

RCI Insurance Limited

Annual Report and Financial Statements

for the year ended

31 December 2022

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Directors' Report

The Directors present the annual report and the audited financial statements of RCI Insurance Limited (the "Company") for the year ended 31 December 2022.

Principal activities

The Company's principal activity is that of carrying on business of insurance and reinsurance falling within Classes 1, 2 and 16 of the Insurance Business Act, Cap.403 of the Laws of Malta.

Review of the business

This is the thirteenth year of operation of the Company, with the Company writing direct insurance business in Germany, France, Italy, Spain and Romania and from this year also in Austria and Portugal. The Company also writes business of reinsurance in France and Germany.

During the year ended 31 December 2022, the Company wrote a total premium income of €200,886,455 up by 2.9% (2021: 2.9%) compared to that written during 2021 at €190,278,609 .

The combined ratio decreased to 42.8% from the 43.3% registered in 2021. The decrease mainly resulted from a better loss ratio.

The Company's net investment income increased by 66% to €686,854 in 2022 (2021: decreased by 26% to €412,273).

The total profit for the year after tax amounted to €76,847,995 (2021: €74,402,775). The increase in profitability is mainly attributable to the factors explained above.

The Shareholders' Funds of the Company at €154,042,607 (2021: €145,826,160) increased by 5.6% (2021: 14.1%) resulting from better profit after tax registered during the year under review and a further capital contribution of €8,928,334 made during the year 2022 (2021: €16,695,336).

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 As from this date, the solvency calculations under Solvency I regime are no longer applicable.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 2022, 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 2022 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 21 to the notes to these financial statements. While disclosures relating to exposures to insurance risk, credit risk, liquidity risk and market risk are included in Note 22 to the notes to these financial statements. These are also supplemented by Note 2.4 relating to significant accounting policies.

The directors of the Company are closely monitoring the situation and the possible impact of the Russia – Ukraine war. The Company has no direct impact as no business is written and no services or products are sourced in either country. Therefore, the current sanctions imposed by the EU, the US and the UK authorities are not applicable to the Company.

Directors' Report- continued

Principal risks - continued

The directors will regularly monitor and control that the economic sanctions obligations remain non-applicable in the future.

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. During the year, the Board declared a net dividend of €74,072,773 (2021: €72,558,418). 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 Thomas Groleau
Mr John Bonett
Mr Pierre Yves Francois Philippe Beaufiles (appointed on 11 January 2022)

Auditors

At the 2023 Annual General Meeting a resolution will be presented proposing the appointment of Mazars Malta as Auditors as from the financial year ending 31 December 2023. 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



Thomas Groleau
Director

Registered office
Level 3, Mercury Tower,
The Exchange Financial and Business Centre,
Triq Elia Zammit,
St.Julians, STJ 3155
Malta

3 April 2023

Patrick Claude
Director



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 2022

	Notes	2022 €	2021 €
Earned premiums, net of reinsurance			
Gross premiums written		200,886,455	190,278,609
Premiums ceded to reinsurer		(11,529,668)	(19,413,978)
		189,356,787	170,864,631
Net premiums written			
Change in the gross provision for unearned premiums		5,195,416	11,557,174
Change in the provision for unearned premiums, reinsurer's share		(9,733,649)	(10,480,131)
		(4,538,233)	1,077,043
		184,818,554	171,941,674
Earned premiums, net of reinsurance			
Allocated investment return transferred from the non-technical account	3	254,804	148,559
		185,073,358	172,090,233
Total technical income			
Claims incurred, net of reinsurance			
Claims paid			
- gross amount	13	15,181,935	15,687,062
- reinsurer's share	13	(2,171,888)	(2,865,992)
		13,010,047	12,821,070
Change in the provision for claims			
- gross amount		4,557,370	4,598,826
- reinsurer's share		598,987	318,619
		5,156,357	4,917,445
Claims incurred, net of reinsurance		18,166,404	17,738,515
Net operating expenses	4	45,462,325	37,131,826
Total technical charges		63,628,729	54,870,341
Balance on the technical account for general business (page 6)		121,444,629	117,219,892

The accounting policies and explanatory notes on pages 11 to 40 form an integral part of the financial statements.

Income Statement – Non Technical Account

for the year ended 31 December 2022

	Notes	2022 €	2021 €
Balance on the technical account for general business (page 5)		121,444,629	117,219,892
Investment income	3	1,607,057	1,395,881
Investment expenses and charges	3	(920,203)	(983,608)
Allocated investment return transferred to the technical account	3	(254,804)	(148,559)
Administration expenses	4,5	(3,649,014)	(3,017,799)
Profit before tax		118,227,665	114,465,807
Income tax expense	7	(41,379,670)	(40,063,032)
Profit for the financial year attributable to ordinary shareholders (page 7)		76,847,995	74,402,775

The accounting policies and explanatory notes on pages 11 to 40 form an integral part of the financial statements.

Statement of Comprehensive Income

for the year ended 31 December 2022

	Notes	2022 €	2021 €
Profit for the financial year (page 6)		76,847,995	74,402,775
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Other Comprehensive Income to be reclassified to profit or loss in subsequent period:			
Net profit/loss on financial investments	11, 18	(5,364,780)	(841,495)
Income tax relating to components of Other Comprehensive Income	12, 18	1,877,671	294,522
<hr/>			
Other Comprehensive (loss)/profit for the year		(3,487,109)	(546,973)
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Total Comprehensive Income for the year attributable to ordinary shareholders		73,360,886	73,855,802
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The accounting policies and explanatory notes on pages 11 to 40 form an integral part of the financial statements.

