and Class IV of the Insurance Business Act, Cap. 403 of the Laws of Malta.

Review of the business

This is the twelfth year of operation of the Company, with the Company writing direct insurance business in Germany, France, Italy, Austria and Spain.

During the year ended 31 December 2021 the Company wrote a total premium income of €169,638,034 up by 0.30% compared to that written during 2020 at €169,131,055. During 2021 there was new premium written for Austria, an increase in premium written in France and Italy, while a decrease in premium was registered in Germany and Spain.

The net combined ratio of 53.78%, up from 38.93% registered in 2020 mainly resulted from higher claims incurred in all countries, coupled with higher operating expenses.

The Company's net investment income decreased by 18.3% to €443,308 in 2021 (2020: €542,610). The decrease is mainly due to the unfavorable market conditions. The total impairment loss for 2021 amounted to €90,410 when compared to €128,171 for 2020.

The total profit for the year after tax amounted to €40,350,098 (2020: €47,971,668). The decrease in profitability is mainly attributable to the factors as explained above.

The Shareholders' Funds of the Company at €57,141,549 (2020: €65,111,805) decreased by 12.24% resulting from lower profit after tax registered during the year under review.

As of 1 January 2016, the Solvency II Directive (2009/138/EC) came into force with new regulatory requirements that ascertain the level of capital required on the basis of the risks the Company undertakes. Solvency II also outlines how the own funds shall be derived by converting the Statement of Financial Position from an IFRS perspective to one where assets and liabilities are measured in line with their underlying economic value. As from this date, the solvency calculations under Solvency I regime are no longer applicable.

Based on the audited Solvency Capital Requirements ("SCR") calculations as at 31 December 2021, the Company has complied with the capital and solvency requirements as stipulated in the rules issued by the MFSA. Going forward, the Company is also expected to continue meeting the Solvency II requirements, based on the projected SCR calculations included in the 2021 Own Risk and Solvency Assessment ("ORSA") report.

Principal risks

The Company is exposed to a mixed blend of risks and hence operates a risk management strategy with the objective of controlling and minimising their impact on the financial performance and position of the Company.

An established risk governance framework and ownership structure ensures oversight of accountability for the effective management of risk. In line with the Solvency II framework, the Company's risk management framework fosters the continuous monitoring of the risk environment and an integrated evaluation of risks and their interactions.

The Company's risk management framework is designed to provide appropriate risk monitoring and assessment. Specifically, the Company's main risks are insurance risk, credit risk, market risk and liquidity risk. A detailed review of the risk management policies employed by the Company are disclosed in Note 19. While disclosures relating to exposures to insurance risk, credit risk, liquidity risk and market risk are included in Note 20. These are also supplemented by Note 2.4 relating to the significant accounting policies.

Directors' Report- continued

Covid-19

In 2021, the environment was still disrupted by COVID-19. The effects of the pandemic on the company were significant as the number of Covid-19 claims paid increased and the new business underwritten dropped. The latter effect was attributable to a shortage in semi-conductors disrupting the manufacturing of new cars. Although the pandemic is still on-going as at December 2021, the outlook is now positive due to the wide availability of vaccines and an improvement in sight in the supply chain of electronic components.

Future developments

The Board has considered the Company's operational performance and position as at year end, as well as business plans for the upcoming years. In line with this, the Board has a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason, in preparing the financial statements, the Board continues to adopt the going concern basis in preparing the financial statements.

Post balance sheet events

There were no important events or transactions which took place after the financial reporting date which would require disclosure or adjustment to the financial statements.

Results and dividends

The results for the year are set out in the Income Statement on pages 5 and 6. The Directors paid out an interim dividend of €47,971,668 (2020: €43,244,905). The Directors do not recommend the payment of a final dividend.

Directors

The Directors of the Company who held office during the year were:

Mr Patrick Claude
Mr John Bonett
Mr Thomas Groleau (appointed 12th November 2021)
Mr Bastien Paret (resigned 12th November 2021)
Mr Jean-Louis Labauge (resigned 16th June 2021)
Mr Pierre-Yves Francois Philippe-Beaufils (appointed on 11 January 2022)

Auditors

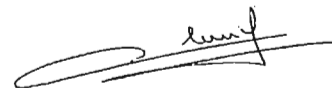
At the 2022 Annual General Meeting a resolution was presented proposing the appointment of Mazars Malta as Auditors as from the financial year ending 31 December 2022. The Directors take the opportunity to express their gratitude to Mazars Malta for their service to the Company and the Shareholders.

By order of the Board

GROLEAU
Thomas

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GROLEAU Thomas
Date: 2022.04.06
08:45:25 +02'00'

Thomas Groleau
Director



Patrick Claude
Director

Registered office
Level 3, Mercury Tower
The Exchange Financial & Business Centre,
Triq Elia Zammit, St. Julian's STJ 3155
St. Julian's

4 April 2022

Statement of Directors' Responsibilities for the financial statements

The Directors are required by the Companies Act (Cap. 386 of the Laws of Malta) and the Insurance Business Act (Cap. 403 of the Laws of Malta) to prepare financial statements in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the EU, which give a true and fair view of the state of affairs of the Company at the end of each financial year and of the profit or loss of the Company 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;
- prepare the financial statements on a going concern basis, unless it is inappropriate to presume that the Company will continue in business as a going concern;
- account for income and charges relating to the accounting year on the accruals basis;
- value separately the components of asset and liability items; and
- report comparative figures corresponding to those of the preceding accounting year.

The Directors are responsible for ensuring that proper accounting records are kept which disclose with reasonable accuracy at any time the financial position of the Company and which enable the Directors to ensure that the financial statements comply with the Companies Act (Cap. 386 of the Laws of Malta) and the Insurance Business Act (Cap. 403 of the Laws of Malta). This responsibility includes designing, implementing and maintaining such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Directors are also responsible for safeguarding the assets of the Company, and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Income Statement – Technical Account - general business for the year ended 31 December 2021

	Notes	2021 €	2020 €
Earned premiums, net of reinsurance			
Gross premiums written		169,638,034	169,131,055
Premiums ceded to reinsurer		(29,471,855)	(44,156,695)
Earned premiums, net of reinsurance		140,166,179	124,974,360
Allocated investment return transferred from the non-technical account	3	219,337	246,010
Total technical income		140,385,516	125,220,370
Claims incurred, net of reinsurance			
Claims paid			
- gross amount	13	31,611,032	24,270,668
- reinsurer's share	13	(9,483,832)	(8,715,635)
		22,127,200	15,555,033
Change in the provision for claims			
- gross amount		4,979,186	345,628
- reinsurer's share		(1,217,669)	1,626,433
		3,761,517	1,972,061
Claims incurred, net of reinsurance		25,888,717	17,527,094
Change in other technical provisions, net of reinsurance			
Long term business provision, net of reinsurance			
- gross amount		(13,984,172)	(14,097,187)
- reinsurer's share		15,786,829	15,640,797
		1,802,657	1,543,610
Net operating expenses	4	47,688,190	29,578,925
Total technical charges		75,379,564	48,649,629
Balance on the technical account for long term business (page 6)		65,005,952	76,570,741

The accounting policies and explanatory notes on pages 11 to 38 form an integral part of the financial statements.

Income Statement – Non Technical Account

for the year ended 31 December 2021

	Notes	2021 €	2020 €
Balance on the technical account for long term business (page 5)		65,005,952	76,570,741
Investment income	3	1,489,061	2,332,258
Investment expenses and charges	3	(1,045,753)	(1,789,648)
Allocated investment return transferred to the technical account	3	(219,337)	(246,010)
Administrative expenses	4	(3,152,849)	(3,064,774)
Profit before taxation		62,077,074	73,802,567
Income tax expense	7	(21,726,976)	(25,830,899)
Profit for the financial year attributable to ordinary shareholders (page 7)		40,350,098	47,971,668

The accounting policies and explanatory notes on pages 11 to 38 form an integral part of the financial statements.

