oneyinsurance

Oney Insurance (PCC) Limited

Annual Report and Financial Statements

31 December 2020

Company Registration Number: C 53202

Oney Insurance (PCC) Limited

Company General Information

For the year ended 31 December 2020

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, Zone 5, Central Business District, Qormi, Malta
External Actuarial Function Holder	Declan Lavelle 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 2020

The directors present their report of Oney Insurance (PCC) Limited (the "Company") for the year ended 31 December 2020.

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
David Maly of Waly
Monique Huyghe (resigned on 4 July 2020)

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. In 2019, the 'Affinity Cell', licensed to carry out reinsurance business, was incorporated within the Company.

Review of business development and financial position

The results for the year are set out in the statement of comprehensive income on pages 15 and 16, while the financial position as at close of the reporting year is set out on page 17.

The outbreak of COVID-19 viral pneumonia in 2020 brought about an element of changing trends and a change in the overall economic outlook. This was reflected by a reduction in volumes of premium due to lower economic activity particularly in the period March to June 2020.

During the year ended 31 December 2020, the Company wrote a total premium income of €84,703,083 (2019: €88,942,288), of which an amount of €39,093,983 (2019: €39,280,715) was written on payment protection insurance in France, Portugal and Spain. On the other hand an amount of €9,068,550 (2019: €8,582,205) was written in connection with guarantee of means of payment in France on Fire & Damage protection, €1,032,163 (2019: €1,399,930) was written in connection to purchase power protection covering accident and sickness and unemployment risks (ENVOL) underwritten in France, while €9,753,027 (2019: €8,357,434) 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, mainly covering the risk of accidental breakage and theft of smartphones, tablets and other mobile devices for one year from the date of purchase, and an 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 €139,531 (2019: €527,101) excluding purchase protection insurance.

Another important programme launched late in 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 €3,343,179 (2019: €2,741,430).

Review of business development and financial position - continued

In 2017, the Company had launched thirteen products resulting in a total written premium in 2020 of €7,616,556 (2019: €7,817,543) of which three products were in run-off as at the reporting date. These programmes mainly cover accidental damage on specific electronic devices, white, brown and grey products with additional coverage in case of theft, fire, flood or storm for other specific products.

The Company also continued writing the automotive insurance program in Italy for a total premium of €11,238,692 (2019: €16,249,497), which volumes were significantly impacted by COVID-19 and a material damage and extended warranty cover for electronic devices underwriting a total premium income of €204,947 (2019: €232,588) In Italy. The latter product is 70% ceded to a reinsurer under a quota share agreement.

The Company continued to write its reinsurance programme in the Affinity Cell for a total written premium of €2,744,930 (2019: €3,483,648) in line with the Inward Reinsurance treaty entered into on 1 February 2018 accepting 15% of the risks on a quota share basis underwritten by a French Insurer for pre-approved programmes which cover material damage and extended warranty. Pending approval of the Affinity Cell's license, the reinsurance business was written in the Core, however following the incorporation of the Affinity Cell, licensed to carry out reinsurance business in 2019, the 15% quota share started being written in the Cell.

In 2020, in addition to the continuation of the previously launched programmes, a new Miscellaneous Financial Loss product was launched in April 2020 in Denmark through the Core for a total written premium of €184,880. The policyholder is an entity which provides a warranty service to employers and employees to cover the cost of breakage, accidental damage, extended warranty, payment exemption or theft for a range of devices leased to employees. A profit share arrangement is in place between the Company and the entity, thereby limiting the Company's exposure to adverse claims volatility as the entity will share 70% of any positive or negative deviation. This portfolio is also protected by a 70% quota share reinsurance arrangement with a profit share of 50:50. Additionally, additional 2 programmes were launched for a total premium income of €95,041 covering accidental material damage, extended warranty and theft on mobile phones, tablets, laptops, bikes and e-bikes bought new through a store of the distributor network.

During the year, the Company has discontinued its rental programme in France in view of its poor claims experience, two minor programmes in Portugal covering material damage on phones and another one in Spain. Moreover, the prevoyance programme in Poland was also discontinued.

No major COVID impact was noted on claims incurred. The directors deem that the Company adopts a prudent reserving policy and is adequately reserved. Gross claims paid excluding claims handling costs amounted to €18,049,896 (2019: €13,349,677) of which €10,284,186 (2019: €9,296,911) were paid in France, €1,668,748 (2019: €1,451,357) paid in Portugal, €169,451 (2019: €251,220) paid in Spain, €3,320 paid in Poland (2019: €51,040), €4,355,662 paid in Italy (2019: €1,360,884) and €5,017 paid in Romania (2019: Nil). On the other hand, claims paid on the inward reinsurance business amounted to €1,563,512 (2019: 938,265).

Finance income for the year amounted to €91,725 (2019: €94,891). 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.

Review of business development and financial position - continued

As a result of its operations during this year the Company generated a profit before tax amounting to €15,607,861 (2019: €16,931,464). After accounting for a tax charge of €5,447,846 (2019: €5,910,635), the profit after tax amounted to €10,160,015 (2019: €11,020,829), whereby €9,974,723 (2019: €10,532,049) were generated by the Core while €185,292 (2019: €488,780) were generated by the Cell.

The directors are confident that the Company will continue to achieve satisfactory results during the next financial period in line with its financial projections. Notwithstanding the ongoing COVID-19 scenario, the directors deem that the operating environment has stabilised and the level of uncertainty has decreased.

At the reporting date the Company had total assets amounting to €136,467,493 (2019: €107,586,297). These mainly consisted of cash and cash equivalents held primarily with highly rated financial institutions amounting to €81,915,454 (2019: €62,133,080), deferred acquisition costs amounting to €17,524,360 (2019: €15,342,619) and insurance and other receivables amounting to €36,077,135 (2019: €28,934,155).

These were financed by capital and reserves amounting to €41,101,003 (2019: €30,940,988) and liabilities amounting to €95,366,490 (2019: €76,645,309), out of which €65,900,228 (2019: €55,616,193) consist of technical provisions, €17,921,568 (2019: €14,545,586) consists of insurance and other payables while €11,287,370 (2019: €6,048,948) relates to income tax payable.

