ELMO INSURANCE LIMITED

Annual Report and Financial Statements
31 December 2022

Company Registration Number: C 3500

Directors' report

The Directors present their report and audited financial statements for the year ended 31 December 2022.

Principal activities

The principal activities of the Company are that of an insurance Company licensed in terms of Section 7 of the Insurance Business Act, 1998 by the Malta Financial Services Authority ("MFSA") to write general business in Malta.

Review of the business

During the year under review the Company registered a loss before tax of €2,669,396 compared to a profit before tax of €7,649,076 in 2021. The reversal in profitability is mainly attributable to two significant factors, a material loss incurred on our investment portfolio and a drop in profitability in our technical account.

Elmo's net investment return for the year amounted to a loss of €3,431,421, compared to a profit of €3,815,889 in 2021. Almost all of this result relates to fair value losses on our portfolio of investments. The performance reflects all that has occurred within the world's leading stock markets. The S&P 500 ended 2022 down by 19.3%, the DAX down by 12.3%, and the CAC down by 9.5%. The main reasons for this being the prolonged geopolitical conflict in Ukraine, persistent inflationary pressures and the resulting increased interest costs which have had a significant bearing on market sentiment.

In addition, our core insurance operations were negatively impacted by a combination of both an increased frequency of severe claims across multiple business classes and a substantial inflationary increase in motor repair costs. The balance on our technical account excluding the related allocation of investment return was a profit of €988,282 compared to €4,022,776 in 2021.

In view of the loss incurred in 2022, a tax credit amounting to €1,211,071 was reported for the year under review, compared to a tax charge of €2,656,341 last year.

Shareholders' funds amounted to €27,583,285 at 31 December 2022. At the end of 2021, shareholders' funds totalled €29,041,610. In line with the company's prudent dividend policy no dividends were distributed in 2022, whilst in 2021 €3,600,000 were distributed.

The Company is strongly capitalised with a Solvency II Capital Requirement ratio of 263% as at 31 December 2022. This represents a significant strengthening on the previous year's margin of 236%.

Insurance operations

Gross written premium related to risks situated in Malta rose from €24,705,479 in 2021 to €27,070,200 in 2022, an increase of 9.6%.

Elmo Insurance Limited was formerly authorised by the MFSA to carry on the business of insurance under the EU's provision of Freedom of Services in several countries for Class 1 - Accident and Class 2 - Sickness. The company stopped transacting new business under this authorisation with effect from 1 April 2022. Consequently, the applicable passporting rights have been terminated with the exception of one EU country. During the year, premiums for this business class accordingly declined to €60,210 from €3,648,141 in 2021.

As a result, the Company's total gross written premium for the year reduced by 4.3% from €28,353,620 in 2021 to €27,130,410 in 2022.

Our overall net loss ratio increased from 59.5% in 2021 to 76.2% in 2022.

The Company's net operating expenses increased from €3,290,447 in 2021 to €3,754,397 in 2022. The combined operating ratio increased from 76.0% in 2021 to 95.4% in 2022.

Directors' report - continued

Over the course of 2022 we undertook a reorganization of our senior management team, drawing in a number of new faces from outside the company. The Elmo Board is confident that in doing so, we are now better placed in facing up to the challenges that the company is likely to face.

In addition, over the past 18 months Elmo's staff complement have invested a very significant amount of time and effort in preparing the company to operate a new state of the art insurance and integrated accounting suite of software. We believe that this will enable us to upgrade the quality of our service that we offer our clients by ensuring that our staff have access to the most up to date digital tools that are available.

The new software will also enable us to fully comply with the extensive requirements relating to IFRS 17.

Over the course of the last twelve months, due to factors beyond our control, we had to delay works on a new building that we are in the process of developing opposite our head office. However, considerable time has since been given to organise the logistics of completing the development and works are once again underway to complete the project. We anticipate that completion of the project will be achieved by the end of the first quarter of 2024.

The COVID-19 pandemic

We have adapted to a post pandemic reality. Our offices are now operating under normal conditions with staff working from within our office premises. However, we still maintain an element of flexibility and some staff work from home on particular days of the week.

Conflict between Ukraine and Russia

On 24 February 2022, Russia commenced its military invasion of Ukraine. This tragedy has had terrible consequences for the Ukrainian people. It has also had a very significant effect on Elmo's results, in terms of investment performance and inflation. In turn, this has impacted both our operating and motor claims costs. It has also had the effect of hardening the reinsurance premium rates. Although it seems unlikely to happen shortly, we hope that an end to this conflict will come sooner rather than later, as this will help to generate confidence and regain stability within the world economy.

Investment portfolio

In 2022, according to Forbes the traditional 60% equity / 40% bond portfolio suffered one of its worst years in history, with both stocks and bonds experiencing significant losses. The year proved to be a most disappointing one for Elmo too, as we registered an investment loss of €3,431,421. Our equity and fixed income investment portfolio rendered an average loss of 12.2% over the course of the year. However, this needs to be viewed in the light that a typical 60% equity / 40% bond portfolio (which reflects Elmo's portfolio) declined by about 16% in 2022. Circa 24% of our investment portfolio is denominated in US Dollars and a 6% increase in the value of the US dollar against the Euro over 2022 helped cushion our investment loss.

Associate Company

2RS Elmo Insurance Managers Limited provided the Company with a return of €155,630 in 2022, compared to €149,037 in the previous year.

Results and dividend

The profit and loss account is set out on pages 14 and 15 within. During the year under review the Company did not distribute any dividend (2020: €3,600,000). The Directors do not recommend the payment of a final dividend.

Directors' report - continued

Principal risks and uncertainties

The Company's principal risks and how these are identified and addressed are set out in Note 3 to the financial statements dealing with the management of insurance and financial risk.

The Directors' opinion on the inherent uncertainties surrounding the preparation of the financial statements is set out in Note 2 to the financial statements relating to critical accounting estimates and judgments.

Directors

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

William Harding - Chairman
David Bartoli - Managing Director
Alan Bartoli
Roger Bellamy
John Cooper
Godfrey Leone Ganado

Statement of Directors' responsibilities for the financial statements

The Directors are required by the Insurance Business Act, 1998 and the Maltese Companies Act, (Cap. 386) to prepare financial statements which give a true and fair view of the state of affairs of the Company as at the end of each financial period and of the profit or loss for that period.

In preparing the financial statements, the Directors are responsible for:

- ensuring that the financial statements have been drawn up in accordance with International Financial Reporting Standards as adopted by the EU;
- selecting and applying appropriate accounting policies;
- making accounting estimates that are reasonable in the circumstances;
- ensuring that the financial statements are prepared on the going concern basis unless it is inappropriate to presume that the Company will continue in business as a going concern.

Directors' report – continued

Statement of Directors' responsibilities for the financial statements - continued

The Directors are also responsible for designing, implementing and maintaining internal controls relevant to the preparation and the fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error, and that comply with the Insurance Business Act, 1998 and the Maltese Companies Act, 1995. They 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.

The financial statements of Elmo Insurance Limited for the year ended 31 December 2022 are included in the Annual Report 2022, which is published in hard-copy printed form and may be made available on the Company's website. The Directors are responsible for the maintenance and integrity of the Annual Report on the website in view of their responsibility for the controls over, and the security of, the website. Access to information published on the Company's website is available in other countries and jurisdictions, where legislation governing the preparation and dissemination of financial statements may differ from requirements or practice in Malta.

Auditors

The auditors, PricewaterhouseCoopers, have indicated their willingness to continue in office and a resolution for their re-appointment will be proposed at the Annual General Meeting.

By order of the Board

William Harding
Chairman

David Bartoli
Managing Director

"Elmo"
Abate Rigord Street
Ta' Xbiex, XBX 1111
Malta

10 April 2023

Independent auditor's report

To the Shareholders of Elmo Insurance Limited

Report on the audit of the financial statements

Our opinion

In our opinion:

- The financial statements give a true and fair view of the financial position of Elmo Insurance Limited (the Company) as at 31 December 2022, and of the Company's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the EU; and
- The financial statements have been prepared in accordance with the requirements of the Maltese Companies Act (Cap. 386).

Our opinion is consistent with our additional report to the Board of Directors.

What we have audited

Elmo Insurance Limited's financial statements, set out on pages 14 to 63 comprise:

- the profit and loss account and the statement of comprehensive income for the year ended 31 December 2022;
- the balance sheet as at 31 December 2022;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

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

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

Independent auditor's report - continued

To the Shareholders of Elmo Insurance Limited

Independence

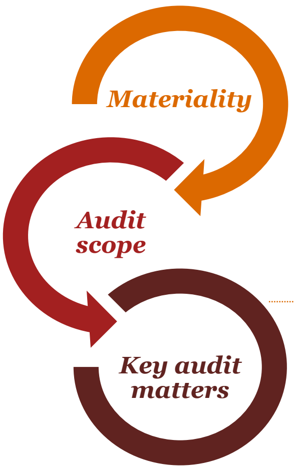
We are independent of the company in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code) together with the ethical requirements of the Accountancy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

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

The non-audit services that we have provided to the company, in the period from 1 January 2022 to 31 December 2022, are disclosed in note 6 to the financial statements.

Our audit approach

Overview



- Overall materiality: €247,000, which represents approximately 5% of the Company's 3-year average absolute loss/profit before tax.

- Valuation and accuracy of claims outstanding and claims incurred but not reported

To the Shareholders of Elmo Insurance Limited

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

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

Materiality

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

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

Overall materiality	€247,000
How we determined it	Approximately 5% of the Company's 3-year average absolute loss/profit before tax
Rationale for the materiality benchmark applied	We chose absolute loss/profit before tax as the benchmark because, in our view, profit is a key financial statement metric used in assessing the performance of the Company. We have applied a 3-year average absolute loss/profit before tax as reflected in the Profit and loss account of 2020 to 2022 to reflect the fluctuations in results in recent years. We selected 5% based on our professional judgement, noting that it is also within the range of commonly accepted profit-related thresholds.

We agreed with the Board of Directors that we would report to them misstatements identified during our audit above €24,000 as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Independent auditor's report *- continued*

To the Shareholders of Elmo Insurance Limited

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the Key audit matter
Valuation and accuracy of claims outstanding and claims incurred but not reported Valuation of insurance provisions is judgemental and requires a number of assumptions to be made that have underlying estimation uncertainty. This is particularly the case for those liabilities that are recognised in respect of claims that have occurred but have not yet been reported to the Company as some claims can take some time to emerge or develop. The determination of the value of these insurance reserves requires judgement, inter alia, in the selection of key assumptions and methodologies. The Company has estimated claims outstanding on case-by-case basis, and management has further applied a judgmental provision in respect of claims incurred but not reported (IBNR). The Company's net claims outstanding and IBNR provision are disclosed in note 15 at €14m and €0.9m respectively, and net favourable variations arising from prior year claims amounted to €0.69m. Further information on the development of the ultimate cost of claims over the years is disclosed in note 15. We focused on this area due to its inherent subjectivity and complexity (refer to note 2, 3.1, and 15).	Our audit procedures addressing the valuation of the Company's claims outstanding and incurred but not reported provision, included the following procedures: • we understood the policies and methodologies used by the Company to account for claims outstanding and IBNR, and where applicable, validated the controls put in place by management; • based on our risk assessment, we tested a number of case estimates (including releases of reserves during the year) to supporting documentation to ensure that the basis of the reserve (or release) was reasonable, and in-line with the information available to the Company; • we applied our industry knowledge and experience in understanding and evaluating the IBNR reserving methodology, models and assumptions used and considered whether these were consistently applied during the years; • we also independently tested the IBNR projections and compared our results to management's estimates; • we have reviewed the Company's assessment in connection to whether the accounting of an unexpired risk provision was required; • we considered the quality of historical reserving by reviewing variations arising from prior year technical provisions; and • we considered the extent of related disclosures to the financial statements. Based on the work performed, we found the claims outstanding and claims incurred but not reported provisions to be consistent with the explanations and evidence obtained.

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Independent auditor's report *- continued*

To the Shareholders of Elmo Insurance Limited

Other information

The directors are responsible for the other information. The other information comprises the Directors' report (but does not include the financial statements and our auditor's report thereon).