Statement of Comprehensive Income

for the year ended 31 December 2021

	Notes	2021 €	2020 €
Profit for the financial year (page 6)		40,350,098	47,971,668
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Other comprehensive income			
Net gain on financial investments	11	(536,440)	(24,637)
Income tax relating to components of other comprehensive income	12,17	187,754	8,622
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Other comprehensive income for the year		(348,686)	(16,015)
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Total comprehensive income for the year to ordinary shareholders		40,001,412	47,955,653
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The accounting policies and explanatory notes on pages 11 to 38 form an integral part of the financial statements.

Statement of Financial Position

as at 31 December 2021

	Notes	2021 €	2020 €
ASSETS			
Equipment	9	11,306	20,372
Loans and receivables	10	91,000,000	109,000,000
Financial investments	11	70,761,583	91,147,919
Deferred tax asset	12	31,644	44,860
Reinsurer's share of technical provisions	13	44,032,011	58,601,170
Insurance and other receivables	14	15,019,843	14,612,591
Cash and cash equivalents	15	87,915,330	70,996,178
Total assets		308,771,717	344,423,090
EQUITY			
Capital and reserves attributable to shareholders			
Share capital	16	5,900,000	5,900,000
Other reserves	17	8,226	356,912
Retained Earnings		21,233,323	58,854,893
Total equity		57,141,549	65,111,805
LIABILITIES			
Technical provisions	13	175,658,412	184,663,397
Deferred tax liability	12	4,430	192,184
Insurance and other payables	18	54,263,306	68,634,302
Current tax		21,704,020	25,821,402
Total liabilities		251,630,168	279,311,285
Total equity and liabilities		308,771,717	344,423,090

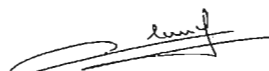
The accounting policies and explanatory notes on pages 11 to 38 form an integral part of the financial statements.

The financial statements on pages 5 to 38 were authorised for issue by the Board on 4 April 2022 and were signed on its behalf by:

GROLEAU
Thomas

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GROLEAU Thomas
Date: 2022.04.06
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Thomas Groleau
Director



Director

Statement of Cash Flows for the year ended 31 December 2021

	Notes	2021 €	2020 €
Operating activities			
Cash generated from operating activities	21	51,659,790	60,053,659
Interest received		2,382,899	2,332,808
Income tax paid		(25,831,141)	(23,233,726)
Net cash generated from operating activities		28,211,548	39,152,741
Investing activities			
Purchase of Equipment	9	-	-
Purchase of financial investments		(41,920,728)	(64,233,912)
Redemption of financial investments on maturity		78,600,000	73,700,000
Net cash generated from/(used in) investing activities		36,679,272	9,466,088
Financing activities			
Dividends paid	24	(47,971,668)	(43,244,905)
Net cash used in financing activities		(47,971,668)	(43,244,905)
Net movement in cash and cash equivalents		16,919,152	5,373,924
Cash and cash equivalents at beginning of year		70,996,178	65,622,254
Cash and cash equivalents at end of year	15	87,915,330	70,996,178

The accounting policies and explanatory notes on pages 11 to 38 form an integral part of the financial statements.

Notes to the Financial Statements

1. Corporate information

RCI Life Limited (the "Company") is a limited liability company incorporated and domiciled in Malta. The principal activity of the Company is that of carrying on long-term business of insurance falling within Class I and Class IV of the Insurance Business Act, Cap. 403 of the Laws of Malta.

The registered office of the Company is Level 3, Mercury Tower, The Exchange Financial & Business Centre, Triq Elia Zammit, St.Julian's, STJ 3155, Malta. The financial statements of RCI Life Limited for the year ended 31 December 2021 were authorised for issue in accordance with a resolution of the Directors on 4 April 2022.

RCI Life Limited is a wholly owned subsidiary of RCI Services Limited which is registered at 'Level 3, Mercury Tower, The Exchange Financial & Business Centre, Triq Elia Zammit, St.Julian's, STJ 3155, Malta. The ultimate parent company of RCI Life Limited is Renault S.A. which is registered at 13, Quai Alphonse Le Gallo, Boulogne Billancourt, Hauts de Seine, France 92100.

2.1 Basis of preparation

The financial statements have been prepared on a historic cost basis except for financial investments that have been measured at fair value.

Statement of compliance

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted for use in the European Union, the Insurance Business Act and the Companies Act, Cap. 403 and 386 of the Laws of Malta respectively.

The Company presents its Statement of Financial Position broadly in order of liquidity. An analysis regarding recovery or settlement within twelve months after the reporting date (current) and more than 12 months after the reporting date (non-current) is presented within the notes to these financial statements.

Financial assets and financial 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 assets and settle the liability simultaneously. Income and expense will not be offset in the Income Statement unless required or permitted by any accounting standard or interpretation, as specifically disclosed in the accounting policies of the Company.

2.2 Standards, interpretations and amendments to published standards as endorsed by the European Union effective in the current year

The accounting policies are consistent with those of the previous financial year.

Several other new standards, amendments and interpretations to existing standards, apply for the first time in 2021, whose adoption to the requirements of IFRSs as adopted by the EU did not result in substantial changes to the Company's accounting policies and did not impact the financial statements.

2.2 Standards, interpretations and amendments to published standards as endorsed by the European Union effective in the current year - continued

Standards, interpretations and amendments to published standards effective in 2021

The Company has adopted the following new and amended IFRS and IFRIC interpretations as of 1 January 2021:

Amendment to IFRS 16 Leases COVID-19 - Related Rent Concessions beyond 30 June 2021 (issued on 31 March 2021) – effective 1 April 2021

In May 2020, the Board issued COVID-19-Related Rent Concessions (the 2020 amendments), which amended IFRS 16 Leases. The 2020 amendments introduced an optional practical expedient that simplifies how a lessee accounts for rent concessions that are a direct consequence of COVID-19. Under that practical expedient, a lessee is not required to assess whether eligible rent concessions are lease modifications, instead accounting for them in accordance with other applicable guidance.

The practical expedient introduced in the 2020 amendments only applied to rent concessions for which any reduction in lease payments affects solely payments originally due on or before 30 June 2021. Since the economic challenges presented by the COVID-19 pandemic have persisted longer than anticipated, lessors and lessees negotiated rent concessions that extend beyond 30 June 2021.

This amendment has extended the practical expedient by 12 months – i.e. permitting lessees to apply it to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022.

The application of these amendments did not have a material effect on the company's/group consolidated/financial statements.

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform – Phase 2 (issued on 27 August 2020) effective 1 January 2021

Phase 2 of the Interest Rate Benchmark reform dealt with replacement issues (issues affecting financial reporting in the period before the replacement of an existing interest rate benchmark). The amendments published address issues that might affect financial reporting when an existing interest rate benchmark is actually replaced.

The changes in Interest Rate Benchmark Reform — Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16) relate to the modification of financial assets, financial liabilities and lease liabilities, specific hedge accounting requirements, and disclosure requirements applying IFRS 7 to accompany the amendments regarding modifications and hedge accounting.

The directors are of the opinion that these amendments will not have a material impact on the financial statements of the company.

Amendments to IFRS 4 Insurance Contracts – deferral of IFRS 9 (issued on 25 June 2020) effective 1 January 2021

At its meeting on 17 March 2020, the International Accounting Standards Board (IASB) agreed to defer the effective date of IFRS 17 Insurance Contracts (IFRS 17), including the amendments, to annual reporting periods beginning on or after 1 January 2023.

The IASB also agreed to extend the fixed expiry date of the temporary exemption from applying IFRS 9 Financial Instruments (IFRS 9) for qualifying insurers (as contained in IFRS 4), so that all entities must apply IFRS 9 for annual reporting periods beginning on or after 1 January 2023. Early adoption of IFRS 17 is permitted, provided an entity also applies IFRS 9.

The directors are of the opinion that the application of the new IFRS 17 standard will have a material impact on the company's equity. The approach chosen for the assessment of the contractual service margin at transition is the modified retrospective approach.

Certain new standards, amendments and interpretations to existing standards have been published by the date of authorisation for issue of these financial statements but are mandatory for the Company's accounting periods beginning after 1 January 2021. The Company has not early adopted these revisions to the requirements of IFRSs as adopted by the EU and the Company's Directors are of the opinion that, there are no requirements that will have a possible significant impact on the Company's financial statements in the period of initial application.