The Company is 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 2020, the Company's eligible own funds adequately covered the required SCR and amounted to €45,488,392 (unaudited) (2019: €34,703,343 (unaudited)). The audited Group SCR will be reported in the group-wide Solvency and Financial Condition Report (SFCR) in due course.

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 dependent on a 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, technological environment or economic and health factors (such as a pandemic).

Management does not envisage any significant uncertainties in the operations of the Company. In making this assessment, the Company has considered the impacts of the on-going COVID-19 pandemic. In light of the contained impact on the business of the Company, the quality of the Company's assets, the solvency cover and financial position of the Company, while there is an element of uncertainty this is deemed to be not significant on the basis of information known to date.

Notes 2.4 and 4.3 to the financial statements contain further information pertaining to insurance risk.

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

There were no particular important events affecting the Company which occurred after the reporting date, except that the Company has applied with the MFSA for the repayment of part of the Shareholders' Contribution of the Core amounting to €10,532,049.

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 further diversification benefits across different lines of business and across geographical territories.

Dividend

An interim dividend of €11,020,829 (2019: €9,511,756) was paid during the year under review. An equivalent amount of €10,532,049 for the Core and €488,780 for the Cell was reinvested by the immediate parent company in the form of shareholders' contribution.

Reserves

The directors propose that the balance of retained earnings amounting to €10,160,015 (2019: €11,020,829), split into €9,974,723 (2019: €10,532,049) for the Core and €185,292 (2019: €488,780) for the Cell be carried forward to the next financial year. They also acknowledge that an interim dividend was approved for distribution in January 2020 as disclosed above.

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.

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.

Oney Insurance (PCC) Limited

Directors' Report - continued

For the year ended 31 December 2020

Statement of directors' responsibilities for the financial statements - continued

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 2020 are included in the Annual Report 2020, 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 25 March 2021 and signed on its behalf by:

David Maly of Waly
Managing Director

John Bonett
Director

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

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:

- The financial statements give a true and fair view of the financial position of Oney Insurance (PCC) Limited as at 31 December 2020, 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 15 to 58, comprise:

- the statement of comprehensive income for the year ended 31 December 2020;
- the statement of financial position as at 31 December 2020;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

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

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

Independent auditor's report *- continued*

To the Shareholders of Oney Insurance (PCC) Limited

Independence

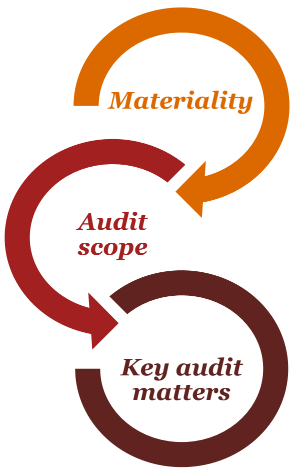
We are independent of the Company in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code) together with the ethical requirements of the Accountancy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

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

The non-audit services that we have provided to the Company, in the period from 1 January 2020 to 31 December 2020, are disclosed in Note 8 to the financial statements.

Our audit approach

Overview



Overall materiality: €780,390, which represents 5% of profit before tax

Valuation of incurred but not reported claims provision ('IBNR')

Independent auditor's report - continued

To the Shareholders of Oney Insurance (PCC) Limited

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

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

Materiality

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

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

Overall materiality	€780,390
How we determined it	5% of profit before tax
Rationale for the materiality benchmark applied	We chose profit before tax as the benchmark, as 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 quantitative materiality thresholds that we consider acceptable.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above €78,039 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
Valuation of incurred but not reported claims provision ('IBNR') 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 or enough reported to the Company, as some claims can take some time to emerge or develop. As described in notes 2.4 and 25 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. In this respect, note 2.4 describes uncertainties arising due to COVID-19. The Company's gross incurred but not reported provision is disclosed in note 14.1 at €17.1m, and unfavourable variations arising from prior year technical provisions of €0.3m are disclosed in note 14.3 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 25. We focused on this area due to its inherent subjectivity.	Our audit procedures addressing the valuation of the Company's IBNR provision included the following procedures involving our actuarial expert team members: • we applied our industry knowledge and experience in understanding and evaluating the methodology, models and assumptions used; • for the largest product types, for which independent projections were performed in prior years, we tested the reasonableness of loss ratios taking note of fluctuations not within our expectations, and further selected another product type for which we performed our own independent projections, and compared the results to management's estimates; • we tested the accuracy of the underlying data utilised for the purposes of the Company's actuarial models, and read the Company's actuarial function report and engaged in related discussion with the Company's actuary; • we considered the quality of historical reserving by reviewing variations arising from prior year technical provisions; and • we considered the extent of related disclosures to the financial statements. Based on the work performed, we found the recorded IBNR provision 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 (but does not include the financial statements and our auditor's report thereon).

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

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

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

Responsibilities of the directors 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.

To the Shareholders of Oney Insurance (PCC) Limited

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with 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, actions taken to eliminate threats or safeguards applied

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

The *Annual Report and Financial Statements 2020* contains other areas required by legislation or regulation on which we are required to report. The Directors are responsible for these other areas.

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

Area of the *Annual Report and Financial Statements 2020* and the related Directors' responsibilities	**Our responsibilities**	**Our reporting**
Directors' report (on pages 1 to 5) The Maltese Companies Act (Cap. 386) requires the directors to prepare a Directors' report, which includes the contents required by Article 177 of the Act and the Sixth Schedule to the Act.	We are required to consider whether the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements. We are also required to express an opinion as to whether the Directors' report has been prepared in accordance with the applicable legal requirements. In addition, we are required to state whether, in the light of the knowledge and understanding of the Company and its environment obtained in the course of our audit, we have identified any material misstatements in the Directors' report, and if so to give an indication of the nature of any such misstatements.	In our opinion: • the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and • the Directors' report has been prepared in accordance with the Maltese Companies Act (Cap. 386). We have nothing to report to you in respect of the other responsibilities, as explicitly stated within the *Other information* section.

Independent auditor's report *- continued*

To the Shareholders of Oney Insurance (PCC) Limited

Area of the *Annual Report and Financial Statements 2020* and the related Directors' responsibilities	Our responsibilities	Our reporting
	Other matters on which we are required to report by exception We also have responsibilities under the Maltese Companies Act (Cap. 386) to report to you if, in our opinion: • adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us. • the financial statements are not in agreement with the accounting records and returns. • we have not received all the information and explanations which, to the best of our knowledge and belief, we require for our audit.	We have nothing to report to you in respect of these responsibilities.