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon except as explicitly stated within the *Report on other legal and regulatory requirements*.

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

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial statements

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

In preparing the financial statements, the directors are responsible for assessing the 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 have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

Independent auditor's report *- continued*

To the Shareholders of Elmo Insurance Limited

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

Independent auditor's report - continued

To the Shareholders of Elmo Insurance Limited

Report on other legal and regulatory requirements

The *Annual Report and Financial Statements 2022* contains other areas required by legislation or regulation on which we are required to report. The Directors are responsible for these other areas.

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

Area of the *Annual Report and Financial Statements 2022* and the related Directors' responsibilities	**Our responsibilities**	**Our reporting**
Directors' report (on pages 1 to 4) The Maltese Companies Act (Cap. 386) requires the directors to prepare a Directors' report, which includes the contents required by Article 177 of the Act and the Sixth Schedule to the Act.	We are required to consider whether the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements. We are also required to express an opinion as to whether the Directors' report has been prepared in accordance with the applicable legal requirements. In addition, we are required to state whether, in the light of the knowledge and understanding of the Company and its environment obtained in the course of our audit, we have identified any material misstatements in the Directors' report, and if so to give an indication of the nature of any such misstatements.	In our opinion: • the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and • the Directors' report has been prepared in accordance with the Maltese Companies Act (Cap. 386). We have nothing to report to you in respect of the other responsibilities, as explicitly stated within the *Other information* section.

Area of the *Annual Report and Financial Statements 2022* and the related Directors' responsibilities	Our responsibilities	Our reporting
	Other matters on which we are required to report by exception We also have responsibilities under the Maltese Companies Act (Cap. 386) to report to you if, in our opinion: • adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us. • the financial statements are not in agreement with the accounting records and returns. • we have not received all the information and explanations which, to the best of our knowledge and belief, we require for our audit.	We have nothing to report to you in respect of these responsibilities.

Independent auditor's report - *continued*

To the Shareholders of Elmo Insurance Limited

Other matter – use of this report

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

Appointment

We were first appointed as auditors of the Company on 30 August 1976, for the year ended 31 December 1977. Our appointment has been renewed annually by shareholder resolution representing a total period of uninterrupted engagement appointment of 46 years. The company became licensed as an insurance undertaking in terms of the Maltese Insurance Business Act (Cap. 403) on 29 April 2004.

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

Simon Flynn
Partner

10 April 2023

Profit and loss account
Technical account - general business

	Notes	2022 €	2021 €
		Year ended 31 December	
Earned premiums, net of reinsurance			
Gross premiums written		**27,130,410**	28,353,620
Outward reinsurance premiums		**(9,496,326)**	(11,946,184)
Net premiums written		**17,634,084**	16,407,436
Change in the gross provision for unearned premiums	15	**(768,309)**	(212,262)
Change in the provision for unearned premiums, reinsurers' share	15	**(132,760)**	(228,275)
		(901,069)	(440,537)
Earned premiums, net of reinsurance		**16,733,015**	15,966,899
Allocated investment return transferred from the non-technical account (page 15)	5	**(2,042,644)**	1,850,363
Other technical income		**535,909**	651,829
Total technical income		**15,226,280**	18,469,091
Claims incurred, net of reinsurance			
Claims paid			
- gross amount	15	**12,780,746**	11,337,849
- reinsurers' share	15	**(2,818,158)**	(3,250,927)
		9,962,588	8,086,922
Change in the provision for claims			
- gross amount	15	**5,499,968**	1,836,279
- reinsurers' share	15	**(2,710,054)**	(428,107)
		2,789,914	1,408,172
Claims incurred, net of reinsurance		**12,752,502**	9,495,094
Net operating expenses	4	**3,528,140**	3,100,858
Total technical charges		**16,280,642**	12,595,952
Balance on the technical account for general business (page 15)		**(1,054,362)**	5,873,139

Profit and loss account
Non-technical account

	Notes	Year ended 31 December 2022 €	2021 €
Balance on the technical account for general business (page 14)		**(1,054,362)**	5,873,139
Administration expenses	4	**(226,257)**	(189,589)
Investment income/(expense)	5	**(3,464,781)**	3,809,101
Investment expenses and charges	5	**(122,270)**	(142,249)
Allocated investment return transferred to the general business technical account (page 14)	5	**2,042,644**	(1,850,363)
Share of gains of associated undertaking	13	**155,630**	149,037
(Loss)/profit before tax		**(2,669,396)**	7,649,076
Tax credit/(expense)	8	**1,211,071**	(2,656,341)
(Loss)/profit for the year		**(1,458,325)**	4,992,735

Statement of comprehensive (loss)/income

	Notes	Year ended 31 December 2022 €	2021 €
(Loss)/profit for the year		**(1,458,325)**	4,992,735
Total comprehensive (loss)/income		**(1,458,325)**	4,992,735

The notes on pages 19 to 63 are an integral part of these financial statements.

Balance sheet

	Notes	As at 31 December 2022 €	2021 €
ASSETS			
Intangible assets	10	**90,857**	162,305
Tangible assets			
- land and buildings	11	**13,466,373**	13,418,432
- plant and equipment	11	**246,383**	246,564
Investments:			
- investment in associated undertaking	13	**339,600**	321,047
- investment property	12	**1,615,000**	1,615,000
- financial investments	14	**23,231,404**	27,289,638
Subordinated loan	25	-	200,000
Deferred taxation	20	**242,604**	122,415
Reinsurers' share of technical provisions	15	**9,355,480**	6,778,186
Deferred acquisition costs	16	**1,663,088**	1,720,745
Debtors:			
- arising out of direct insurance operations	17	**6,434,888**	5,234,605
- other debtors	17	**74,255**	132,648
Prepayments and accrued income	17	**557,721**	180,099
Current taxation		**560,651**	-
Cash at bank and in hand	24	**9,307,274**	6,578,241
Total assets		**67,185,578**	63,999,925
EQUITY AND LIABILITIES			
Capital and reserves			
Called up share capital	18	**5,000,000**	5,000,000
Revaluation reserve	19	**7,051,811**	7,051,811
Retained earnings		**15,531,474**	16,989,799
Total equity		**27,583,285**	29,041,610
LIABILITIES			
Technical provisions	15	**33,585,812**	27,317,535
Deferred taxation	20	**1,318,800**	2,779,401
Current taxation		-	380,612
Creditors:			
- interest-bearing borrowings	21	-	27,397
- creditors arising out of direct insurance operations	22	**2,526,644**	2,172,742
- accruals, deferred income and other liabilities	22	**2,171,037**	2,280,628
Total liabilities		**39,602,293**	34,958,315
Total equity and liabilities		**67,185,578**	63,999,925

The notes on pages 19 to 63 are an integral part of these financial statements.

The financial statements on pages 14 to 63 were authorised for issue by the Board on 10 April 2023 and were signed on its behalf by:

William Harding
Chairman

David Bartoli
Managing Director

Statement of changes in equity

	Notes	Share capital €	Revaluation reserve €	Retained earnings €	Total €
Balance at 1 January 2021		5,000,000	7,051,811	15,597,064	27,648,875
Comprehensive income					
Profit for the year		-	-	4,992,735	4,992,735
Total comprehensive income		-	-	4,992,735	4,992,735
Transactions with owners					
Dividends - ordinary shares	9	-	-	(3,600,000)	(3,600,000)
Total transactions with owners		-	-	(3,600,000)	(3,600,000)
Balance at 31 December 2021		5,000,000	7,051,811	16,989,799	29,041,610
Balance at 1 January 2022		**5,000,000**	**7,051,811**	**16,989,799**	**29,041,610**
Comprehensive income					
Loss for the year		**-**	**-**	**(1,458,325)**	**(1,458,325)**
Total comprehensive income		**-**	**-**	**(1,458,325)**	**(1,458,325)**
Balance at 31 December 2022		**5,000,000**	**7,051,811**	**15,531,474**	**27,583,285**

The notes on pages 19 to 63 are an integral part of these financial statements.

Statement of cash flows

	Notes	Year ended 31 December 2022 €	2021 €
Cash flows from operating activities			
Cash generated from operations	23	**3,597,741**	7,176,363
Dividends received		**420,577**	415,533
Net interest received		**193,748**	241,135
Rental income	5	**64,167**	70,000
Net tax paid		**(1,310,982)**	(1,918,634)
Net cash generated from operating activities		**2,965,251**	5,984,397
Cash flows from investing activities			
Purchase of intangible assets	10	**-**	(140,959)
Purchase of immoveable property	11	**(76,795)**	(527,762)
Purchase of plant and equipment	11	**(76,407)**	(37,308)
Purchase of investments – fair value through profit or loss	14	**(4,254,011)**	(4,695,873)
Disposal of investments – fair value through profit or loss		**4,306,051**	1,901,479
Proceeds from disposal of tangible assets		**19,600**	6,800
Net cash flows from investments in term deposits		**(2)**	(19)
Net cash used in investing activities		**(81,564)**	(3,493,642)
Cash flows from financing activities			
Dividends paid	9	**-**	(3,600,000)
Principal elements of lease payments		**(127,257)**	(62,792)
Net cash used in financing activities		**(127,257)**	(3,662,792)
Increase/(decrease) in cash and cash equivalents		**2,756,430**	(1,172,037)
Movement in cash and cash equivalents			
At beginning of year		**6,550,844**	7,722,881
Net cash inflow/(outflow)		**2,756,430**	(1,172,037)
At end of year	24	**9,307,274**	6,550,844

The notes on pages 19 to 63 are an integral part of these financial statements.

Notes to the financial statements

1. Summary of significant accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

1.1 Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU, the Insurance Business Act, 1998 and the Maltese Companies Act, (Cap. 386). The financial statements are prepared under the historical cost convention as modified by the fair valuation of financial assets at fair value through profit or loss and the revaluation of land and buildings.

The preparation of financial statements in conformity with IFRSs as adopted by the EU requires the use of certain accounting estimates. It also requires Directors to exercise their judgement in the process of applying the Company's accounting policies (see Note 2 - Critical accounting estimates and judgements in applying accounting policies).

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

Standards, interpretations and amendments to published standards effective in 2021

In 2022, the Company adopted new amendments and interpretations to existing standards that are mandatory for the Company's accounting period beginning on 1 January 2022. These amendments and interpretations which are effective for the financial year beginning on 1 January 2022 are not material to the Company.

Standards, interpretations and amendments to published standards effective before 2022 for which the Company elected for the temporary exemption

IFRS 9, 'Financial Instruments', became effective for annual periods beginning on or after 1 January 2018. It addresses the classification, measurement and derecognition of financial assets and liabilities and replaces the multiple classification and measurement models in IAS 39. However, in September 2016, the IASB issued amendments to IFRS 4 'Insurance contract' which provided optional relief to eligible insurers in respect of IFRS 9.

IFRS 4 (Amendments), 'Applying IFRS 9 Financial instruments with IFRS 4 Insurance contracts' provides two options for entities that issue insurance contracts within the scope of IFRS 4 i.e. an option that permits entities to reclassify, from profit or loss to other comprehensive income, some of the income or expenses arising from designated financial assets (the "overlay approach") or a temporary exemption from applying IFRS 9 for entities whose predominant activity is issuing contracts within the scope of IFRS 4 (the "deferral approach"). The application of both approaches is optional and an entity is permitted to stop applying them before the new insurance contracts standard is applied. There has been no change in the Company's activities that warrants a reassessment of the above information. On 14 November 2018, the IASB deferred both the effective date of IFRS 17 'Insurance contracts' and the expiry date for the optional relief in respect of IFRS 9 by one year. On 17 March 2020, the IASB deferred again both the effective date of IFRS 17 'Insurance contracts' and the expiry date for the optional relief in respect of IFRS 9 by a further one year. Therefore, Companies that apply the optional temporary relief under IFRS 4 are required to adopt IFRS 9 on 1 January 2023, which aligns with the new effective date of IFRS 17. Consequently, the company will apply IFRS 9 for the first time on 1 January 2023.