2.2 Standards, interpretations and amendments to published standards as endorsed by the European Union effective in the current year – continued

Standards, interpretations and amendments to published standards as adopted by the EU in issue but not yet effective for financial periods beginning on 1 January 2021:

Amendments to IFRS 3 Business Combinations; IAS 16 Property, Plant and Equipment; IAS 37 Provisions, Contingent Liabilities and Contingent Assets; and Annual Improvements 2018-2020 (effective on 1 January 2022)

The amendments to IFRS 3 include an update IFRS 3 so that it refers to the 2018 Conceptual Framework instead of the 1989 Framework, an addition to IFRS 3 as a requirement that, for transactions and other events within the scope of IAS 37 or IFRIC 21, an acquirer applies IAS 37 or IFRIC 21 (instead of the Conceptual Framework) to identify the liabilities it has assumed in a business combination; and an addition to IFRS 3 of an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

The amendments to IAS 16 prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the cost of producing those items, in profit or loss.

The amendments to IAS 37 specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract or an allocation of other costs that relate directly to fulfilling contracts.

Annual improvements 2018 – 2020 will introduce the following changes:

- IFRS 1, First time adoption of IFRS: The change applies to a subsidiary that adopted IFRS's at a later date than its parent and uses the exemption in paragraph D16(a) to measure assets and liabilities at the carrying amounts that are included in the parents consolidated financial statements. The amendment permits that such a subsidiary may elect, in its financial statements, to measure cumulative translation differences for all foreign operations at the carrying amount that would be included in the parent's consolidated financial statements, based on the parent's date of transition to IFRSs, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary.
- IFRS 9, Financial Instruments: IFRS 9 requires that an entity derecognises a financial liability and recognises a new financial liability when there is an exchange between and existing borrow and the lender of debt instruments with substantially different terms. The terms are substantially different if the discounted present value of the remaining cash flows under the new terms are at least 10 percent different from the discounted present value of the remaining cash flows or the original financial liability. The amendment clarifies that only fees paid and received between the entity and the lender may be included in the calculations to determine whether there is a 10 percent difference. The amendment is applied prospectively.
- IFRS 16, Leases: The amendment removes an illustrative example that includes a reimbursement relating to leasehold improvements since the example does not explain clearly enough the conclusion as to whether the reimbursement would meet the definition of a lease incentive in IFRS 16.
- IAS 41, Agriculture: The amendment removed the requirement to exclude cash flows for taxation when measuring fair value and aligning the requirements with IFRS 13, Fair Value Measurements. The amendment is applied prospectively.

The directors are of the opinion that these amendments will not have a material impact on the financial statements of the company.

IFRS 17 Insurance Contracts (issued on 18 May 2017); including Amendments to IFRS 17 (issued on 25 June 2020) (effective on 1 January 2023).

IFRS 17 Insurance Contracts replaced IFRS 4 Insurance Contracts. The Standard establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts within the scope of the Standard. The objective of IFRS 17 is to ensure that an entity provides relevant information that faithfully represents those contracts.

2.2 Standards, interpretations and amendments to published standards as endorsed by the European Union effective in the current year – continued

Standards, interpretations and amendments to published standards as adopted by the EU in issue but not yet effective for financial periods beginning on 1 January 2021 - continued

This information gives a basis for users of financial statements to assess the effect that insurance contracts have on the entity's financial position, financial performance and cash flows.

The directors are of the opinion that the application of the new IFRS 17 standard will have a material impact on the company's equity.

IFRS 17 offers three possible measurement models. The company directors' chosen measurement model is the building blocks approach which is the default measurement model for insurance contracts. The reason for choosing this measurement model is that the company's contracts have a maturity that go beyond 12 month and have no direct participation features.

The coverage units will be based on the remaining financing sum at risk. For each group of contracts, the coverage units shall be evaluated at each reporting and applied to release the CSM.

As required by IFRS 17 standard, the company shall adjust the estimates of future cashflow to reflect time value of money and the financial risks related to those cashflows, to the extent that the financial risks are not included in the estimates of cashflows. The method chosen by the company's directors is the bottom-up approach using the EIOPA risk free rate and Solvency II volatility adjustment.

The allocation of expenses to the group of contracts under IFRS 17, shall be based on the Solvency II allocation method currently used.

The approach chosen for the assessment of the contractual service margin (CSM) at transition is the modified retrospective approach, as it is the best compromise between precision and complexity.

For each group of contracts;

- Recomputation of IFRS 4 P&L between 01/01/2014 and 31/12/2020
- Assessment of the expected future cashflows beyond 31/12/2020
- Retro-application of IFRS 17 to the Value in Force as of 01/01/2014 using a simplified approach to compute a CSM opening as of 01/01/2021
- Assessment of impact on equity on transition

Standards, interpretations and amendments issued by the International Accounting Standards Board (IASB) but not yet adopted by the European Union:

- Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current and Classification of Liabilities as Current or Non-current - Deferral of Effective Date
- Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies
- Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates
- Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to IFRS 17 Insurance contracts: Initial Application of IFRS 17 and IFRS 9 – Comparative Information

The Directors are assessing the impact that the adoption of these Financial Reporting Standards will have in the financial statements of the Company in the period of initial application.

2.3 Significant accounting judgements, estimates and assumptions

The preparation of the Company's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

2.3 Significant accounting judgements, estimates and assumptions - continued

Judgements

In the process of applying the Company's accounting policies, management has not made any significant judgments, apart from those involving estimations and assumptions, which have a significant effect on the amounts recognised in the financial statements.

Estimates and assumptions

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

Valuation of insurance contract liabilities

Ultimate liability arising from claims made under insurance contracts

Life insurance and reinsurance contracts cover a fixed term in line with the underlying credit or lease period insured. Life insurance and reinsurance contract liabilities are recognised when contracts are entered into and premiums are earned. These liabilities are known as the outstanding claims provision, which are based on the estimated ultimate cost of all claims incurred but not settled at the reporting date, whether reported or not, together with related claims handling costs. Delays can be experienced in the notification and settlement of certain types of claims, therefore the ultimate cost of these cannot be known with certainty at the reporting date. The liability is not discounted for the time value of money. Liabilities are de-recognised when the contract expires, is discharged or is cancelled.

In view of the fact that the contracts written by the Company are of a fixed duration, the life reserve of the Company is calculated as being the equivalent of the undiscounted net cash inflows gross of future claims to be paid in relation to the premiums yet to be earned on policies incepted as at year end.

2.4 Summary of significant accounting policies

(a) Product classification

Insurance contracts and reinsurance contracts are those contracts in which the Company (the "insurer") has accepted significant insurance risk from another party (the "policyholders") by agreeing to compensate the policyholders if a specified uncertain future event (the "insured event") adversely affects the policyholders. As a general guideline, the Company defines significant insurance risk as the possibility of having to compensate the policyholder if a specified uncertain future event (the "insured event") adversely affects the policyholder.

The Company issues contracts that transfer significant insurance risk and has defined all its contracts as insurance/reinsurance contracts.

Long term business – Life

Life business consists of long-term policies that cover the lives of a group of customers for the year under cover. Premiums, including reinsurance premiums, and claims are accounted for when due for payment. Reinsurance recoveries are accounted for in the same year as the related claim. The valuation is carried out in conjunction with the Company's appointed actuary. Profits, which accrue as a result of actuarial valuations, are released to the non-technical Income Statement. Any shortfall between actuarial valuations and the balance on the long-term business provision is appropriated from the non-technical Income Statement.

- 1) Claims incurred comprise claims and related expenses paid in the year and changes in the provision for outstanding claims, including provision for claims incurred but not reported (IBNR) and related expenses.
- 2) Provision is made at the year-end for the estimated cost of claims incurred but not settled at the reporting date, including the cost of claims incurred but not yet reported to the Company. The estimated cost of claims includes expenses to be incurred in settling claims. The Company takes all reasonable steps to ensure that it has appropriate information regarding its claims exposures. The Company does not discount its liabilities for unpaid claims. Liabilities for unpaid claims are estimated using the input of assessments for individual cases reported to the Company and statistical analysis for the claims incurred but not reported, and to estimate the expected ultimate cost of more complex claims that may be affected by external factors.

