

RCI Life Limited

Annual Report and Financial Statements for the year ended

31 December 2020

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Directors' Report

The Directors present the annual report and the audited financial statements of RCI Life Limited (the "Company") for the year ended 31 December 2020.

Principal activities

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

Review of the business

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

During the year ended 31 December 2020 the Company wrote a total premium income of €169,131,055 down by 12.69% compared to that written during 2019 at €193,721,954. During 2020 there was an increase in premium written in France, while a decrease in premium was registered in Germany, Spain and Italy.

The net combined ratio of 38.93%, down from 40.28% registered in 2019 mainly resulted from lower claims incurred in all countries, coupled with lower operating expenses.

The Company's net investment income decreased by 8.94% to €542,610 in 2020 (2019: €595,881). The decrease is mainly due to the unfavorable market conditions. The total impairment loss for 2020 amounted to €128,171 when compared to €153,412 for 2019.

The total profit for the year after tax amounted to €47,971,668 (2019: €43,244,905). The increase in profitability is mainly attributable to the factors as explained above.

The Shareholders' Funds of the Company at €65,111,805 (2019: €60,401,057) increased by 7.80% resulting from better profit after tax registered during the year under review.

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 As from this date, the solvency calculations under Solvency I regime are no longer applicable.

Based on the audited Solvency Capital Requirements ("SCR") calculations as at 31 December 2020, the Company has complied with the capital and solvency requirements as stipulated in the rules issued by the MFSA. Going forward, the Company is also expected to continue meeting the Solvency II requirements, based on the projected SCR calculations included in the 2020 Own Risk and Solvency Assessment ("ORSA") report.

Principal risks

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

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

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

Directors' Report- continued

Covid-19

COVID-19 has evolved into a crisis of global proportions with a significant impact on individual health, real economic activity, financial markets, and political and social systems; all impacting on the insurance business in general. It is evident that the crisis is ongoing as at December 2020, with a very uncertain trajectory and even more uncertainty regarding the ultimate consequences for Insurance Undertakings and the effect on the business in terms of new business, claims and operations. During the first month of the pandemic (April 2020), the Companies experience a steep decrease in the new business written mainly from those countries which imposed a full lockdown. This was recovered later during the year when most countries were going back to a more normal situation. A number of death claims were reported during the year due to the COVID-19 pandemic.

Future developments

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

Post balance sheet events

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

Results and dividends

The results for the year are set out in the Income Statement on pages 9 and 10. The Directors paid out an interim dividend of €43,244,905 (2019: €40,413,288). The Directors do not recommend the payment of a final dividend.

Directors

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

Mr Patrick Claude
Mr John Bonett
Mr Bastien Paret
Mr Jean-Louis Labauge

Auditors


At the 2021 Annual General Meeting a resolution will be presented proposing the appointment of Mazars Malta as Auditors as from the financial year ending 31 December 2021. The Directors take the opportunity to express their gratitude to Mazars Malta for their service to the Company and the Shareholders.

By order of the Board



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Bastien Paret
Director



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Jean-Louis Labauge
Director

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

07 April 2021

Statement of Directors' Responsibilities for the financial statements

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

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable;
- prepare the financial statements on a going concern basis, unless it is inappropriate to presume that the Company will continue in business as a going concern;
- account for income and charges relating to the accounting year on the accruals basis;
- value separately the components of asset and liability items; and
- report comparative figures corresponding to those of the preceding accounting year.

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

Income Statement – Technical Account - general business for the year ended 31 December 2020

	Notes	2020 €	2019 €
Earned premiums, net of reinsurance			
Gross premiums written		169,131,055	193,721,954
Premiums ceded to reinsurer		(44,156,695)	(65,205,940)
		124,974,360	128,516,014
Earned premiums, net of reinsurance			
Allocated investment return transferred from the non-technical account	3	246,010	252,666
		125,220,370	128,768,680
Total technical income			
Claims incurred, net of reinsurance			
Claims paid			
- gross amount	13	24,270,668	22,451,830
- reinsurer's share	13	(8,715,635)	(9,099,604)
		15,555,033	13,352,226
Change in the provision for claims			
- gross amount		345,628	6,985,419
- reinsurer's share		1,626,433	(2,641,102)
		1,972,061	4,344,317
		17,527,094	17,696,543
Claims incurred, net of reinsurance			
Change in other technical provisions, net of reinsurance			
Long term business provision, net of reinsurance			
- gross amount		(14,097,187)	1,491,064
- reinsurer's share		15,640,797	9,681,876
		1,543,610	11,172,940
Net operating expenses	4	29,578,925	30,901,598
		48,649,629	59,771,081
Total technical charges			
		76,570,741	68,997,599
Balance on the technical account for long term business (page 6)			

The accounting policies and explanatory notes on pages 11 to 36 form an integral part of the financial statements.

