Oney Insurance (PCC) Limited

Annual Report and Financial Statements

31 December 2018

Company Registration Number: C 53202

Oney Insurance (PCC) Limited

Company General Information

For the year ended 31 December 2018

Company Secretary	Elizabeth Carbonaro Willis Towers Watson Management (Malta) Limited Willis Group, 3rd Floor, Development House, St. Anne Street, Floriana FRN 9010, Malta
Registered Office	171, Old Bakery Street, Valletta, VLT 1455, Malta
Auditors	PricewaterhouseCoopers, 78 Mill Street, Qormi QRM 3101, Malta
External Actuarial Function Holder	Lane Clark & Peacock Ireland Ltd. 2, Grand Canal Wharf, South Docks Road, Dublin 4, Ireland

Oney Insurance (PCC) Limited

Oney Insurance (PCC) Limited

Directors' Report

For the year ended 31 December 2018

The directors present their report of Oney Insurance (PCC) Limited (the "Company") for the year ended 31 December 2018.

Board of directors

The directors of the Company who held office during the year were as follows:

Gilles Marion
Jerome Guillemard
Desmond Murray
Edwina Leclere
John Bonett
Monique Huyghe
Franck Duprez (resigned on 19 October 2018)

Principal activities

The Company's principal activity is that of carrying on business of insurance falling within Classes 1, 2, 8, 9 and 16 of the Insurance Business Act, 1998 (Chapter 403, Laws of Malta). The Company is licensed to transact general business and in accordance with the Companies Act (Cell Companies carrying on business of insurance) Regulations, 2010 was granted a license to act as a cell company in June 2011.

Review of business development and financial position

The results for the year are set out in the income statement on pages 13 and 14, while the financial position as at close of the reporting year is set out on page 15.

During the year ended 31 December 2018, the Company wrote a total premium income of €67,283,997 (2017: €57,332,529). An amount of €36,776,854 (2017: €34,445,837) was written on payment protection insurance of which €26,072,840 (2017: €26,016,513) was written in France, €9,148,526 (2017: €8,429,324) was written in Portugal and €1,555,488 was written in Spain, the latter launched in 2018. On the other hand an amount of €7,790,924 (2017: €10,120,037) was written in connection with guarantee of means of payment in France on Fire & Damage protection, €1,049,019 (2017: €937,401) was written in connection to purchase power protection covering accident and sickness and unemployment risks (ENVOL) underwritten in France, while €6,647,878 (2017: €4,842,803) was written in connection with Garantie Tranquilite programme in France providing an extended warranty cover for three different product families beyond the expiration of the manufacturer's or distributor's warranty.

The Company also continued writing business in Spain. One product covers the risk of accidental breakage and theft of smartphones, tablets and other mobile devices for one year from the date of purchase, while the other product provides extended warranty cover for a range of products, covering the risk of internal malfunction for two years from the date on which the manufacturer's warranty expires. Written premium in Spain amounted to €301,953 (2017: €250,419).

Another programme launched late 2016 is the Pet Insurance programme in France, covering medical and surgical expenses following a physical accident and/or an illness suffered by a dog/cat owned as a pet. Written premium amounted to €2,368,385 (2017: €1,398,300).

In 2017, the Company had launched thirteen products underwriting a total premium income in 2018 of €8,348,415 (2017: €5,337,732). Seven of these products cover accidental damage on specific electronic devices, white, brown and grey products. Some of these products also include additional coverage in case of theft, fire, flood or storm. Three of these products are written under group policies in France and Portugal while the other products are distributed through external partners in France, Portugal and Poland.

Review of business development and financial position - continued

An additional two group policies were written offering extended warranty cover, one product was launched in France covering electronic devices while the other product was launched in Portugal covering the white, brown and grey ranges.

Another three products launched in France include cover for material damage and extended warranty over hearing devices and rental insurance covering the risk of unpaid rent, property damage and litigation expenses. Whilst in Poland, a term life programme was launched for income protection of the insured person and dependents in case of total permanent disablement and serious and critical disease.

In 2018, the Company launched 5 other new products underwriting a total premium income of €951,620. These relate to a new automotive insurance program in Italy, glass insurance cover in France, a new Auchan policy covering the repair or replacement value compensation in the event of breakdown of household electrical goods sold at Auchan stores and a cover of material damage and theft of devices sold at Ktuin stores in Spain and Only telephone operator in the French islands, La Réunion and Mayotte.

An Inward Reinsurance treaty was entered in to effective 1 February 2018 accepting 15% of the risks on a quota share basis underwritten by La Parisienne Assurances of the pre-approved programmes which cover material damage and extended warranty.

Gross claims paid excluding claims handling costs amounted to €8,732,142 (2017: €5,710,952) of which €7,266,327 (2017: €4,913,389) were paid in France, €1,260,683 (2017: €644,360) paid in Portugal, €184,847 (2017: €153,203) paid in Spain and €20,285 paid in Poland (2017: Nil).

Finance income for the year amounted to €143,623 (2017: €140,410). All finance income consisted of deposit interest earned on short term deposits placed with various financial institutions in accordance with an investment strategy approved by the board of directors.

As a result of its operations during this year the Company generated a profit before tax amounting to €14,597,564 (2017: €14,112,995). After accounting for a tax charge of €5,085,808 (2017: €4,916,699), the profit after tax amounted to €9,511,756 (2017: €9,196,296).

The directors are confident that the Company will continue to achieve satisfactory results during the next financial period in line with financial projections.

At the reporting date the Company had total assets amounting to €78,675,259 (2017: €64,722,654). These mainly consisted in cash and cash equivalents held primarily with highly rated financial institutions amounting to €39,684,506 (2017: €36,752,609), deferred acquisition costs amounting to €10,725,207 (2017: €6,345,410), insurance and other receivables amounting to €27,053,738 (2017: €19,968,600) and intangible assets amounting to €1,116,007 (2017: €1,570,324) mainly consisting of an insurance system which the Company continued to develop during the year under review.

These were financed by capital and reserves amounting to €24,931,915 (2017: €24,616,455) and liabilities amounting to €53,743,344 (2017: €40,106,199), out of which €34,408,550 (2017: €22,211,472) consist of technical provisions.

As from 1 January 2016, the Company was subject to the requirements of the EU Solvency II directive. The Company opted for the standard formula under the Solvency II regime to calculate the SCR as the assumptions underlying the standard formula are considered to be a good fit for the Company's risk profile. At 31 December 2018, the Company's eligible own funds adequately covered the required SCR and amounted to €27,808,486 (unaudited) (2017: €28,896,680 (unaudited)). The audited Group SCR will be reported in June 2019 in the Solvency and Financial Condition Report (SFCR).

Risks and uncertainty

Management carefully selects and implements underwriting strategies which are designed to ensure that risks are diversified in terms of type of risk and level of insured benefits.

The future development of claims is an aggregation of a large number of contingent events, the financial impact of which cannot be determined in advance. The models that management used in its analysis, in part, rely on the assumption that claims will emerge in the future as they have emerged in the past. While management have attempted to quantify the effects of changes in future claims development from that in the past, actual development may differ from our estimates. These differences may come about for a number of reasons including changes in the social, legal, political or technological environment.

Financial risk management

Information pertaining to the entity's financial risk management is included within Notes 3.5 and 4.4 to these financial statements.

Events after the reporting date

Auchan Holding (ultimate parent company) entered into exclusive negotiations with Groupe BPCE in order to build a long term partnership through the acquisition of 50.1% share in Oney Bank SA. The acquisition of the shares of Oney Bank by Groupe BPCE is not expected to have any impact on the operations of the company.

MFSA issued a licence for the opening of an affinity cell to underwrite reinsurance business with effect from 5 February 2019.

Future developments

The directors intend to continue to operate in line with the Company's current business plan that is to increase the significance of programmes other than the payment protection insurance business relative to the whole portfolio. Therefore, besides reducing product concentration, the Company is also aiming to achieve diversification benefits across different lines of business and across geographical territories.