1. Summary of significant accounting policies - continued

1.1 Basis of preparation - continued

Standards, interpretations and amendments to published standards effective before 2022 for which the Company elected for the temporary exemption

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

IFRS 9 addresses a logical approach for the classification of financial assets driven by cash flow characteristics and the business model in which an asset is held. IFRS 9 retains, but simplifies, the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income ("FVOCI") and fair value through profit or loss ("FVTPL"). A financial asset not designated as at FVTPL is measured at amortised cost if it is held within a business model whose objective is to hold assets to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. A financial asset not designated as at FVTPL is measured at FVOCI only if it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and its contractual terms give rise on specified dates to cash flows that are SPPI on the principal amount outstanding. Investments in equity instruments are required to be measured at FVTPL, with the irrevocable option at inception to present changes in fair value of equity instruments that are not held for trading in OCI. The election is made on an investment-by-investment basis.

The new model also results in a single impairment model being applied to all financial instruments. The new impairment model will apply to the Company's financial assets measured at amortised cost. As part of IFRS 9, the IASB has introduced a new, expected loss impairment model that will require more timely recognition of expected credit losses. Specifically, the new Standard requires entities to account for expected credit losses from when financial instruments are first recognised and it lowers the threshold for recognition of full lifetime expected losses. IFRS 9 introduces a three-stage model ("general model") for impairment based on changes in credit quality since initial recognition. Financial assets where 12-month ECL is recognised are considered 'Stage 1'. Financial assets which are considered to have experienced a significant increase in credit risk would be classified as 'Stage 2' and financial assets for which there is objective evidence of impairment, thus considered to be in default or otherwise credit-impaired, would be classified as 'Stage 3'.

IFRS 9 also introduces a substantially-reformed model for hedge accounting with enhanced disclosures about risk management activity. The new model represents a substantial overhaul of hedge accounting that aligns the accounting treatment with risk management activities.

The assessment of the impact on the Company's financial statements is in progress, however, at the time of approval of these financial statements, given that certain judgements are still under consideration, a reasonable estimate of the financial impact cannot be provided at this stage.

Standards, interpretations and amendments to published standards that are not yet effective

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2022 and have not been applied in preparing these financial statements. The Company is considering the implications of the below standard on the Company's financial results and position, and the timing of their adoption, taking cognisance of the endorsement process by the European Commission

1. Summary of significant accounting policies - continued

1.1 Basis of preparation - continued

IFRS 17 'Insurance Contracts'

IFRS 17 'Insurance Contracts' is an International Financial Reporting Standard (IFRS) that was issued by the International Accounting Standards Board (IASB) in May 2017 and amended in June 2020 and is applicable for annual periods beginning on or after 1 January 2023, with early adoption permitted. IFRS 17 was adopted by the EU on 19 November 2021, with an optional exemption regarding the annual cohort requirement. Furthermore, on 9 December 2021, the IASB issued 'Initial Application of IFRS 17 and IFRS 9 - Comparative Information' as an amendment to IFRS 17, which was endorsed by the European Commission on 9 September 2022. The Company has not early adopted IFRS 17 and will apply IFRS 17 for the first time on 1 January 2023.

IFRS 17 will replace IFRS 4. It establishes the principles for the recognition, measurement, presentation and disclosure of contracts within the scope of the standard. The Company's IFRS 17 implementation project is in progress. The Company has the following expectations as to the impact compared with its current accounting policy for insurance contracts issued and reinsurance contracts held:

- Contracts in scope of IFRS 17

IFRS 17 applies to insurance contracts issued and to all reinsurance contracts held by an insurer. The Company does not expect significant scope changes arising from the application of these requirements as compared to IFRS 4.

- Level of aggregation

Under IFRS 17, at initial recognition, portfolios of insurance contracts are identified. A portfolio of insurance contracts is defined as insurance contracts that are subject to similar risks and managed together. It is generally expected that contracts in different product lines will have different risks. Each portfolio is then divided into three groups:

- Any contracts that are onerous at initial recognition (if any);
- Any contracts that, on initial recognition, have no significant possibility of becoming onerous subsequently (if any); and
- Any remaining contracts (if any).

A group can only include contracts that have been issued within one year of each other.

- Contract boundaries

For insurance contracts, cash flows are within the contract boundary if they arise from substantive rights and obligations that exist during the reporting period in which the Company can compel the policyholder to pay premiums or has a substantive obligation to provide services. A substantive obligation to provide services ends when:

- the Company has the practical ability to reassess the risks of the particular policyholder and can set a price or level of benefits that fully reflects those reassessed risks; or
- the Company has the practical ability to reassess the risks of the portfolio that contains the contract and can set a price or level of benefits that fully reflects the risks of that portfolio, and the pricing of the premiums up to the reassessment date does not take into account risks that relate to periods after the reassessment date.

For reinsurance contracts, cash flows are within the contract boundary if they arise from substantive rights and obligations that exist during the reporting period in which the Company is compelled to pay amounts to the reinsurer or has a substantive right to receive services from the reinsurer. A substantive right to receive services from the reinsurer ends when the reinsurer:

- has the practical ability to reassess the risks transferred to it and can set a price or level of benefits that fully reflects those reassessed risks; or
- has a substantive right to terminate the coverage.

1. Summary of significant accounting policies - continued

1.1 Basis of preparation - continued

- Measurement and transition

In accordance with IFRS 17, groups of insurance contracts or reinsurance contracts are automatically eligible for the premium allocation approach (‘PAA’) measurement model, if every contract within the group has a coverage period of 12 months or less. For groups with contracts having a coverage period of more than 12 months, prior to opting for the PAA, IFRS 17 requires the company to consider whether or not it reasonably expects that the liability for remaining coverage under the PAA would produce a result that does not differ materially from the general measurement model (‘GMM’).

- Under IFRS 17, the GMM requires entities to measure an insurance contract or reinsurance contract at initial recognition at the total of the fulfilment cash flows and the contractual service margin.
- Under both models, the fulfilment cash flows will be calculated on a best estimate basis and will be remeasured on a current basis at each reporting period. Cashflows may also need to be discounted (subject to certain conditions laid down in the standard) and the statement of financial position will also include a risk adjustment.

IFRS 17 requires entities to apply IFRS 17 retrospectively as if IFRS 17 had always been applied, using the full retrospective approach (‘FRA’) unless it is impracticable, in which case the alternative Modified Retrospective Approach or Fair Value Approach (‘FVA’) are to be applied. The Company expects that it will apply the FRA.

The Company expects that it will apply the PAA measurement model on most groups of insurance contract issued and reinsurance contracts held. Under the IFRS 17 ‘PAA’ model, the Company has an option to expense directly attributable costs as incurred or to recognise them with insurance liabilities and assets and eventually expensed and recognised in the insurance service result. The Company expects that it will opt to expense directly attributable costs as incurred. Costs that are not directly attributable will continue to be expensed as incurred within administrative expenses. IFRS 17 also requires the use of discount rates determined at the date of initial recognition for groups of contracts. In this respect, under the PAA, the Company may opt not to adjust the liability for remaining coverage to reflect the time value of money if the time between providing the services and the related premium due date will be less than one year.

Hence, changes to equity on transition are mainly driven by the measurement of in-scope contracts in accordance with IFRS 17, primarily due to the removal of margins and the inclusion of directly attributable costs amongst other matters as mentioned above.

The Company has made working accounting policy decisions, as well as put in place data and measurement models, and made progress with running dry runs of transitional numbers and 2022 estimates of selected comparative data. The transitional balance sheet and restated 2022 comparative will be presented in the financial statements to be issued in the next annual report and will represent the impact on the Company’s total assets, liabilities and equity. Hence, the assessment of the impact on the Company’s financial statements is in progress, however, at the time of approval of these financial statements, given that certain judgements are still under consideration, a reasonable estimate of the financial impact cannot be provided at this stage.

- Presentation and disclosure

IFRS 17 will result in a profound change to the accounting in IFRS financial statements for insurance companies, including in so far as the presentation of the financial statements are concerned. The components of the income statement and statement of financial position will change as compared to current practice under IFRS 4.

1. Summary of significant accounting policies - continued

1.1 Basis of preparation - continued

- Under IFRS 17, portfolios of insurance contracts that are assets and those that are liabilities, and portfolios of reinsurance contracts that are assets and those that are liabilities, are presented separately in the statement of financial position. All rights and obligations arising from a portfolio of contracts will be presented on an aggregate basis; therefore, balances such as insurance receivables and payables in scope of IFRS 17 will no longer be presented separately.
- Under IFRS 17, amounts recognised in the income statement are disaggregated into (a) an insurance service result, comprising insurance revenue and insurance service expenses; and (b) insurance finance income or expenses. Amounts from reinsurance contracts will be presented separately.

There will also be additional notes to the financial statements, including detailed reconciliations.

1.2 Foreign currency translation

(a) 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"). The financial statements are presented in euro (€), which is the Company's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement within administrative expenses.

1.3 Revenue recognition

Revenue comprises the fair value for services and is recognised as follows:

(a) Rendering of services

Premium recognition is described in accounting policy 1.17 dealing with insurance contracts.

(b) Interest income

Interest income from financial assets not classified as fair value through profit or loss is recognised on a time proportionate basis using the effective interest method. When a receivable is impaired, the Company reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument and continues unwinding the discount as interest income.

(c) Dividend income

Dividend income is recognised when the right to receive payment is established.

(d) Other net fair value gains or losses from financial assets at fair value through profit or loss

Other gains or losses arising from changes in the fair value of the 'Financial assets at fair value through profit or loss' category are presented in the profit and loss account within 'investment income' in the period in which they arise.

1. Summary of significant accounting policies - continued

1.4. Investment return

Investment return includes dividend income, other net fair value movements on financial assets at fair value through profit or loss (including interest income from financial assets, classified as fair value through profit and loss), interest income from financial assets not classified as fair value through profit or loss and is net of investment expenses, charges and interest.

The investment return is allocated between the technical and non-technical profit and loss accounts on a basis which takes into account that technical provisions are fully backed by investments.

1.5 Property, plant and equipment

Tangible assets comprising land and buildings, office furniture and equipment and motor vehicles are initially recorded at cost. Property is subsequently shown at market value, based on valuations by external independent valuers, less subsequent depreciation. Valuations are carried out on a regular basis such that the carrying amount of property does not differ materially from that which would be determined using fair values at the reporting date. All other plant and equipment are subsequently stated at historical cost less depreciation.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged to the profit and loss account during the financial period in which they are incurred.

Increases in the carrying amount arising on revaluation are credited to the revaluation reserve in shareholders' equity. Decreases that offset previous increases of the same asset are charged against the revaluation reserve; all other decreases are charged to the income statement.

Depreciation is calculated on the straight-line method to write off the cost of the assets, other than land, to their residual values over their estimated useful life as follows:

	%
Buildings	2
Improvement to buildings	10
Office furniture and equipment	20
Motor vehicles	20

The assets' residual values and useful lives are reviewed and adjusted as appropriate at each reporting date.

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are included in the profit and loss account.

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

1.6 Investment property

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Company is classified as investment property.

Investment property is measured initially at its historical cost, including related transaction costs and borrowing costs. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Borrowing costs which are incurred for the purpose of acquiring or constructing a qualifying investment property are capitalised as part of its cost. Borrowing costs are capitalised while acquisition or construction is actively underway

1. Summary of significant accounting policies - continued

1.6 Investment property - continued

Capitalisation of borrowing costs is ceased once the asset is substantially complete and is suspended if the development of the asset is suspended. After initial recognition, investment property is carried at fair value, representing open market value determined annually. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset.

The fair value of investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in the light of current market conditions. The fair value also reflects, on a similar basis, any cash outflows that could be expected in respect of the property.

Subsequent expenditure is capitalised to the asset's carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged to profit or loss during the financial period in which they are incurred. When part of an investment property is replaced, the carrying amount of the replaced part is derecognised.

The fair value of investment property does not reflect future capital expenditure that will improve or enhance the property and does not reflect the related future benefits from this future expenditure other than those a rational market participant would take into account when determining the value of the property.

Changes in fair values are recognised in profit or loss. Investment properties are derecognised either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal.

1.7 Intangible assets - Computer software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised using the straight-line method over their estimated useful lives of 4 years.

Costs associated with developing or maintaining computer software programmes are recognised as an expense as incurred.

1.8. Investment in associated undertakings

Associated undertakings are all entities over which the Company has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associated undertakings are accounted for by the equity method of accounting and are initially recognised at cost.