Income Statement – Non Technical Account

for the year ended 31 December 2020

	Notes	2020 €	2019 €
Balance on the technical account for long term business (page 5)		76,570,741	68,997,599
Investment income	3	2,332,258	2,487,685
Investment expenses and charges	3	(1,789,648)	(1,891,804)
Allocated investment return transferred to the technical account	3	(246,010)	(252,666)
Administrative expenses	4.5	(3,064,774)	(2,810,191)
Profit before taxation		73,802,567	66,530,623
Income tax expense	7	(25,830,899)	(23,285,718)
Profit for the financial year attributable to ordinary shareholders (page 7)		47,971,668	43,244,905

The accounting policies and explanatory notes on pages 11 to 36 form an integral part of the financial statements.

Statement of Comprehensive Income

for the year ended 31 December 2020

	Notes	2020 €	2019 €
Profit for the financial year (page 6)		47,971,668	43,244,905
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Other comprehensive income			
Net gain on available-for-sale financial assets	11	(24,637)	325,103
Income tax relating to components of other comprehensive income	7,12,17	8,622	(113,786)
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Other comprehensive income for the year		(16,015)	211,317
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Total comprehensive income for the year to ordinary shareholders		47,955,653	43,456,222
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The accounting policies and explanatory notes on pages 11 to 36 form an integral part of the financial statements.

Statement of Changes in Equity

for the year ended 31 December 2020

	Notes	Share Capital €	Retained Earnings €	Other reserves €	Total equity €
At 1 January 2019		5,900,000	51,296,513	161,610	57,358,123
Profit for the year		-	43,244,905	-	43,244,905
Other Comprehensive Income		-	-	211,317	211,317
Total Comprehensive Income		-	43,244,905	211,317	43,456,222
Dividends paid	24	-	(40,413,288)	-	(40,413,288)
At 31 December 2019		5,900,000	54,128,130	372,927	60,401,057
		Share Capital €	Retained Earnings €	Other reserves €	Total equity €
At 1 January 2020		5,900,000	54,128,130	372,927	60,401,057
Profit for the year		-	47,971,668	-	47,971,668
Other Comprehensive Income		-	-	(16,015)	(16,015)
Total Comprehensive Income		-	47,971,668	(16,015)	47,955,653
Dividends paid	24	-	(43,244,905)	-	(43,244,905)
At 31 December 2020		5,900,000	58,854,893	356,912	65,111,805

The accounting policies and explanatory notes on pages 11 to 36 form an integral part of the financial statements.

Statement of Financial Position

as at 31 December 2020

	Notes	2020 €	2019 €
ASSETS			
Equipment	9	20,372	29,438
Loans and receivables	10	109,000,000	111,700,000
Available-for-sale financial assets	11	91,147,919	99,876,967
Deferred tax asset	12	44,860	53,694
Reinsurer's share of technical provisions	13	58,601,170	75,868,401
Insurance and other receivables	14	14,612,591	15,526,473
Cash and cash equivalents	15	70,996,178	65,622,254
Total assets		344,423,090	368,677,227
EQUITY			
Capital and reserves attributable to shareholders			
Share capital	16	5,900,000	5,900,000
Other reserves	17	356,912	372,927
Retained Earnings		58,854,893	54,128,130
Total equity		65,111,805	60,401,057
LIABILITIES			
Technical provisions	13	184,663,397	198,414,957
Deferred tax liability	12	192,184	200,806
Insurance and other payables	18	68,634,302	86,427,345
Current tax		25,821,402	23,233,062
Total liabilities		279,311,285	308,276,170
Total equity and liabilities		344,423,090	368,677,227

The accounting policies and explanatory notes on pages 11 to 36 form an integral part of the financial statements.