Dividend

An interim dividend of €9,196,296 (2017: €8,882,381) was paid during the year under review. No further dividend is being recommended for payment.

Reserves

The directors propose that the balance of retained earnings amounting to €9,511,756 (2017: €9,196,296) be carried forward to the next financial year.

External actuarial function holder

The Company's external actuarial function holder is Mr. Declan Lavelle FSAI, a partner of Lane Clark & Peacock Ireland Ltd.

Statement of directors' responsibilities for the financial statements

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

Oney Insurance (PCC) Limited

Directors' Report - continued

For the year ended 31 December 2018

Statement of directors' responsibilities for the financial statements - continued

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

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

The directors are also responsible for designing, implementing and maintaining 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, and that comply with the Maltese Companies Act (Cap. 386) and Insurance Business Act, 1998. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The financial statements of Oney Insurance (PCC) Limited for the year ended 31 December 2018 are included in the Annual Report 2018, which is published in hard-copy printed form and may be made available on the Company's website. The directors are responsible for the maintenance and integrity of the financial statements on the website in view of their responsibility for the controls over, and in the security of, the website. Access to information published on the Company's website is available in other countries and jurisdictions, where legislation governing the preparation and dissemination of financial statements may differ from requirements or practice in Malta.

Auditors

PricewaterhouseCoopers have indicated their willingness to continue in office and a resolution for their reappointment will be proposed at the annual general meeting.

Approved by the Board of Directors on 11 April 2019 and signed on its behalf by:

Edwina Leclere
Managing Director

John Bonett
Director

Registered Office
171,
Old Bakery Street,
Valletta, VLT 1455, Malta

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Independent auditor's report

To the Shareholders of Oney Insurance (PCC) Limited

Report on the audit of the financial statements

Our opinion

In our opinion:

- Oney Insurance (PCC) Limited's financial statements give a true and fair view of the Company's financial position as at 31 December 2018, and of the Company's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the EU; and
- The financial statements have been prepared in accordance with the requirements of the Maltese Companies Act (Cap. 386).

Our opinion is consistent with our additional report to the Audit Committee.

What we have audited

Oney Insurance (PCC) Limited's financial statements, set out on pages 13 to 53, comprise:

- the income statement for the year ended 31 December 2018;
- the statement of financial position as at 31 December 2018;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

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

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

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Independent auditor's report - continued

To the Shareholders of Oney Insurance (PCC) Limited

Independence

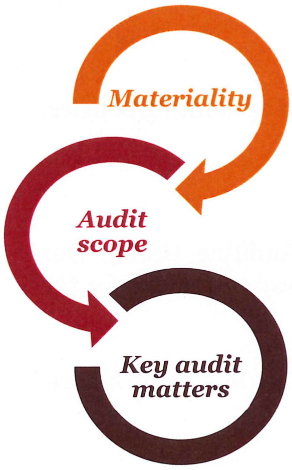
We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements of the Accountancy Profession (Code of Ethics for Warrant Holders) Directive issued in terms of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

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

The non-audit services that we have provided to the Company, in the period from 1 January 2018 to 31 December 2018 are disclosed in note 8 to the financial statements.

Our audit approach

Overview



Overall materiality: €729,900, which represents 5% of profit before tax

Reasonableness of incurred but not reported claims provision ('IBNR') and unexpired risk provision ('URP')

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

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

Independent auditor's report - *continued*

To the Shareholders of Oney Insurance (PCC) Limited

Materiality

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

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

Overall materiality	€729,900 (2017: €705,600)
How we determined it	5% of profit before tax
Rationale for the materiality benchmark applied	We chose profit before tax as the benchmark because, in our view, it is the benchmark against which the performance of the Company is most commonly measured by users, and is a generally accepted benchmark. We chose 5%, which is within the range of acceptable quantitative materiality thresholds.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above €72,900 as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Independent auditor's report - continued

To the Shareholders of Oney Insurance (PCC) Limited

Key audit matters

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

Key audit matter	How our audit addressed the key audit matter
Reasonableness of incurred but not reported claims provision ('IBNR') and unexpired risk provision ('URP') Valuation of insurance provisions is judgemental, and requires a number of assumptions to be made that carry estimation uncertainty. This is particularly the case for those liabilities that are recognised in respect of claims that have occurred, but have not yet been reported to the Company as some claims can take some time to emerge or develop. As described in notes 2.4 and 24 to the financial statements, the ultimate cost of insurance claims is estimated by using recognised actuarial methods, including analysis of historical claims experience and relevant benchmarks of similar businesses. Claims provisions are separately analysed by product type. The claims projection assumptions are adjusted by a risk margin and therefore exceed a best estimate of the expected outcome by including qualitative judgement to assess the extent to which past trends may not apply in the future. The Company's incurred but not reported provision and unexpired risk provision are disclosed in note 13.1 at €7.9m and €1.4m, respectively, and favourable variations arising from prior year technical provisions of €2.3m are disclosed in note 13.3 to the financial statements. Further information on the development of the ultimate cost of claims over the years, and the sensitivity of key assumptions is disclosed in note 24. We focused on this area due to its inherent subjectivity.	Our audit procedures addressing the valuation of the Company's incurred but not reported claims provision and unexpired risk provision included the following procedures using our actuarial specialist team members: • we applied our industry knowledge and experience in understanding and evaluating the methodology, models and assumptions used; • for a certain class of business, we performed our own independent projections, and compared the results to management's estimates; • for the largest class of business, for which independent projections were performed in prior years, we tested the reasonableness of loss ratios taking note of fluctuations not within our expectations; • we tested the accuracy of the underlying data utilised for the purposes of the Company's actuarial models; • we considered the quality of historical reserving by reviewing variations arising from prior year technical provisions; • we analysed the Company's operating results using data stratified per product type; and • we considered the extent of related disclosures to the financial statements. Based on the work performed, we found the recorded IBNR and URP to be consistent with the explanations and evidence obtained.

Independent auditor's report - continued

To the Shareholders of Oney Insurance (PCC) Limited

Other information

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

Our opinion on the financial statements does not cover the other information, including the directors' report.

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

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 and other information that we obtained prior to the date of this auditor's report. We have nothing to report in this regard.

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Independent auditor's report - continued

To the Shareholders of Oney Insurance (PCC) Limited

Responsibilities of the directors and those charged with governance for the financial statements

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

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

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

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 judgement and maintain professional scepticism throughout the audit. We also:

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

Auditor's responsibilities for the audit of the financial statements - continued

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

Independent auditor's report - continued

To the Shareholders of Oney Insurance (PCC) Limited

Report on other legal and regulatory requirements

Other matters on which we are required to report by exception

We also have responsibilities under the Maltese Companies Act (Cap. 386) to report to you if, in our opinion:

- Adequate accounting records have not been kept, or 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 not received all the information and explanations we require for our audit.
- Certain disclosures of directors' remuneration specified by law are not made in the financial statements, giving the required particulars in our report.

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

Appointment

We were first appointed as auditors of the Company on 19 April 2013. Our appointment has been renewed annually by shareholder resolution representing a total period of uninterrupted engagement appointment of 6 years.

PricewaterhouseCoopers
78, Mill Street
Qormi
Malta

Romina Soler
Partner

11 April 2019

Oney Insurance (PCC) Limited

Income Statement – Technical Account General Business

For the year ended 31 December

	Notes	2018 €	2017 €
Earned premium			
Gross premium written	5	**67,283,997**	57,332,529
Change in the gross provision for unearned premium	13	**(8,510,047)**	(8,901,677)
Total technical income		**58,773,950**	48,430,852
Claims incurred			
Claims paid - gross amount	13	**(10,851,523)**	(7,460,720)
Change in the provision for claims - gross amount	13	**(3,687,031)**	(350,518)
Gross claims incurred		**(14,538,554)**	(7,811,238)
Net operating expenses	7	**(28,559,616)**	(25,496,822)
Total technical charges		**(43,098,170)**	(33,308,060)
Balance on the general business technical account		**15,675,780**	15,122,792

Oney Insurance (PCC) Limited

Income Statement – Non-Technical Account

For the year ended 31 December

	Notes	**2018 €**	2017 €
Balance on the general business technical account		**15,675,780**	15,122,792
Finance income	6	**143,623**	140,410
Other income		**2,418**	19,918
Administrative expenses	7	**(1,224,257)**	(1,170,125)
Profit before taxation		**14,597,564**	14,112,995
Income tax expense	10	**(5,085,808)**	(4,916,699)
Profit for the financial year attributable to shareholders – total comprehensive income		**9,511,756**	9,196,296

The Company did not have other comprehensive income in the current and comparative year.