Equity accounting involves recognising in the profit and loss account, the Company's share of the associate's profit or loss for the year and the share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the cost of the investment. Dividend received or receivable from associates are recognised as a reduction in the carrying amount of the investment."

The Company's investment in associated undertaking is carried in the balance sheet at an amount that reflects its share of the net assets of the associate and includes goodwill (net of any accumulated impairment loss) on acquisition. Equity accounting is discontinued when the carrying amount of an investment in an associated undertaking reaches zero unless the Company has incurred obligations or guaranteed obligations in respect of the associated undertaking. Unrealised gains on transactions between the Company and its associates are eliminated to the extent of the Company's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred."

1. Summary of significant accounting policies - continued

1.8. Investment in associated undertakings - continued

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the profit and loss account. The Carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in note 1.10(b).

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the identifiable net assets of the acquired associate at the date of acquisition. Goodwill on acquisitions of associates is included in 'investment in associated undertakings'.

Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

1.9 Financial assets

The Company classifies its financial assets in the following categories: financial assets at fair value through profit or loss and loans and receivables. The classification depends on the purpose for which the financial assets were acquired. The Directors determine the appropriate classification of the financial assets at the time of purchase and re-evaluate such designation at every reporting date.

(a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are part of a group of investments that is managed on a portfolio basis and whose performance is evaluated and reported internally on a fair value basis to the Company's key management personnel in accordance with a documented investment strategy.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than those that the Company intends to sell in the short term or that it has designated as fair value through profit or loss. They include, *inter alia*, debtors, deposits held with credit or financial institutions and cash and cash equivalents.

All purchases and sales of investments are recognised on the trade date, which is the date that the Company commits to purchase and sell the asset. All investments are initially recognised at fair value plus, in the case of all financial assets not carried at fair value through profit or loss, transaction costs that are directly attributable to their acquisition. Investments are derecognised when the rights to receive cash flows from the investments have expired or where they have been transferred and the Company has also transferred substantially all risks and rewards of ownership.

Financial assets at fair value through profit or loss are subsequently re-measured at fair value. Loans and receivables are carried at amortised cost using the effective interest method, less any provision for impairment. Realised and unrealised gains and losses arising from changes in fair value of the 'financial assets at fair value through profit or loss' category are included in the profit and loss account in the period in which they arise.

The fair value of quoted investments is based on quoted market prices at the reporting date. If the market for an investment is not active, the Company establishes fair value by using valuation techniques.

1. Summary of significant accounting policies - continued

1.10 Impairment of assets

(a) Impairment of financial assets carried at amortised cost

The Company assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Objective evidence that a financial asset or group of assets is impaired includes observable data that comes to the attention of the Company about the following events:

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

The Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant. If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them 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.

If there is objective evidence that an impairment loss has been incurred on loans and receivables carried at amortised cost, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the profit and loss account.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as improved credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in the profit and loss account.

(b) Impairment of other non-financial assets

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

1. Summary of significant accounting policies - continued

1.11 Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents comprise cash in hand and deposits held at call with banks which are held for operational purposes, net of bank overdrafts.

1.12 Share capital

Shares are classified as equity when there is no obligation to transfer cash or other assets.

1.13 Dividends

Dividends on ordinary shares are recognised in equity in the period in which they are declared.

1.14 Current and deferred tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the profit and loss account, except to the extent that it relates to items recognised directly in equity. In this case, the tax is also recognised in equity.

Deferred tax is recognised using the liability method for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. However, if the deferred income tax arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised only to the extent that future taxable profit will be available against which the temporary differences can be utilised.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

1.15 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost.

Interest costs are charged against income without restriction. No borrowing costs have been capitalised.

1.16 Leases

The Company recognises lease liabilities in relation to leases within 'accruals and deferred income'. The lease liability is measured at the present value of the remaining lease payments, discounted at the Company's incremental borrowing rate. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 31 December 2022 was 6.35% (2021 : 6.35%). The associated ROU assets are recognised and included within 'plant and equipment' and are measured at the amount equal to the lease liability.

1. Summary of significant accounting policies - continued

1.16 Leases - continued

The Company applies the following practical expedients:

- a single discount rate is applied to a portfolio of leases with reasonable similar characteristics;
- an assessment is performed on whether leases are onerous; and
- hindsight is used in determining the lease term where the contract contains options to extend or terminate the lease.

Lease payments are allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease term.

The ROU asset is depreciated over the shorter of the ROU asset's useful economic life and the lease term on a straight-line basis. The leases with a remaining lease term of less than 12 months are accounted as short-term operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

1.17 Insurance contracts - classification

The Company issues contracts that transfer significant insurance risk and that are classified as insurance contracts. As a general guideline, the Company defines as significant insurance risk the possibility of having to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder.

Insurance contracts - General business

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

(i) Premiums written relate to business underwritten during the year together with any differences between the booked premiums for prior years and those previously accrued, less cancellations.

(ii) Unearned premiums represent the proportion of premiums written in the year that relate to unexpired terms of policies in force at the balance sheet date, calculated on a time apportionment basis.

(iii) Commissions and other acquisition costs that vary with and are related to securing new contracts and renewing existing contracts are deferred over the period in which the related premiums are earned. These are capitalised and are shown as deferred acquisition costs ("DAC") in the balance sheet. DAC is amortised over the term of the policies as the premium is earned. All other costs are recognised as expenses when incurred.

(iv) Claims incurred comprise claims and related expenses paid in the year and changes in the provision for outstanding claims, including provisions for claims incurred but not reported ("IBNR") and related expenses, together with any other adjustments to claims from previous years. Where applicable, deductions are made for salvage and other recoveries.

(v) Provision in the form of an unexpired risk provision is made for any deficiencies arising when unearned premiums, net of associated acquisition costs, are insufficient to meet expected claims and expenses after taking into account future investment return on the investments supporting the unearned premiums provision and unexpired risks provision. The expected claims are calculated having regard to events that have occurred prior to the reporting date.

1. Summary of significant accounting policies - continued

1.17 Insurance contracts – classification - continued

(vi) Provision is made at the year-end for the estimated cost of claims incurred but not settled at the reporting date, including the cost of claims incurred but not yet reported to the Company. The estimated cost of claims includes expenses to be incurred in settling claims and a deduction for the expected value of salvage and other recoveries. The Company takes all reasonable steps to ensure that it has appropriate information regarding its claims exposures. However, given the uncertainty in establishing claims provisions, it is likely that the final outcome will prove to be different from the original liability established. Liabilities for unpaid claims are estimated using the input of assessments for individual cases reported to the Company and statistical analysis for the claims incurred but not reported, and to estimate the expected ultimate cost of more complex claims that may be affected by external factors (such as court decisions). The Company does not discount its liabilities for unpaid claims.

(vii) The above method of provisioning satisfies the minimum liability adequacy that is required by IFRS 4.

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 recognised as reinsurance assets. These assets consist of short-term balances due from reinsurers (classified within debtors), 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 recognised as a liability when due and expensed over the period of cover.

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 recognises that impairment loss in the profit and loss account. 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. These processes are described in accounting policy 1.10.

Receivables and payables related to insurance contracts

Receivables and payables are recognised when due. These include amounts due to and from agents, brokers and insurance contract holders.

If there is objective evidence that an insurance receivable is impaired, the Company reduces the carrying amount of the insurance receivable accordingly and recognises that impairment loss in the profit and loss account. 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. These processes are described in accounting policy 1.10.

2. Critical accounting estimates and judgments in applying accounting policies

Estimates and judgments are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

In the opinion of the Directors, the accounting estimates and judgements made in the course of preparing these financial statements are not difficult, subjective or complex to a degree which would warrant their description as critical in terms of the requirements of IAS 1, other than the estimate of the ultimate liability arising from claims made under insurance contracts.

There are several sources of uncertainty that need to be considered in the estimate of liabilities that the Company will ultimately pay for insurance claims. In particular, insurance risks including exposure to liability can span over more than one accounting year, and this increases the uncertainty surrounding the estimate for final settlement.

The Company applies conventional statistical models in order to determine the ultimate liability of claims as further described in Note 3.1. The Directors believe that the liability arising from claims under insurance contracts is adequately reserved as at the financial year end. Further detail is provided in Note 15 to these financial statements.

3. Management of insurance and financial risk

The Company issues contracts that transfer insurance risk. The Company is also exposed to financial risk. This section summarises these risks and the way the Company manages them.

3.1 Insurance risk

The risk under any one insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the very nature of an insurance contract, this risk is random and therefore unpredictable. The terms and conditions of the contracts set out the bases for the determination of the Company's liability should the insured event occur. The risks underwritten include accident, motor (including third party liability), marine and transport, fire and other damage to property, engineering, and liability.

For a portfolio of insurance contracts where the theory of probability is applied to pricing and provisioning, the principal risk that the Company faces under its insurance contracts is that the actual claims and benefit payments exceed the carrying amount of the insurance liabilities. This could occur because the frequency or severity of claims is greater than estimated. Insurance events are random and the actual number and amount will vary from year to year from the estimate established using statistical techniques.

Experience shows that the larger the portfolio of similar insurance contracts, the smaller variability about the expected outcome will be. In addition, a more diversified portfolio is less likely to be affected across the board by a change in any subset of the portfolio. The Company has developed its insurance underwriting strategy to diversify the type of insurance risks accepted and within each category of business to achieve a sufficiently large population of risks to reduce the variability of the expected outcome.

Factors that aggravate insurance risks include the lack of risk diversification in terms of type and amount of risk, geographical location and type of industry covered.

Frequency and severity of claims

The frequency and severity of claims can be affected by several factors including increasing levels of court awards and the risks of a single event that can affect a number of individual risks insured by the Company, such as flood or an earthquake.

3. **Management of insurance and financial risk** - continued

3.1 Insurance risk - continued

The Company manages these risks through its underwriting strategy, adequate reinsurance arrangements and proactive claims handling.

Underwriting risk

The Directors manage exposure to insurance risk through an Underwriting Committee (U.C.) that considers aggregation of risk and establishes risk retention levels.

The underwriting strategy attempts to ensure that the risks underwritten are well diversified in terms of type and amount of risk and industry. Disciplined underwriting, encompassing risk assessment, risk management, pricing and exposure control is critical to the Company's success.

The goal is for underwriters to be in a position to:

- Understand and assess each risk,
- Make appropriate decisions within their area of competence and authority limits,
- Differentiate between risks,
- Apply suitable terms and conditions in order to manage the portfolio,
- Control exposure,
- Improve the predictability of the loss experience and make appropriate use of the Company's technical capacity.

Frequency and severity of claims

Each of the Company's underwriters has a specific license that sets clear parameters for the business that they can underwrite, based on the competence of the individual underwriter. The U.C. looks at Company underwriting issues, reviewing and agreeing underwriting direction and setting policy and directives where appropriate, and limits on the overall retention of risk that the Company carries. The Company's management of the underwriting and claims risks restricts underwriting of specific high risk classes of business to underwriters with appropriate technical competence and includes reviewing the performance and management of selected individual insurance portfolios throughout the Company.

Pricing is generally based upon historical claims frequencies and claims severity averages, adjusted for inflation and trended forward. While claims remain the Company's principal cost, allowance is also made in the pricing procedures for acquisition expenses, administration expenses, investment income, the cost of reinsurance, and for a profit loading that adequately covers the cost of the capital exposed to risk.

The Company has the right not to renew individual policies or to reprice on renewal, it can impose deductibles and it has the right to reject the payment of a fraudulent claim.

Reinsurance arrangements are in place as further described below.

Reinsurance risk

The Company reinsures a portion of the risks underwritten to control exposure to losses, to reduce volatility, and to protect capital. The types of reinsurance cover, and the level of retention, are based on the Company's internal risk management assessment, which takes into account the risk being covered and the sums assured. The reinsurance strategy and programme are set and agreed by the Reinsurance Committee on an annual basis. The reinsurance arrangements include a mix of proportional, facultative and non-proportional cover, which limit the liability of the Company to any one individual claim or event. Furthermore, the international health business is covered by a reinsurance agreement whereby it transfers all the risk back to the reinsurers.