2.4 Summary of significant accounting policies – continued

(a) Product classification - continued

Reinsurance contracts held

Contracts entered into by the Company with reinsurers under which the Company is compensated for losses on one or more contracts issued by the Company are classified as reinsurance contracts held.

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

The Company assesses its reinsurance assets for impairment on a regular basis. If there is objective evidence that the reinsurance asset is impaired, the Company reduces the carrying amount of the reinsurance asset to its recoverable amount and recognizes that impairment loss in the Income Statement. The Company gathers the objective evidence that a reinsurance asset is impaired using the same process adopted for financial assets held at amortised cost. The impairment loss is also calculated following the same method used for these financial assets.

Receivables and payables related to insurance and reinsurance acceptance contracts

Receivables and payables are recognised when due. These include amounts due to and from intermediaries.

If there is objective evidence that an insurance receivable is impaired, the Company reduces the carrying amount of the insurance receivable accordingly and recognizes that impairment loss in the Income Statement. The Company gathers the objective evidence that an insurance receivable is impaired using the same process adopted for financial assets held at amortised cost.

The impairment loss is calculated following the same method used for financial assets.

(b) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. The useful life of intangible assets are assessed to be finite.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation year and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation year or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the Income Statement in the expense category consistent with the intangible asset.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the Income Statement when the asset is derecognised.

(c) Taxes

Current income tax

Current income tax assets and liabilities for the current year are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

2.4 Summary of significant accounting policies – continued

(c) Taxes - continued

Current income tax - continued

Current income tax relating to items recognised directly in equity is recognised in equity and not in the Income Statement.

Deferred income tax

Deferred income tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences.

Deferred income tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- When the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and in joint ventures, deferred income tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognised deferred income tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred income tax relating to items recognised directly in equity is recognised in equity and not in the Income Statement.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

(d) Financial assets

Initial recognition and subsequent measurement

The Company classifies its financial assets into loans and receivables and financial investments. The classification is dependent on the purpose for which the investments are acquired. The Company determines the classification of its financial assets at initial recognition.

The Company evaluated its financial investments whether the ability and intention to sell them in the near term is still appropriate. All "regular way" purchases and sales of financial assets are recognised at the trade date, that is, the date that the Company commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place.

Financial assets are recognised initially at fair value plus directly attributable transaction costs. The Company's financial assets include cash and short-term deposits, trade and other receivables, loans and other receivables and quoted financial instruments.

2.4 Summary of significant accounting policies- continued

(d) Financial assets - continued

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These investments are initially recognised at cost, being the fair value of the consideration paid for the acquisition of the investment. All transaction costs directly attributable to the acquisition are also included in the cost of the investment. After initial measurement, loans and receivables are measured at amortised cost, using the effective interest method. Gains and losses are recognised in the Income Statement when the investments are derecognised or impaired, as well as through the amortisation process.

Financial Investments

Financial investments are non-derivative financial assets that are designated as fair value through other comprehensive income. These investments are initially recorded at fair value. After initial measurement, financial investments are measured at fair value. Fair value gains and losses are reported as a separate component in Other Comprehensive Income until the investment is derecognised or the investment is determined to be impaired. On derecognition or impairment, the cumulative fair value gains and losses previously reported in equity are transferred to the Income Statement.

(e) Fair value of financial instruments

The fair value of financial instruments that are actively traded in organised financial markets is determined by reference to quoted market bid prices for assets and offer prices for liabilities, at the close of business on the reporting date, without any deduction for transaction costs.

The fair value of fixed rate and overnight deposits with credit institutions is their carrying value. The carrying value is the cost of the deposit and accrued interest.

If the fair value cannot be measured reliably, these financial instruments are measured at cost, being the fair value of the consideration paid for the acquisition of the investment or the amount received on issuing the financial liability. All transaction costs directly attributable to the acquisition are also included in the cost of the investment.

An analysis of fair values of financial instruments and further details as to how they are measured are provided in Note 11.

(f) Impairment of financial assets

The Company assesses at each reporting date whether a financial asset or group of financial assets is impaired.

Assets carried at amortised cost

If there is objective evidence that an impairment loss on assets carried at amortised cost has been incurred, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the loss is recorded in the Income Statement.

The Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment. The impairment assessment is performed at each reporting date.

If, in a subsequent year, the amount of the impairment loss decreases and that decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in the Income Statement, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

2.4 Summary of significant accounting policies- continued

(f) Impairment of financial assets – continued

Financial investments

If financial investments are impaired, an amount comprising the difference between its cost (net of any principal repayment and amortisation) and its current fair value, less any impairment loss previously recognised in Other Comprehensive Income, is transferred from equity to the Income Statement. Reversals in respect of equity instruments classified as financial investments are not recognised in the Income Statement.

Reversals of impairment losses on debt instruments classified at financial investments are reversed through the Income Statement if the increase in the fair value of the instruments can be objectively related to an event occurring after the impairment losses were recognised in the Income Statement.

(g) Derecognition of financial assets

A financial asset (or, when applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- The rights to receive cash flows from the asset have expired.
- The Company retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement.
- The Company has transferred its rights to receive cash flows from the asset and either:
 - has transferred substantially all the risks and rewards of the asset, or
 - has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its right to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Company's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

When continuing involvement takes the form of a written and/or purchased option (including a cash settled option or similar provision) on the transferred asset, the extent of the Company's continuing involvement is the amount of the transferred asset that the Company may repurchase, except that, in the case of a written put option (including a cash settled option or similar provision) on an asset measured at fair value, the extent of the Company's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

(h) Impairment of non-financial assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Company makes an estimate of the recoverable amount. A previous impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the Income Statement unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase.

(i) Equipment

Equipment is stated at cost, excluding the costs of day to day servicing, less accumulated depreciation and accumulated impairment losses. Replacement costs are capitalized when incurred and if it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably.

2.4 Summary of significant accounting policies- continued

(i) Equipment - continued

Depreciation is provided on a straight line basis over the useful lives of the following classes of assets:

Furniture, fixture and fittings: 8 years

The assets' residual values and useful lives are reviewed and adjusted if appropriate at each financial year end.

Impairment reviews are performed when there are indicators that the carrying value may not be recoverable. Impairment losses are recognised in the Income Statement as an expense.

An item of property and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the Income Statement in the year the asset is derecognised.

(j) Reinsurance Ceded

The Company cedes insurance risk in the normal course of business for all of its businesses. Reinsurance assets represent balances due from reinsurance companies. Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision or settled claims associated with the reinsurer's policies and are in accordance with the related reinsurance contract.

Reinsurance assets are reviewed for impairment at each reporting date or more frequently when an indication of impairment arises during the reporting year. Impairment occurs when there is objective evidence as a result of an event that occurred after initial recognition of the reinsurance asset that the Company may not receive all outstanding amounts due under the terms of the contract and the event has a reliably measurable impact on the amounts that the Company will receive from the reinsurer. The impairment loss is recorded in the Income Statement.

Ceded reinsurance arrangements do not relieve the Company from its obligations to policyholders.

Reinsurance assets or liabilities are derecognised when the contractual rights are extinguished or expire or when the contract is transferred to another party.

(k) Insurance and other receivables

Insurance receivables are recognised when due and measured on initial recognition at the fair value of the consideration received or receivable. Subsequent to initial recognition, insurance receivables are measured at amortised cost, using the effective interest method. The carrying value of insurance receivables is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable, with the impairment loss recorded in the income statement.

Insurance receivables are derecognised when the derecognition criteria for financial assets, as described in Note 2.4(g), have been met.

(l) Cash and cash equivalents

Cash and cash equivalents comprise of cash at bank and in hand and short-term deposits with a maturity of three months or less in the Statement of Financial Position.

(m) Insurance contract liabilities

Life insurance and reinsurance contract liabilities

Life insurance and reinsurance contracts covers a fixed term in line with the underlying credit or lease period insured. Life insurance and reinsurance contract liabilities are recognised when contracts are entered into and premiums are earned. These liabilities are known as the outstanding claims provision, which are based on the estimated ultimate cost of all claims incurred but not settled at the reporting date, whether reported or not, together with related claims handling costs. Delays can be experienced in the notification and settlement of certain types of claims, therefore the ultimate cost of these cannot be known with certainty at the reporting date. The liability is not discounted for the time value of money. The liabilities are de-recognised when the contract expires, is discharged or is cancelled.