Statement of Changes in Equity

for the year ended 31 December 2022

	Share capital €	Capital Contribution €	Retained earnings €	Other Reserve €	Total equity €
At 1 January 2021	4,000,000	34,635,990	88,701,166	526,284	127,863,440
Profit for the year	-	-	74,402,775	-	74,402,775
Other comprehensive Income	-	-	-	(546,973)	(546,973)
Total comprehensive income	-	-	74,402,775	(546,973)	73,855,802
Capital	-	16,695,336	-	-	16,695,336
Dividend	-	-	(72,588,418)	-	(72,588,418)
At 31 December 2021	4,000,000	51,331,326	90,515,523	(20,689)	145,826,160
	Share capital €	Capital Contribution €	Retained earnings €	Other Reserve €	Total equity €
At 1 January 2022	4,000,000	51,331,326	90,515,523	(20,689)	145,826,160
Profit for the year	-	-	76,847,995	-	76,847,995
Other comprehensive Income	-	-	-	(3,487,109)	(3,487,109)
Total comprehensive income	-	-	76,847,995	(3,487,109)	73,360,886
Capital	-	8,928,334	-	-	8,928,334
Dividend	-	-	(74,072,773)	-	(74,072,773)
At 31 December 2022	4,000,000	60,259,660	93,290,745	(3,507,798)	154,042,607

The accounting policies and explanatory notes on pages 11 to 40 form an integral part of the financial statements.

Statement of Financial Position

as at 31 December 2022

	Notes	2022 €	2021 €
ASSETS			
Equipment	9	4,391	18,973
Deferred acquisition costs	14	49,170,659	51,467,900
Loans and receivables	10	79,000,000	88,000,000
Financial investments	11	91,202,768	72,805,579
Deferred tax asset	12	2,033,943	104,862
Reinsurer's share of technical provisions	13	20,114,043	30,446,677
Insurance and other receivables	15	42,972,613	41,495,412
Cash and cash equivalents	16	78,988,978	83,642,274
Total assets		363,487,395	367,981,677
EQUITY			
Capital and reserves attributable to shareholders			
Share capital	17	4,000,000	4,000,000
Capital Contribution	19	60,259,660	51,331,326
Other reserve	18	(3,507,798)	(20,689)
Retained earnings		93,290,745	90,515,523
Total equity		154,042,607	145,826,160
LIABILITIES			
Technical provisions	13	139,304,121	139,942,361
Deferred revenue		5,528,715	10,131,387
Insurance and other payables	20	23,182,376	31,990,435
Income tax payable		41,429,576	40,091,334
Total liabilities		209,444,788	222,155,517
Total equity and liabilities		363,487,395	367,981,677

The accounting policies and explanatory notes on pages 11 to 40 form an integral part of the financial statements.

The financial statements on pages 5 to 40 were authorized for issue by the Board on 3 April 2023 and were signed on its behalf by



Thomas Groleau
Director



Patrick Claude
Director

Statement of Cash Flows

for the year ended 31 December 2022

	Notes	2022 €	2021 €
Operating activities			
Cash generated from operating activities	23	114,366,709	119,439,347
Interest received		1,796,172	1,287,127
Taxation paid		(40,092,839)	(39,086,604)
Net cash generated from operating activities		76,070,042	81,639,870
Investing activities			
Purchase of fixed assets	9	-	(815)
Purchase of financial investments		(70,488,899)	(66,905,819)
Redemption of financial investments on maturity		54,910,000	50,800,000
Net cash used in investing activities		(15,578,899)	(16,106,633)
Financing activities			
Dividends paid	26	(74,072,773)	(72,588,418)
Capital Contribution	19	8,928,334	16,695,336
Net cash used in financing activities		(65,144,439)	(55,893,082)
Net movement in cash and cash equivalents		(4,653,294)	9,640,155
Cash and cash equivalents at beginning of year		83,642,274	74,002,119
Cash and cash equivalents at end of year	16	78,988,980	83,642,274

The accounting policies and explanatory notes on pages 11 to 40 form an integral part of the financial statements.

Notes to the Financial Statements

1. Corporate information

RCI Insurance Limited is a limited liability company incorporated and domiciled in Malta. The Company's principal activity is that of carrying on business of insurance and reinsurance falling within Classes 1, 2 and 16 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 and Business Centre, Triq Elia Zammit, St.Julians, Malta. The financial statements of RCI Insurance Limited for the year ended 31 December 2022 were authorised for issue in accordance with a resolution of the Directors on 3 April 2023.

RCI Insurance Limited is a wholly owned subsidiary of RCI Services Limited which is registered at Level 3, Mercury Tower, The Exchange Financial and Business Centre, Triq Elia Zammit, St.Julians, Malta. The ultimate parent company of RCI Insurance 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 by the European Union, the Insurance Business Act and the Maltese 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 the financial statements.

Financial assets and financial liabilities are offset and the net amount is 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 expenses 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.

The Company has adopted the following new and amended IFRS and IFRIC interpretations as of 1 January 2022:

- 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 (All issued 14 May 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.

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

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 (effective on 1 January 2022)
 - 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 an existing borrower and 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.

The application of these amendments did not have a material effect on the Company's financial statements

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 2022:

Certain new standards, amendments and interpretations to existing standards have been published by the date of authorisation for issue of these financial statements but not yet effective for financial periods beginning on 1 January 2022;

- Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies (issued on 12 February 2021) (effective on 1 January 2023)

Previously, an entity was required to disclose in its financial statements its significant accounting policies, with the amendments an entity will now be required to disclose its material accounting policies.

Paragraphs are added to explain how an entity identifies material accounting policies along with added examples to explain when accounting policy information is likely to become material, focusing on concepts such as that accounting policy information becomes material because of its nature, even if the related amounts are immaterial.

Additionally, IFRS Practice Statement 2 has been amended through added guidance and examples to explain and illustrate the application of the 'four-step materiality process' to accounting policy information in aim of supporting the amendments to IAS 1.

- Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates (issued on 12 February 2021) (effective on 1 January 2023)

The amendments to IAS 8 focus entirely on accounting estimates with the definition of a change in accounting estimates being replaced with a definition of accounting estimates. Accounting estimates are now defined as "monetary amounts in financial statements that are subject to measurement uncertainty".