Independent auditor's report - continued

To the Shareholders of Oney Insurance (PCC) Limited

Other matter – use of this report

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

Appointment

We were first appointed as auditors of the Company on 19 April 2013. Our appointment has been renewed annually by shareholder resolution representing a total period of uninterrupted engagement appointment of 8 years.

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

Lucienne Pace Ross
Partner

25 March 2021

Oney Insurance (PCC) Limited

Statement of Comprehensive Income – Technical Account General Business

For the year ended 31 December 2020

	Notes	CORE 2020 €	CORE 2019 €	CELL 2020 €	CELL 2019 €	TOTAL 2020 €	TOTAL 2019 €
Earned premium							
Gross premium written	5	**81,958,153**	85,458,640	**2,744,930**	3,483,648	**84,703,083**	88,942,288
Outwards reinsurance premium		**(272,880)**	(162,811)	**-**	-	**(272,880)**	(162,811)
Net premiums written		**81,685,273**	85,295,829	**2,744,930**	3,483,648	**84,430,203**	88,779,477
Change in the gross provision for unearned premium							
- Gross amount	14	**(7,262,859)**	(17,573,996)	**(136,410)**	(1,086,332)	**(7,399,269)**	(18,660,328)
- Reinsurers' share	14	**126,094**	120,121	**-**	-	**126,094**	120,121
		(7,136,765)	(17,453,875)	**(136,410)**	(1,086,332)	**(7,273,175)**	(18,540,207)
Total technical income		**74,548,508**	67,841,954	**2,608,520**	2,397,316	**77,157,028**	70,239,270
Claims incurred							
Claims paid							
- gross amount	14	**(19,764,668)**	(15,568,622)	**(880,900)**	(152,608)	**(20,645,568)**	(15,721,230)
Change in the provision for claims							
- gross amount	14	**(1,847,151)**	(1,400,638)	**(1,194,789)**	(1,277,471)	**(3,041,940)**	(2,678,109)
- reinsurers' share	14	**31,080**	10,673	**-**	-	**31,080**	10,673
Gross claims incurred		**(21,580,739)**	(16,958,587)	**(2,075,689)**	(1,430,079)	**(23,656,428)**	(18,388,666)
Net operating expenses	7	**(36,065,856)**	(33,321,517)	**(240,757)**	(207,390)	**(36,306,613)**	(33,528,907)
Total technical charges		**(57,646,595)**	(50,280,104)	**(2,316,446)**	(1,637,469)	**(59,963,041)**	(51,917,573)
Balance on the general business technical account		**16,901,913**	17,561,850	**292,074**	759,847	**17,193,987**	18,321,697

Oney Insurance (PCC) Limited

Statement of Comprehensive Income – Non-Technical Account (continued)

For the year ended 31 December 2020

		CORE		CELL		TOTAL	
		2020	2019	**2020**	2019	**2020**	2019
	Notes	**€**	€	**€**	€	**€**	€
Balance on the general business technical account		**16,901,913**	17,561,850	**292,074**	759,847	**17,193,987**	18,321,697
Finance income	6	**91,725**	94,891	**-**	-	**91,725**	94,891
Other income		**901**	54,981	**-**	-	**901**	54,981
Administrative expenses	8	**(1,671,743)**	(1,532,228)	**(7,009)**	(7,877)	**(1,678,752)**	(1,540,105)
Profit before taxation		**15,322,796**	16,179,494	**285,065**	751,970	**15,607,861**	16,931,464
Income tax expense	10	**(5,348,073)**	(5,647,445)	**(99,773)**	(263,190)	**(5,447,846)**	(5,910,635)
Profit for the financial year attributable to shareholders – total comprehensive income		**9,974,723**	10,532,049	**185,292**	488,780	**10,160,015**	11,020,829

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

The notes on pages 20 to 58 are an integral part of these financial statements.

Oney Insurance (PCC) Limited

Statement of Financial Position

As at 31 December 2020

		CORE		CELL		TOTAL	
		2020	2019	**2020**	2019	**2020**	2019
	Notes	**€**	€	**€**	€	**€**	€
ASSETS							
Intangible assets	11	**614,269**	702,625	**-**	-	**614,269**	702,625
Tangible assets - equipment	12	**132,780**	134,659	**-**	-	**132,780**	134,659
Right-of-use asset	13	**203,495**	339,159	**-**	-	**203,495**	339,159
Deferred acquisition costs	15	**17,524,360**	15,342,619	**-**	-	**17,524,360**	15,342,619
Insurance and other receivables:							
- arising out of insurance operations	16	**25,952,704**	24,536,768	**4,968,197**	3,483,648	**30,920,901**	28,020,416
- other receivables	16	**4,915,538**	908,365	**240,696**	5,374	**5,156,234**	913,739
Cash at bank and in hand	17	**79,062,349**	59,638,454	**2,853,105**	2,494,626	**81,915,454**	62,133,080
Total assets		**128,405,495**	101,602,649	**8,061,998**	5,983,648	**136,467,493**	107,586,297
EQUITY							
Capital and reserves							
Called up share capital	18	**5,600,000**	5,600,000	**2,500,000**	2,500,000	**8,100,000**	8,100,000
Shareholders' contribution	19	**22,352,208**	11,820,159	**488,780**	-	**22,840,988**	11,820,159
Retained earnings		**9,974,723**	10,532,049	**185,292**	488,780	**10,160,015**	11,020,829
Total equity		**37,926,931**	27,952,208	**3,174,072**	2,988,780	**41,101,003**	30,940,988
LIABILITIES							
Technical provisions	14	**62,205,226**	53,252,390	**3,695,002**	2,363,803	**65,900,228**	55,616,193
Deferred tax liability	20	**25,072**	78,837	**-**	-	**25,072**	78,837
Lease liability	13	**232,252**	355,745	**-**	-	**232,252**	355,745
Insurance and other payables:							
- arising out of insurance operations	21	**15,804,565**	13,596,197	**1,033,021**	280,001	**16,837,586**	13,876,198
- other payables	21	**1,023,852**	581,514	**60,130**	87,874	**1,083,982**	669,388
Income tax payable	10	**11,187,597**	5,785,758	**99,773**	263,190	**11,287,370**	6,048,948
Total liabilities		**90,478,564**	73,650,441	**4,887,926**	2,994,868	**95,366,490**	76,645,309
Total equity and liabilities		**128,405,495**	101,602,649	**8,061,998**	5,983,648	**136,467,493**	107,586,297

The notes on pages 20 to 58 are an integral part of these financial statements.