The financial statements on pages 4 to 36 were authorised for issue by the Board on 07 April 2021 and were signed on its behalf by:



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Bastien Paret
Director



Signature numérique de
LABAUGE Jean-Louis
Date : 2021.04.07 18:41:16
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Jean-Louis Labauge
Director

Statement of Cash Flows for the year ended 31 December 2020

	Notes	2020 €	2019 €
Operating activities			
Cash generated from operating activities	21	60,053,659	74,583,662
Interest received		2,332,808	2,532,516
Income tax paid		(23,233,726)	(21,867,277)
Net cash generated from operating activities		39,152,741	55,248,901
Investing activities			
Purchase of Equipment	9	-	-
Purchase of financial investments		(64,233,912)	(57,365,553)
Redemption of financial investments on maturity		73,700,000	32,850,000
Net cash generated from/(used in) investing activities		9,466,088	(24,515,553)
Financing activities			
Dividends paid	24	(43,244,905)	(40,413,288)
Net cash used in financing activities		(43,244,905)	(40,413,288)
Net movement in cash and cash equivalents		5,373,924	(9,679,940)
Cash and cash equivalents at beginning of year		65,622,254	75,302,194
Cash and cash equivalents at end of year	15	70,996,178	65,622,254

The accounting policies and explanatory notes on pages 11 to 36 form an integral part of the financial statements.

Notes to the Financial Statements

1. Corporate information

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

The registered office of the Company is Level 3, Mercury Tower, The Exchange Financial & Business Centre, Triq Elia Zammit, St.Julian’s, STJ 3155, Malta. The financial statements of RCI Life Limited for the year ended 31 December 2020 were authorised for issue in accordance with a resolution of the Directors on 07 April 2021.

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

2.1 Basis of preparation

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

Statement of compliance

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

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

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liability simultaneously. Income and expense will not be offset in the Income Statement unless required or permitted by any accounting standard or interpretation, as specifically disclosed in the accounting policies of the Company.

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

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

Several other new standards, amendments and interpretations to existing standards, apply for the first time in 2020, whose adoption to the requirements of IFRSs as adopted by the EU did not result in substantial changes to the Company’s accounting policies and did not impact the financial statements.

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

Standards, interpretations and amendments to published standards effective in 2020

The Company has adopted the following new and amended IFRS and IFRIC interpretations as of 1 January 2020:

Amendments to References to the Conceptual Framework in IFRS Standards – effective 1 January 2020

The revised Conceptual Framework includes: a new chapter on measurement; guidance on reporting financial performance; improved definitions and guidance—in particular the definition of an asset and a liability; and clarifications in important areas, such as the roles of stewardship, prudence and measurement uncertainty in financial reporting.

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

Amendments to IAS 1 and IAS 8 Definition of Material - effective 1 January 2020

In October 2018, the IASB issued amendments to IAS 1 Financial Statement Presentation and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to clarify the definition of 'material' in the context of applying IFRS. As the concept of what is and is not material is crucial in preparing financial statements in accordance with IFRS, a change in the definition may fundamentally affect how preparers make judgments in preparing financial statements.

These amendments are a component of the IASB's 'Disclosure Initiative' project, which is intended to simplify financial statements and increase their usability.

The new definition changes the "bar" at which the definition is applied. The previous definition used the term "could" in the context of whether users are potentially affected, which has been interpreted broadly. The revised definition adjusts this to use the terminology "could reasonably be expected", which adds the element of reasonability, rather than any potential effect on users.

The revised definition also narrows the definition of those who may be affected from the previous term of "users" to "primary users", which further narrows the view of what may be material in a given circumstance.

Finally, the revised definition adds the concept that obscuring information may also be relevant in determining whether an element is material to primary users. For example, disclosure of a significant subsequent event would generally receive more prominence in the order in which it is presented in financial statements than insignificant disclosures.

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

Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform- effective 1 January 2020

The IASB has issued amendments to IFRS 9, IAS 39 and IFRS 7 that provide certain reliefs in connection with interest rate benchmark reform. The reliefs relate to hedge accounting and have the effect that IBOR reform should not generally cause hedge accounting to terminate. However, any hedge ineffectiveness should continue to be recorded in the income statement. Given the pervasive nature of hedges involving IBOR-based contracts, the reliefs will affect companies in all industries.

The amendment requires disclosure of the nominal amount of hedging instruments to which the reliefs are applied, any significant assumptions or judgements made in applying the reliefs, and qualitative disclosures about how the entity is impacted by IBOR reform and is managing the transition process.

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

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

Standards, interpretations and amendments to published standards effective in 2020 - continued

Amendment to IFRS 16 Leases COVID-19 - Related Rent Concessions (issued on 28 May 2020) – effective 1 June 2020

The amendments introduce an optional practical expedient that simplifies how a lessee accounts for rent concessions that are a direct consequence of COVID-19. A lessee that applies the practical expedient is not required to assess whether eligible rent concessions are lease modifications, and accounts for them in accordance with other applicable guidance. The resulting accounting will depend on the details of the rent concession.