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 2022 (continued)

Accounting estimates arise when accounting policies require items in financial statements to be measured in a way that involves measurement uncertainty. The amendments clarify that a change in accounting estimate that results from new information or new developments is not the correction of an error and that the effects of a change in an input or a measurement method used to derive an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors.

The effect of the change relating to the current period is recognised as income or expense in the current period. The effect, if any, on future periods is recognised as income or expense in those future periods.

- Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction (issued on 7 May 2021) (effective on 1 January 2023)

The amendments narrow the scope of the recognition exemption in paragraph 15 of IAS 24 (recognition exemption) so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.

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.

- IFRS 17 Insurance Contracts (issued on 18 May 2017); including Amendments to IFRS 17 (issued on 25 June 2020) (effective on 1 January 2023) and
- Amendments to IFRS 17 Insurance contracts: Initial Application of IFRS 17 and IFRS 9 – Comparative Information (issued on 9 December 2021) (effective date 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. 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 amendment is a transition option relating to comparative information about financial assets presented on initial application of IFRS 17. The amendment is aimed at helping entities to avoid temporary accounting mismatches between financial assets and insurance contract liabilities, and therefore improve the usefulness of comparative information for users of financial statements.

IFRS 17 – Insurance Contracts, published on May 18, 2017 and modified by amendments of June 25, 2020, sets out the principles of recognition, measurement, presentation and disclosures for insurance contracts. It replaces IFRS 4, Insurance Contracts, and will be applicable for financial years beginning on or after January 1, 2023.

For the Group, IFRS 17 mainly applies to credit insurance contracts issued and reinsurance agreements signed by the Sales Financing segment's insurance companies. Contracts will be valued under the general "building block" approach which comprises: (1) estimated future cash flows discounted under the "bottom-up" approach, with a discount rate determined by adjusting a risk-free yield curve to take account of liquidity characteristics of the insurance contracts portfolio, (2) adjustment for non-financial risks calculated according to the confidence interval method, and (3) the contractual service margin. The contractual service margin will be recognized in the income statement based on the coverage units supplied during the period, i.e. according to the amortization of the insured credit.

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 2022 (continued)

The modified retrospective application of IFRS 17 from January 1, 2023 is expected to have a positive effect on equity around €35.5 million as of January 1, 2022, the transition date. No onerous contracts were identified in the portfolio at the transition date. Calculation of the impact of IFRS 17 on the 2022 income statement is not yet finalized.

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.

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 (issued on 23 January 2020), Classification of Liabilities as Current or Non-current - Deferral of Effective Date (issued on 15 July 2020) and Non-Current Liabilities with Covenants (issued on 31 October 2020)
- Amendments to IFRS 16 Leases: Lease liability in a sale and leaseback (issued on 22 September 2022)

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 judgments, estimates and assumptions

The preparation of the Company's financial statements requires management to make judgments, 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.

Judgments

In the process of applying the Company's accounting policies, management has made the following judgments apart from those involving estimations and assumptions, which have a significant effect on the amounts recognized 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

There are several sources of uncertainty that need to be considered in the estimate of the liability that the Company will ultimately pay for claims.

Estimates have to be made both for the expected ultimate cost of claims reported at the reporting date and for the expected ultimate cost of claims incurred but not yet reported at the reporting date (IBNR). Given the nature of the business of the Company, the ultimate cost of outstanding claims is based on a case-by-case estimate supplemented with additional provisions for IBNR.

2.4 Summary of significant accounting policies

(a) Product classification

Insurance and reinsurance contracts are those contracts in which the Company (the "insurer") has accepted significant insurance risk from another party (the "contract holder") by agreeing to compensate the contract holder if a specified uncertain future event (the "insured event") adversely affects the contract holder. As a general guideline, the Company defines significant insurance risk as the possibility of having to compensate the contract holder if a specified uncertain future event (the "insured event") adversely affects the contract holder. The Company issues contracts that transfer significant insurance risk and has defined all its contracts as insurance/reinsurance contracts.

Insurance business contracts

The results for insurance business contracts are determined on an annual basis whereby the incurred cost of claims, commission and related expenses are charged against the earned proportion of premiums, net of reinsurance as follows:

- 1) Premiums written relate to business incepted during the year, less cancellations.
- 2) Unearned premiums represent the proportion of premiums written in the year that relate to unexpired terms of policies in force at the reporting date, calculated on a time apportionment basis.
- 3) Commissions and other acquisition costs that vary with and are related to securing new contracts are deferred over the year in which the related premiums are earned. These are capitalized and shown as deferred acquisition costs ("DAC") in the Statement of Financial Position. DAC is amortised over the term of the policies as the premium is earned. All other costs are recognized as expenses when incurred.
- 4) Claims incurred comprise claims and related expenses paid in the year and changes in the provisions for outstanding claims, including provisions for claims incurred but not reported (IBNR) and related expenses.
- 5) Provision is made at the reporting date 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.
- 6) Provision in the form of an unexpired risk provision, is made on the basis of claims and administrative expenses likely to arise after the end of the financial year from contracts concluded before the reporting date, in so far as the estimated value exceeds the provision for unearned premiums and any premiums receivable under those contracts.

Reinsurance acceptance contracts

The results for reinsurance contracts are determined on an annual basis whereby, the incurred cost of claims, commission and related expenses are charged against premiums written as follows:

- 1) Premiums written relates to notified business ceded during the year. In addition, due to delayed reporting from the cedant, the Company makes assumptions for business written during those months where notification has not been received. The assumption takes into consideration the original premium estimated to be ceded as per the treaty and assesses whether notifications to date are in line with original estimates.
- 2) Unearned premiums represent the proportion of premiums written in the year that relate to unexpired terms of policies in force at the reporting date, calculated on a time apportionment basis.

2.4 Summary of significant accounting policies – continued

(a) Product classification - continued

Reinsurance acceptance contracts- continued

- 3) Commissions and other acquisition costs that vary with and are related to securing new contracts are deferred over the year in which the related premiums are earned. These are capitalized and shown as deferred acquisition costs ("DAC") in the Statement of Financial Position. DAC is amortised over the term of the policies as the premium is earned. All other costs are recognized as expenses when incurred.
- 4) Claims incurred comprise claims and related expenses paid in the year and changes in the provisions for outstanding claims, including provisions for claims incurred but not reported (IBNR) and related expenses.
- 5) Provision is made at the reporting date 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.