The financial statements on pages 15 to 58 were approved and authorised for issue by the Board of Directors on 25 March 2021 and signed on its behalf by:

David Maly of Waly
Managing Director

John Bonett
Director

Oney Insurance (PCC) Limited

Statement of Changes in Equity

For the year ended 31 December 2020

		CORE				CELL				TOTAL			
		Share Capital	**Shareholders' Contribution**	**Retained Earnings**	**Total**	**Share Capital**	**Shareholders' Contribution**	**Retained Earnings**	**Total**	**Share Capital**	**Shareholders' Contribution**	**Retained Earnings**	**Total**
	Notes	**€**	**€**	**€**	**€**	**€**	**€**	**€**	**€**	**€**	**€**	**€**	**€**
Balance at 01 January 2019		5,600,000	9,820,159	9,511,756	24,931,915	-	-	-	-	5,600,000	9,820,159	9,511,756	24,931,915
Total comprehensive income for the year													
Profit for the year		-	-	10,532,049	10,532,049	-	-	488,780	488,780	-	-	11,020,829	11,020,829
Transaction with owners													
Interim dividend paid	22	-	-	(9,511,756)	(9,511,756)	-	-	-	-	-	-	(9,511,756)	(9,511,756)
Issue of share capital	18	-	-	-	-	2,500,000	-	-	2,500,000	2,500,000	-	-	2,500,000
Shareholder's contribution	19	-	2,000,000	-	2,000,000	-	-	-	-	-	2,000,000	-	2,000,000
Balance at 31 December 2019		5,600,000	11,820,159	10,532,049	27,952,208	2,500,000	-	488,780	2,988,780	8,100,000	11,820,159	11,020,829	30,940,988
Balance at 01 January 2020		5,600,000	11,820,159	10,532,049	**27,952,208**	2,500,000	-	488,780	**2,988,780**	8,100,000	11,820,159	11,020,829	**30,940,988**
Total comprehensive income for the year													
Profit for the year		-	-	9,974,723	**9,974,723**	-	-	185,292	**185,292**	-	-	10,160,015	**10,160,015**
Transaction with owners													
Interim dividend paid	22	-	-	(10,532,049)	**(10,532,049)**	-	-	(488,780)	**(488,780)**	-	-	(11,020,829)	**(11,020,829)**
Shareholders' contribution	19	-	10,532,049	-	**10,532,049**	-	488,780	-	**488,780**	-	11,020,829	-	**11,020,829**
Balance at 31 December 2020		**5,600,000**	**22,352,208**	**9,974,723**	**37,926,931**	**2,500,000**	**488,780**	**185,292**	**3,174,072**	**8,100,000**	**22,840,988**	**10,160,015**	**41,101,003**

Oney Insurance (PCC) Limited

Statement of Cash Flows

For the year ended 31 December 2020

	Notes	CORE 2020 €	CORE 2019 €	CELL 2020 €	CELL 2019 €	TOTAL 2020 €	TOTAL 2019 €
Cash flows from operating activities							
Cash generated from/(used in) operating activities	23	**19,771,954**	32,719,064	**621,669**	(5,374)	**20,393,623**	32,713,690
Interest received		**128,331**	76,940	**-**	-	**128,331**	76,940
Income tax paid		-	(5,040,564)	**(263,190)**	-	**(263,190)**	(5,040,564)
Net cash generated from/(used in) operating activities		**19,900,285**	27,755,440	**358,479**	(5,374)	**20,258,764**	27,750,066
Cash flows from investing activities							
Acquisition of intangible assets	11	**(302,545)**	(162,772)	**-**	-	**(302,545)**	(162,772)
Acquisition of equipment	12	**(48,669)**	(73,140)	**-**	-	**(48,669)**	(73,140)
Net cash used in investing activities		**(351,214)**	(235,912)	**-**	-	**(351,214)**	(235,912)
Cash flows from financing activities							
Payment of interim dividend	22	**(10,532,049)**	(9,511,756)	**(488,780)**	-	**(11,020,829)**	(9,511,756)
Receipt of shareholder's contribution	19	**10,532,049**	2,000,000	**488,780**	-	**11,020,829**	2,000,000
Issue of share capital	18	**-**	-		2,500,000	**-**	2,500,000
Lease payments	13	**(125,176)**	(53,824)	**-**	-	**(125,176)**	(53,824)
Net cash (used in) / generated from financing activities		**(125,176)**	(7,565,580)	**-**	2,500,000	**(125,176)**	(5,065,580)
Net increase in cash and cash equivalents		**19,423,895**	19,953,948	**358,479**	2,494,626	**19,782,374**	22,448,574
Cash and cash equivalents at beginning of year		**59,638,454**	39,684,506	**2,494,626**	-	**62,133,080**	39,684,506
Cash and cash equivalents at end of year	17	**79,062,349**	59,638,454	**2,853,105**	2,494,626	**81,915,454**	62,133,080

The notes on pages 15 to 58 are an integral part of these financial statements

Oney Insurance (PCC) Limited

Notes to the Financial Statements

For the year ended 31 December 2020

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. On 22 October 2019, BPCE S.A. whose registered office is 50, Avenue Pierre-Mendes-France 75013 Paris, France, acquired 50.1% share in Oney Bank S.A thus since then is the Group's ultimate parent company. Following BPCE S.A. acquisition, Auchan Holding S.A. whose registered office is situated at 40, Avenue de Flandre, 59170 Croix, France holds 49.9% share in Oney Bank S.A. 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 position and financial performance of the Core and that of one Cell, referred to as the Affinity Cell, for the year ended 31 December 2020 and 2019. The total balances in the financial statements represent aggregation of the Cell and the Core balances. The Company maintains separate accounts for the Core and the Cell. Cellular assets and liabilities are separate and separately identifiable from the Core or non-cellular assets.

The Company presents its statement of financial position broadly in increasing 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.

IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. 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.

2 Basis of preparation - continued

2.1 Statement of compliance - continued

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.

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.

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.

2.4 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. Specific uncertainties pertain to:

- the estimation of the projected unearned combined ratio on the car damage portfolio. The estimated impact of the remediation plan currently underway on this portfolio is impacted by the volatility in claims (as a result of the limited history), and distortions in the mix of claims year on year due to changed patters resulting from COVID-19. The projected unearned combined ratio is also influenced by the assumed level of hail claims on unearned business, which cannot be predicted with certainty.

- the extent to which future claims experience could differ to historical trends. Following changes to certain policy terms during 2019, the Company is no longer able to decline cover on the basis of certain policyholder attributes. While it gave rise to increased uncertainty in 2019 as it was likely that future claims experience would differ to historical trends, the underlying claims experience in 2020 as a result of these changes has not increased by as much as was originally projected thus creating a run-off surplus in 2020. On the other hand, COVID-19 has the potential to cause an increase in purchase protection insurance claims, however based on claims reported to date the impact is not expected to be significant.

2 Basis of preparation - continued

2.4 Use of estimates and judgements - continued

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 14 and 25 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 in France and Portugal 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 (or not yet enough 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. The valuation is carried out in conjunction with the Company’s external actuarial function.

3 Significant accounting policies - continued

3.1 Product classification - continued

***Insurance contracts - General business** - continued*

- 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.

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.

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.

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 3.6.1).

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

3.4 Deferred expenses

3.4.1 Deferred acquisition costs ("DAC")

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

Subsequent to initial recognition, DAC are amortised over the period in which the related income is earned.

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

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

3.5 Financial instruments and equity

3.5.1 Financial assets

The Company classifies its financial assets as loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of financial assets at initial recognition.

The Company initially recognises loans and receivables on the date that they are originated.

The Company derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the right to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in such transferred financial assets that is created or retained by the Company is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

3 Significant accounting policies - continued

3.5 Financial instruments and equity - continued

3.5.1 Financial assets - continued

3.5.1.1 Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Company provides money, goods or services directly to a debtor with no intention of trading the asset. The Company's loans and receivables comprise insurance and other receivables and cash and cash equivalents in the statement of financial position. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses (see Note 3.6.1).

3.5.1.2 Cash and cash equivalents

Cash and cash equivalents are carried in the statement of financial position at face value. In the statement of cash flows, cash and cash equivalent comprise cash balances and call deposits with original maturities of three months or less or deposits which can be called within a three month span.

3.5.2 Financial liabilities

The Company recognises a financial liability in its statement of financial position when it becomes a party to the contractual provisions of the instrument. The Company's financial liabilities are classified as financial liabilities which are not at fair value through profit or loss (classified as 'Other liabilities') under IAS 39.

Such financial liabilities are recognised initially at fair value net of any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortised cost using the effective interest method.

The Company derecognises a financial liability when its contractual obligations are discharged, cancelled or expired.

The Company's financial liabilities consist of insurance and other payables.

3 Significant accounting policies - continued

3.5 Financial instruments and equity - continued

3.5.3 Share capital and shareholders' 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 Shareholders' contributions

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

Amounts advanced by the shareholders 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 and/or 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 the same taxable entity 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 Leases

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Company. Assets and liabilities arising from a lease are initially measured on a present value basis.

Lease liabilities include the net present value of lease payments which include, among other, fixed payments and payments of penalties for terminating the lease, if the lease term reflects the Company exercising that option. Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Company, the lessee’s incremental borrowing rate is used, being the rate that the company would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Company uses as a starting point third-party financing rate applicable had the Company received financing and makes adjustments specific to the lease such as the lease term. The weighted average incremental borrowing rate applied to the lease liabilities on the start of the lease contract was 0.73%.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the amount of the initial measurement of lease liability, any lease payments made at or before the commencement date less any lease incentives received (if any), any initial direct costs and restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Company is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset’s useful life. The Company’s right-of-use assets are depreciated over 3 years.

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 Significant accounting policies - continued

3.13 Dividend distribution

Dividend distribution to the Core or Affinity Cell 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 2020

In 2020, the Company adopted new standards, amendments and interpretations to existing standards that are mandatory for the Company's accounting period beginning on 1 January 2020. 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 and financial statements.

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 on or after 1 January 2021. The Company has not early adopted these revisions to the requirements of IFRSs as adopted by the EU and the Company's directors are of the opinion that there are no requirements that will have a possible significant impact on the Company's financial statements in the period of initial application, other than as described below.

IFRS 17 was issued in May 2017 and sets out the requirements that an entity should apply in accounting for insurance contracts it issues and reinsurance contracts it holds. IFRS 17 had an effective date of 1 January 2021, delayed to 1 January 2022 on 14 November 2018. On 17 March 2020, the IASB took the decision to defer IFRS 17 implementation by a year, with a new effective date of 1 January 2023. Once effective, IFRS 17 will replace IFRS 4 Insurance Contracts. The Standard will require the Company to measure insurance contracts under the general model or, if eligible, using a simplified Premium Allocation Approach.

IFRS 17 together with IFRS 9 will result in a profound change to the measurement and disclosures within IFRS financial statements for insurance companies and industry practice and interpretation of IFRS 17 is still developing. Management is considering the implications of this standard as well as IFRS 9 and their impact on the Company's financial results and position. In 2020, the Company carried out a gap analysis to determine the tasks necessary for a smooth implementation of IFRS 17. Pursuant to an industry-wide thematic review carried out by the Malta Financial Services Authority, the Company has prepared an impact assessment on its 31 December 2019 financial statements, comparing the financial results under the present accounting framework with the financial results should IFRS 17 been effective. The impact assessment also considered the effect that IFRS 17 will have on current business practices, such as risk management, pricing and purchase of reinsurance. The impact assessment has not been audited by the external auditors of the Company. The Company expects to continue its IFRS 17 implementation in the coming financial periods.

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.

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.

4 Management of insurance and financial risk - continued

4.2 Risk management framework - continued

Capital management objectives, policies and approach - continued

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

The Company is 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 2020, the Company's eligible own funds adequately covered the required SCR and amounted to €45,488,392 (unaudited) (2019: €34,703,343 (unaudited)). The audited group SCR will be reported in the group-wide Solvency and Financial Condition Report (SFCR) in due course. The Company was compliant with its regulatory capital requirements throughout the financial year.