The notes on pages 18 to 53 are an integral part of these financial statements.

Oney Insurance (PCC) Limited

Statement of Financial Position

As at 31 December

	Notes	2018 €	2017 €
ASSETS			
Intangible assets	11	**1,116,007**	1,570,324
Tangible assets - equipment	12	**95,801**	85,711
Deferred acquisition costs	14	**10,725,207**	6,345,410
Insurance and other receivables:			
- arising out of insurance operations	15	**25,922,466**	19,099,989
- other receivables	15	**1,131,272**	868,611
Cash at bank and in hand	16	**39,684,506**	36,752,609
Total assets		**78,675,259**	64,722,654
EQUITY			
Capital and reserves			
Called up share capital	17	**5,600,000**	5,600,000
Shareholder's contribution	18	**9,820,159**	9,820,159
Retained earnings		**9,511,756**	9,196,296
Total equity		**24,931,915**	24,616,455
LIABILITIES			
Technical provisions	13	**34,408,550**	22,211,472
Deferred tax liability	19	**217,150**	129,827
Insurance and other payables:			
- arising out of insurance operations	20	**12,753,850**	11,152,599
- other payables	20	**1,323,230**	1,698,695
Income tax payable		**5,040,564**	4,913,606
Total liabilities		**53,743,344**	40,106,199
Total equity and liabilities		**78,675,259**	64,722,654

The notes on pages 18 to 53 are an integral part of these financial statements.

The financial statements on pages 13 to 53 were approved and authorised for issue by the Board of Directors on 11 April 2019 and signed on its behalf by:

Edwina Leclere
Managing Director

John Bonett
Director

Oney Insurance (PCC) Limited

Statement of Changes in Equity

For the year ended 31 December

	Notes	Total €	Share capital €	Shareholder's contribution €	Retained earnings €
Balance at 01 January 2017		18,907,382	5,600,000	4,425,001	8,882,381
Total comprehensive income for the year					
Profit for the year		9,196,296	-	-	9,196,296
Transaction with owners					
Interim dividend paid	21	(8,882,381)	-	-	(8,882,381)
Shareholder's contribution	18	5,395,158	-	5,395,158	-
Total transactions with owners		3,487,223	-	5,395,158	(8,882,381)
Balance at 31 December 2017		**24,616,455**	**5,600,000**	**9,820,159**	**9,196,296**
Balance at 01 January 2018		24,616,455	5,600,000	9,820,159	9,196,296
Total comprehensive income for the year					
Profit for the year		9,511,756	-	-	9,511,756
Transaction with owners					
Interim dividend paid	21	(9,196,296)	-	-	(9,196,296)
Balance at 31 December 2018		**24,931,915**	**5,600,000**	**9,820,159**	**9,511,756**

The notes on pages 18 to 53 are an integral part of these financial statements.

Oney Insurance (PCC) Limited

Statement of Cash Flows

For the year ended 31 December

	Notes	2018 €	2017 €
Cash flows from operating activities			
Cash generated from operating activities	22	**16,924,963**	15,765,732
Interest received		**164,176**	127,614
Income tax paid		**(4,871,527)**	(4,705,533)
Net cash generated from operating activities		**12,217,612**	11,187,813
Cash flows from investing activities			
Acquisition of intangible assets	11	**(51,855)**	(135,655)
Acquisition of equipment	12	**(37,564)**	(36,996)
Net cash used in investing activities		**(89,419)**	(172,651)
Cash flows from financing activities			
Payment of interim dividend	21	**(9,196,296)**	(8,882,381)
Receipt of shareholder's contribution	18	**-**	5,395,158
Net cash used in financing activities		**(9,196,296)**	(3,487,223)
Net increase / (decrease) in cash and cash equivalents		**2,931,897**	7,527,939
Cash and cash equivalents at beginning of year		**36,752,609**	29,224,670
Cash and cash equivalents at end of year	16	**39,684,506**	36,752,609

The notes on pages 18 to 53 are an integral part of these financial statements.

1 Reporting entity

Oney Insurance (PCC) Limited is a limited liability Company incorporated and domiciled in Malta. The principal activities of the Company are described in Note 4. The Company was incorporated on 21 June 2011.

The registered office of the Company is 171, Old Bakery Street, Valletta VLT 1455, Malta.

Oney Insurance (PCC) Limited is a wholly owned subsidiary of Oney Holding Limited which is registered at 171, Old Bakery Street, Valletta VLT 1455, Malta. The ultimate parent company of Oney Insurance (PCC) Limited is Groupe Auchan S.A. which is registered at 40, Avenue de Flandre, 59170 Croix, France. These financial statements are consolidated within the consolidated financial statements of Oney Bank S.A. which is registered at 34, Avenue de Flandre, 59170 Croix, France.

2 Basis of preparation

2.1 Statement of compliance

The financial statements have been prepared and presented in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the EU ("the applicable framework"). All references in these financial statements to IAS, IFRS or SIC / IFRIC interpretations refer to those adopted by the EU. They have also been drawn up in accordance with the provisions of the Maltese Companies Act, (Cap. 386) and the Insurance Business Act, 1998 (Chapter 403, Laws of Malta).

The financial statements of Oney Insurance (PCC) Limited include the financial performance and financial position of the core operations. As at 31 December 2018 and 2017, the Company had no cells.

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 in the notes.

2.2 Basis of measurement

Assets and liabilities are measured at historical cost.

2.3 Functional and presentation currency

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

2 Basis of preparation - continued

2.4 Use of estimates and judgements

The preparation of the financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

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

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

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

The Company uses recognised actuarial models, appropriately adjusted by a risk margin, in order to determine the ultimate liability of claims as further described in Note 4.3. The directors believe that the liability arising from claims under insurance contracts is adequately reserved as at the financial year end. Further detail is provided in Notes 13 and 24 to these financial statements, including sensitivities to key variables.

3 Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

3.1 Product classification

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

Insurance contracts - General business

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

- Premium written for payment protection insurance is recognised on a monthly basis, premium written for all other products is recognised when the policy incepts. Premium written is stated net of cancellations.

- Unearned premium represent the proportion of premium written in the period that relate to unexpired terms of policies in force at the reporting date, calculated on a time apportionment basis.

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

- Claims incurred comprise claims and related expenses paid in the period and changes in the provisions for outstanding claims, including provisions for claims incurred but not reported (IBNR) and related expenses.

- Provision is made at the period-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.

- Provision in the form of an unexpired risk provision, is made on the basis of claims and administrative expenses likely to arise after the end of the financial period from contracts concluded before the reporting date, in so far as the estimated value exceeds the provision for unearned premium and any premium receivable under those contracts.

3 Significant accounting policies - continued

3.1 Product classification - continued

Accepted reinsurance

Premiums and claims on accepted reinsurance are recognised in the same manner as they are reported on the accounts received from the ceding company.

Receivables and payables related to insurance 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 recognises that impairment loss in profit or loss. The Company gathers the objective evidence that an insurance receivable is impaired using the process described for financial assets held at amortised cost (see Note 3.6).

Liability adequacy test

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

3.2 Intangible assets

Acquired computer software (including software licences) are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives of four to five years. Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of intangible assets.