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 and that meet the classification requirements for insurance contracts are classified as reinsurance contracts held.

The benefits to which the Company is entitled under its reinsurance contracts held are recognized as reinsurance assets. These assets consist of short-term balances due from reinsurers (classified within insurance and other receivables), as well as longer term receivables (classified within reinsurers' share of technical provisions) that are dependent on the expected claims and benefits arising under the related reinsured insurance contracts.

Amounts recoverable from or due to reinsurers are measured consistently with the amounts associated with the reinsured insurance contracts and in accordance with the terms of each reinsurance contract. Reinsurance liabilities are primarily premiums payable for reinsurance contracts and are recognized 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 recognized 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 these financial assets.

Liability adequacy test

At each reporting date, liability adequacy tests are performed to ensure the adequacy of the contract liabilities net of related DAC assets. In performing these tests, current best estimates of future contractual cash flows as well as claims handling and administration expenses are used. Any deficiency is immediately charged to profit or loss initially by writing off DAC and by subsequently establishing a provision for losses arising from liability adequacy tests (the unexpired risk provision as described above). Any DAC written off as a result of this test cannot subsequently be reinstated.

2.4 Summary of significant accounting policies- continued

(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 lives 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 recognized in the Income Statement when the asset is derecognized.

(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 at the reporting date.

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, except:

- When the deferred income tax liability arises from the initial recognition of goodwill or 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 taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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 utilized.

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.

2.4 Summary of significant accounting policies- continued

(c) Taxes - continued

Deferred income tax - continued

Deferred income tax relating to items recognised directly in Other Comprehensive Income or equity is recognised in Other Comprehensive Income or 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 recognized 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, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. The Company's financial assets include cash and short-term deposits, trade and other receivables, loan and other receivables and quoted financial instruments.

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 rate 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 floating 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.

2.4 Summary of significant accounting policies- continued

(e) Fair value of financial instruments-continued

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.

Financial investments

If a financial investment is 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 fair value through other comprehensive income 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; and
- 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.

2.4 Summary of significant accounting policies- continued

(g) Derecognition of financial assets - continued

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 capitalised 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.

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

- Computer and electronic equipment: 4 years
- Furniture, fixture and fittings: 8 years
- Electrical and plumbing installations: 6 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.

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.

2.4 Summary of significant accounting policies- continued

(j) Reinsurance Ceded - continued

Gains or losses on buying reinsurance are recognised in the Income Statement immediately at the date of purchase and are not amortised.

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 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 rate 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.

(l) 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.

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.

(m) Cash and cash equivalents

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

(n) Insurance contract liabilities

Non-life insurance (which comprises general insurance and healthcare) contract liabilities

Non-life insurance and reinsurance contract liabilities are recognised when contracts are entered into and premiums are charged/estimated. 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 derecognised when the contract expires, is discharged or is cancelled.

2.4 Summary of significant accounting policies - continued

(n) Insurance contract liabilities-continued

The provision for unearned premiums represents premiums received for insurance business risks that have not yet expired. Generally the reserve is released over the term of the insurance contract and is recognised as premium income.

At each reporting date the Company reviews its unexpired risk and a liability adequacy test is performed as laid out under IFRS 4 to determine whether there is any overall excess of expected claims and deferred acquisition costs over unearned premiums. This calculation uses current estimates of future contractual cash flows after taking account of the investment return expected to arise on assets relating to the relevant non-life insurance technical provisions. If these estimates show that the carrying amount of the unearned premiums (less related deferred acquisition costs) is inadequate, the deficiency is recognised in the Income Statement.

(o) Other financial liabilities and insurance payables

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

(p) 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.

(q) 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 finance cost.

(r) 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.

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.

2.4 Summary of significant accounting policies- continued

(s) Revenue recognition

Gross premium

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

(t) 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.

(u) Foreign currency transactions

In late 2020, the company started to write direct insurance business in Romania which resulted to exposure in foreign currency monetary transactions. In accordance to IAS 21, 'The effect of changes in Foreign exchange rates', transactions in foreign currencies have been converted to the Company's functional currency at the rates of exchange ruling on the date of the transaction or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such monetary transactions were not recognised in profit or loss due to immaterial amounts.

(v) 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.

3. Investment return

	Notes	2022 €	2021 €
<i>Investment income</i>			
Financial investments interest income		939,242	1,077,530
Interest income on loans and receivables		396,194	315,883
Other interest income		168,348	-
Financial investments amortisation of discount	11	103,273	2,468
Total investment income		1,607,057	1,395,881
<i>Investment expenses and charges</i>			
Financial investments amortisation of premium		(773,330)	(899,633)
Impairment Allowance	11	(146,873)	(83,975)
Total investment expense		(920,203)	(983,608)
Total investment return		686,854	412,273
Analysed between:			
Allocated investment return transferred to the technical account		254,804	148,559
Investment return included in the non-technical account		432,050	263,714
Total investment return		686,854	412,273

4. Net operating expenses

	Notes	2022 €	2021 €
Acquisition costs		62,911,912	60,088,978
Reinsurer's commissions and profit commission		(14,127,562)	(21,368,263)
Deferred acquisition costs		1,571,299	3,552,549
Deferred reinsurer's commissions		(4,893,324)	(5,141,438)
Administrative expenses		3,649,014	3,017,799
Total net operating expenses		49,111,339	40,149,625
Allocated to:			
Technical Income Statement		45,462,325	37,131,826
Non-technical Income Statement	5	3,649,014	3,017,799
Total net operating expenses		49,111,339	40,149,625

Total commissions paid for direct business accounted for during the year amounted to €46,216,255 (2021: €43,322,703).