Pursuant to regulation 14 of the PCC Regulations, where any liability arises which is attributable to a particular cell of a cell company:

a. The cellular assets attributable to the cell shall be primarily used to satisfy the liability;
b. The Company's non-cellular assets shall be secondarily used to satisfy the liability, provided that the cellular assets attributable to the relevant cell have been exhausted; and
c. Any cellular assets not attributable to the relevant cell shall not be used to satisfy the liability.

The Company has taken the following safeguards in this respect:

a. If the cellular assets are at any time insufficient to meet any cellular liability, the Company shall notify the Cell owners in writing and the Cell owners shall ensure that the Cell is adequately funded;
b. In the event that the cellular assets are exhausted, and any non-cellular assets are paid or transferred to the creditors of the Cell, the Cell owners agreed to indemnify the Company of such assets.

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.

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.

4 Management of insurance and financial risk - continued

4.3 Insurance risk - continued

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 fellow subsidiary Oney Servicios Financieros registered and incorporated in Spain. Risks are written under annually renewable group policies although premium for policies in France and Portugal 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.

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. This programme was repriced in 2019.

- 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.

- Passway in Italy launched in November 2018 covering damages to the car, personal accident, financial loss and collision cover.

A new Miscellaneous Financial Loss product was launched in April 2020 in Denmark. The policyholder is an entity which provides a warranty service to employers and employees to cover the cost of breakage, accidental damage, extended warranty, payment exemption or theft for a range of devices leased to employees. A profit share arrangement is in place between the Company and the entity, thereby limiting the Company's exposure to adverse claims volatility as the entity will share 70% of any positive or negative deviation. This portfolio is also protected by a 70% quota share reinsurance arrangement with a profit share of 50:50.

4 Management of insurance and financial risk - continued

4.3 Insurance risk - continued

During the year 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.

On the other hand, the Company discontinued the following 4 programmes during the year as follows:

Product	Classes of business	Country
Material damage on specific electronic devices	Classes 8 and 9 - Fire and other damage to property	Spain
Material damage on mobile phones	Classes 8 and 9 - Fire and other damage to property	Portugal
Term life prevoyance	Classes 1 and 2 - Accident and Sickness	Poland
Rental insurance	Class 16 - Miscellaneous financial loss	France

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. In 2019, the Affinity Cell licensed to carry out reinsurance business was incorporated within the Company. Following the establishment of a Cell, the 15% quota share started being written in the Cell as from 1 January 2019.

The variability of risks is improved by careful selection and implementation of underwriting strategies. The Company's direct business is underwritten through an intermediary-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 14 and 25 to the financial statements.

The Company considers reinsurance as part of its risk mitigation program and has 2 outward reinsurance treaties as at 31 December 2020 (2019: 1 reinsurance treaty) with 2 different reinsurers covering certain product lines. Notwithstanding this, the Company remains liable to its policyholders with respect to ceded insurance if the reinsurer fails to meet the obligations it assumes. The reinsurers have a credit rating of AA-.

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 17.

The Company mainly underwrites payment protection insurance through related parties in France, Portugal and Spain. The Company's payment protection 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 regulated by ORIAS in France 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 exposure, 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 2020, 76% (2019: 67%) of receivables arising from insurance operations relate to third party receivables of which 59% (2019: 57%) relate to a European broker of repute that is a leader in affinity insurance. The other 41% (2019: 43%) 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 mainly 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.

		CORE		**CELL**		**TOTAL**	
		2020	2019	**2020**	2019	**2020**	2019
	Notes	**€**	€	**€**	€	**€**	€
Insurance and other receivables	16	**30,868,242**	25,445,133	**5,208,893**	3,489,022	**36,077,135**	28,934,155
Cash at bank	17	**79,062,051**	59,638,196	**2,853,105**	2,494,626	**81,915,156**	62,132,822
Total credit risk exposure		**109,930,293**	85,083,329	**8,062,000**	5,983,648	**117,992,291**	91,066,977

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 2020

	A+ Core	**A Core**	**AA- Core**	**BBB+ Core**	**Not rated Core**	**BBB Cell**	**Not rated Cell**	**Total**
	€	**€**	**€**	**€**	**€**	**€**	**€**	**€**
Insurance and other receivables	**-**	**-**	**-**	**5,995,591**	**24,872,651**	**-**	**5,208,893**	**36,077,135**
Cash at bank	**39,844,971**	**-**	**22,824,147**	**15,139,041**	**1,253,887**	**2,450,000**	**403,110**	**81,915,156**
Total	**39,844,971**	**-**	**22,824,147**	**21,134,632**	**26,126,538**	**2,450,000**	**5,612,003**	**117,992,291**

31 December 2019

	A+ Core	A Core	AA- Core	BBB+ Core	Not rated Core	BBB Cell	Not rated Cell	Total
	€	€	€	€	€	€	€	€
Insurance and other receivables	-	-	-	5,134,818	20,310,315	-	3,489,022	28,934,155
Cash at bank	24,987,148	5,760,118	16,786,354	12,035,220	69,356	2,450,000	44,626	62,132,822
Total	24,987,148	5,760,118	16,786,354	17,170,038	20,379,671	2,450,000	3,533,648	91,066,977

As at 31 December 2020 and 2019, 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 2020 and 2019, none of the Company's assets were past due or impaired.

4 Management of insurance and financial risk - continued

4.4 Financial risks - continued

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, expected reinsurance recoveries and liquidation of the investments. 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.

The Company has procedures in place to mitigate the Company's 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 2020

	0-1 year	**1-5 years**	**>5 years**	**Total**
	€	**€**	**€**	**€**
Technical provisions*	**15,226,560**	**3,140,768**	**18,905**	**18,386,233**
Payables	**17,921,568**	**-**	**-**	**17,921,568**
Total	**33,148,128**	**3,140,768**	**18,905**	**36,307,801**

31 December 2019

	0-1 year	1-5 years	>5 years	Total
	€	€	€	€
Technical provisions*	12,777,604	2,524,188	73,581	15,375,373
Payables	14,545,586	-	-	14,545,586
Total	27,323,190	2,524,188	73,581	29,920,959

*Excluding provision for unearned premium

The split between the Cell and the Core of the expected timing of cash flows arising from technical provisions is similar to the split as per Note 14.1.