2.4 Summary of significant accounting policies- continued

(m) Insurance contract liabilities - continued

Life insurance and reinsurance contract liabilities - continued

In view of the fact that the contracts written by the Company are of a fixed duration, the life reserve of the Company is calculated as being the equivalent of the undiscounted net cash inflows gross of future claims to be paid in relation to the premiums yet to be earned on policies incepted as at year end.

All insurance and reinsurance contracts are subject to a liability adequacy test, which is conducted by the Company's actuary at each reporting date. The liability value is adjusted to the extent that it is insufficient to meet future benefits and expenses. Adjustments to the liabilities at each reporting date are recorded in the Income Statement. The liability in respect of an individual contract is derecognised when the contract expires, is discharged or is cancelled.

For the purpose of the LAT adequacy testing, the discounted value of the expected future benefits payable by the Company are deducted from the discounted value of the expected value of theoretical future premiums. The discounted value of the expected benefits payable and the discounted value of the expected theoretical premiums are based on certain valuation assumptions used such as, interest rates, mortality rates, expenses with margins included for risk and adverse deviation and lapse rates.

The above method of provisioning satisfies the requirements of IFRS 4.

(n) Other financial liabilities and insurance payables

Other financial liabilities and insurance payables are recognised when due and measured on initial recognition at the fair value of the consideration received. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method.

(o) Derecognition of financial liabilities and insurance payables

Financial liabilities and insurance payables are derecognised when the obligation under the liability is discharged, cancelled or expired.

When the existing liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the Income Statement.

(p) Provisions

General

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Company expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the Income Statement net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a financial cost.

(q) Equity movements

Ordinary share capital

The Company has issued ordinary shares that are classified as equity. Incremental external costs that are directly attributable to the issue of these shares are recognised in equity, net of tax.

2.4 Summary of significant accounting policies- continued

(q) Equity movements - continued

Dividends on ordinary share capital

Dividends on ordinary shares are recognised as a liability and deducted from equity when they are approved by the Company's shareholders. Interim dividends are deducted from equity when they are paid.

(r) Revenue recognition

Gross premiums

Premium recognition is described in accounting policy (a) dealing with insurance contracts.

Reinsurance premiums

Premium recognition is described in accounting policy (a) dealing with insurance contracts.

Investment income

Interest income is recognised in the Income Statement as it accrues and is calculated by using the effective interest method. Fees and commissions that are an integral part of the effective yield of the financial asset or liability are recognised as an adjustment to the effective interest rate of the instrument.

Realised gains and losses

Realised gains and losses recorded in the Income Statement on investments include gains and losses on financial assets. Gains and losses on the sale of investments are calculated as the difference between net sales proceeds and the original or amortised cost and are recorded on occurrence of the sale transaction.

(s) Benefits, claims and expenses recognition

Gross benefits and claims

Insurance claims include all claims occurring during the year, whether reported or not, related internal and external claims handling costs that are directly related to the processing and settlement of claims. For life insurance contracts, the liability is calculated on the basis of a prudent, prospective actuarial method, using assumptions regarding mortality and maintenance expenses and includes margins for adverse deviations. The liability is recalculated at each year-end. It is determined by the Company's approved actuary following bi-annual investigation of the financial condition of the Company's long-term business provisions as required by the Insurance Business Act, Cap. 403 of the Laws of Malta. The above method of calculation satisfies the minimum liability adequacy test required by IFRS 4.

Reinsurance claims

Reinsurance claims are recognised when the related gross insurance claim is recognised according to the terms of the relevant contract.

(t) Events after the reporting date

The financial statements are adjusted to reflect events that occurred between the reporting date and the date when the financial statements are authorised for issue, provided they give evidence of conditions that existed at the reporting date. Events that are indicative of conditions that arose after the reporting date are disclosed, but do not result in an adjustment of the financial statements themselves.

(u) Deferred expenses

Deferred acquisition costs ("DAC")

Those direct and indirect costs incurred during the financial year arising from the writing or renewing of insurance business contracts are deferred to the extent that these costs are recoverable out of future premiums. All other acquisition costs are recognised as an expense when incurred.

2.4 Summary of significant accounting policies- continued

(u) Deferred expenses - continued

Deferred acquisition costs ("DAC") - continued

Subsequent to initial recognition, DAC are amortised over the year in which the related income is earned. The reinsurers' share of deferred acquisition costs is amortised in the same manner as the underlying asset amortisation is recorded in the Income Statement.

Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation year and are treated as a change in an accounting estimate.

An impairment review is performed at each reporting date or more frequently when an indication of impairment arises. When the recoverable amount is less than the carrying value, an impairment loss is recognised in the Income Statement. DAC are also considered in the liability adequacy test for each reporting year. DAC are derecognised when the related contracts are either settled or disposed of.

Reinsurance commissions

Commissions' receivable on outwards reinsurance contracts are deferred and amortised on a straight line basis over the term of the expected premiums earned.

(v) Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates (the 'functional currency'). These financial statements are presented in Euro, which is the Company's functional and presentation currency.

3. Investment return

	2021 €	2020 €
<i>Investment income</i>		
Financial investments interest income	1,131,527	1,974,656
Interest income on loans and receivables	354,234	352,870
Financial investments, amortisation of discount (note 11)	3,300	4,732
Total investment income	1,489,061	2,332,258
<i>Investment expenses and charges</i>		
Financial Investments		
Amortisation of premium (note 11)	(1,045,753)	(1,814,889)
Impairment allowance	37,760	25,241
Total investment expenses and charges	(1,045,753)	(1,789,648)
Total Investment Income	443,308	542,610
Analysed between:		
Allocated investment return transferred to the technical account	219,337	246,010
Investment return included in the non-technical account	223,971	296,600
Total Investment Income	443,308	542,610

4. Net operating expenses

	2021 €	2020 €
Acquisition costs	80,572,901	80,257,228
Reinsurance commission and profit commission	(32,884,711)	(50,678,303)
Administrative costs	3,152,849	3,064,774
Total net operating expenses	50,841,039	32,643,699
Allocated to:		
Technical Income Statement	47,688,190	29,578,925
Non technical Income Statement	3,152,849	3,064,774
Total net operating expenses	50,841,039	32,643,699

Total commissions paid for direct business accounted for during the year amounted to €80,572,901 (2020: €80,257,228).

5. Expenses by nature

	Notes	2021 €	2020 €
IT operational costs		1,376,469	1,014,987
Depreciation of equipment	9	9,066	9,066
Professional Fees		1,223,361	1,404,257
Employee benefit expenses	6	696,237	614,493
Director's fees		7,000	7,000
Other expenses		324,952	362,481
		3,637,085	3,412,284
Allocated to:			
Technical income statement		484,236	347,510
Non technical income statement		3,152,849	3,064,774
		3,637,085	3,412,284

Professional fees include fees charged by the auditor for services rendered during the financial year ending 31 December and relate to the following:

	2021 €	2020 €
Annual statutory audit	33,040	33,040

6. Employee benefit expenses

	Notes	2021 €	2020 €
Wages and salaries		656,911	575,976
Social Security		39,326	38,517
Total employee benefit expenses	5	696,237	614,493

The average number of persons employed during the year was:

	2021	2020
Managerial	1	1
Technical	4	3
Administrative	10	12
	15	16

7. Income tax expense

(a) Current tax expense for the year

		2021 €	2020 €
Current tax expense		21,713,760	25,822,065
Deferred tax expenses	12	13,216	8,834
Total income tax expense		21,726,976	25,830,899

(b) Tax recorded in Other Comprehensive Income (Note 12, 17)

		2021 €	2020 €
Deferred tax liability		4,430	192,184
Total tax charge to Other Comprehensive Income		4,430	192,184

(c) Tax recorded in Income Statement (Note 12,17)

		2021 €	2020 €
Deferred tax asset		31,644	44,860
Total tax charge to Income Statement		31,644	44,860

(d) Reconciliation of tax expense

		2021 €	2020 €
Profit before tax		62,077,074	73,802,567
Tax charge at Malta's statutory income tax rate of 35%		21,726,976	25,830,899

8. Intangible assets

		2021 €	2020 €
Computer software			
At 31 December			
Cost		702,208	702,208
Accumulated amortisation		(702,208)	(702,208)
Carrying amount at 31 December		-	-

Intangible assets have been fully amortised but are still in use.