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

3 Significant accounting policies - continued

3.3 Equipment

3.3.1 Recognition and measurement

Items of equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of equipment have different useful lives, they are accounted for as separate items (major components) of equipment.

Gains or losses on disposal of an item of equipment are determined by comparing the proceeds from disposal with the carrying amount of equipment and are recognised net within other income in profit or loss.

3.3.2 Subsequent costs

The cost of replacing a part of an item of equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embedded within the part will flow to the Company, and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of equipment are recognised in profit or loss as incurred.

3.3.3 Depreciation

Depreciation is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

The estimated useful lives for the current period are as follows:

• Computers and electronic equipment	4 - 5 years
• Furniture and fittings	10 years
• Office improvements	10 years

Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

3 Significant accounting policies - continued

3.5 Financial instruments and equity - continued

3.5.3 Share capital and shareholder's contribution

3.5.3.1 Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

3.5.3.2 Shareholder's contributions

Shareholder's contributions are classified as equity and are recognised at the fair value of the consideration received.

Amounts advanced by the shareholder by way of contribution which do not include a contractual obligation to settle in cash or another financial asset, are classified within equity. Balances which contain an obligation to transfer resources are classified as liabilities.

3.6 Impairment

3.6.1 Financial assets

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Company on terms that the Company would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, the disappearance of an active market for a security.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate.

Losses are recognised in profit or loss and reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

3 Significant accounting policies - continued

3.6 Impairment - continued

3.6.2 Non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is recognised if the carrying amount of an asset exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

3.7 Revenue recognition

3.7.1 Gross premium written

Premium written is accounted for in the period in which the risks are assumed and the premium becomes due, net of premium taxes. Premium recognition is described in Note 3.1 dealing with insurance contracts.

3.7.2 Finance income

Finance income comprises interest income on bank deposits. Interest income is recognised as it accrues in profit or loss, using the effective interest method.

Foreign currency gains and losses are reported on a net basis.

3 Significant accounting policies - continued

3.7 Revenue recognition - continued

3.8 Benefits, claims and expenses recognition

3.8.1 Gross benefits and claims

Insurance claims include all claims occurring during the year, whether reported or not, as well as related internal and external claims handling costs that are directly related to the processing and settlement of claims. The liability is recalculated at each period end and is determined by the Company's external actuarial function.

3.9 Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to items recognised directly in equity or in other comprehensive income.

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

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

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

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

3.10 Foreign currency transactions

Transactions in foreign currencies are translated to the Company's functional currency at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the reporting period. Foreign currency differences arising on retranslation are recognised in profit or loss.

3 Significant accounting policies - continued

3.11 Operating lease payments

Leases of assets in which a significant portion of the risks and rewards of ownership are effectively retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

3.12 Employee benefits

The Company contributes towards a defined contribution state pension plan in accordance with Maltese legislation. The Company does not have a commitment beyond the payment of fixed contributions. Related costs are recognised as an expense during the period in which these are incurred.

3.13 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Company's financial statements in the period in which an obligation to pay a dividend is established.

3.14 New standards and interpretations not yet adopted

Standards, interpretations and amendments to published standards effective in 2018

In 2018, the Company adopted new standards, amendments and interpretations to existing standards that are mandatory for the Company's accounting period beginning on 1 January 2018. The adoption of these revisions to the requirements of IFRSs as adopted by the EU did not result in substantial changes to the Company's accounting policies.

Standards, interpretations and amendments to published standards effective in 2018 but not yet adopted

IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2014. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income (OCI) and fair value through profit and loss (P&L). The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI not recycling. The standard is effective for accounting periods beginning on or after 1 January 2018. However, insurers have been granted some relief from applying IFRS 9 to their investment portfolios prior to adopting the new insurance contracts standard, IFRS 17. As the activities of the Company are predominantly connected with insurance and that the Company has not previously adopted IFRS 9, the Company has applied the temporary exemption (deferral approach) from IFRS 9.

3 Significant accounting policies - continued

3.14 New standards and interpretations not yet adopted - continued

Standards, interpretations and amendments to published standards effective in 2018 but not yet adopted - continued

The temporary exemption was initially assessed at the annual reporting date immediately preceding
1 April 2016. As at 31 December 2015, 95% of the Company's total liabilities were made up of insurance related liabilities thus qualifying for the temporary exemption. Reassessment was not required in the subsequent annual reporting dates given that there were no changes in the Company's activities.

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

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 2019. 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, other than as described below.

The standard IFRS 17 is effective for annual reporting periods beginning on or after 1 January 2021 but is not yet endorsed by the EU, with comparative figures required. Once effective, IFRS 17 will replace IFRS 4 Insurance Contracts. The Standard measures insurance contracts either under the general model or a simplified version called the Premium Allocation Approach.

IFRS 17 together with IFRS 9 will result in a profound change to the accounting in IFRS financial statements for insurance companies. Management is considering the implications of this standard as well as IFRS 9 and their impact on the Company's financial results and position.

IFRS 16 was issued in January 2016. It will result in almost all leases being recognised on the balance sheet by lessees, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

The Company will apply the standard from its mandatory adoption date of 1 January 2019. While not expected to be significant to the Company's financial statements, the Company intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption. Right-of-use assets for property leases will be measured on transition as if the new rules had always been applied. All other right-of-use assets will be measured at the amount of the lease liability on adoption (adjusted for any prepaid or accrued lease expenses).

4 Management of insurance and financial risk

4.1 Overview

This note presents information about the Company's exposure to insurance and financial risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. Further quantitative disclosures are included throughout these financial statements.

4.2 Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework.

The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

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 capital providers and of its shareholders;
- To retain financial flexibility by maintaining strong liquidity and access to a range of capital markets;
- To align the profile of assets and liabilities taking account of risks inherent in the business;
- To maintain financial strength to support new business growth and to satisfy the requirements of the policyholders, regulators and stakeholders;
- To maintain healthy capital ratios in order to support its business objectives and maximise shareholders value;
- To comply with the insurance capital requirements required by the Maltese Insurance Regulator (i.e., Maltese Financial Services Authority or MFSA).

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

4 Management of insurance and financial risk - continued

4.2 Risk management framework - continued

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

The Company defines capital as the excess of assets over liabilities as valued in accordance with the respective regulatory requirements.

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

The Company opted for the standard formula under the Solvency II regime to calculate the SCR as the assumptions underlying the standard formula are considered to be a good fit for the Company's risk profile. At 31 December 2018, the Company's eligible own funds adequately covered the required SCR and amounted to €27,808,486 (unaudited) (2017: €28,896,680 (unaudited)).

The Company was compliant with its regulatory capital requirements throughout the financial year.

4.3 Insurance risk

The principal risk the Company faces under insurance contracts is that the actual claims and benefit payments or the timing thereof, differ from expectations. This is influenced by the frequency of claims, severity of claims and actual benefits paid. Therefore, the objective of the Company is to ensure that sufficient reserves are available to cover these liabilities.

The Company principally underwrites payment protection insurance (PPI) covering accident and sickness and miscellaneous financial loss to clients of its parent undertaking, Oney Bank S.A. registered and incorporated in France, branch of a parent, Oney Bank S.A. (Portugal branch) registered and incorporated in Portugal and Oney Servicios Financieros registered and incorporated in Spain. Risks are written under annually renewable group policies although premium is invoiced and accounted for on a monthly basis. As at the end of the year the Company was operating in France, Portugal and Spain.

4 Management of insurance and financial risk - continued

4.3 Insurance risk - continued

The most significant risk for miscellaneous financial loss cover is a recession leading to high unemployment, whilst that for accident and sickness cover, significant risks arise from lifestyle changes and epidemics. This risk is mitigated by the increased diversification of portfolio as is further explained below.

Apart from the payment protection insurance cover other main programmes that the Company continued underwriting are:

- GMP (Guarantee of Means of Payment) insurance, launched in 2013 in France under classes 8 and 9 (fire and other damage to property). GMP is written under an annually renewable group policy.