4 Management of insurance and financial risk - continued

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 mainly denominated in Euro thereby leaving the Company with no material 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.

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:

	CORE		**CELL**		**TOTAL**	
	Carrying Amount	Carrying Amount	**Carrying Amount**	Carrying Amount	**Carrying Amount**	Carrying Amount
	2020	2019	**2020**	2019	**2020**	2019
	€	€	**€**	€	**€**	€
Fixed rate instruments						
Financial assets	**10,000,000**	18,000,000	**-**	-	**10,000,000**	18,000,000
Variable rate instruments						
Financial assets	**69,062,051**	41,638,196	**2,853,105**	2,494,626	**71,915,156**	44,132,822
	79,062,051	59,638,196	**2,853,105**	2,494,626	**81,915,156**	62,132,822

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 Management of insurance and financial risk - continued

4.5 Fair values

At 31 December 2020 and 2019, 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:

2020

	CORE		**CELL**		**TOTAL**	
	Gross premium written	**Gross premium earned**	**Gross premium written**	**Gross premium earned**	**Gross premium written**	**Gross premium earned**
	€	**€**	**€**	**€**	**€**	**€**
Direct insurance	81,974,526	74,711,667	-	-	81,974,526	74,711,667
Inward reinsurance	(16,373)	(16,373)	2,744,930	2,608,520	2,728,557	2,592,147
Total	**81,958,153**	**74,695,294**	**2,744,930**	**2,608,520**	**84,703,083**	**77,303,814**

2019

	CORE		CELL		TOTAL	
	Gross premium written	Gross premium earned	Gross premium written	Gross premium earned	Gross premium written	Gross premium earned
	€	€	€	€	€	€
Direct insurance	85,532,900	67,958,904	-	-	85,532,900	67,958,904
Inward reinsurance	(74,260)	(74,260)	3,483,648	2,397,316	3,409,388	2,323,056
Total	85,458,640	67,884,644	3,483,648	2,397,316	88,942,288	70,281,960

All gross premium written for direct general business and reinsurance inwards emanate from contracts concluded in or from the EU.

6 Finance income

	2020	2019
	€	€
Bank interest income	**91,725**	94,891
Finance income allocated to the non-technical account - Core	**91,725**	94,891

7 Net operating expenses

	CORE		**CELL**		**TOTAL**	
	2020	2019	**2020**	2019	**2020**	2019
	€	€	**€**	€	**€**	€
Commission expense - net	**(36,191,124)**	(36,151,182)	**-**	-	**(36,191,124)**	(36,151,182)
Inward reinsurance commission	**(183,746)**	(93,407)	**(160,757)**	(127,390)	**(344,503)**	(220,797)
Change in deferred acquisition costs (Note 15)	**2,181,741**	4,617,412	**-**	-	**2,181,741**	4,617,412
Administrative expenses (Note 8)	**(3,544,470)**	(3,226,568)	**(87,009)**	(87,877)	**(3,631,479)**	(3,314,445)
	(37,737,599)	(34,853,745)	**(247,766)**	(215,267)	**(37,985,365)**	(35,069,012)
Allocated to:						
Income statement – technical account general business	**(36,065,856)**	(33,321,517)	**(240,757)**	(207,390)	**(36,306,613)**	(33,528,907)
Income statement – non-technical account	**(1,671,743)**	(1, 532,228)	**(7,009)**	(7,877)	**(1,678,752)**	(1,540,105)
Total other operating and administrative expenses	**(37,737,599)**	(34,853,745)	**(247,766)**	(215,267)	**(37,985,365)**	(35,069,012)

Total gross commission expense for direct insurance business accounted for during the year under the Core amounted to €36,219,639 (2019: €36,159,572) and nil for Cell , while commission expense for inward reinsurance amounted to €183,746 (2019: €93,407) for the Core and €160,737 (2019: €127,390) for the Cell.

8 Administrative expenses classified by nature

	CORE		CELL		TOTAL	
	2020	2019	**2020**	2019	**2020**	2019
	€	€	**€**	€	**€**	€
Computer operational costs	**(488,538)**	(380,440)	-	-	**(488,538)**	(380,440)
Amortisation of software (Note 11)	**(291,207)**	(430,432)	**-**	-	**(291,207)**	(430,432)
Depreciation of equipment (Note 12)	**(37,656)**	(25,611)	**-**	-	**(37,656)**	(25,611)
Professional fees	**(714,330)**	(483,273)	**-**	-	**(714,330)**	(483,273)
Directors' fees	**(27,950)**	(27,950)	**-**	-	**(27,950)**	(27,950)
Employee benefit expense (Note 9)	**(1,720,071)**	(1,516,691)	**-**	-	**(1,720,071)**	(1,516,691)
Other expenses	**(261,920)**	(327,945)	**(7,009)**	(7,877)	**(268,929)**	(335,822)
Management fees	**(2,798)**	(34,226)	**(80,000)**	(80,000)	**(82,798)**	(114,226)
	(3,544,470)	(3,226,568)	**(87,009)**	(87,877)	**(3,631,479)**	(3,314,445)

Amortisation of software and depreciation of equipment are stated net of recharges of €99,694 (2019: €145,722) and €12,892 (2019: €8,671), respectively to a fellow subsidiary. Administrative expenses were allocated as follows:

	CORE		CELL		TOTAL	
	2020	2019	**2020**	2019	**2020**	2019
	€	€	**€**	€	**€**	€
Technical Account	**(1,872,727)**	(1,694,340)	**(80,000)**	(80,000)	**(1,952,727)**	(1,774,340)
Non-Technical Account	**(1,671,743)**	(1,532,228)	**(7,009)**	(7,877)	**(1,678,752)**	(1,540,105)
	(3,544,470)	(3,226,568)	**(87,009)**	(87,877)	**(3,631,479)**	(3,314,445)

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

	2020	2019
	€	€
Annual statutory audit	**(35,543)**	(31,639)
Other assurance services	**(24,482)**	(7,333)
Tax compliance services	**(5,952)**	(3,334)
	(65,977)	(42,306)

Professional fees, excluding VAT, in relation to Solvency II audit amounted to €23,100 (2019: €22,000).