9. Equipment

		2020 €
Furniture, fixtures and fittings		
Opening carrying amount	29,438	
Depreciation charge	(9,066)	
	20,372	
Closing carrying amount		20,372
At 31 December		
Cost	51,928	
Accumulated depreciation	(31,556)	
	20,372	
Carrying amount		20,372
		2021 €
Furniture, fixtures and fittings		
Opening carrying amount	20,372	
Depreciation charge	(9,066)	
	11,306	
Closing carrying amount		11,306
At 31 December		
Cost	51,928	
Accumulated depreciation	(40,622)	
	11,306	
Carrying amount		11,306

10. Loans and receivables

	2021 €	2020 €
Loans and receivables at amortised cost		
Deposits held with financial institutions	91,000,000	109,000,000
	91,000,000	109,000,000

The above deposits earn interest at an average fixed rate of 0.60% (2020: 0.56%).

Loans and receivables mature as follows:

	2021 €	2020 €
<i>Loans and receivables</i>		
Within one year	39,000,000	28,000,000
Between one and two years	26,000,000	35,000,000
Between two and five years	26,000,000	46,000,000
	91,000,000	109,000,000

11. Financial Investments

Financial Investments at fair value	2021 €	2020 €
Debt securities	70,761,583	91,147,919

(a) Financial investments mature as follows:

<i>Financial Investments</i>	2021 €	2020 €
Within one year	24,606,055	47,352,347
Between one and two years	14,657,803	29,028,819
Between two and five years	31,497,725	14,766,753
	70,761,583	91,147,919

(b) Reconciliation

	Notes	2021 €	2020 €
Balance at beginning of year		91,147,919	99,876,967
Purchases		31,920,728	12,233,915
Maturities		(50,600,000)	(19,000,000)
Amortisation of premiums	3	(1,080,214)	(1,810,155)
Fair value gain recorded in Other Comprehensive Income	17	(536,440)	(24,637)
Impairment		(90,410)	(128,171)
Balance at end of year		70,761,583	91,147,919

(c) Fair values hierarchy

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

	2021 Level 1 €	2020 Level 1 €
31 December		
Financial Investments:		
Debt securities	70,761,583	91,147,919

Included in the Level 1 category are financial assets that are measured in whole by reference to published quotes in an active market. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis.

12. Deferred Taxation

(a) Movement in deferred tax

	2021 €	2020 €
At beginning of year	(147,324)	(147,112)
Movement recorded during the year:		
- in Income Statement (note 7)	(13,216)	(8,834)
- in Other Comprehensive Income (note 17)	187,754	8,622
At end of year	27,214	(147,324)

Deferred income taxes are calculated on all temporary differences using a principal tax rate of 35% (2019: 35%). The analysis of deferred tax (assets)/liabilities is as follows:

	2021 €	2020 €
Temporary differences attributable to unrealised fair value	(4,430)	(192,184)
Temporary differences attributable to other provisions	31,644	44,860
Balance at 31 December	27,214	(147,324)

The following amounts are shown in the statement of financial position:

	2021 €	2020 €
Deferred tax asset	31,644	44,860
Deferred tax liability	(4,430)	(192,184)
	27,214	(147,324)

13. Insurance liabilities and reinsurance assets

	2021 €	2020 €
Gross		
Insurance contracts		
- claims reported	8,850,946	11,186,300
- claims incurred but not reported	26,170,454	18,855,914
- long-term business provision	140,637,012	154,621,183
Total technical provisions, gross	175,658,412	184,663,397

13. Insurance liabilities and reinsurance assets - continued

Recoverable from reinsurer

Insurance contracts		
- claims outstanding	2,602,552	4,046,446
- claims incurred but not reported	10,602,562	7,940,998
- long-term business provision	30,826,897	46,613,726
Total reinsurer's share of insurance liabilities	44,032,011	58,601,170

Net

Insurance contracts		
- claims outstanding	6,248,394	7,139,854
- claims incurred but not reported	15,567,892	10,914,916
- long-term business provision	109,810,115	108,007,457
Total technical provisions, net	131,626,401	126,062,227

The claims outstanding are based on case-by-case estimates supplemented with additional provisions for IBNR, in those instances where the ultimate cost determined by estimation techniques is higher. The long-term business provision is subject to an annual statutory valuation undertaken by the approved actuary based on data and information provided by the Company.

Amounts due from reinsurer in respect of claims already paid by the Company on the contracts that are reinsured are offset against the amounts due to the same reinsurer for the premium ceded under the respective treaties. The balances due from/to reinsurer are disclosed within receivables and payables in notes 14 and 18.

Long term business provision

The balance on the long term business provision has been certified by the Company's approved actuary as being sufficient to meet liabilities at 31 December 2021.

Movements in insurance liabilities

(a) Claims and loss adjustments

	2021 €	2020 €
Gross		
At beginning of reporting year	30,042,208	29,696,581
Claims settled during the year	(31,611,032)	(24,270,668)
Increase in liabilities		
- arising from current year claims	36,710,957	35,455,747
- arising from prior year claims	(120,740)	(10,839,452)
Commutation of insurance liabilities	-	-
At end of reporting year	35,021,393	30,042,208

13. Insurance liabilities and reinsurance assets - continued

	2021 €	2020 €
Reinsurer's share		
At beginning of reporting year	11,987,446	13,613,879
Claims settled during the year	(9,483,832)	(8,715,635)
Increase in liabilities		
- arising from current year claims	10,558,448	12,600,124
- arising from prior year claims	143,054	(5,510,922)
At end of reporting year	13,205,116	11,987,446
	2021 €	2020 €
Net		
At beginning of reporting year	18,054,762	16,082,702
Claims settled during the year	(22,127,200)	(15,555,033)
Increase in liabilities		
- arising from current year claims	26,152,509	22,855,623
- arising from prior year claims	(263,794)	(5,328,530)
At end of reporting year	21,816,277	18,054,762

14. Insurance and other receivables

	2021 €	2020 €
<i>Receivables arising from direct insurance operations</i>		
- due from group undertaking	14,436,395	13,336,576
<i>Other receivables</i>		
- accrued interest from group undertaking	193,611	233,633
- other accrued interest income	378,232	1,001,329
- due from others	11,605	41,053
	15,019,843	14,612,591

Insurance and other receivables are classified as current assets.

15. Cash and cash equivalents

	2021 €	2020 €
Cash at bank and in hand	87,915,330	65,996,178
Short-term deposits (including demand and time deposits)	-	5,000,000
Total cash and cash equivalents	87,915,330	70,996,178

Short-term deposits are made for varying periods of between one day and three months depending in the immediate cash requirements of the Company. Deposits are subject to an average fixed interest rate of 0% (2020: 0.02%). The carrying amounts disclosed above reasonably approximate fair value at the reporting date.

16. Share capital

	2021 €	2020 €
Authorised ordinary shares 59,000 (2020: 59,000) ordinary shares of €100 each	5,900,000	5,900,000
Ordinary shares issued and fully paid 59,000 (2020: 59,000) ordinary shares of €100 each	5,900,000	5,900,000

17. Other reserves

This reserve records fair value changes on financial investments, representing unrealised gains not available for distribution.

	2021 €	2020 €
Balance at 1 January	356,912	372,927
Gross movement in revaluation (Note 11)	(536,440)	(24,637)
Deferred tax (Note 12)	187,754	8,622
Balance at 31 December	8,226	356,912

18. Insurance and other payables

	2021 €	2020 €
Creditors arising out of direct insurance operations		
- parent company	571,043	449,076
- group undertaking	6,726,570	6,358,219
- others	45,686,837	60,618,309
Accruals and other payables	798,974	824,416
Other tax payables	479,882	384,282
	54,263,306	68,634,302

The carrying amount disclosed above reasonably approximate fair value at the reporting date.

All amounts are payable within one year.