- Garantie Tranquilite insurance, launched in 2015 in France under class 16 (Miscellaneous Financial loss). Garantie Tranquilite is an extended warranty covering three different product families beyond the expiration of the manufacturer's or distributor's warranty. The Company provides cover for three or five years depending on the product family. The cover guarantees the cost of repair or replacement value of all household goods within the chosen product family.

- ENVOL (Purchase Power Protection) insurance, launched in 2014 in France covering accident and sickness and unemployment. ENVOL is written under an annually renewable group policy.

- Pet Insurance programme in France launched in October 2016, covering medical and surgical expenses following a physical accident and/or an illness suffered by a dog/cat owned as a pet.

- Auchan Extended Warranty in France launched in June 2017, covering electronic devices bought at Auchan Store for 1-3 years after the manufacturer's warranty.

- Electro Depot Casse Mobile in France launched in January 2017 covering accidental damage on all mobile phones purchased new, or less than 3 years old, owned by all household members.

In 2018, the company also continued underwriting policies in Spain that were launched in 2016 covering the risk of accidental breakage and theft of smartphones, tablets and other mobile devices for one year from the date of purchase and extended warranty cover for a range of products, covering the risk of internal malfunction for two years from the date on which the manufacturer's warranty expires.

4 Management of insurance and financial risk - continued

4.3 Insurance risk - continued

In 2018, the company continued writing all the further products launched in 2017 except for Audika in France and Mobiochrona in Poland which distribution was discontinued during the year. Additional five new products were launched in 2018. A summary of the aforementioned is presented as follows:

Product	Classes of business	Country
Extended warranty on specific electronic devices, white, brown and grey ranges – *2 different programmes*	Class 16 - Miscellaneous financial loss	France and Portugal
Material damage on specific electronic devices, white, brown and grey ranges – *10 different programmes*	Classes 8 and 9 - Fire and other damage to property	France, Portugal and Spain
Term life	Classes 1 and 2 - Accident and Sickness	Poland
Automotive insurance	Classes 16 and 3 - Miscellaneous financial loss and other motor insurance	Italy
Rental insurance	Class 16 - Miscellaneous financial loss	France

New products launched in 2018 are not deemed to be significant so far except for the Automotive insurance program in Italy which was launched in November 2018, covering damages to the car, personal accident, financial loss and collision cover.

An Inward Reinsurance treaty was entered into effective 1 February 2018. The Company assumes reinsurance risks on a quota share basis underwritten by the ceding company on pre-approved programs covering material damage and extended warranty programmes.

Risk exposure is mitigated by diversification of different classes of business across a portfolio of insurance contracts and geographical areas. The variability of risks is also improved by careful selection and implementation of underwriting strategy guidelines and claim review policies.

The Company's direct business is underwritten through an intermediaries network consisting of Group companies and third parties. Through increased expansion and diversification of its portfolio risk, the Company is increasingly being exposed to third parties. Internal underwriting guidelines are in place to enforce appropriate risk selection criteria and are reinforced by controls that are in place at an intermediary level. Further, strict claim review practices to assess all new and ongoing claims, regular detailed review of claims handling procedures and frequent investigation of possible fraudulent claims processes are in place to reduce the risk exposure of the Company. The Company further enforces a policy of actively managing and promptly pursuing claims, in order to reduce its exposure to unpredictable future developments that can negatively impact the business. The Company engages an external actuarial function in the determination of the ultimate cost of insurance claims as further described in Notes 13 and 24 to the financial statements.

The Company considers reinsurance as part of its risk mitigation program but does not have any active outward reinsurance as at 31 December 2018.

4 Management of insurance and financial risk - continued

4.4 Financial risks

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

4.4.1 Credit risk

Credit risk is the risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations.

The Company deposits cash with highly rated financial institutions licensed and regulated in their respective countries, including a parent company as described in Note 16.

The Company mainly underwrites payment protection in France, Portugal and Spain. The Company's PPI insurance receivables are from its parent undertaking, Oney Bank S.A. registered and incorporated in France and regulated by the Autorité de Contrôle Prudentiel (ACP), branch of a parent, Oney Bank S.A. (Portugal branch) registered and incorporated in Portugal and Oney Servicios Financieros registered and incorporated in Spain. The Company therefore limits its exposure of counterparty insurance credit risk in respect to its main product given that it deals with parties within the Auchan Group. However, in the attempt to limit dependency on payment protection insurance, as from 2017 the Company further expanded its portfolio and increased its exposure to third parties. In order to limit its credit risk, management ensures that it works with a limited number of international reputable brokers with a sound historical financial background. Receivables are followed up regularly to ensure no amounts exceed credit terms. As at 31 December 2018, 64% (2017: 58%) of receivables arising from insurance operations relate to third party receivables of which 62% relate to a reputable broker European leader in affinity insurance. The other 38% is split across 7 different brokers, which although not rated, are all deemed to be reputable brokers, and 1 insurance company in relation to reinsurance accepted. Amounts receivable at year end m ainly represent between one to three months' premium and are considered to be fully recoverable. Commission payable to intermediaries is netted off against amounts receivable, given the Company's right to settle on a net basis.

Credit exposure

The table below shows the maximum exposure to credit risk for the respective components of the statement of financial position as at 31 December.

	Notes	**2018** **€**	2017 €
Insurance and other receivables	15	**26,330,634**	19,408,822
Cash at bank	16	**39,684,238**	36,752,361
Total credit risk exposure		**66,014,872**	56,161,183

4 Management of insurance and financial risk - continued

4.4 Financial risks - continued

4.4.1 Credit risk - continued

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. Cash and cash equivalents classified as unrated are held with an unrated subsidiary of a financial institution with a credit rating of A.

31 December 2018

	A+ €	**A €**	**BBB €**	**Not rated €**	**Total €**
Insurance and other receivables	**-**	**-**	**5,427,920**	**20,902,714**	**26,330,634**
Cash at bank	**10,514,817**	**21,164,033**	**7,530,353**	**475,035**	**39,684,238**
Total	**10,514,817**	**21,164,033**	**12,958,273**	**21,377,749**	**66,014,872**

31 December 2017

	A+ €	A €	BBB+ €	Not rated €	Total €
Insurance and other receivables	-	-	6,374,328	13,034,494	19,408,822
Cash at bank	-	27,542,308	9,178,767	31,286	36,752,361
Total	-	27,542,308	15,553,095	13,065,780	56,161,183

As at 31 December 2018 and 2017, no credit exposure limits were exceeded. The Company actively manages its product mix to ensure that there is no significant concentration of credit risk.

Past due and impaired financial assets

At 31 December 2018 and 2017, none of the Company's assets were past due or impaired.

4.4.2 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. In respect of catastrophic events there is also a liquidity risk associated with the timing differences between gross cash outflows and expected reinsurance recoveries. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

4 Management of insurance and financial risk - continued

4.4 Financial risks - continued

4.4.2 Liquidity risk – continued

The Company has procedures in place to mitigate its exposure to liquidity risk. Management monitors asset allocations, and maturity profiles of assets, in order to ensure sufficient funding is available to meet insurance contract and other contractual obligations.

The following table indicates the expected timing of cash flows arising from the Company's technical provisions, and contractual cash flows arising from other liabilities.

31 December 2018

	0-1 year	**1-5 years**	**>5 years**	**Total**
	€	**€**	**€**	**€**
Technical provisions*	**9,753,785**	**2,852,721**	**101,431**	**12,707,937**
Payables	**14,077,080**	**-**	**-**	**14,077,080**
Total	**23,830,865**	**2,852,721**	**101,431**	**26,785,017**

*Excluding provision for unearned premium

31 December 2017

	0-1 year	1-5 years	>5 years	Total
	€	€	€	€
Technical provisions*	6,421,180	2,547,322	52,404	9,020,906
Payables	12,851,294	-	-	12,851,29 4
Total	19,272,474	2,547,322	52,404	21,872,200

*Excluding provision for unearned premium

4.4.3 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 risk arising from changes to: foreign exchange rates (currency risk), market interest rates (interest rate risk) and market prices (price risk). The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. The Company invests in short-term fixed income deposits thereby exposing itself to interest rate risk, while it has no interest-bearing liabilities. The Company's assets and liabilities are all denominated in Euro thereby leaving the Company with no currency exposure. On the other hand the Company is not exposed to price risk since it has no investments in equities.