5. Administrative Expenses

	Notes	2022 €	2021 €
IT & other operational costs		2,435,073	1,937,097
Depreciation of equipment	9	14,582	15,973
Professional Fees		486,150	346,149
Director's fees		7,000	7,000
Employee benefit expenses	6	884,923	888,407
Other expenses		144,142	145,998
		3,971,870	3,340,624
Allocated to:			
Technical Income Statement		322,856	322,825
Non technical Income Statement		3,649,014	3,017,799
		3,971,870	3,340,624

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

	2022 €	2021 €
Annual statutory audit	56,493	38,940

6. Employee benefit expenses

	Notes	2022 €	2021 €
Wages and salaries		804,823	778,598
Social Security		80,100	109,809
Total employee benefit expenses	5	884,923	888,407

The average number of persons employed during the year was:

	2022	2021
Technical	3	4
Managerial	5	5
	8	9

7. Income tax expense

(a) Current tax expense for the year	2022	2021
	€	€
Current tax expense	41,431,080	40,092,423
Deferred tax expense (note 12)	(51,410)	(29,391)
Total income tax expense	41,379,670	40,063,032
(b) Tax recorded in Other Comprehensive Income (Note 12, 18)	2022	2021
	€	€
Deferred tax asset	1,877,671	294,522
Total tax charge to Other Comprehensive Income	1,877,671	294,522
(c) Tax recorded in Income Statement (Note 12,18)	2022	2021
	€	€
Deferred tax asset	51,410	29,391
Total tax charge to Income Statement	51,410	29,391
(b) Reconciliation of tax expense	2022	2021
	€	€
Profit before tax for the year	118,227,665	114,465,807
Tax expense at Malta's statutory income tax rate of 35%	41,379,670	40,063,032

8. Intangible assets

	2022	2021
	€	€
Computer software		
At 31 December		
Cost	468,139	468,139
Accumulated amortisation	(468,139)	(468,139)
Closing carrying amount	-	-

Intangible assets, which have been amortised over a period of four years, are still in use albeit they are fully written off.

9. Equipment

	Computer and electronic equipment €	Furniture, fixtures and fittings €	Electrical and plumbing installations €	Total €
Year ended 31 December 2021				
Opening carrying amount	22,233	9,452	2,446	34,131
Additions	-	815	-	815
Depreciation charge	(11,812)	(2,938)	(1,223)	(15,973)
Closing carrying amount	10,421	7,329	1,223	18,973
At 31 December 2021				
Cost	50,304	23,501	9,570	83,375
Accumulated depreciation	(39,883)	(16,172)	(8,347)	(64,402)
Carrying amount	10,421	7,329	1,223	18,973
Year ended 31 December 2022				
Opening carrying amount	10,421	7,329	1,223	18,973
Depreciation charge	(10,421)	(2,938)	(1,223)	(14,582)
Closing carrying amount	-	4,391	-	4,391
At 31 December 2022				
Cost	50,304	23,501	9,570	83,375
Accumulated depreciation	(50,304)	(19,110)	(9,570)	(78,984)
Carrying amount	-	4,391	-	4,391

10. Loans and receivables

	2022 €	2021 €
Amortised cost		
Deposits held with financial institutions	79,000,000	88,000,000
Total loans and receivables at amortised cost	79,000,000	88,000,000
Fair Value		
Deposits held with financial institutions	79,000,000	88,000,000
Total loans and receivables at fair value	79,000,000	88,000,000

The above deposits earn interest at an average fixed rate of 1.47% (2021: 0.57%)

10. Loans and receivables- continued

Loans and receivables mature as follows:

	2022 €	2021 €
<i>Loans and receivables</i>		
Within one year	20,000,000	34,000,000
Between one and two years	59,000,000	54,000,000
	79,000,000	88,000,000

11. Financial investments

	2022 €	2021 €
Fair value		
Debt securities	91,202,768	72,805,579
Total Financial investments	91,202,768	72,805,579

The carrying value of financial investments is equivalent to the fair value of those assets.

(a) Financial investments mature as follows:

	2022 €	2021 €
Financial investments		
Within one year	32,217,404	20,957,421
Between one and two years	19,883,921	19,687,815
Between two and five years	39,101,443	32,160,343
	91,202,768	72,805,579

(b) Reconciliation

	2022 €	2021 €
At beginning of reporting year	72,805,579	75,522,395
Additions	45,488,899	32,905,819
Maturities	(20,910,000)	(30,800,000)
Amortization of premiums (note 3)	(670,057)	(897,165)
Fair value gains/loss recorded in Other Comprehensive Income (note 18)	(5,364,780)	(841,495)
Impairment Allowance	(146,873)	(83,975)
At end of reporting year	91,202,768	72,805,579

(c) Fair value hierarchy

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

	2022 Level 1 €	2021 Level 1 €
31 December		
Financial investments		
Debt securities	91,202,768	72,805,579
Total financial assets shown at fair value	91,202,768	72,805,579

11. Financial investments- continued

(c) Fair value hierarchy - continued

Included in the Level 1 category are financial assets that are measured 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

	2022 €	2021 €
At beginning of year	104,862	(219,051)
Movement recorded during the year:		
- In Other comprehensive Income (note 18)	1,877,671	294,522
- In Profit and loss account (note 7)	51,410	29,391
At end of year	2,033,943	104,862

(b) Temporary differences

Deferred income taxes are calculated on all temporary differences using a principal tax rate of 35% (2021: 35%). The analysis of deferred tax assets/liabilities is as follows:

	2022 €	2021 €
Temporary differences attributable to unrealized fair value	1,888,671	10,997
Temporary differences attributable to other provisions	145,272	93,865
Balance as at 31 December	2,033,943	104,862
	2022 €	2021 €
Deferred tax asset	2,033,943	104,862
	2,033,943	104,862

13. Insurance liabilities and reinsurance assets

	2022 €	2021 €
Gross		
Insurance contracts		
- claims outstanding	18,636,645	12,542,175
- claims incurred but not reported	12,621,578	14,846,817
- provision for unearned premiums	85,573,357	89,466,636
Reinsurance acceptances		
- claims outstanding and claims incurred but not reported	7,392,050	6,703,912
- provision for unearned premiums	15,080,491	16,382,821
Total technical provisions, gross	139,304,121	139,942,361