19. Risk management framework

Capital management objectives, policies and approach

The Company has established the following capital management objectives, policies and approach to managing the risks that affect its capital position:

- To maintain the required level of stability of the Company thereby providing a degree of security to policyholders.
- To allocate capital efficiently and support the development of business by ensuring that returns on capital employed meet the requirements of its shareholders.
- To retain financial flexibility by maintaining strong liquidity and access to a range of capital markets.
- To align the profile of assets and liabilities taking account of risks inherent in the business.
- To maintain financial strength to support new business growth and to satisfy the requirements of the policyholders, regulators and stakeholders.
- To maintain strong credit ratings and healthy capital ratios in order to support its business objectives and maximise shareholders value.

The Company's capital management policy for its insurance business is to hold sufficient capital to cover the statutory requirements based on the MFSA Directives, including any additional amounts required by the Malta Financial Services Authority, the Regulator. The Company was compliant with the regulatory solvency requirements throughout the financial year.

The Solvency II Directive (2009/138/EC) came into force on 1st January 2016, with new regulatory requirements that dictate the capital required to service the risks the Company is currently undertaking. Solvency II also outlines how the own funds shall be derived by converting the Statement of Financial Position from an IFRS perspective to one where assets and liabilities are measured in line with their underlying economic value. As of this date, the solvency calculations under Solvency I regime will no longer be applicable.

The Directors are actively involved in the implementation of the Solvency II rules and these are highly embedded in the Company's operations. Regular monitoring of the SCR is considered crucial and a Capital Management and Dividend Policy has been put in place to describe the principles governing capital management and dividend distribution of the Company, that is, the process to be followed prior to effecting any decision impacting the capital position of RCI Life Limited thereby ensuring that the Company has sufficient levels of capital at all times to be able to service existing and foreseeable risks.

The MCR for the Company based on the audited SCR calculations as at 31 December 2021 is €16,818,657 (2020: €16,715,740). The Company has complied with the capital and solvency requirements as stipulated in the rules issued by the MFSA. Going forward, the Company is also expected to continue meeting the Solvency II requirements, based on the projected SCR calculations included in the 2021 ORSA report. In the case of any solvency gap, the Directors have put in place a capital plan aimed to ensure that the Company will have adequate 'own funds' to meet the required SCR.

20. Insurance and financial risk

The Company issues contracts that transfer insurance and/or financial risks. This section summarises these risks and the way in which the Company manages them.

(a) Insurance risk

The principal risk the Company faces under insurance contracts is that the actual claims and benefit payments or timing thereof, differ from expectations. This is influenced by the frequency of claims, severity of claims and actual benefits paid. Therefore, the objective of the Company is to ensure that sufficient reserves are available to cover these liabilities. The contracts provide insurance cover to customers to repay outstanding financial commitments in respect of car lease/loan agreements up to specified maximum amounts in the event of death.

The above risk exposure is mitigated by diversification of insurance contracts in different geographical areas. The variability of risks is also improved by careful selection and implementation of underwriting strategy guidelines and claim review policies, as well as the use of reinsurance arrangements.

The Company principally underwrites payment protection insurance covering death to clients of its ultimate parent company, RCI Banque S.A. Risks under these insurance policies on average span over a period of four years. As at the end of the year, the Company was operating in Germany, France, Italy, Spain and Austria.

20. Insurance and financial risk- continued

(a) Insurance risk- continued

The variability of risks is improved by careful selection and implementation of underwriting strategies. The Company's business is underwritten through an intermediary's network consisting of Group companies. Internal underwriting guidelines are in place to enforce appropriate risk selection criteria and are reinforced by controls that are in place at a Group level. The cover provided is limited by factors such as age, term of the lease/loan, benefit amount and cause of death. Furthermore, strict claim review policies to assess all new and ongoing claims, regular detailed review of claims handling procedures and frequent investigation of possible fraudulent claims are all policies and procedures put in place to reduce the risk exposure of the Company. The Company further enforces a policy of actively managing and promptly pursuing claims, in order to reduce its exposure to unpredictable future developments that can negatively impact the business. An independent actuary determines the life insurance contract liabilities at each reporting date.

The Company purchases reinsurance as part of its risk mitigation program. Reinsurance ceded is placed on a proportional basis. This quota-share reinsurance is taken out to reduce the overall exposure of the Company in all countries. Although the Company has reinsurance arrangements, it is not relieved of its direct obligations to its policyholders and thus a credit exposure exists with respect to ceded insurance, to the extent that the reinsurer is unable to meet its obligations assumed under such reinsurance agreements. The Company has placed its reinsurance treaty with an AA- rated company. The Company actively monitors the rating of the reinsurer.

(b) Financial risks

The Company is exposed to financial risk that the proceeds from its financial assets are not sufficient to fund the obligations arising from its insurance risk

The most important components of this financial risk are market risk (including interest rate risk), credit risk and liquidity risk. The risk management policies employed by the Company to manage these risks are discussed below.

(1) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss to the other party by failing to discharge an obligation.

The Company writes PPI risks for the Renault group through various group entities. The Company therefore has no counterparty insurance credit risk to parties outside the Renault group thereby reducing substantially its credit risk.

The Company invests in French, Italian and Spanish government bonds, EIB bonds, and corporate bonds with reputable counterparties and holds deposits with RCI Banque S.A., a BBB rated financial institution licensed and regulated by the French Banque de France, a member of the Renault Group.

The primary debtor is the Company's parent undertaking, a BBB rated financial institution licensed and regulated by the French Banque de France.

Reinsurance is placed with a counterparty that has an AA- credit rating. At each reporting date, management performs an assessment of creditworthiness of the reinsurer and updates the reinsurance purchase strategy, ascertaining suitable allowance for impairment.

The credit risk in respect of customer balances incurred on non-payment of premiums or contributions will only persist during the grace period specified in the policy document or trust deed until expiry, when the policy is either paid up or terminated. Commission paid to intermediaries are only settled once premium has been received thereby reducing the overall credit exposure.

20. Insurance and financial risk- continued

(b) Financial risks- continued

(1) Credit risk- continued

Credit exposure

The table below shows the maximum exposure to credit risk for the components of the Statement of Financial Position and items such as future commitments.

31 December	Notes	2021 €	2020 €
Loans and receivables	10	91,000,000	109,000,000
Financial investments			
- debt securities	11	70,761,583	91,147,919
Reinsurer's share of technical provisions	13	44,032,011	58,601,170
Insurance and other receivables	14	15,019,843	14,612,591
Cash and cash equivalents	15	87,915,330	70,996,178
Total credit risk exposure		308,728,767	344,357,858

Credit exposure by credit rating

The table below provides information regarding the credit risk exposure of the Company at 31 December by classifying assets according to the Standard and Poor's credit ratings (or equivalent) of the counterparties. AAA is the highest possible rating. Assets that fall outside the range of AAA to BBB- are classified as not rated.

31 December 2021	AA €	AA- €	A+/A/A- €	Neither past due nor impaired		Total €
				BBB/BBB+ €	Not rated €	
Financial instruments	-	-	-	91,000,000	-	91,000,000
Loans and receivables	-	-	-	-	-	-
Financial investments						
- debt securities	9,563,687	5,543,663	43,825,447	11,828,786	-	70,761,583
Reinsurance assets	-	44,032,011	-	-	-	44,032,011
Insurance receivables	18,836	-	297,866	14,691,537	11,605	15,019,844
Cash and cash equivalents	-	-	-	76,168,086	11,747,244	87,915,330
Total	9,582,523	49,575,674	44,123,313	193,688,409	11,758,849	308,728,768

31 December 2020	AA €	AA- €	A+/A/A- €	Neither past due nor impaired		Total €
				BBB/BBB+ €	Not rated €	
Financial instruments	-	-	-	109,000,000	-	109,000,000
Loans and receivables	-	-	-	-	-	-
Financial investments						
- debt securities	12,133,695	10,504,753	51,843,399	16,666,072	-	91,147,919
Reinsurance assets	-	58,601,170	-	-	-	58,601,170
Insurance receivables	30,274	207,502	621,493	13,712,269	41,053	14,612,591
Cash and cash equivalents	-	-	-	58,143,369	12,852,809	70,996,178
Total	12,163,969	69,313,425	52,464,892	197,521,710	12,893,862	344,357,858

20. Insurance and financial risk- continued

(b) Financial risks- continued

(1) Credit risk- continued

Impaired financial assets

For assets to be classified as 'past-due and impaired' contractual payments must be in arrears for more than 90 days.