4.4.3.1 Interest rate risk

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

4 Management of insurance and financial risk - continued

4.4 Financial risks - continued

4.4.3 Market risk - continued

4.4.3.1 Interest rate risk - continued

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 short-term deposits which are re-priced at renewal of the deposit.

Profile

At the reporting date the interest rate profile of the Company's interest bearing financial assets was as follows:

	Carrying amount 2018 €	Carrying amount 2017 €
Fixed rate instruments		
Financial assets	**15,700,000**	18,442,700
Variable rate instruments		
Financial assets	**23,948,238**	18,309,661

Fair value sensitivity analysis for fixed and variable rate instruments

Fixed interest instruments are measured at amortised cost. Although these investments give rise to fair value interest rate risk, any change in market interest rates will accordingly not impact the Company's profit or loss or equity. The Company's interest rate risk principally arises from cash and cash equivalents at variable rates which expose the Company to cash flow interest rate risk.

Management monitors the impact of changes in market interest rates on amounts reported in the income statement in respect of these instruments. Based on this analysis, management considers the potential impact on profit or loss of a defined interest rate shift that is reasonably possible at the end of the reporting period to be immaterial. The Company's interest-bearing instruments are short-term in nature and accordingly the level of interest rate risk is contained. The Company's operating cash flows are substantially independent of changes in market interest rates.

4.5 Fair values

At 31 December 2018 and 2017 the carrying amounts of financial assets and liabilities reflected in the financial statements are reasonable estimates of fair value in view of the nature of these instruments or the relatively short period of time between the origination of the instruments and their expected realisation.

5 Particulars of business

Gross premium written and gross premium earned from general business are analysed as follows:

2018

	Gross premium written €	**Gross premium earned €**
Direct insurance	**64,235,047**	**55,725,000**
Inward reinsurance	**3,048,950**	**3,048,950**
Total	**67,283,997**	**58,773,950**

2017

	Gross premium written €	Gross premium earned €
Direct insurance	57,332,529	48,430,852
	57,332,529	48,430,852

All gross premium written for direct general business and reinsurance inwards emanate from contracts concluded in or from the EU. The Company entered into a new Inward Reinsurance treaty effective
1 February 2018 (see Note 4.3).

6 Finance income

	2018 €	2017 €
Bank interest income	**143,623**	140,410
Finance income allocated to the non-technical account	**143,623**	140,410

7 Net operating expenses

	2018 €	2017 €
Commission expense	**(31,578,084)**	(28,684,463)
Reinsurance commission	**(60,772)**	-
Change in deferred acquisition costs (Note 14)	**4,379,797**	4,287,220
Administrative expenses (Note 8)	**(2,524,814)**	(2,269,704)
	(29,783,873)	(26,666,947)
Allocated to:		
Income statement – technical account general Business	**(28,559,616)**	(25,496,822)
Income statement – non-technical account	**(1,224,257)**	(1,170,125)
Total other operating and administrative expenses	**(29,783,873)**	(26,666,947)

Total commission expense for direct insurance and inward reinsurance business accounted for during the year amounted to €31,578,084 (2017: €28,684,463) and €60,772 (2017: Nil) respectively.

8 Administrative expenses classified by nature

	2018 €	2017 €
Computer operational costs	**(346,718)**	(320,168)
Amortisation of software (Note 11)	**(348,254)**	(341,252)
Depreciation of equipment (Note 12)	**(18,902)**	(14,102)
Professional fees	**(321,418)**	(329,353)
Directors' fees	**(26,950)**	(26,950)
Employee benefit expense (Note 9)	**(1,076,438)**	(878,937)
Other expenses	**(280,333)**	(269,402)
Management fees	**(105,801)**	(89,540)
	(2,524,814)	(2,269,704)

Amortisation of software and depreciation of equipment are stated net of recharges of €157,919 (2017: €165,668) and €8,572 (2017: €6,846), respectively to a fellow subsidiary.

8 Administrative expenses classified by nature - continued

Administrative expenses were allocated as follows:

	2018 €	2017 €
Technical account	**(1,300,557)**	(1,099,579)
Non-technical account	**(1,224,257)**	(1,170,125)
	(2,524,814)	(2,269,704)

Professional fees include fees, excluding VAT, charged by the auditor for services rendered during the financial year ended 31 December relating to the following:

	2018 €	2017 €
Annual statutory audit	**(17,756)**	(15,500)
Other assurance services	**(13,600)**	(13,600)
Tax advisory and compliance services	**(1,500)**	(2,050)
	(32,856)	(31,150)

9 Employee benefit expense

Personnel expenses incurred by the Company during the year are analysed as follows:

	2018 €	2017 €
Wages and salaries	**(1,081,466)**	(833,744)
Social security costs	**(56,049)**	(36,204)
	(1,137,515)	(869,948)
Secondment and management fees recharged by a parent undertaking	**(308,656)**	(346,455)
Other personnel related expenses	**(118,389)**	(89,234)
Less recharges to a fellow subsidiary	**488,122**	426,700
	(1,076,438)	(878,937)

9 Employee benefit expenses - continued

The average number of employees employed during the year is analysed as follows:

	2018 No.	2017 No.
Key management personnel	**6**	6
Middle management	**13**	7
Clerical	**6**	3
	25	16

During its course of operation the Company seconds employees to a fellow subsidiary. As a result wages and salaries, secondment fees and related benefits amounting to €488,122 (2017: €426,700) were recharged by the Company.

10 Income tax expense

The income tax expense for the year comprises:

	2018 €	2017 €
Current tax expense	**(4,998,485)**	(4,913,564)
Deferred tax expense (Note 19)	**(87,323)**	(3,135)
Income tax expense	**(5,085,808)**	(4,916,699)

The income tax expense for the year and the result of the accounting profit multiplied by the tax rate applicable in Malta, the Company's country of incorporation, are reconciled as follows:

	2018 €	2017 €
Profit before taxation	**14,597,564**	14,112,995
Tax using the domestic income tax rate of 35%	**(5,109,147)**	(4,939,548)
Adjusted for tax effect of:		
- FRFTC	**23,339**	22,849
Income tax expense	**(5,085,808)**	(4,916,699)

11 Intangible assets

	Software €
Cost	
At 1 January 2017	2,927,424
Additions	135,655
At 31 December 2017	3,063,079
At 1 January 2018	**3,063,079**
Additions	**51,856**
At 31 December 2018	**3,114,935**
Amortisation	
At 1 January 2017	985,835
Charge for the year	506,920
At 31 December 2017	1,492,755
At 1 January 2018	**1,492,755**
Charge for the year	**506,173**
At 31 December 2018	**1,998,928**
Net book amount	
At 1 January 2017	1,941,589
At 31 December 2017	1,570,324
At 1 January 2018	**1,570,324**
At 31 December 2018	**1,116,007**

During the year, the Company continued to capitalise costs charged by third parties in relation to the development of the new insurance system, which went live in 2015. Management started to amortise the system from the date of implementation, while it continued to capitalise costs which related to phase 2 of the project. No amortisation was charged with respect to phase 2 as the related asset component is not yet into use. The amortisation charged to the income statement with respect to phase 1 of the insurance software amounted to €506,173 (2017: €506,920). The net book value of the insurance system as at year-end amounted to €1,116,007 (2017: €1,570,324).