13. Insurance liabilities and reinsurance assets- continued

Recoverable from reinsurer

Insurance contracts		
- claims outstanding	5,045,147	4,350,192
- claims incurred but not reported	3,665,826	4,959,768
- provision for unearned premiums	11,403,070	21,136,717

Total reinsurer's share of insurance liabilities

	20,114,043	30,446,677
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Net

Insurance contracts		
- claims outstanding	13,591,498	8,191,983
- claims incurred but not reported	8,955,752	9,887,049
- provision for unearned premiums	74,170,287	68,329,919
Reinsurance acceptances		
- claims outstanding and claims incurred but not reported	7,392,050	6,703,912
- provision for unearned premiums	15,080,491	16,382,821

Total technical provisions, net

	119,190,078	109,495,684
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Claims are classified as current liabilities. The claims are largely 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.

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 15 and 19.

The development tables below give an indication of the time it takes to settle certain claims. This is attributable to certain classes of business taking several years to develop. The claims development table takes into consideration the direct insurance business written only and therefore excludes the effect of claims arising on reinsurance acceptance.

The top half of the table below illustrates how the Company's estimate of total claims incurred for each financial year has changed at successive year-ends on a net basis. The bottom half of the table reconciles the cumulative claims to the amount appearing in the Statement of Financial Position on a net basis.

The accident-year basis is considered to be the most appropriate for the business written by the Company.

13. Insurance liabilities and reinsurance assets- continued

Movements in (re)/insurance liabilities

(a) Claims and loss adjustments

	2022	2021
	€	€
Gross		
At beginning of reporting year	34,093,096	29,493,782
Claims settled during the year	(15,181,935)	(15,687,062)
Increase in liabilities		
- arising from current year claims	22,680,630	27,605,779
- arising from prior year claims	(2,941,325)	(7,319,403)
At end of reporting year	38,650,466	34,093,096

	2022	2021
	€	€
Reinsurer's share		
At beginning of reporting year	9,309,960	9,628,579
Claims settled during the year	(2,171,888)	(2,865,992)
Increase in liabilities		
- arising from current year claims	3,331,633	5,580,557
- arising from prior year claims	(1,758,731)	(3,033,184)
At end of reporting year	8,710,976	9,309,960

	2022	2021
	€	€
Net		
At beginning of reporting year	24,783,136	19,865,203
Claims settled during the year	(13,010,048)	(12,821,070)
Increase in liabilities		
- arising from current year claims	19,348,997	22,025,222
- arising from prior year claims	(1,182,594)	(4,286,219)
At end of reporting year	29,939,491	24,783,136

(b) Provision for unearned premiums

The movements for the year are summarized as follows:

	2022	2021
	€	€
At beginning of reporting year	105,849,260	117,406,435
Premiums written during the year	200,886,455	190,278,609
Premiums earned during the year	(206,081,868)	(201,835,784)
At end of reporting year	100,653,847	105,849,260

14. Deferred acquisition costs

	2022	2021
	€	€
At beginning of reporting year	51,467,900	56,523,629
Expenses deferred during the year	(2,297,241)	(5,055,729)
At end of reporting year	49,170,659	51,467,900

14. Deferred acquisition costs - continued

Deferred acquisition costs are classified as follows:

	2022 €	2021 €
Current	19,192,881	19,784,976
Non-current	29,977,778	31,682,924
At end of reporting year	49,170,659	51,467,900

15. Insurance and other receivables

	2022 €	2021 €
<i>Receivables arising from direct insurance operations</i>		
- due from group undertakings	6,140,633	7,487,220
- due from claims handler	(429,412)	679,783
- due from others	9,529	13,109
<i>Receivables arising from reinsurance acceptances</i>		
- due from ceding undertakings	36,126,997	32,482,821
<i>Other loans and receivables and financial investments</i>		
- due from parent	515,553	246,479
- accrued interest	609,313	586,000
At 31 December	42,972,613	41,495,412

Insurance and other receivables are all classified as current assets.

16. Cash and cash equivalents

	2022 €	2021 €
Cash at bank	78,988,978	83,642,274
Total cash and cash equivalents	78,988,978	83,642,274

Short-term deposits were made for varying periods of between one day and three months depending on the immediate cash requirements of the Company. There were no deposits held during 2022 and 2021 as cash. The carrying amounts disclosed above reasonably approximate fair value at the reporting date.

17. Share capital

	2022 €	2021 €
Authorised ordinary shares		
40,000 (2021: 40,000) ordinary shares of €100 each	4,000,000	4,000,000
Ordinary shares issued and fully paid		
40,000 (2021: 40,000) ordinary shares of €100 each	4,000,000	4,000,000

18. Other reserve

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

	2022 €	2021 €
Balance at 1 January	(20,689)	526,284
Gross Movement in Revaluation	(5,364,780)	(841,495)
Deferred tax (note 12)	1,877,671	294,522
Balance at 31 December	(3,507,798)	(20,689)

19. Capital Contribution

	2022 €	2021 €
Balance at 1 January	51,331,326	34,635,990
Additions	8,928,334	16,695,336
Balance at 31 December	60,259,660	51,331,326

During the year under review, a further capital contribution of €8,928,334 was made on the 7th April 2022 (2021: addition of €16,695,336 made on 7th April 2021).

20. Insurance and other payables

	2022 €	2021 €
<i>Creditors arising out of reinsurance acceptances</i>	4,400,143	6,556,733
<i>Creditors arising out of direct insurance operations</i>	18,076,044	24,605,834
<i>Other payables</i>		
- due to parent	315,275	294,180
- social security and other taxes	18,916	38,531
- accruals and other payables	371,998	495,157
	23,182,376	31,990,435

The carrying amount disclosed above reasonably approximate fair value at reporting date. Repayment years are disclosed in Note 22.