At 31 December 2021, €90,410 (2020: €128,171) of the Company's assets were considered to be impaired in accordance with IFRS 9 'Financial Instruments'.

(2) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial instruments. In respect of catastrophic events there is also a liquidity risk associated with the timing differences between gross cash out-flows and expected reinsurance recoveries.

The following policies and procedures are in place to mitigate the Company's exposure to liquidity risk:

- A Company liquidity risk policy setting out the assessment and determination of what constitutes liquidity risk for the Company. Compliance with the policy is monitored and exposures and breaches are reported to the Company investment committee. The policy is regularly reviewed for pertinence and for changes in the risk environment.
- Set guidelines on asset allocations, portfolio limit structures and maturity profiles of assets, in order to ensure sufficient funding available to meet insurance and investment contracts obligations.

The following table indicates the expected timing of cash flows arising from the Company's liabilities:

31 December 2021	0-1 year €	1-5 years €	>5 years €	Total €
Technical provisions	88,724,218	84,371,509	2,562,685	175,658,412
Insurance and other payables	26,022,175	27,408,627	832,504	54,263,306
Income tax payable	21,704,020	-	-	21,704,020
Deferred taxation	4,430	-	-	4,430
Total	136,454,843	111,780,136	3,395,189	251,630,168
<hr/>				
31 December 2020	0-1 year €	1-5 years €	>5 years €	Total €
Technical provisions	86,637,117	94,279,222	3,747,058	184,663,397
Insurance and other payables	30,203,687	36,961,604	1,469,011	68,634,302
Income tax payable	25,821,402	-	-	25,821,402
Deferred taxation	192,184	-	-	192,184
Total	142,854,390	131,240,826	5,216,069	279,311,285

(3) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: foreign exchange rates (currency risk), market interest rates (interest rate risk) and market prices (price risk). The Company invests in fixed income securities and deposits thereby exposing itself to interest rate risk. The Company's assets and liabilities are all denominated in Euro thereby leaving the Company with no currency exposure.

Interest rate risk is the risk that the value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

20. Insurance and financial risk- continued

(b) Financial risks- continued

(4) Interest rate risk

Floating rate instruments expose the Company to cash flow interest risk, whereas fixed interest rate instruments expose the Company to fair value interest risk. The Company invests primarily in fixed interest rate bonds, long-term and short-term deposits which are re-priced at renewal of the deposit.

The Company's net exposure to interest rate risk is not considered to be material in view of the fact that the interest rates of the financial investments are fixed. Accordingly, a sensitivity analysis for interest rate risk disclosing how profit or loss and equity would have been affected by changes in interest rates that were reasonably possible at reporting date is not deemed necessary.

21. Cash generated from operating activities

	Note	2021 €	2020 €
Profit before tax		62,077,074	73,802,568
<i>Adjustment for:</i>			
Depreciation of fixed assets	9	9,066	9,066
Interest income		(1,719,780)	(2,327,526)
Amortisation of premium on financial investments	11	1,080,214	1,810,155
Impairment allowance		90,410	128,171
<i>Movements in items on the Statement of Financial Position:</i>			
Decrease/Increase in reinsurer's share of technical provisions		14,569,159	17,267,231
Decrease/Increase in insurance and other receivables		(1,070,371)	908,597
Increase in technical provisions		(9,004,986)	(13,751,560)
Decrease/Increase in insurance and other payables		(14,370,996)	(17,793,043)
Cash generated from operating activities		51,659,790	60,053,659

22. Contingencies and commitments

The Company does not have any contingencies or commitments at the reporting date.

23. Related party disclosures

(a) Transactions with related parties

The Company enters into transactions with its parent, group undertakings and key management personnel in the normal course of business. The sales to and purchases from related parties are made at normal market prices.

23. Related party disclosures - continued

(a) Transactions with related parties - continued

Details of significant transactions carried out during the year with related parties are as follows:

	Notes	2021 €	2020 €
(a) Sale of insurance contracts and other services			
Investment income from parent	3	354,234	352,870
(b) Purchase of insurance and other services			
Commission paid to group undertaking		80,572,901	80,257,228
Claim handling fee paid to group undertaking		1,902,951	1,891,374
Recharge of expenses for back-office services provided		2,459,034	1,438,220
Dividends paid	24	47,971,668	43,244,905

Director's fees have been disclosed in Note 5. The Risk & Compliance Manager, the Operations Manager and the IT & Administration Manager are considered by the Company to be Key Management Personnel. The total payments to Key Management Personnel were €97,697 (2020: €97,282.93).

(b) Balances with related parties

Receivables from and payables to related parties are as follows:

	Notes	2021 €	2020 €
Receivables from related parties			
Receivable arising out of direct insurance operations			
- group undertakings	14	14,436,395	13,336,576
Deposits held with intermediate parent	10	91,000,000	109,000,000
Interest income due from intermediate parent	14	193,611	233,633
Cash and cash equivalents held with intermediate parent	20	76,168,086	58,143,369
Payables to related parties			
Payable arising out of direct insurance operations			
- group undertakings	18	6,726,570	6,358,219
- parent company	18	571,043	449,076

Loans and receivables are unsecured and earn an average fixed interest of 0.60% (2020: 0.56%) (Note 10). Deposits held with group undertakings earn an average fixed interest of 0.23% (2020: 0.071%) (Note 15). All other outstanding balances at the reporting date are unsecured and interest free. Settlement will take place in cash. There was no provision for doubtful debts at the reporting date and no bad debt expense in the year (2020: Nil).

24. Dividends

	2021 €	2020 €
Dividends paid on ordinary shares net (note 23)	47,971,668	43,244,905
Dividends per ordinary share	813.08	732.96

INDEPENDENT AUDITORS' REPORT

To the members of RCI Life Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of RCI Life Limited (the Company), set out on pages 5 to 38, which comprise the statement of financial position as at 31 December 2021 and the Income statements, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2021, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the 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 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) (APA) 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. Our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to report to our assessment of the risk of material misstatement of the financial statements. The results of our audit procedures,

INDEPENDENT AUDITORS' REPORT

To the members of RCI Life Limited (continued)

Other Information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and the auditors' report thereon. Our opinion on the financial statements does not cover this information, and we do not express any form of assurance conclusion thereon other than our reporting on other legal and reporting requirements. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

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.

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.

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

INDEPENDENT AUDITORS' REPORT

To the members of RCI Life Limited (continued)

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.
- Consider the extent of compliance with those laws and regulations that directly affect the financial statements, as part of our procedures on the related financial statements items. For the remaining laws and regulations, we make enquiries of directors and other management, and inspect correspondence with the regulatory authority as well as legal correspondence. As with Fraud, there remains a higher risk of non-detection of other irregularities (whether or not these relate to an area of law directly related to the financial statements), as these may likewise involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- 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.

INDEPENDENT AUDITORS' REPORT

To the members of RCI Life Limited (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 audit committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the audit committee 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 the audit committee, 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.

Report on Other Legal and Regulatory Requirements (Continued)

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

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 assume responsibility to anyone other than the company's members as a body for our audit work, for this report or for the opinions we have formed.

INDEPENDENT AUDITORS' REPORT

To the members of RCI Life Ltd Limited (continued)

Appointment

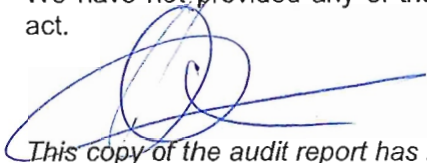
We were appointed by the shareholders as auditors of RCI Life Limited on 7 April 2021, as for the year ended 31 December 2021. The period of total uninterrupted engagement is one year.

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 the accountancy profession act.



*This copy of the audit report has been signed by
Anthony Attard (Partner) for and on behalf of*

Mazars Malta

Certified Public Accountants

Office address:

The Watercourse, Level 2,
Mdina road, Zone 2, Central business district,
Birkirkara CBD2010 - Malta
4 April 2022