12 Equipment

	Office improvements €	Computers and electronic equipment €	Furniture, fixtures and fittings €	Total €
Cost				
At 1 January 2017	25,374	77,001	46,041	148,416
Additions	-	24,659	12,337	36,996
At 31 December 2017	25,374	101,660	58,378	185,412
At 1 January 2018	**25,374**	**101,660**	**58,378**	**185,412**
Additions	**-**	**18,013**	**19,551**	**37,564**
At 31 December 2018	**25,374**	**119,673**	**77,929**	**222,976**
Depreciation				
At 1 January 2017	5,920	46,578	26,255	78,753
Charge for the year	2,540	13,796	4,612	20,948
At 31 December 2017	8,460	60,374	30,867	99,701
At 1 January 2018	**8,460**	**60,374**	**30,867**	**99,701**
Charge for the year	**2,537**	**18,755**	**6,182**	**27,474**
At 31 December 2018	**10,997**	**79,129**	**37,049**	**127,175**
Net book amount				
At 1 January 2017	19,454	30,423	19,786	69,663
At 31 December 2017	16,914	41,286	27,511	85,711
At 1 January 2018	**16,914**	**41,286**	**27,511**	**85,711**
At 31 December 2018	**14,377**	**40,544**	**40,880**	**95,801**

13 Insurance liabilities and reinsurance assets

13.1 Technical provisions

	2018 €	2017 €
Gross technical provisions		
Technical provisions:		
- claims in course of payment	**1,032,661**	1,067,601
- claims incurred but not reported	**7,892,711**	7,692,865
- other technical provision – unexpired risk	**1,373,061**	260,440
	10,298,433	9,020,906
- provision for unearned premium	**21,700,613**	13,190,566
Technical provisions, gross – direct insurance	**31,999,046**	22,211,472
Reinsurance inwards contract		
- claims incurred but not reported	**2,409,504**	-
Technical provisions, gross – reinsurance inwards	**2,409,504**	-
Total technical provisions, gross	**34,408,550**	22,211,472

Expected settlement patterns for technical provisions are disclosed in Note 4.4.2.

13 Insurance liabilities and reinsurance assets - continued

13.2 Movement in technical provisions

	2018	2017
	€	€
Gross and net technical provisions		
Business written by Company as at 01 January	**9,020,906**	8,670,388
Release to claims paid during the year	**(10,851,523)**	(7,460,720)
Movement in estimate of ultimate claims for the year	**14,538,554**	7,811,238
Business written by Company as at 31 December	**12,707,937**	9,020,906

13.3 Variations occur when compared to prior year claims estimates due to a combination of factors including claims being settled for different amounts than estimated, and changes made to reserve estimates as more information becomes available. Favourable movements are indicative of a prudent reserving methodology in prior years. Variations arising from prior year technical provisions gross of reinsurance and excluding claims handling costs amounted to a favourable movement of €2,251,934 during 2018 (2017: €2,360,411 favourable), primarily arising from an adjustment to actuarial models after considering historical experience. Further information on claims developments is provided in Note 24 to these financial statements. A provision for claims handling expenses of €530,618 (2017: €530,138) is included in the gross claims incurred but not reported reserve.

13.4 Movement in technical provisions – unearned premium

Provision for unearned premium on direct insurance and reinsurance inwards contracts and the movements for the year are summarised as follows:

	2018	2017
	€	€
At 01 January	**13,190,566**	4,288,889
Premium written during the year	**67,283,997**	57,332,529
Premium earned during the year	**(58,773,950)**	(48,430,852)
At 31 December	**21,700,613**	13,190,566

14 Deferred acquisition costs

Deferred acquisition on direct insurance contracts and the movements for the year are summarised as follows:

	2018	2017
	€	€
At 01 January	**6,345,410**	2,058,190
Amount credited to profit or loss (Note 7)	**4,379,797**	4,287,220
At 31 December	**10,725,207**	6,345,410

Deferred acquisition costs are current in nature.

15 Insurance and other receivables

	2018	2017
	€	€
Receivables arising from insurance operations		
- due from a parent company	**5,427,920**	6,374,328
- due from fellow subsidiary	**985,834**	723,039
- due from a branch of a parent	**2,785,207**	989,850
- due from other brokers	**16,723,505**	11,012,772
	25,922,466	19,099,989
Other receivables		
- due from fellow subsidiary	**295,800**	198,163
- other receivables	**835,472**	670,448
	1,131,272	868,611
	27,053,738	19,968,600

These amounts are current in nature, unsecured, interest free and payable on demand. "Other receivables" above include deferred claims handling cost amounting to €723,104 (2017: €559,778).

16 Cash and cash equivalents

Cash and cash equivalents are analysed as follows:

	2018	2017
	€	€
Cash in hand	**268**	248
Cash at bank	**23,984,238**	18,309,661
Short-term deposits (including demand and time deposits)	**15,700,000**	18,442,700
	39,684,506	36,752,609

Short-term deposits are made for varying periods and can be withdrawn within a period of one day to three months depending on the immediate cash requirements of the Company. Deposits are subject to an average fixed interest rate of 0.4% (2017: 0.6%). The carrying amounts disclosed above reasonably approximate fair value at the reporting date.

At year end a fixed deposit of €5,700,000 (2017: €5,700,000) and demand deposits amounting to €1,830,354 (2017: €3,478,767) included above, were held with a parent company.

17 Share capital

	2018	2017
	€	€
Authorised share capital		
5,600,000 ordinary shares of €1 each	**5,600,000**	5,600,000
Issued and fully paid up share capital		
5,600,000 ordinary shares of €1 each	**5,600,000**	5,600,000

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Company's residual assets.

18 Shareholder's contribution

In June 2013, the Company received a shareholder's contribution amounting to €4,425,001 from its immediate parent company, Oney Holding Limited. During 2017, the Company received a further shareholder's contribution amounting to €5,395,158 from its immediate parent company. The shareholder's contribution is interest free and the Company does not have a contractual obligation to repay the balance (Note 3.5.3.2). No further shareholder's contribution received in 2018.

19 Deferred tax liability

Deferred tax liability amounting to €217,150 (2017: €129,827) at the reporting date is attributable to temporary differences on intangible assets and equipment. A deferred tax charge amounting to €87,323 (2017: credit of €3,135) was recognised in the income statement during the year.

20 Insurance and other payables

	2018	2017
	€	€
Payables arising out of insurance operations:		
Payables to a parent company	**3,383,496**	3,967,092
Payables to fellow subsidiary	**592,333**	371,853
Payables to a branch of a parent	**1,627,638**	561,136
Other payables	**7,150,383**	6,252,518
	12,753,850	11,152,599
Other payables:		
Payables to a parent company	**184,222**	175,886
Payables to immediate parent company	**20,704**	19,904
Other payables	**1,118,304**	1,502,905
	1,323,230	1,698,695
	14,077,080	12,851,294

The above amounts are current in nature, unsecured, interest free and payable on demand.

21 Dividend

	2018 €	2017 €
Net interim dividend paid on ordinary shares	**9,196,296**	8,882,381
Dividend per share	**1.64**	1.59

22 Cash generated from operating activities

	2018 €	2017 €
Profit before taxation	**14,597,564**	14,112,995
Adjustment for:		
Amortisation of intangible assets (Note 11)	**506,173**	506,920
Depreciation of equipment (Note 12)	**27,474**	20,948
Interest income (Note 6)	**(143,623)**	(140,410)
Movements in items in the statement of financial position:		
Increase in deferred acquisition costs	**(4,379,797)**	(4,287,220)
Increase in insurance and other receivables	**(7,105,692)**	(9,139,173)
Increase in technical provisions	**12,197,078**	9,252,195
Increase in insurance and other payables	**1,225,786**	5,439,477
Cash generated from operating activities	**16,924,963**	15,765,732

23 Related party disclosures

The Company enters into transactions with its parent, group undertakings and directors in the normal course of business. Related parties are defined as those that have an ability to control or exercise significant influence over the other party in making financial and operating decisions.