The practical expedient will only apply if:

- the revised consideration is substantially the same or less than the original consideration;
- the reduction in lease payments relates to payments due on or before 30 June 2021; and
- no other substantive changes have been made to the terms of the lease.

Lessees applying the practical expedient are required to disclose:

- that fact, if they have applied the practical expedient to all eligible rent concessions and, if not, the nature of the contracts to which they have applied the practical expedient; and
- the amount recognised in profit or loss for the reporting period arising from application of the practical expedient.

No practical expedient is provided for lessors. Lessors are required to continue to assess if the rent concessions are lease modifications and account for them accordingly.

The amendment is effective for annual reporting periods beginning on or after 1 June 2020 with earlier application being permitted in order to allow application of the relief as soon as possible.

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

Standards, interpretations and amendments to published standards as adopted by the EU in issue but not yet effective for financial periods beginning on 1 January 2020:

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

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

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

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

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

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

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

- IFRS 17 - Insurance Contracts
- Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current and Classification of Liabilities as Current or Non-current - Deferral of Effective Date
- Amendments to
 - o IFRS 3 Business Combinations;
 - o IAS 16 Property, Plant and Equipment;
 - o IAS 37 Provisions, Contingent Liabilities and Contingent Assets
 - o Annual Improvements 2018-2020
- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform – Phase 2

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

2.3 Significant accounting judgements, estimates and assumptions

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

Judgements

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

Estimates and assumptions

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

Valuation of insurance contract liabilities

Ultimate liability arising from claims made under insurance contracts

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

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

2.4 Summary of significant accounting policies

(a) Product classification

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

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

Long term business – Life

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

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

Reinsurance contracts held

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

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

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

Receivables and payables related to insurance and reinsurance acceptance contracts

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

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

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

2.4 Summary of significant accounting policies- continued

(b) Intangible assets

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

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

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

(c) Taxes

Current income tax

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

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

Deferred income tax

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

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

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

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

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

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

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

2.4 Summary of significant accounting policies- continued

(c) Taxes – continued

Deferred income tax – continued

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

(d) Financial assets

Initial recognition and subsequent measurement

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

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

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

Loans and receivables

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

Available-for-sale financial assets

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

(e) Fair value of financial instruments

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

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

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

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

2.4 Summary of significant accounting policies- continued

(f) Impairment of financial assets

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

Assets carried at amortised cost

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

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

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

Available-for-sale financial investments

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

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

(g) Derecognition of financial assets

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

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

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

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

2.4 Summary of significant accounting policies- continued

(h) Impairment of non-financial assets

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

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

(i) Equipment

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

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

Furniture, fixture and fittings: 8 years

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

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

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

(j) Reinsurance Ceded

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

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

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

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

2.4 Summary of significant accounting policies- continued

(k) Insurance and other receivables

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

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

(l) Cash and cash equivalents

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

(m) Insurance contract liabilities

Life insurance and reinsurance contract liabilities

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

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

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

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

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

(n) Other financial liabilities and insurance payables

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

(o) Derecognition of financial liabilities and insurance payables

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

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

2.4 Summary of significant accounting policies- continued

(p) Provisions

General

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

(q) Equity movements

Ordinary share capital

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

Dividends on ordinary share capital

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

(r) Revenue recognition

Gross premiums

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

Reinsurance premiums

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

Investment income

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

Realised gains and losses

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

(s) Benefits, claims and expenses recognition

Gross benefits and claims

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

2.4 Summary of significant accounting policies- continued

(s) Benefits, claims and expenses recognition - continued

Reinsurance claims

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

(t) Events after the reporting date

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

(u) Deferred expenses

Deferred acquisition costs ("DAC")

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

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

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

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

Reinsurance commissions

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

(v) Functional and presentation currency

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

3. Investment return

	2020 €	2019 €
<i>Investment income</i>		
Available-for-sale financial assets interest income	1,974,656	2,212,299
Interest income on loans and receivables	352,870	268,656
Available-for-sale financial assets, amortisation of discount (note 11)	4,732	6,730
Total investment income	2,332,258	2,487,685
<i>Investment expenses and charges</i>		
Available-for-sale financial assets		
Amortisation of premium (note 11)	(1,814,889)	(2,041,195)
Impairment allowance	25,241	149,391
Total investment expenses and charges	(1,789,648)	(1,891,804)
Total Investment Income	542,610	595,881
Analysed between:		
Allocated investment return transferred to the technical account	246,010	252,666
Investment return included in the non-technical account	296,600	343,215
Total Investment Income	542,610	595,881