21. Risk management framework

Capital management objectives, policies and approach

The Company has established the following capital management objectives, policies and approach to manage 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 capital providers and 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 Insurance 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 2022 is €28,555,411 (2021: €27,181,835). 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 2022 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.

22. Insurance and financial risk

(a) Insurance risk

The principal risk the Company faces under insurance contracts is that the actual claims and benefit payments or the 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 most significant risks for miscellaneous financial loss covers is a recession leading to high unemployment whilst for accident and health covers significant risks arise from lifestyle changes and epidemics.

The above risk exposure is mitigated by diversification of different classes of business across a large portfolio of insurance contracts and 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.

22. Insurance and financial risk – continued

(a) Insurance risk – continued

The Company underwrites payment protection insurance covering accident and health and miscellaneous financial loss to clients of its ultimate parent Company, RCI Banque S.A. on a direct basis. 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 and Spain. In addition, the Company also continued writing reinsurance business with two counterparties. The risks are situated in France and Germany.

The variability of risks is improved by careful selection and implementation of underwriting strategies, which are designed to ensure that risks are diversified in terms of type of risk and level of insured benefits. 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. 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.

The Company purchases reinsurance on its direct business 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 to all classes of business in all countries. Amounts recoverable from the reinsurer are estimated in a manner consistent with the outstanding claims provision and are in accordance with the reinsurance contracts. 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. The Company has assessed the risks being underwritten through the reinsurance treaty and is of the view that no retrocession is required. The Company has also limited its exposure due to policy limits and by entering into proportional reinsurance treaties.

Key assumptions

The principal assumption underlying the liability estimates is that the Company's future claims development will follow a similar pattern to past claims development experience within the RCI Group.

The Company has therefore assumed an ultimate loss ratio in order to estimate its total claims cost and IBNR. Given the reinsurance treaty in place, a deterioration or improvement in this final loss ratio will not have a significant impact on the profit or loss for the year.

(b) Financial risks

(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, European Union bonds, corporate bonds with reputable counterparties and holds deposits with RCI Banque S.A., a BBB (2021: 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 (2021: BBB) rated financial institution licensed and regulated by the French Banque de France.

Reinsurance is placed with a counterparty that has an AA- (2021: AA-) credit rating. At each reporting date, management performs an assessment of the creditworthiness of the reinsurer and updates the reinsurance purchase strategy, ascertaining suitable allowance for impairment.

22. Insurance and financial risk- continued

(b) Financial risks - continued

(1) Credit risk – continued

The credit risk in respect of customer balances incurred on non-payment of premiums or contributions will only persist during the grace year specified in the policy document or trust deed until expiry, when the policy is either paid up or terminated. Commission paid to intermediaries is netted off against amounts receivable from them to reduce the risk of doubtful debts.

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 as at 31 December.

Financial instruments	Notes	2022 €	2021 €
Loans and receivables	10	79,000,000	88,000,000
Financial assets			
Debt securities	11	91,202,768	72,805,579
Reinsurer's share of technical provisions	13	20,114,043	30,446,677
Insurance and other receivables	15	42,972,613	41,495,412
Cash and cash equivalents	16	78,988,978	83,642,274
Total credit risk exposure		312,278,402	316,389,941

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 not rated.

31 December 2022	Neither past due nor impaired						Total €
	AA €	AA- €	A €	A- €	BBB+/BBB/ BBB- €	Not rated €	
<i>Financial assets</i>							
Loans and receivables	-	-	-	-	79,000,000	-	79,000,000
Financial investments							
Debt securities	21,053,243	4,282,506	18,840,742	20,804,660	26,221,617	-	91,202,768
Reinsurer's share of technical provisions	-	20,114,043	-	-	-	-	20,114,043
Insurance receivables	80,685	(281,225)	36,499,049	71,582	7,018,509	(415,987)	42,972,613
Cash and cash equivalents	-	-	-	-	70,485,834	8,503,144	78,988,978
Total	21,133,928	24,115,324	55,339,791	20,876,242	182,725,960	8,087,157	312,278,402

22. Insurance and financial risk- continued

(b) Financial risks - continued

(1) Credit risk – continued

Credit exposure by credit rating - continued

31 December 2021	Neither past due nor impaired						Total €
	AA €	AA- €	A €	A- €	BBB €	Not rated €	
<i>Financial assets</i>							
Loans and receivables	-	-	-	-	88,000,000	-	88,000,000
Financial investments							
Debt securities	5,572,644	-	22,218,553	16,447,318	28,567,064	-	72,805,579
Reinsurer's share of technical provisions	-	30,446,677	-	-	-	-	30,446,677
Insurance receivables	18,836	(303,476)	32,916,329	74,769	8,096,062	692,892	41,495,412
Cash and cash equivalents	-	-	-	-	68,263,997	15,378,302	83,642,274
Total	5,591,480	30,143,201	55,134,882	16,522,087	192,927,123	16,071,194	316,389,941

During the year, no credit exposure limits were exceeded. The Company actively manages its product mix to ensure that there is no significant concentration of credit risk.

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 2022, €415,065 of the Company's assets were impaired (2021: €268,192).

(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 Board. 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.

22. Insurance and financial risk- continued

(b) Financial risks - continued

(2) Liquidity risk – continued

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

31 December 2022

	0-1 year €	1-5 years €	>5 years €	Total €
Technical provisions	87,132,784	50,788,628	1,382,709	139,304,121
Deferred revenue	2,158,034	3,281,347	89,334	5,528,715
Deferred tax	(1,888,671)	-	-	(1,888,671)
Insurance and other payables	13,880,541	9,055,306	246,529	23,182,376
Income tax payable	41,429,576	-	-	41,429,576
Total	142,712,264	63,125,281	1,718,572	207,556,117

31 December 2021

	0-1 year €	1-5 years €	>5 years €	Total €
Technical provisions	84,867,944	53,483,330	1,591,088	139,942,362
Deferred revenue	3,894,646	6,056,563	180,178	10,131,387
Deferred tax	(10,998)	-	-	(10,998)
Insurance and other payables	18,936,865	12,676,456	377,115	31,990,436
Income tax payable	40,091,520	-	-	40,091,520
Total	147,779,791	72,216,349	2,148,381	222,144,521

(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.