3. Management of insurance and financial risk - continued

3.1 Insurance risk - continued

Monthly reviews of aggregates are carried out to ensure that adequate reinsurance is in place.

Periodical meetings are held with the Company's reinsurance brokers, the purpose of which is to systematically agree the renewal process of the Company's reinsurance requirements, and to ensure a formalised means of communication between Elmo and its reinsurance brokers. Good "*ad hoc*" contact with reinsurance brokers is maintained during the year when dealing with risks that are not catered for by standard reinsurance treaties.

The Company monitors the financial condition of reinsurers on an ongoing basis, and reviews its reinsurance arrangements regularly to ensure that its counterparty exposure to individual reinsurance groups is within the parameters set by the U.C., and the Malta Financial Services Authority. The Company does not place reinsurance with reinsurers having a credit rating lower than 'A-'.

Concentration of insurance risk

All risks underwritten by the Company are based in Malta. The Directors consider that the insurance portfolio is not unduly concentrated, also taking into account the nature and extent of reinsurance protection acquired by the Company.

Claims handling

Risks surrounding known claims are mitigated through the Company's inhouse teams of skilled claims technicians who apply their experience and knowledge to the circumstances of individual claims. These teams are responsible for investigating and adjusting claims, together with specialist independent loss adjustors that might be engaged depending on exigencies. Claim estimates are reviewed periodically and adjusted on the basis of information that becomes available specific to the claim as well as changes in external factors such as judicial decisions and legislation. The Company generally pursues early settlement of claims to reduce its exposure to unpredictable developments.

Sources of uncertainty in the estimation of future claim payments

Claims on contracts are accounted for on a claims-occurrence basis. The Company is liable for all insured events that occurred during the term of the contract, even if the loss is discovered after the end of the contract term. As a result, the estimation of claims incurred but not reported ('IBNR') is generally subject to a greater degree of uncertainty than the estimation of the cost of settling claims already notified to the Company. Certain classes of business can take several years to develop, in particular claims involving casualty, and are therefore subject to a greater degree of uncertainty than other classes of business which are typically settled in a shorter period of time.

The estimated cost of claims includes direct expenses to be incurred in settling claims, net of the expected subrogation value and recoveries. The Company takes all reasonable steps to ensure that it has appropriate information regarding its claims exposures. However, given the uncertainty in establishing claims provisions, it is possible that the final outcome will prove to be different from the original liability established. The liability for these contracts comprises a provision for IBNR and a provision for reported claims not yet paid at the balance sheet date (see Note 15).

In calculating the estimated cost of unpaid claims, the Company uses a combination of estimation techniques, based partly on known information and partly on statistical analyses of a historical experience. Reserves are analysed by line of business. Case reserves are established on each individual claim and are adjusted as new information becomes known during the course of handling the claim. Lines of business for which claims data (e.g. paid claims and case reserves) emerge over a long period of time are referred to as long tail lines of business.

3. Management of insurance and financial risk - continued

3.1 Insurance risk - continued

Lines of business for which claims data emerge more quickly are referred to as short tail lines of business. Risks underwritten by the Company are typically short tail, although certain lines of business may take longer to develop, including, for example, personal accident and employers' liability.

The Company's claims managers regularly review reserves for both current and prior accident years using the most recent claims data. These reserve reviews incorporate a variety of judgments, and involve extensive analysis. The ultimate cost of outstanding claims, including claims incurred but not reported, is subsequently estimated through statistical analyses of historical claims trends, which are projected forward giving greater weighting to recent years. Additional qualitative judgment is applied to assess the extent to which past trends may not apply in the future.

Note 15 presents the development of the estimate of ultimate claim cost for claims notified in a given year. This gives an indication of the accuracy of the Company's estimation techniques for claims payable.

3.2 Financial risk

The Company is exposed to financial risk through its financial assets, financial liabilities, and insurance and reinsurance assets and liabilities. The key financial risk is that the proceeds from its financial assets are not sufficient to fund the obligations arising from its insurance risk. The most important components of this financial risk are the interest rate risk, equity price risk, currency risk, credit risk and liquidity risk. These risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements. The risk management policies employed by the Company to manage these risks are discussed below.

Market risk

(a) Interest rate risk

In general, the Company is exposed to risk associated with the effects of fluctuations in the prevailing levels of market interest rates. Assets issued at variable rates expose the Company to cash flow interest rate risk. Assets issued at fixed rates expose the Company to fair value interest rate risk. Fair value interest rate risk is the risk that the relative value of a security will worsen due to an interest rate increase. Interest rate risk is mitigated through the distribution of fixed interest investments over a range of maturity dates. The exposure to interest rate risk in respect of borrowings is not material considering the short-term nature of the Company's external borrowings. Notes 14, 11.5 and 24 incorporate interest rate and maturity information with respect to the Company's assets and liabilities.

The total assets and liabilities subject to interest rate risk are as follows:

	2022	2021
	€	€
Assets at floating interest rates	**9,835,507**	6,632,757
Assets at fixed interest rates	**6,114,011**	5,859,990
	15,949,518	12,492,747
Liabilities at floating interest rates	**-**	27,397
Liabilities at fixed interest rates	**138,468**	140,036
	138,468	167,433

3. Management of insurance and financial risk - continued

3.2 Financial risk - continued

Interest rate risk is principally managed through the investment in debt securities having a wide range of maturity dates. Moreover, investment parameters exist to limit exposure to any one issuer and any one particular security. Note 14 incorporates maturity information with respect to the Company's assets. The exposure to interest rate risk in respect of borrowings is not considered to be significant.

Insurance liabilities are not directly sensitive to the level of market interest rates, as they are not discounted and contractually non-interest bearing. The impact of interest rates on insurance liabilities (e.g. in the case of damages awarded by the courts) is considered within the Company's reserving policy and is mitigated by interest accruing on investments.

Up to the balance sheet date the Company did not have any hedging policy with respect to interest rate risk as exposure to such risks was not deemed to be significant by the Directors.

Sensitivity analysis - interest rate risk

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

At 31 December 2022, if interest rates at that date would have been 100 basis points (2021: 50 basis points) lower with all other variables held constant, pre-tax profit for the year would have been €248,941, (2021: €162,647) higher. An increase of 100 basis points (2021: 50 basis points), with all other variables held constant, would have resulted in pre-tax profits being €233,602 (2021: €156,786) lower.

(b) Price risk

The Company's financial assets are also susceptible to the risk of changes in value due to changes in the prices of equities in respect of investments held and classified on the balance sheet as fair value through profit or loss. The Directors manage this risk of price volatility by entering into a diverse range of investments including equities and collective investment schemes. The Company has an active Investment Committee that has established a set of investment guidelines that is also approved by the Board of Directors. These guidelines provide parameters for investment management, including contracts with external portfolio managers. The Directors review market value fluctuations arising on the Company's investments on a regular basis. Investment parameters and diversification procedures also consider solvency restrictions imposed by the relevant Insurance Regulations.

The total assets subject to equity price risk are as follows:

	2022	2021
	€	€
Assets subject to equity price risk (Note 14)	**16,581,726**	21,567,598

3. Management of insurance and financial risk - continued

3.2 Financial risk - continued

Sensitivity analysis – equity price risk

The sensitivity for equity price risk illustrates how changes in the fair value of equity securities will fluctuate because of changes in market prices, whether those changes are caused by factors specific to the individual equity issuer, or factors affecting all similar equity traded in the market. The sensitivity for equity price risk is based on global equity returns, assuming that currency exposures are hedged. Given the investment strategy and asset mix of the Company, a 17.5% (2021: 15%) positive or negative movement in equity prices is considered to be an appropriate benchmark for sensitivity purposes.

An increase and a decrease of 17.5% (2021: 15%) in equity prices, with all other variables held constant, would result in an impact on the pre-tax profit for the year of €2,901,802 (2021: €3,235,140).

(c) Currency risk

Currency risk arises from the possibility that fluctuations in foreign exchange rates will impact on the amounts that are paid to settle liabilities and on the amounts that are realised from the Company's assets. Most of the Company's liabilities are in local currency and are therefore not subject to currency risk. The Company's exposure to foreign exchange risk arises primarily from investments that are denominated in currencies other than the euro.

The Company's Investment Committee establishes allowable thresholds with regards to the Company's exposure to foreign exchange risk. Currency exposure is also regulated by the Regulations underlying the Maltese Insurance Business Act, 1998.

As at 31 December 2022, the Company's exposure to foreign currency investments, principally represented a mix of USD and GBP, amounted to €7,903,314 (2021: €10,442,162). The Company's exposure to foreign currency as at 31 December 2022, mainly arose in respect to USD and GBP. The strengthening or weakening of the functional currency by 12.5% (2021: 10%) against the other currencies with all other variables held constant, would result in an impact on pre-tax profit for the year of €987,914 (2021: €1,044,216).

(d) Credit risk

Credit risk is the risk that a counterparty will be unable to pay amounts in full when due. Key areas where the Company is exposed to credit risk are:

- Investments and cash and cash equivalents;
- Reinsurers' share of insurance liabilities;
- Amounts due from reinsurers in respect of claims already paid;
- Amounts due from policy holders and insurance intermediaries;
- Subordinated loan.

The Company places limits on the level of credit risk undertaken from the main categories of financial instruments. These limits also take due consideration of the solvency restrictions imposed by the relevant Regulations. The investment strategy of the Company considers the credit standing of the counterparty and control structures are in place to assess and monitor these risk thresholds.

The Company structures the levels of credit risk it accepts by limiting as far as possible its exposure to a single counterparty or groups of counterparty. Limits on the level of credit risk are approved by

3. Management of insurance and financial risk - continued

3.2 Financial risk - continued

(d) Credit risk- continued

the Directors, and the credit terms allowed depend on the distribution channel through which business is secured. Frequent meetings are held, attended by Directors, in order to monitor the overall credit situation, and to take remedial measures as appropriate. Debtors are stated net of a provision for impairment (Note 17). The Directors consider that the Company is not exposed to material concentration of credit risk in respect of trade debtors due to the large number of customers comprising the Company's debtor base.

Reinsurance is used to manage insurance risk. This does not, however, discharge the Company's liability as primary insurer. If a reinsurer fails to pay a claim for any reason, the Company remains liable for the payment to the policyholder. The creditworthiness of reinsurers is monitored on an annual basis by reviewing their financial strength prior to finalisation of any contract. The Company's policy is to only contract reinsurers with a minimum rating of A-.

The Company is also exposed to credit risk for its cash at bank and investments. The Company's cash is placed with quality financial institutions.

In view of the related party relationship with the entity to whom the subordinated loan has been granted, the Directors consider that no credit risk arises on such exposure arose as at 31 December 2021. This loan was subsequently repaid during the year ended 31 December 2022.

Assets bearing credit risk at the balance sheet date are analysed as follows:

	As at 31 December 2022				
	AAA to AA	A to A-	BBB to BB	Unrated	Total
	€	€	€	€	€
Debt securities at fair value through profit or loss	171,368	638,052	1,498,330	4,279,876	6,587,626
Loans and receivables					
Deposits with banks or credit institutions	-	-	62,052	-	62,052
Insurance and other receivables	4,563	9,907	8,863	6,562,787	6,586,120
Cash and cash equivalents	-	325,323	1,926,543	7,055,408	9,307,274
	4,563	335,230	1,997,458	13,618,195	15,955,446
Reinsurers' share of technical provisions	5,527,923	1,053,731	-	-	6,581,654
Total assets bearing credit risk	**5,703,854**	**2,027,013**	**3,495,788**	**17,898,071**	**29,124,726**

3. Management of insurance and financial risk - continued

3.2 Financial risk - continued

(d) Credit risk - continued

	As at 31 December 2021				
	AAA to AA €	A to A- €	BBB to BB €	Unrated €	Total €
Debt securities at fair value through profit or loss	185,028	181,594	509,100	4,784,268	5,659,990
Loans and receivables					
Deposits with banks or credit institutions	-	-	62,050	-	62,050
Insurance and other receivables	4,561	4,890	2,996	5,437,206	5,449,653
Subordinated loan	-	-	-	200,000	200,000
Cash and cash equivalents	-	72,618	950,080	5,555,543	6,578,241
	4,561	77,508	1,015,126	11,192,749	12,289,944
Reinsurers' share of technical provisions	2,855,928	1,015,672	-	-	3,871,600
Total assets bearing credit risk	**3,045,517**	**1,274,774**	**1,524,226**	**15,977,017**	**21,821,534**

(e) Liquidity risk

The Company's exposure to liquidity risk arises from the eventuality that the frequency or severity of claims are greater than estimated. Liquidity risk is the risk that cash may not be available to pay obligations when due at a reasonable cost.