4. Net operating expenses

	2020 €	2019 €
Acquisition costs	80,257,228	91,853,662
Reinsurance commission and profit commission	(50,678,303)	(60,952,064)
Administrative costs	3,064,774	2,810,191
Total net operating expenses	32,643,699	33,711,789
Allocated to:		
Technical Income Statement	29,578,925	30,901,598
Non technical Income Statement	3,064,774	2,810,191
Total net operating expenses	32,643,699	33,711,789

Total commissions paid for direct business accounted for during the year amounted to €80,257,228 (2019: €91,853,662).

5. Expenses by nature

	Notes	2020 €	2019 €
IT operational costs		1,014,987	864,609
Depreciation of equipment	9	9,066	9,213
Professional Fees		1,404,257	1,400,988
Employee benefit expenses	6	614,493	646,876
Director's fees		7,000	7,000
Other expenses		362,481	359,477
		3,412,284	3,288,163
Allocated to:			
Technical income statement		347,510	477,972
Non technical income statement		3,064,774	2,810,191
		3,412,284	3,288,163

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

	2020 €	2019 €
Annual statutory audit	33,040	26,500

6. Employee benefit expenses

	Notes	2020 €	2019 €
Wages and salaries		575,976	612,030
Social Security		38,517	34,846
Total employee benefit expenses	5	614,493	646,876

The average number of persons employed during the year was:

	2020	2019
Managerial	1	1
Technical	3	2
Administrative	12	12
	16	15

7. Income tax expense

(a) Current tax expense for the year

		2020 €	2019 €
Current tax expense		25,822,065	23,233,431
Deferred tax expenses	12	8,834	52,287
Total income tax expense		25,830,899	23,285,718

(b) Reconciliation of tax expense

		2020 €	2019 €
Profit before tax		73,802,567	66,530,623
Tax charge at Malta's statutory income tax rate of 35%		25,830,899	23,285,718

8. Intangible assets

		2020 €	2019 €
Computer software			
At 31 December			
Cost		702,208	702,208
Accumulated amortisation		(702,208)	(702,208)
Carrying amount at 31 December		-	-

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

9. Equipment

		2019 €
Furniture, fixtures and fittings		
Opening carrying amount		38,651
Depreciation charge		(9,213)
Closing carrying amount		29,438
At 31 December		
Cost		51,928
Accumulated depreciation		(22,490)
Carrying amount		29,438

9. Equipment – continued

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

10. Loans and receivables

	2020	2019
	€	€
Loans and receivables at amortised cost		
Deposits held with financial institutions	109,000,000	111,700,000
	109,000,000	111,700,000

The above deposits earn interest at an average fixed rate of 0.56% (2019: 0.26%).

Loans and receivables mature as follows:

	2020	2019
	€	€
<i>Loans and receivables</i>		
Within one year	28,000,000	52,700,000
Between one and two years	35,000,000	30,000,000
Between two and five years	46,000,000	29,000,000
	109,000,000	111,700,000
	109,000,000	111,700,000

11. Available-for-sale financial assets

	2020	2019
	€	€
Available for sale financial assets at fair value		
Debt securities	91,147,919	99,876,967
	91,147,919	99,876,967

(a) Available-for-sale financial assets mature as follows:

	2020	2019
	€	€
<i>Available-for-sale financial assets</i>		
Within one year	47,352,347	18,997,818
Between one and two years	29,028,819	49,022,242
Between two and five years	14,766,753	31,856,907
	91,147,919	99,876,967
	91,147,919	99,876,967

11. Available-for-sale financial assets – continued

(b) Reconciliation

	Notes	2020 €	2019 €
Balance at beginning of year		99,876,967	102,224,189
Purchases		12,233,915	5,365,552
Maturities		(19,000,000)	(5,850,000)
Amortisation of premiums	3	(1,810,155)	(2,034,465)
Fair value gain recorded in Other Comprehensive Income	17	(24,637)	325,103
Impairment		(128,171)	(153,412)
Balance at end of year		91,147,919	99,876,967

(c) Fair values hierarchy

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

	2020 Level 1 €	2019 Level 1 €
31 December		
Available-for-sale financial assets:		
Debt securities	91,147,919	99,876,967

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

12. Deferred Taxation

(a) Movement in deferred tax

	2020 €	2019 €
At beginning of year	(147,112)	18,961
Movement recorded during the year:		
- in Income Statement (note 7)	(8,834)	(52,287)
- in Other Comprehensive Income (note 17)	8,622	(113,786)
At end of year	(147,324)	(147,112)