(4) Interest rate risk

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.

(5) Foreign exchange risk

Foreign exchange risk is the risk of financial impact due to exchange rate fluctuations on an entity. In late 2020, the company started to write direct insurance business in Romania but did not report any foreign exchange gain or loss as the amounts were immaterial.

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.

23. Cash generated from operating activities

	Notes	2022 €	2021 €
Profit before tax		118,227,665	114,465,807
<i>Adjustment for</i>			
Depreciation of equipment	9	14,582	15,973
Interest income		(1,503,785)	(1,393,413)
Net amortisation of premium on financial investments	11b	670,057	897,165
Impairment allowance		146,873	83,975
<i>Movements in items in the Statement of Financial Position</i>			
Increase in reinsurer's share of technical provisions		10,332,634	10,798,750
Decrease/Increase in deferred acquisition costs		2,297,241	5,055,729
Increase in insurance and other receivables		(1,769,588)	7,247,679
Decrease/Increase in technical provisions		(638,240)	(6,958,350)
Decrease in insurance and other payables		(8,808,058)	(6,009,427)
Increase in deferred revenue		(4,602,672)	(4,764,541)
Cash generated from operating activities		114,366,709	119,439,347

24. Contingencies and commitments

(a) Capital commitments and operating leases

The Company has no capital commitments as at the reporting date.

25. 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. Related parties are defined as those that have an ability to control or exercise significant influence over the other party in making financial and operation decisions.

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

	2022 €	2021 €
Investment income from parent	689,823	509,032
	2022 €	2021 €
Dividends paid (note 26)	74,072,773	72,588,418
Commission paid to group undertaking	46,216,255	43,322,703
Claim handling fees paid to group undertaking	1,260,848	1,237,070
Recharge of expenses for back-office services provided by group undertakings	2,288,071	1,847,310

Director's fees have been disclosed in Note 5. The General Manager, the Chief Financial Officer, Chief Risk Officer and Chief Legal and Compliance Officer and the IT & Administration Manager are considered by the Company to be Key Management Personnel. The total payments to Key Management Personnel were €547,564 (2021: €549,314).

25. Related party disclosures - continued

(b) Balances with related parties

(1) *Receivables from and payables to related parties are as follows:*

	Notes	2022 €	2021 €
Receivables from related parties			
Debtor arising out of direct insurance operations			
- group undertakings	15	6,140,633	7,487,220
Deposits held with parent	10	79,000,000	88,000,000
Interest income due from parent	15	515,553	246,479
Cash and cash equivalents held with parent	21	70,485,834	68,263,997
		2022 €	2021 €
Payables to related parties			
Creditor arising out of direct insurance operations			
- group undertakings		3,400,724	3,398,924
- parent company		315,275	170,729

Loans and receivables are unsecured and earn an average fixed interest of 1.47% (2021: 0.57%) (note 10). Cash deposits held with group undertakings did not earn any interest during 2022 (2021: NIL) (note 16). 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 during the year.

26. Dividends

	2022 €	2021 €
Dividends paid on ordinary shares net (note 24)	74,072,773	72,558,418
Dividends per ordinary share	1,851,82	1,813.96

INDEPENDENT AUDITORS' REPORT

To the members of RCI Insurance Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of RCI Insurance Limited (the Company), set out on pages 6 to 40, which comprise the statement of financial position as at 31 December 2022 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 2022, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the 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, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

INDEPENDENT AUDITORS' REPORT

To the members of RCI Insurance Limited (continued)

Key Audit Matters (continued)

Insurance liabilities (continued)

Risk description (continued)

The company's gross technical provisions (insurance contract liabilities) amount to EUR139.3 million representing 67% of the Company's total liabilities. The measurement of the technical provisions involves significant judgement over uncertain future outcomes, mainly the ultimate total settlement value of insurance liabilities. Disclosures about the Company's technical provisions are provided in note 13 and Note 2.4(n) to the financial statements.

The liabilities for unpaid claims are estimated using the input of assessment for individual cases reported to the company and a statistical analysis of the claims incurred but not reported based on an estimate of the expected ultimate cost of more complex claims that may be effected by external factors.

The valuation of the technical provisions requires the application of significant judgment in setting of assumptions. Due to the significance of the balances and the estimation involved in the assessment of these technical provisions, we have considered the valuation and adequacy of the technical provisions as a key audit matter.

How our audit addressed the key audit matter

Our audit procedures over the gross technical provisions included, amongst others the evaluation of the design and testing the operating effectiveness of key controls over the settlement of claims, a reconciliation of the outstanding claims and sample testing of claims paid and claim payable by correspondence and supporting documents. We also involved our own actuarial specialists in performing the audit procedure in this area, which included, amongst others, analysis of the appropriateness of assumptions used in the valuation of the insurance contract liabilities by reference to the company's data and expectations and an independent recalculation of technical provisions to ensure they are at an adequate level based on the business portfolio and industry experience data, expected market developments and trends.

In addition, we assessed the completeness and adequacy of the disclosures in note 13 and whether the disclosures were in compliance with the requirements of IFRS.

INDEPENDENT AUDITORS' REPORT

To the members of RCI Insurance 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 Insurance 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 Insurance 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.

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 Insurance Limited (continued)

Appointment

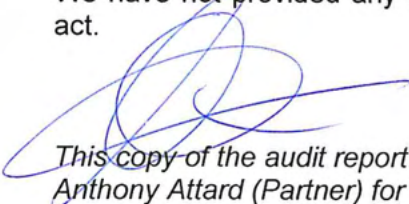
We were appointed by the shareholders as auditors of RCI Insurance Limited on 10 September 2020, as for the year ended 31 December 2020. The period of total uninterrupted engagement is three years.

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

3 April 2023