The Directors do not consider this risk to be significant given the nature of the Company's financial assets and liabilities. The Company's financial assets are considered to be readily realisable as they consist of local and foreign securities listed on recognised stock markets. Moreover, the Company ensures that a reasonable level of funds is available at any point in time for unexpected large claims and the Company may also resort to overdraft facilities which provide a short-term means of finance.

The table below analyses the Company's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the expected timing cash flows arising from the Company's liabilities.

3. Management of insurance and financial risk - continued

3.2 Financial risk - continued

(e) Liquidity risk - continued

As at 31 December 2022	**Contracted undiscounted cash outflows**				
	Less than one year €	Between one and two years €	Between two and five years €	Over five years €	Total €
Lease liabilities	147,260	-	-	-	147,260
Insurance and other payables	4,559,392	-	-	-	4,559,392
	4,706,652	**-**	**-**	**-**	**4,706,652**

	Expected undiscounted cash outflows				
	Less than one year €	Between one and two years €	Between two and five years €	Over five years €	Total €
Technical provisions - Claims outstanding	**10,119,294**	**3,149,817**	**5,521,073**	**2,795,968**	**21,586,152**

As at 31 December 2021	**Contracted undiscounted cash outflows**				
	Less than one year €	Between one and two years €	Between two and five years €	Over five years €	Total €
Bank overdraft	27,397	-	-	-	27,397
Lease liabilities	76,402	77,132	-	-	153,534
Insurance and other payables	4,313,334	-	-	-	4,313,334
	4,417,133	**77,132**	**-**	**-**	**4,494,265**

	Expected undiscounted cash outflows				
	Less than one year €	Between one and two years €	Between two and five years €	Over five years €	Total €
Technical provisions - Claims outstanding	**6,851,265**	**2,321,089**	**5,056,558**	**1,857,272**	**16,086,184**

3. Management of insurance and financial risk - continued

3.3 Capital risk management

The Company's objectives when managing capital are:

- to comply with the insurance capital requirements required by the Maltese insurance regulator ("MFSA");
- to safeguard the Company's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and,
- to provide an adequate return to shareholders by pricing insurance contracts commensurately with the level of risk.

In order to maintain or adjust the capital structure, the Company may issue new shares or capitalise contributions received from its shareholders.

The Company is required to hold regulatory capital for its general insurance business in compliance with the rules issued by the Malta Financial Services Authority (MFSA). The minimum capital requirement must be maintained at all times throughout the year. The Company monitors its capital level on a regular basis, by ensuring that sufficient assets are maintained to match insurance liabilities and to provide solvency cover. Any transactions that may potentially affect the Company's solvency position are immediately reported to the Directors and shareholders for resolution prior to notifying the MFSA.

As from 1 January 2016, the Company was subject to the requirements of the EU Solvency II directive. The Solvency II regime establishes a new set of EU wide capital requirements, risk management and disclosure standards. The Company must hold eligible own funds to cover the solvency capital requirement (SCR) and eligible basic own funds to cover the minimum capital requirement (MCR). The SCR shall be calculated either in accordance with the standard formula or using a full or partial internal model (PIM) as approved by the Regulator. The Company must immediately inform the Regulator where it observes that its SCR or MCR are no longer complied with or where there is risk of non-compliance in the following six months for SCR and three months for MCR.

The Company opted for the standard formula under the Solvency II regime to calculate the SCR as the assumptions underlying the standard formula are considered to be a good fit for the Company's risk profile.

The Company was in full compliance with its regulatory capital requirements throughout the financial year and at 31 December 2022, the Company's eligible own funds amounting to €28,013,730 (2021: €29,265,825) were in excess of the required SCR.

3.4 Fair value estimate

The fair value of publicly traded investments is based on quoted market prices at the balance sheet date. At 31 December 2022 and 31 December 2021, the carrying amount of the Company's other financial assets and liabilities approximated their fair values.

The following table presents the Company's assets that are measured at fair value at 31 December 2022, by level of the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

3. **Management of insurance and financial risk** - continued

3.4 Fair value estimate - continued

	2022	2021
	Level 1	Level 1
	€	€
Financial Assets		
Fair value through profit or loss		
- Equity securities, other variable yield securities and units in unit trusts - listed	**16,581,726**	21,567,598
- Debt securities	**6,587,626**	5,659,990
Total assets	**23,169,352**	27,227,588

The Company's investments are quoted in active markets and accordingly are classified as level 1.

4. **Net operating expenses**

	2022	2021
	€	€
Acquisition costs	**5,208,596**	6,494,869
Change in deferred acquisition costs, net of reinsurance	**3,807**	(112,073)
Administrative expenses	**1,956,891**	1,698,643
Reinsurance commissions and profit participation	**(3,414,897)**	(4,790,992)
	3,754,397	3,290,447
Allocated to:		
Technical profit and loss account	**3,528,140**	3,100,858
Non-technical account	**226,257**	189,589
	3,754,397	3,290,447

Total commissions for direct business accounted for in the financial year amounted to €2,121,412 (2021: €3,582,407). Further detail on expenses by nature is provided in Note 6 to the financial statements.

5. Investment return

	2022 €	2021 €
Dividends received from investments at fair value through profit or loss	**283,500**	278,456
Net (losses)/gains from financial investments at fair value through profit or loss	**(3,797,613)**	3,458,932
Interest receivable in relation to other loans and receivables	**(14,835)**	1,713
Rental income from investment property (note 12)	**64,167**	70,000
	(3,464,781)	3,809,101
Investment expenses and charges		
Investment expenses and charges	**(105,396)**	(129,369)
Interest and finance charges paid for lease liabilities	**(16,874)**	(12,880)
	(122,270)	(142,249)
Total investment return	**(3,587,051)**	3,666,852
Allocated as follows:		
Technical profit and loss account	**(2,042,644)**	1,850,363
Non-technical account	**(1,544,407)**	1,816,489
	(3,587,051)	3,666,852

6. Expenses by nature

	2022 €	2021 €
Staff costs (Note 7)	**3,959,005**	3,601,536
Directors' remuneration (Note 7)	**25,544**	28,544
Amortisation of intangible assets (Note 10)	**71,448**	75,284
Depreciation of property, plant and equipment (Note 11)	**212,891**	151,231
Professional indemnity insurance	**81,649**	68,168
Decrease in debtors' impairment provision	**(117,767)**	(23,462)
Legal and professional fees	**280,076**	392,991
Advertising	**270,760**	175,194
Amounts receivable written off	**9,513**	6,292
Other expenses	**1,814,362**	1,516,763
Total administrative expenses	**6,607,481**	5,992,541
Allocated to:		
Technical profit and loss account	**6,381,224**	5,802,952
Non-technical account	**226,257**	189,589
	6,607,481	5,992,541

6. Expenses by nature - continued

Fees charged by the auditor for services rendered during the financial period ended 31 December 2022 and 2021 amounted to:

	2022 €	2021 €
Annual statutory audit	**54,300**	49,500
Other assurance services	**44,800**	34,500
Other non-audit services	**3,000**	-
Tax compliance and advisory services	**1,400**	1,400
	103,500	85,400

7. Staff costs

	2022 €	2021 €
Salaries	**3,783,017**	3,439,278
Social security costs	**201,532**	190,802
	3,984,549	3,630,080

The average number of persons employed during the year was:

	2022	2021
Managerial	**18**	18
Technical	**77**	76
Administrative	**10**	9
	105	103

Staff costs amounting to €20,469 (2021: €32,295) were reimbursed by related undertakings.

8. Tax expenses

	2022 €	2021 €
Current tax expense	**369,719**	1,489,225
Deferred tax (credit)/charge (Note 20)	**(1,580,790)**	1,167,116
Tax expense	**(1,211,071)**	2,656,341

The tax on the Company's profit before tax differs from the theoretical amount that would arise using the basic tax rate as follows: -

	2022 €	2021 €
(Loss)/profit before tax	**(2,669,396)**	7,649,076
Tax on profit at 35%	**(934,289)**	2,677,177
Adjusted for tax effect of:		
Income subject to reduced rates of tax	**(59,141)**	(49,848)
Expenses not deductible for tax purposes	**12,672**	15,712
Net losses not deductible for tax purposes	**217,788**	13,300
Changes in Income Tax Act affecting taxation of equity investments	**(448,101)**	-
Tax expense	**(1,211,071)**	2,656,341

By virtue of the enactment of the 2022 Budget Implementation Act and the subsequent guidance note issued by the Commissioner for Inland Revenue ("the Commissioner") in November 2022, the transfers of shares, that are considered to be capital assets, which are listed or in the consequence of listing on a stock exchange recognised by the Commissioner are not subject to capital gains tax. As a consequence of this change in legislation, the Company is no longer accounting for deferred tax on the unrealised fair value movements on foreign equities.

9. Dividends

The Directors do not propose the payment of a final dividend in respect of 2022. The net dividend declared in respect of 2021 was €3,600,000 (72 cents per share).

10. Intangible assets

	Computer Software €
At 31 December 2020	
Cost	1,025,097
Accumulated amortisation	(928,467)
Net book amount	96,630
Year ended 31 December 2021	
Opening net book amount	96,630
Additions	140,959
Amortisation charge	(75,284)
Closing net book amount	**162,305**
At 31 December 2021	
Cost	1,166,056
Accumulated amortisation	(1,003,751)
Net book amount	**162,305**
Year ended 31 December 2022	
Opening net book amount	162,305
Amortisation charge	(71,448)
Closing net book amount	**90,857**
At 31 December 2022	
Cost	1,166,056
Accumulated amortization	(1,075,199)
Net book amount	**90,857**

Amortisation of €71,448 (2021: €75,284) is included in net operating expenses in the technical account.

11. Tangible assets

	Land and buildings €	Right of use assets €	Office furniture & equipment €	Motor vehicles €	Total €
At 31 December 2020					
Cost or valuation	12,948,378	300,350	1,873,170	265,344	15,387,242
Accumulated depreciation	(28,854)	(120,140)	(1,818,190)	(178,461)	(2,145,645)
Net book amount	**12,919,524**	**180,210**	**54,980**	**86,883**	**13,241,597**
Year ended 31 December 2021					
Opening net book amount	12,919,524	180,210	54,980	86,883	13,241,597
Additions	527,762	9,560	14,508	22,800	574,630
Disposal	-	-	-	(13,500)	(13,500)
Depreciation charge	(28,854)	(63,257)	(27,355)	(31,765)	(151,231)
Depreciation released upon disposal	-	-	-	13,500	13,500
Closing net book amount	**13,418,432**	**126,513**	**42,133**	**77,918**	**13,664,996**
At 31 December 2021					
Cost or valuation	13,476,140	309,910	1,887,678	274,644	15,948,372
Accumulated depreciation	(57,708)	(183,397)	(1,845,545)	(196,726)	(2,283,376)
Net book amount	**13,418,432**	**126,513**	**42,133**	**77,918**	**13,664,996**
Year ended 31 December 2022					
Opening net book amount	13,418,432	126,513	42,133	77,918	13,664,996
Additions	76,795	125,689	70,407	6,000	278,891
Disposal	-	-	-	(22,800)	(22,800)
Depreciation charge	(28,854)	(126,101)	(32,230)	(25,706)	(212,891)
Depreciation released upon disposal	-	-	-	4,560	4,560
Closing net book amount	**13,466,373**	**126,101**	**80,310**	**39,972**	**13,712,756**
At 31 December 2022					
Cost or valuation	13,552,935	435,599	1,958,085	257,844	16,204,463
Accumulated depreciation	(86,562)	(309,498)	(1,877,775)	(217,872)	(2,491,707)
Net book amount	**13,466,373**	**126,101**	**80,310**	**39,972**	**13,712,756**

11. **Tangible assets** - continued

11.1 Fair value of land and buildings and investment property

The Company's land and buildings and investment property comprise of the Company's office building which houses the operations of the Company, as well as an additional office building in the vicinity of the former which is leased to third parties.