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

	2020 €	2019 €
Temporary differences attributable to unrealised fair value	(192,184)	(200,806)
Temporary differences attributable to other provisions	44,860	53,694
Balance at 31 December	(147,324)	(147,112)

12. Deferred Taxation – continued

(a) Movement in deferred tax – continued

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

	2020 €	2019 €
Deferred tax asset	44,860	53,694
Deferred tax liability	(192,184)	(200,806)
	(147,324)	(147,112)

13. Insurance liabilities and reinsurance assets

	2020 €	2019 €
Gross		
Insurance contracts		
- claims reported	11,186,300	9,227,957
- claims incurred but not reported	18,855,914	20,468,629
- long-term business provision	154,621,183	168,718,371
Total technical provisions, gross	184,663,397	198,414,957
Recoverable from reinsurer		
Insurance contracts		
- claims outstanding	4,046,446	4,142,331
- claims incurred but not reported	7,940,998	9,471,547
- long-term business provision	46,613,726	62,254,523
Total reinsurer's share of insurance liabilities	58,601,170	75,868,401
Net		
Insurance contracts		
- claims outstanding	7,139,854	5,085,626
- claims incurred but not reported	10,914,916	10,997,082
- long-term business provision	108,007,457	106,463,848
Total technical provisions, net	126,062,227	122,546,556

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

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

Long term business provision

The balance on the long term business provision has been certified by the Company's approved actuary as being sufficient to meet liabilities at 31 December 2020.

13. Insurance liabilities and reinsurance assets- continued

Movements in insurance liabilities

(a) Claims and loss adjustments

	2020 €	2019 €
Gross		
At beginning of reporting year	29,696,581	22,711,163
Claims settled during the year	(24,270,668)	(22,451,830)
Increase in liabilities		
- arising from current year claims	35,455,747	32,223,233
- arising from prior year claims	(10,839,452)	(2,785,985)
Commutation of insurance liabilities	-	-
At end of reporting year	30,042,208	29,696,581
	2020 €	2019 €
Reinsurer's share		
At beginning of reporting year	13,613,879	10,972,775
Claims settled during the year	(8,715,635)	(9,099,604)
Increase in liabilities		
- arising from current year claims	12,600,124	13,419,758
- arising from prior year claims	(5,510,922)	(1,679,050)
At end of reporting year	11,987,446	13,613,879
	2020 €	2019 €
Net		
At beginning of reporting year	16,082,702	11,738,388
Claims settled during the year	(15,555,033)	(13,352,226)
Increase in liabilities		
- arising from current year claims	22,855,623	18,803,475
- arising from prior year claims	(5,328,530)	(1,106,935)
At end of reporting year	18,054,762	16,082,702

14. Insurance and other receivables

	2020 €	2019 €
<i>Receivables arising from direct insurance operations</i>		
- due from group undertaking	13,336,576	14,258,894
<i>Other receivables</i>		
- accrued interest from group undertaking	233,633	145,956
- other accrued interest income	1,001,329	1,094,288
- due from others	41,053	27,335
	14,612,591	15,526,473

Insurance and other receivables are classified as current assets.

15. Cash and cash equivalents

	2020 €	2019 €
Cash at bank and in hand	65,996,178	60,622,254
Short-term deposits (including demand and time deposits)	5,000,000	5,000,000
Total cash and cash equivalents	70,996,178	65,622,254

Short-term deposits are made for varying periods of between one day and three months depending in the immediate cash requirements of the Company. Deposits are subject to an average fixed interest rate of 0.02% (2019: 0.01 %). The carrying amounts disclosed above reasonably approximate fair value at the reporting date.

16. Share capital

	2020 €	2019 €
Authorised ordinary shares 59,000 (2019: 59,000) ordinary shares of €100 each	5,900,000	5,900,000
Ordinary shares issued and fully paid 59,000 (2019: 59,000) ordinary shares of €100 each	5,900,000	5,900,000

17. Other reserves

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

	2020 €	2019 €
Balance at 1 January	372,927	161,610
Gross movement in revaluation (Note 11)	(24,637)	325,103
Deferred tax (Note 12)	8,622	(113,786)
Balance at 31 December	356,912	372,927

18. Insurance and other payables

	2020 €	2019 €
Creditors arising out of direct insurance operations		
- parent company	449,076	362,856
- group undertaking	6,358,219	6,911,248
- others	60,618,309	78,080,860
Accruals and other payables	824,416	808,590
Other tax payables	384,282	263,791
	68,634,302	86,427,345

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

All amounts are payable within one year.