23 Related party disclosures - continued

Related party transactions

	2018 €	2017 €
Income from insurance contracts and other services		
Sale of insurance contracts to a parent company	**26,072,840**	26,016,513
Sale of insurance contracts to a fellow subsidiary	**301,953**	250,419
Sale of insurance contracts to a branch of a parent	**9,148,526**	8,429,324
Finance income from a parent company	**57,792**	57,633
Recharge of operating expenses to a fellow subsidiary	**973,029**	885,468
Expenses related to insurance contracts and other services		
Claims incurred - parent company	**2,074,574**	2,314,335
Claims incurred - fellow subsidiary	**183,168**	153,204
Claims incurred - branch of a parent	**693,092**	605,854
Commission incurred - parent company	**13,737,408**	23,387,054
Commission incurred - fellow subsidiaries	**129,148**	87,725
Commission incurred - branch of a parent	**5,055,303**	4,293,651
Recharge of expatriate and other costs from a parent company	**380,380**	293,952
Recharge of operating expenses from the immediate parent company	**39,153**	19,904

Deposits held with a parent company (as disclosed in Note 16) earn an average interest of 1% (2017: 1%).

Information on the amounts due to and by related parties is set out in Notes 15, 16 and 20 to these financial statements. Directors' fees have been disclosed in Note 8 to these financial statements. In addition, an amount of €250,060 (2017: €181,232) relating to director's remuneration was recharged from a parent company (see Note 9).

24 Insurance terms, assumptions and sensitivities

Terms

The classes of insurance covered by the Company are accident, sickness, fire & other damage to property, other motor insurance and miscellaneous financial loss.

Claims provisions are established to cover the expected ultimate cost of settling the liabilities in respect of claims that have occurred and are estimated based on the known facts at the end of the reporting period. The provisions established cover reported claims and associated loss adjustment expenses, as well as claims incurred but not yet reported to the Company, and are based on undiscounted estimates of future claim payments.

The ultimate cost of insurance claims, including incurred but not reported claims is estimated by using recognised actuarial methods including analysis of historical claims terms. Where there is a lack of reliable historic data on which to estimate claims development, relevant benchmarks of similar business are used in developing claims estimates. Claims provisions are separately analysed by product type. The claims projection assumptions are intended to be prudent and exceed a "best estimate" of the expected outcome, by including qualitative judgement to assess the extent to which past trends may not apply in the future.

Assumptions

The estimated insurance liabilities are based on the past claims experience within the book of business, combined with a short term view of the outlook for the French, Polish, Spanish, Italian and Portuguese economies.

The key assumptions are considered to be expected loss ratios, expected claim frequencies and expected claim durations.

Sensitivities

The general insurance claims provision is sensitive to the above key assumptions. The sensitivity of certain variables like legislative change, uncertainty in the estimation process, etc, are not possible to quantify. Furthermore, because of delays that arise between occurrence of a claim and its subsequent notification and eventual settlement, the outstanding claim provisions are not known with certainty at the end of the reporting period.

24 Insurance terms, assumptions and sensitivities - continued

Sensitivities - continued

Consequently, the ultimate liabilities will vary, possibly materially, as a result of subsequent developments. Differences resulting from reassessment of the ultimate liabilities are recognised in subsequent years' financial statements. Reproduced below is an exhibit that shows the development of claims over a period of time on a gross basis.

This exhibit treats the business written as a seamless continuation of the business originally written in Ireland.

Accident year	2011 & Prior	2013	2014	2015	2016	2017	2018	Claims Handling Fees €	Total
	€	€	€	€	€	€	€		€
Cumulative Paid Claims									
as at end 2012 - in Malta	14,206,885							3,375,157	**17,582,042**
as at end 2013 - in Malta	17,049,947	1,216,527						4,269,177	**22,535,651**
as at end 2014 - in Malta	17,915,474	3,079,047	1,321,219					5,319,437	**27,635,177**
as at end 2015 - in Malta	18,200,838	3,738,195	3,116,754	1,572,681				6,565,590	**33,194,058**
as at end 2016 - in Malta	18,299,036	3,930,342	3,765,771	3,483,429	1,967,026			8,031,696	**39,477,300**
as at end 2017 - in Malta	18,335,538	3,969,558	3,937,008	3,993,937	3,989,850	2,930,662		9,781,466	**46,938,020**
as at end 2018 - in Malta	18,343,202	3,974,713	3,998,985	4,132,036	4,581,746	5,391,776	5,466,239	11,900,846	**57,789,543**
O/S Claims									
as at end 2012 - In Malta	11,347,782							893,772	**12,241,554**
as at end 2013 - in Malta	4,255,335	6,001,079						852,697	**11,109,111**
as at end 2014 - in Malta	1,889,017	2,196,285	5,112,710					715,727	**9,913,739**
as at end 2015 - in Malta	747,790	734,318	1,723,219	4,703,842				624,731	**8,533,900**
as at end 2016 - in Malta	284,985	269,391	668,893	1,787,817	5,034,107			625,195	**8,670,388**
as at end 2017 - in Malta	176,453	87,623	226,429	552,642	1,861,347	5,586,254		530,158	**9,020,906**
as at end 2018 - in Malta	110,301	117,424	174,340	294,865	580,228	1,695,752	9,204,409	530,618	**12,707,937**
Estimate of Ultimate Claims Costs									
as at end 2012 - in Malta	25,554,667							4,268,929	**29,823,596**
as at end 2013 - in Malta	21,305,282	7,217,606						5,121,874	**33,644,762**
as at end 2014 - in Malta	19,804,491	5,275,332	6,433,929					6,035,164	**37,548,916**
as at end 2015 - in Malta	18,948,628	4,472,513	4,839,973	6,276,523				7,190,321	**41,727,957**
as at end 2016 - in Malta	18,584,021	4,199,733	4,434,664	5,271,246	7,001,133			8,656,891	**48,147,688**
as at end 2017 - in Malta	18,511,991	4,057,181	4,163,438	4,546,579	5,851,197	8,516,916		10,311,624	**55,958,926**
as at end 2018 - in Malta	18,453,503	4,092,137	4,173,325	4,426,901	5,161,974	7,087,528	14,670,648	12,431,464	**70,497,480**

The above table is presented on a gross basis.

The table below indicates the impact of changes in certain key assumptions in respect of the general insurance business whilst other assumptions remain unchanged.

Sensitivities factor	Change in assumption	**Impact on profit before tax 2018 €(000's)**	Impact on profit before tax 2017 €(000's)
IBNR Loss ratio – Disability	Increase by 1% nominal	**235**	230
IBNR Loss ratio – Unemployment	Increase by 1% nominal	**203**	170
IBNR Loss ratio - Fire & Damage	Increase by 5% nominal	**711**	394
IBNR loss ratio - Ancillary Covers	Increase by 10% nominal	**70**	68
ICOP Claim Duration - Disability & Unemployment	Increase by 1 month	**136**	142
Total Outstanding Claims	Increase by 5%	**635**	438

24 Insurance terms, assumptions and sensitivities - continued

Sensitivities - continued

The IBNR sensitivities show the impact on the total IBNR of changing the loss ratio on the most recent full year (i.e. 2018 for the current year and 2017 for the comparative).

Further information in relation to technical provisions is provided in Note 13 to these financial statements.

25 Operating lease

During the year, there was no amount recharged (2017: €8,329) by its immediate parent company with respect to an operating lease entered into on 1 August 2014 for a period of 5 years with a fixed term of 3 years which terminated on 31 July 2017.

26 Commitments

There were no authorised and contracted commitments for capital expenditure not provided for in these financial statements as of 31 December 2018 (2017: Nil).

27 Events after reporting period

Auchan Holding (ultimate parent company) entered into exclusive negotiations with Groupe BPCE in order to build a long term partnership through the acquisition of 50.1% share in Oney Bank SA. The acquisition of the shares of Oney Bank by Groupe BPCE is not expected to have any impact on the operations of the company.

MFSA issued a licence for the opening of an affinity cell to underwrite reinsurance business with effect from 5 February 2019.