During 2022, the Company engaged professional independent valuers to review the valuation of the Company's property portfolio. The new valuations obtained by the Company as at 31 December 2022 confirm the carrying amount of the property owned by the Company. The Directors have reviewed the carrying amounts of the property as at 31 December 2022, on the basis of the assessments carried out by the independent property valuers. No adjustments to the carrying amounts were deemed necessary during the current financial year.

The Company is required to analyse non-financial assets carried at fair value by level of the fair value hierarchy within which the recurring fair value measurements are categorised in their entirety (Level 1, 2 or 3). The different levels of the fair value hierarchy have been defined as fair value measurements using:

- Quoted prices (unadjusted) in active markets for identical assets (Level 1);
- Inputs other than quoted prices included within Level 1 that are observable for the asset, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2);
- Inputs for the asset that are not based on observable market data (that is, unobservable inputs) (Level 3).

The recurring property fair value measurement at 31 December 2022 uses significant unobservable inputs and is accordingly categorised within Level 3 of the fair valuation hierarchy.

The Company's policy is to recognise transfers into and out of fair value hierarchy levels as of the beginning of the reporting period. There were no transfers between different levels of the fair value hierarchy during the year ended 31 December 2022.

A reconciliation from the opening balance to the closing balance of non-financial assets for recurring fair value measurements categorised within Level 3 of the value hierarchy, is reflected in the table above and in the notes to the financial statements.

11.2 Valuation processes

The valuation of the property is performed regularly on the basis of valuation reports prepared by independent and qualified valuers. At the end of every reporting period, the Financial Controller (CFO) assesses whether any significant changes in the major inputs have been experienced since the last external valuation. The CFO reports to the Board on the outcome of this assessment.

When an external valuation report is prepared, the information provided to the valuers – and the assumptions and the valuation models used by the valuers – are reviewed by the CFO. This includes a review of fair value movements over the period. When the CFO considers that the valuation report is appropriate, the valuation report is recommended to the Board. The Board considers the valuation report as part of its overall responsibilities.

11. **Tangible assets** - continued

11.3 Valuation techniques

The Level 3 fair valuation of the Company's land and buildings and investment property (Note 12) was determined by using a comparative approach whereby the current selling prices and rental values of similar developments were compared in order to obtain an equitable value of the property. The significant unobservable inputs in the valuation include:

Equivalent rental values based on the actual location, type and quality of property supported by current market rents for similar properties.

Information about fair value measurements using significant unobservable inputs (level 3)

			Significant unobservable inputs
Description	**Fair value at 31 December 2022 €**	**Valuation technique**	**Value per square metre €**
Office building	15.1 million	Equivalent value per square metre	4,900

The higher the rental yield and the lower the capitalisation rate, the higher the fair value. Conversely, the lower the rental value and the higher the capitalisation rate, the lower the fair value.

11.4 Historical cost of land and buildings

If the land and buildings were stated on the historical cost basis, the amounts would be as follows:

	2022 €	2021 €
Cost	**4,920,988**	4,920,988
Accumulated depreciation	**(364,238)**	(342,850)
Net book amount	**4,556,750**	4,578,138

11.5 Leases

The Company leases a number of branches. Rental contracts are typically made for fixed periods but may have extension options. Extension and termination options are included in a number of property leases across the Company. These are used to maximise operational flexibility in terms of managing the assets used in the Company's operations. The majority of extension and termination options held are exercisable only by the Company and not by the respective lessor.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

The total cash payments for leases in 2022 was €144,456 (2021: €75,909). The contractual undiscounted cash flows attributable to lease liabilities as at 31 December 2021 are analysed in Note 3.2. The profit and loss account reflects the depreciation charge of right-of-use asset and interest charges for lease liabilities which are disclosed in note 11 and note 5 respectively.

11. **Tangible assets** - continued

11.5 **Leases** - continued

	2022	2021
	€	€
Year ended 31 December		
At beginning of year	**140,036**	193,268
Additions	**125,689**	9,560
Principal elements of lease liabilities		
-annual lease payments	**(144,131)**	(75,672)
-interest	**16,874**	12,880
At end of year	**138,468**	140,036
At 31 December		
Current	**138,468**	67,510
Non-current	**-**	72,526
At end of year	**138,468**	140,036

12. **Investment property**

	2022	2021
	€	€
Year ended 31 December		
At beginning and end of year	**1,615,000**	1,615,000
At end of year	**1,615,000**	1,615,000
At 31 December		
Cost	**703,500**	703,500
Fair value gains	**911,500**	911,500
Closing cost and net book amount	**1,615,000**	1,615,000

Investment property comprises an office building acquired during 2013 which is leased out to third parties.

During 2022, the Company engaged professional independent valuers to review the valuation of the Company's property portfolio. The new valuations obtained by the Company as at 31 December 2022 confirm the carrying amount of the property owned by the Company. Fair values are determined on the basis of open market value taking cognisance of the specific location of the property, the size of the site together with its development potential and the availability of similar properties in the area.

Disclosures required in terms of IFRS 13 in relation to fair value measurements attributable to investment property are presented in Note 11. Rental income generated from investment property is disclosed in note 5.

13. Investment in associated undertaking

	2022	2021
	€	€
Year ended 31 December		
At beginning of year	**321,047**	309,087
Share of results of associate	**155,630**	149,037
Dividend received	**(137,077)**	(137,077)
At end of year	**339,600**	321,047
As At 31 December		
Cost	**75,750**	75,750
Goodwill	**167,382**	167,382
Share of results	**96,468**	77,915
Closing cost and net book amount	**339,600**	321,047

The associated undertaking is shown below:

Associated undertaking	Registered Office	Class of shares held	Percentage of shares held	
			2022	2021
2RS Elmo Insurance Managers Limited	Abate Rigord Street, Ta' Xbiex	Ordinary Shares	**49.5%**	49.5%

The financial information available below to the Company relates to the investment that is classified as an associate as at the balance sheet date.

	Assets	Liabilities	Profit for the year
	€	€	€
2022	**505,204**	**152,319**	**217,480**
2021	571,448	256,043	204,162

The value of Goodwill arose in connection to the acquisition of a further stake in 2RS Elmo Insurance Managers Limited during 2019 and represents the payments in excess of the net assets acquired. During 2022, the Directors carried out an impairment assessment test the conclusion of which suggests that there is no scope for an impairment charge. 2RS Elmo Insurance Managers reported revenues of €714,608 (2021: €669,943) and a net profit after tax of €217,480 (2021: €204,162) for the period from 1 January to 31 December 2022 of which the Company's share on the net profit was €107,653 (2021: €101,060).

14. Financial Investments

The investments are summarised by measurement category in the table below:

	2022	2021
	€	€
Fair value through profit or loss	**23,169,352**	27,227,588
Loans and receivables	**62,052**	62,050
	23,231,404	27,289,638

(a) Investments at fair value through profit or loss

	2022	2021
	€	€
Equity securities, other variable yield securities and units in unit trusts - listed	**16,581,726**	21,567,598
Debt securities	**6,587,626**	5,659,990
Total investments at fair value through profit or loss	**23,169,352**	27,227,588

Maturity of fixed income debt securities:

	2022	2021
	€	€
Within one year	**569,282**	700,780
Between 1 and 2 years	**1,481,606**	324,800
Between 2 and 5 years	**3,011,395**	2,414,827
Over 5 years	**1,525,343**	2,219,583
	6,587,626	5,659,990

All other securities classified as fair value through profit or loss are non-current in nature.

The movements in investments classified as fair value through profit or loss are summarised as follows:

	2022	2021
	€	€
Year ended 31 December		
At beginning of year	**27,227,588**	21,213,684
Additions	**4,254,011**	4,695,873
Disposals (sale and redemptions)	**(4,797,922)**	(1,723,572)
Net fair value (losses)/gains	**(3,514,325)**	3,041,603
At end of year	**23,169,352**	27,227,588
As at 31 December		
Cost	**21,726,114**	22,270,025
Accumulated net fair value gains	**1,443,238**	4,957,563
Net book amount	**23,169,352**	27,227,588

14. Financial Investments - continued

(b) Loans and receivables

	2022	2021
	€	€
Deposits with banks or credit institutions	**62,052**	62,050

Maturity of deposits with banks or credit institutions:

	2022	2021
	€	€
Within 3 months	**62,052**	62,050

The above deposits earn interest as follows:

	2022	2021
	€	€
At fixed rates	**62,052**	62,050

15. Insurance liabilities and reinsurance assets

	2022 €	2021 €
Gross technical provisions		
Claims reported and loss adjustment expenses	**20,535,867**	15,006,831
Claims incurred but not reported	**1,050,285**	1,079,353
Provision for unearned premiums	**11,999,660**	11,231,351
	33,585,812	27,317,535
Reinsurers' share of technical provisions		
Claims reported and loss adjustment expenses	**6,388,434**	3,584,592
Claims incurred but not reported	**193,220**	287,008
Provision for unearned premiums	**2,773,826**	2,906,586
	9,355,480	6,778,186
Net technical provisions		
Claims reported and loss adjustment expenses	**14,147,433**	11,422,239
Claims incurred but not reported	**857,065**	792,345
Provision for unearned premiums	**9,225,834**	8,324,765
	24,230,332	20,539,349

Technical provisions are considered to be substantially current in nature.

The gross claims reported are net of expected recoveries from salvage and subrogation. The amounts for salvage and subrogation at the end of 2022 and 2021 are not material.

Technical provisions are established to cover the expected ultimate liability for claims and loss adjustment expenses in respect of all claims that have occurred at the balance sheet date. The provisions established cover reported claims and associated loss adjustment expenses, as well as claims incurred but not yet reported to the Company and are based on undiscounted estimates of future claim payments.

Outstanding claims provisions for reported claims are based primarily on individual case estimates by reference to known facts at the date of estimation. The ultimate cost of outstanding claims, including incurred but not reported claims, is estimated through statistical analysis of historical claims trends as further described in note 3.1 to these financial statements. The main assumption underlying this analysis is that past claims development experience can be used to project future claims development, and hence ultimate claims costs. Additional qualitative judgement is applied to assess the extent to which past trends may not apply in the future. Based on this process, no key variable has been identified for which a change could have a material impact on the profit or loss for the year.

The development of insurance liabilities provides a measure of the Company's ability to estimate the ultimate value of claims. The top half of the table in the next page illustrates how the Company's estimate of total claims incurred for each accident year has changed at successive year-ends. The bottom half of the table reconciles the cumulative claims to the amount appearing in the balance sheet. The accident-year basis is considered to be the most appropriate for the business written by the Company.

The development of insurance liabilities is presented for accident years to date during which the Company has been operating as insurance principal.

15. Insurance liabilities and reinsurance assets - continued

The development table is presented gross of reinsurance.

	2013 €	2014 €	2015 €	2016 €	2017 €	2018 €	2019 €	2020 €	2021 €	2022 €	Total €
Estimate of the ultimate claims costs:											
- at end of accident year	7,554,026	7,234,988	7,996,319	7,423,855	9,626,225	10,679,360	16,125,919	11,935,234	12,568,081	18,376,282	
- one year later	8,024,544	7,606,833	8,815,540	7,974,397	10,268,634	12,749,021	18,384,523	13,925,212	14,298,686		
- two years later	7,298,588	7,075,169	8,512,506	7,508,183	9,093,872	12,652,697	17,537,939	12,838,593			
- three years later	7,155,432	6,965,657	8,594,942	7,195,352	9,007,320	12,456,383	16,824,867				
- four years later	7,105,643	6,898,117	8,694,995	7,100,305	8,877,720	12,378,929					
- five years later	7,064,167	6,817,562	8,751,689	7,068,446	8,706,310						
- six years later	7,105,168	6,783,158	8,760,125	7,200,301							
- seven years later	7,089,261	6,749,099	8,748,898								
- eight years later	7,078,252	6,738,230									
- nine years later	7,079,504										
Current estimates of Cumulative claims	7,079,504	6,738,230	8,748,898	7,200,301	8,706,310	12,378,929	16,824,867	12,838,593	14,298,686	18,376,282	113,190,600
Cumulative payments to date	(6,993,170)	(6,563,361)	(8,349,671)	(7,034,559)	(8,245,139)	(11,822,802)	(15,062,169)	(11,524,273)	(10,061,239)	(6,727,864)	(92,384,247)
Liability recognised in the balance sheet	86,334	174,869	399,227	165,742	461,171	556,127	1,762,698	1,314,320	4,237,447	11,648,418	20,806,353
Liability in respect of prior years											779,799
Total reserve included in the balance sheet											21,586,152

15. **Insurance liabilities and reinsurance assets** - continued

The development table is presented net of reinsurance.