19. Risk management framework

Capital management objectives, policies and approach

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

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

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

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

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

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

20. Insurance and financial risk

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

(a) Insurance risk

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

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

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

20. Insurance and financial risk- continued

(a) Insurance risk- continued

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

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

(b) Financial risks

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

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

(1) Credit risk

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

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

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

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

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

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

20. Insurance and financial risk- continued

(b) Financial risks- continued

(1) Credit risk- continued

Credit exposure

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

31 December	Notes	2020 €	2019 €
Loans and receivables	10	109,000,000	111,700,000
Available-for-sale financial assets			
- debt securities	11	91,147,919	99,876,967
Reinsurer's share of technical provisions	13	58,601,170	75,868,401
Insurance and other receivables	14	14,612,591	15,526,473
Cash and cash equivalents	15	70,996,178	65,622,254
Total credit risk exposure		344,357,858	368,594,095

Credit exposure by credit rating

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

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

31 December 2019	AA	AA-	A+/A/A-	Neither past due nor impaired		Total
	€	€	€	BBB/BBB+	Not rated	€
Financial instruments	-	-	-	111,700,000	-	111,700,000
Loans and receivables	-	-	-	-	-	-
Available-for-sale financial assets - debt securities	20,837,004	4,677,368	62,244,222	12,118,373	-	99,876,967
Reinsurance assets	-	75,868,401	-	-	-	75,868,401
Insurance receivables	42,385	29,342	1,003,190	14,424,221	27,335	15,526,473
Cash and cash equivalents	-	-	-	58,076,818	7,545,436	65,622,254
Total	20,879,389	80,575,111	63,247,412	196,319,412	7,572,771	368,594,095

20. Insurance and financial risk- continued

(b) Financial risks- continued

(1) Credit risk- continued

Impaired financial assets

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

At 31 December 2020, €128,171 (2019: €153,412) of the Company's assets were considered to be impaired in accordance with IFRS 9 'Financial Instruments'.

(2) Liquidity risk

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

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

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

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

31 December 2020

	0-1 year €	1-5 years €	>5 years €	Total €
Technical provisions Insurance and other payables	86,637,117	94,279,222	3,747,058	184,663,397
Income tax payable	30,203,687	36,961,604	1,469,011	68,634,302
Deferred taxation	25,821,402	-	-	25,821,402
	192,184	-	-	192,184
Total	142,854,390	131,240,826	5,216,069	279,311,285

31 December 2019

	0-1 year €	1-5 years €	>5 years €	Total €
Technical provisions Insurance and other payables	78,419,017	114,608,282	5,387,658	198,414,957
Income tax payable	30,894,648	53,039,353	2,493,344	86,427,345
Deferred taxation	23,233,062	-	-	23,233,062
	200,806	-	-	200,806
Total	132,747,533	167,647,635	7,881,002	308,276,170

(3) Market risk

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

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

20. Insurance and financial risk- continued

(b) Financial risks- continued

(4) Interest rate risk

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

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

21. Cash generated from operating activities

	Note	2020 €	2019 €
Profit before tax		73,802,568	66,530,623
<i>Adjustment for:</i>			
Depreciation of fixed assets	9	9,066	9,213
Interest income		(2,327,526)	(2,480,955)
Amortisation of premium on available-for-sale investments	11	1,810,155	2,034,465
Impairment allowance		128,171	153,412
<i>Movements in items on the Statement of Financial Position:</i>			
Decrease/Increase in reinsurer's share of technical provisions		17,267,231	7,040,774
Decrease/Increase in insurance and other receivables		908,597	(995,683)
Increase in technical provisions		(13,751,560)	8,476,483
Decrease/Increase in insurance and other payables		(17,793,043)	(6,184,670)
Cash generated from operating activities		60,053,659	74,583,662

22. Contingencies and commitments

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

23. Related party disclosures

(a) Transactions with related parties

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

23. Related party disclosures - continued

(a) Transactions with related parties - continued

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

	Notes	2020 €	2019 €
(a) Sale of insurance contracts and other services			
Investment income from parent	3	352,870	268,656
(b) Purchase of insurance and other services			
Commission paid to group undertaking		80,257,228	91,853,662
Claim handling fee paid to group undertaking		1,891,374	1,969,978
Recharge of expenses for back-office services provided		1,438,220	580,425
Dividends paid	24	43,244,905	40,413,288

Director's fees have been disclosed in Note 5. The Risk & Compliance Manager, the Operations Manager and the IT & Administration Manager are considered by the Company to be Key Management Personnel. The total payments to Key Management Personnel were €97,282.93 (2019: € 143,185). The variance is mainly due to a key management personnel who left the Company to join RCI Corporate during 2019.