	2013 €	2014 €	2015 €	2016 €	2017 €	2018 €	2019 €	2020 €	2021 €	2022 €	Total €
Estimate of the ultimate claims costs:											
- at end of accident year	6,831,259	6,445,458	7,083,572	6,638,396	8,638,046	9,005,686	10,075,485	8,301,993	9,950,687	13,440,083	
- one year later	7,123,331	6,726,840	7,572,414	6,884,491	9,078,095	9,239,032	10,723,325	9,067,151	10,692,823		
- two years later	6,486,279	6,185,276	6,930,480	6,370,993	8,157,090	8,639,351	9,972,432	8,015,976			
- three years later	6,375,754	6,059,799	6,998,412	6,194,568	8,068,285	8,475,848	9,806,524				
- four years later	6,331,201	5,989,971	6,908,556	6,085,200	7,959,982	8,403,519					
- five years later	6,306,456	5,933,352	6,970,451	6,058,968	7,845,203						
- six years later	6,356,795	5,903,088	6,988,009	6,063,121							
- seven years later	6,336,694	5,875,850	6,977,208								
- eight years later	6,327,734	5,864,982									
- nine years later	6,328,986										
Current estimates of cumulative claims	6,328,986	5,864,982	6,977,208	6,063,121	7,845,203	8,403,519	9,806,524	8,015,976	10,692,823	13,440,083	83,438,425
Cumulative payments to date	(6,247,297)	(5,693,120)	(6,579,166)	(6,010,554)	(7,436,412)	(8,009,071)	(8,782,672)	(7,201,346)	(7,467,850)	(5,566,309)	(68,993,797)
Liability recognized in the balance sheet	81,689	171,862	398,042	52,567	408,791	394,448	1,023,852	814,630	3,224,973	7,873,774	14,444,628
Liability in respect of prior years											559,870
Total reserve included in the balance sheet											15,004,498

15. Insurance liabilities and reinsurance assets - continued

Movements in insurance liabilities and reinsurance assets

(a) Claims and loss adjustment expenses (including IBNR)

	Year ended 2022		
	Gross €	Reinsurance €	Net €
Total at beginning of year	16,086,184	(3,871,600)	12,214,584
Claims settled during the year	(12,780,746)	2,818,158	(9,962,588)
Increase/(decrease) in liabilities			
- arising from current year claims	18,376,282	(4,936,199)	13,440,083
- arising from prior year claims	(95,568)	(592,013)	(687,581)
Total at year end	**21,586,152**	**(6,581,654)**	**15,004,498**

	Year ended 2021		
	Gross €	Reinsurance €	Net €
Total at beginning of year	14,249,905	(3,443,493)	10,806,412
Claims settled during the year	(11,337,849)	3,250,927	(8,086,922)
Increase/(decrease) in liabilities			
- arising from current year claims	12,568,081	(2,617,394)	9,950,687
- arising from prior year claims	606,047	(1,061,640)	(455,593)
Total at year end	**16,086,184**	**(3,871,600)**	**12,214,584**

Variations occur when compared to prior year claims estimates due to a combination of factors including claims being settled for different amounts than estimated, and changes made to reserve estimates as more information becomes available. Favourable movements are indicative of a prudent reserving methodology in prior years.

15. Insurance liabilities and reinsurance assets - continued

(b) Provision for unearned premiums

The movements for the year are summarised as follows:

	Year ended 2022		
	Gross €	Reinsurance €	Net €
At beginning of year	11,231,351	(2,906,586)	8,324,765
Net charge to profit and loss	768,309	132,760	901,069
At end of year	**11,999,660**	**(2,773,826)**	**9,225,834**

	Year ended 2021		
	Gross €	Reinsurance €	Net €
At beginning of year	11,019,089	(3,134,861)	7,884,228
Net charge to profit and loss	212,262	228,275	440,537
At end of year	**11,231,351**	**(2,906,586)**	**8,324,765**

16. Deferred acquisition costs

	2022 €	2021 €
Year ended 31 December		
At beginning of year	**1,720,745**	1,718,260
Net (credit)/charge to profit and loss	**(57,657)**	2,485
At end of year	**1,663,088**	1,720,745

Deferred acquisition costs are classified as current assets.

17. Debtors and prepayments and accrued income

	2022 €	2021 €
Debtors		
Debtors arising out of direct insurance operations		
- due from policyholders	**3,688,175**	3,275,521
- due from intermediaries	**2,746,713**	1,959,084
Amount due from related parties (Note 25)	**40,203**	102,128
Other debtors	**34,052**	30,520
	6,509,143	5,367,253
Prepayments and accrued income		
Accrued interest	**76,977**	82,400
Prepayments	**480,744**	97,699
	557,721	180,099

Amounts due from related parties are unsecured, interest-free and repayable on demand.

Debtors are presented net of an allowance for impairment of €200,272 (2021: €318,039). As at 31 December 2022, debtors amounting to €5,092,291 (2021: €4,301,370) were fully performing, whereas debtors amounting to €1,342,597 (2021: €933,235) were past due but not impaired. These dues related to a number of independent parties for whom there is no recent history of significant default. The ageing analysis of the trade receivables which were past due but not impaired at year end is as follows:

	2022 €	2021 €
Within credit terms	**730,140**	417,483
Not more than 3 months overdue	**473,348**	359,784
More than 3 months overdue	**139,109**	155,968
	1,342,597	933,235

18. Share capital

	2022 €	2021 €
Authorised		
2,488,350 ordinary "A" shares of €1 each	**2,488,350**	2,488,350
2,488,350 ordinary "B" shares of €1 each	**2,488,350**	2,488,350
23,300 ordinary "C" shares of €1 each	**23,300**	23,300
	5,000,000	5,000,000
Issued and fully paid		
2,488,350 ordinary "A" shares of €1 each	**2,488,350**	2,488,350
2,488,350 ordinary "B" shares of €1 each	**2,488,350**	2,488,350
23,300 ordinary "C" shares of €1 each	**23,300**	23,300
	5,000,000	5,000,000

"A", "B" and "C" ordinary shares rank pari passu in all respects except for the appointment of Directors. The holders of ordinary "A" and ordinary "B" shares have the right to appoint one director for every ten percent of the share capital held by reference to the nominal value of shares. The holders of ordinary "C" shares have the right to appoint one director.

19. Revaluation reserve

	2022 €	2021 €
At 1 January	**7,051,811**	7,051,811
At 31 December	**7,051,811**	7,051,811

The balance at 31 December is made up as follows:

	2022 €	2021 €
Revaluation reserve arising on land and buildings	**7,051,811**	7,051,811

This reserve is not a distributable reserve.

20. Deferred taxation

	2022	2021
	€	€
Balance at 1 January	**2,656,986**	1,489,870
Movements during the year recognised in:		
Profit and loss account (Note 8)	**(1,580,790)**	1,167,116
Balance at 31 December - net	**1,076,196**	2,656,986

Deferred taxation is calculated on temporary differences under the liability method using a principal tax rate of 35% (2020: 35%) except for temporary differences on Land and Investment Property that are calculated under the liability method using the principal tax rates of either 8% or 10% of the revalued amount.

The year-end balance comprises:

	2022	2021
	€	€
Temporary differences attributable to depreciation of fixed assets	**(6,850)**	(22,515)
Temporary differences attributable to fair value adjustments - investments	**(177,074)**	1,460,601
Temporary differences attributable to revaluation of land and buildings	**1,189,600**	1,189,600
Temporary differences attributable to revaluation of investment property	**129,200**	129,200
Temporary differences attributable to provision for impairment of doubtful debtors	**(58,680)**	(99,900)
Balance at 31 December - net	**1,076,196**	2,656,986

Deferred income tax assets are recognised for losses carry-forwards to the extent that the realisation of the related tax benefit through future taxable gains is probable. Deferred income tax assets and liabilities are offset when there is a legally enforceable right to set off a current asset against a current tax liability. The following amounts determined after appropriate offsetting are shown in the balance sheet:

	2022	2021
	€	€
Deferred tax asset	**(242,604)**	(122,415)
Deferred tax liability	**1,318,800**	2,779,401
	1,076,196	2,656,986

The above temporary differences are considered to be substantially non-current in nature.

21. Interest-bearing borrowings

	2022 €	2021 €
Bank overdraft (Note 24)	**-**	27,397

The bank overdraft bears an interest rate of 4.60% (2021: 4.60%) is secured by a hypothec on the Company’s property.

22. Creditors

	2022 €	2021 €
Other creditors		
Creditors arising out of direct insurance operations	**2,514,761**	2,163,014
Amounts due to related parties (Note 25)	**11,883**	9,728
	2,526,644	2,172,742
Accruals, deferred income and other liabilities		
Accrued expenses	**706,022**	760,195
Deferred income	**1,326,547**	1,380,397
Lease liabilities (Note 11)	**138,468**	140,036
	2,171,037	2,280,628

The above creditors are considered to be current in nature. The lease liabilities have been split into current and non-current as disclosed in Note 11.

23. Cash generated from operations

Reconciliation of (loss)/profit before tax to cash generated from operations:

	2022 €	2021 €
Profit before tax	**(2,669,396)**	7,649,076
Adjustments for:		
Net investment return (Note 5)	**3,326,025**	(3,945,258)
Amortisation (Note 10)	**71,448**	75,284
Depreciation (Note 11)	**212,891**	151,231
Gain on disposal of property, plant and equipment	**(1,361)**	(6,800)
Impairment of debtors (Note 17)	**(117,767)**	(23,462)
Movements in:		
Technical provisions (net)	**3,690,983**	1,848,709
Debtors and prepayments, including DAC	**(1,144,086)**	1,112,854
Creditors and accruals	**229,004**	314,729
Cash generated from operations	**3,597,741**	7,176,363

24. Cash and cash equivalents

For the purpose of the statement, of cash flows the year end cash and cash equivalents comprise the following:

	2022	2021
	€	€
Cash at bank and in hand	**9,307,274**	6,578,241
Bank overdraft (Note 21)	**-**	(27,397)
	9,307,274	6,550,844
Interest bearing:		
- at floating rates	**2,606,902**	1,079,434

25. Related party transactions

Due to common ultimate shareholders, the Directors consider the Cassar and Cooper Group and the C & H Bartoli Group to be related parties (including related entities and close family of shareholders). Trading transactions with related parties during the year were as follows:

	2022	2021
	€	€
(a) Entities with significant influence over the entity (including related entities and close family of shareholders)		
Gross premium receivable, net of claims paid	**14,317**	9,549
Reimbursement of expenses for back-office support	**20,469**	32,295
Net rent payable	**13,904**	14,736
Commission payable	**251,572**	251,572
Interest charged	**-**	10,000
(b) Other related parties		
Fees payable	**86,252**	95,181

Year end balances arising from the above transactions:

	2022	2021
	€	€
Entities with significant influence over the entity (including related entities and close family of shareholders) (Note 17 and Note 22)		
Amounts due by (includes subordinated loan)	**40,203**	302,128
Amounts due to	**11,883**	9,728

25. Related party transactions - continued

The related subordinated loan as at 31 December 2021 amounting to €200,000 which bears an interest rate of 5% was repaid during the year. The above other balances are unsecured, interest free and repayable on demand.

Fees payable to Directors are disclosed in Notes 6, while dividend received from investment in associated undertaking is disclosed in Note 13.

26. Statutory information

Elmo Insurance Limited is a limited liability Company and is incorporated in Malta, with registered address at ‘ELMO’, Abate Rigord Street, Ta’ Xbiex, XBX 1111, Malta.