(b) Balances with related parties

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

	Notes	2020 €	2019 €
Receivables from related parties			
Receivable arising out of direct insurance operations			
- group undertakings	14	13,336,576	14,258,894
Deposits held with intermediate parent	10	109,000,000	111,700,000
Interest income due from intermediate parent	14	233,633	145,956
Cash and cash equivalents held with intermediate parent	20	58,143,369	58,076,818
Pavables to related parties			
Payable arising out of direct insurance operations			
- group undertakings	18	6,358,219	6,911,248
- parent company	18	449,076	362,856

Loans and receivables are unsecured and earn an average fixed interest of 0.56% (2019: 0.26%) (Note 10). Deposits held with group undertakings earn an average fixed interest of 0.071% (2019: 0.010%) (Note 15). All other outstanding balances at the reporting date are unsecured and interest free. Settlement will take place in cash. There was no provision for doubtful debts at the reporting date and no bad debt expense in the year (2019: Nil).

24. Dividends

	2020 €	2019 €
Dividends paid on ordinary shares net (note 23)	43,244,905	40,413,288
Dividends per ordinary share	732.96	684.97

INDEPENDENT AUDITORS' REPORT

To the members of RCI Life Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of RCI Life Limited (the Company), set out on pages 6 to 36, which comprise the statement of financial position as at 31 December 2020 and the Income statements, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2020, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU (EU IFRSs) and have been prepared in accordance with the requirements of the Companies Act (Cap. 386).

Basis for Opinion

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

Key Audit Matters

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

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

Insurance liabilities

Risk description

The company's gross technical provisions (insurance contract liabilities) amount to EUR184.66 million representing 66% of the Company's total liabilities. The measurement of the technical provisions involves significant judgement over uncertain future outcomes, mainly the ultimate total settlement value of insurance liabilities. Disclosures about the Company's technical provisions are provided in note 13 and Note 2.4(m) to the financial statements.

INDEPENDENT AUDITORS' REPORT

To the members of RCI Life Limited (continued)

Key Audit Matters (continued)

Insurance liabilities (continued)

Risk description (continued)

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

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

How our audit addressed the key audit matter

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

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

INDEPENDENT AUDITORS' REPORT

To the members of RCI Life Limited (continued)

Key Audit Matters (continued)

Other Matter

The financial statements of RCI Life Limited for the year ended 31 December 2019, were audited by another auditor who expressed an unmodified opinion on those statements on 20 April 2020.

Other Information

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

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

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

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

Responsibilities of the Directors

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

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

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

INDEPENDENT AUDITORS' REPORT

To the members of RCI Life Limited (continued)

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Consider the extent of compliance with those laws and regulations that directly affect the financial statements, as part of our procedures on the related financial statements items. For the remaining laws and regulations, we make enquiries of directors and other management, and inspect correspondence with the regulatory authority as well as legal correspondence. As with Fraud, there remains a higher risk of non-detection of other irregularities (whether or not these relate to an area of law directly related to the financial statements), as these may likewise involve collusion, forgery, international omissions, misrepresentations, or the override of internal controls.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.

INDEPENDENT AUDITORS' REPORT

To the members of RCI Life Limited (continued)

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

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

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

We also provide the audit committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

Report on Other Legal and Regulatory Requirements

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

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

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

Report on Other Legal and Regulatory Requirements (Continued)

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

Use of audit report

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

INDEPENDENT AUDITORS' REPORT

To the members of RCI Life Ltd Limited (continued)

Appointment

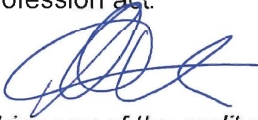
We were appointed by the shareholders as auditors of RCI Life Limited on 10 September 2020, as for the year ended 31 December 2020. The period of total uninterrupted engagement is one year.

Consistency with the additional report to those charged with Governance

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

Non-audit services

We have not provided any of the prohibited services as set out in the accountancy profession act.



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

Mazars Malta**Certified Public Accountants**

Office address:

32, Sovereign Building, Zaghfran Road,
Attard ATD 9012

7 April 2021