9 Employee benefit expense

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

	2020	2019
	€	€
Wages and salaries	**(1,659,313)**	(1,348,287)
Social security costs	**(66,224)**	(57,410)
	(1,725,537)	(1,405,697)
Secondment and management fees recharged by a parent undertaking	**(461,847)**	(461,148)
Other personnel related expenses	**(121,552)**	(163,319)
Less recharges to a fellow subsidiary	**588,865**	513,473
	(1,720,071)	(1,516,691)

The number of employees employed by the Core as at year-end is analysed as follows:

	2020	2019
	No.	No.
Key management personnel	**4**	6
Middle management	**13**	15
Officers	**15**	9
	32	30

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 €588,865 (2019: €513,473) were recharged by the Company.

10 Income tax expense

The income tax expense for the year comprises:

	CORE		**CELL**		**TOTAL**	
	2020	2019	**2020**	2019	**2020**	2019
	€	€	**€**	€	**€**	€
Current tax expense	**(5,401,839)**	(5,785,758)	**(99,773)**	(263,190)	**(5,501,612)**	(6,048,948)
Deferred tax benefit (Note 20)	**53,766**	138,313	**-**	-	**53,766**	138,313
Income tax expense	**(5,348,073)**	(5,674,445)	**(99,773)**	(263,190)	**(5,447,846)**	(5,910,635)

10 Income tax expense - continued

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:

	CORE		CELL		TOTAL	
	2020	2019	**2020**	2019	**2020**	2019
	€	€	**€**	€	**€**	€
Profit before taxation	**15,322,796**	16,179,494	**285,065**	751,970	**15,607,861**	16,931,464
Tax using the domestic income tax rate of 35%	**(5,362,978)**	(5,662,823)	**(99,773)**	(263,190)	**(5,462,751)**	(5,926,013)
Adjusted for tax effect of FRFTC	**14,905**	15,378	**-**	-	**14,905**	15,378
Income tax expense	**(5,348,073)**	(5,647,445)	**(99,773)**	(263,190)	**(5,447,846)**	(5,910,635)

Total income tax payable amounted to €11,287,370 as at 31 December 2020 (2019: €6,048,948). The balance of income tax payable of €5,238,422 (2019: €6,048,948) is non-current in nature. An amount of €11,187,597 (2019: €5,785,758) is due by the Core while €99,773 (2019: 263,190) is due by the Cell.

11 Intangible assets

	Software
	€
Cost	
At 1 January 2019	3,114,935
Additions	162,772
At 31 December 2019	3,277,707
At 1 January 2020	**3,277,707**
Additions	**302,545**
At 31 December 2020	**3,580,252**
Amortisation	
At 1 January 2019	1,998,928
Charge for the year	576,154
At 31 December 2019	2,575,082
At 1 January 2020	**2,575,082**
Charge for the year	**390,901**
At 31 December 2020	**2,965,983**
Net book amount	
At 1 January 2019	1,116,007
At 31 December 2019 – non-current	702,625
At 1 January 2020	**702,625**
At 31 December 2020 – non-current	**614,269**

11 Intangible assets - continued

During the year, the Company continued to capitalise costs charged by third parties in relation to the development of its insurance system. Management started to amortise the system from the date of implementation, while it continued to capitalise costs development costs. During the year the company continued also invest in a Business Intelligence tool resulting in the capitalisation of additional development costs. The amortisation charged to the income statement of the intangible assets amounted to €390,901 (2019: €576,154), while the net book value as at year-end amounted to €614,269 (2019: €702,625).

12 Equipment

	Office improvements	Computers and electronic equipment	Furniture, fixtures and fittings	Total
	€	€	€	€
Cost				
At 1 January 2019	25,374	119,673	77,929	222,976
Additions	28,584	39,644	4,912	73,140
At 31 December 2019	53,958	159,317	82,841	296,116
At 1 January 2020	**53,958**	**159,317**	**82,841**	**296,116**
Additions	**825**	**26,234**	**21,610**	**48,669**
At 31 December 2020	**54,783**	**185,551**	**104,451**	**344,785**
Depreciation				
At 1 January 2019	10,997	79,129	37,049	127,175
Charge for the year	3,149	24,348	6,785	34,282
At 31 December 2019	14,146	103,477	43,834	161,457
At 1 January 2020	**14,146**	**103,477**	**43,834**	**161,457**
Charge for the year	**5,355**	**34,438**	**10,755**	**50,548**
At 31 December 2020	**19,501**	**137,915**	**54,589**	**212,005**
Net book amount				
At 1 January 2019	14,377	40,544	40,880	95,801
At 31 December 2019 – non-current	39,812	55,840	39,007	134,659
At 1 January 2020	**39,812**	**55,840**	**39,007**	**134,659**
At 31 December 2020 – non-current	**35,282**	**47,636**	**49,862**	**132,780**

13 Leases

Right-of-use asset

	€
Recognition of right-of-use assets upon adoption of IFRS 16 on 1 January 2019	406,990
Amortisation charge	67,831
At 31 December 2019 – non-current	339,159
At 31 January 2020	339,159
Amortisation charge	135,664
At 31 December 2020 – non-current	**203,495**

Lease liability

	€
Recognition of lease liability upon adoption of IFRS 16 on 1 January 2019	406,990
Lease payments	(53,824)
Interest amortisation	2,579
At 31 December 2019	355,745
At 31 January 2020	355,745
Lease payments	(125,176)
Interest amortisation	1,683
At 31 December 2020	**232,252**

The undiscounted maturity analysis of lease liability follows:

	2020	2019
	€	**€**
Not later than 1 year	131,446	125,176
Later than 1 year and not later than 5 years	101,541	232,987
	232,987	358,163

The right-of-use asset and the lease liability relate to property being leased for own use. The right-of-use assets are non-current assets. Current portion of lease liability as at 31 December 2020 amounted to €130,710 (2019: €123,488).

14 Insurance liabilities and reinsurance assets

14.1 Technical provisions

	CORE		CELL		TOTAL	
	2020	2019	**2020**	2019	**2020**	2019
	€	€	**€**	€	**€**	€
Gross technical provisions						
Technical provisions:						
- claims in course of payment	**1,079,749**	1,045,003	**-**	-	**1,079,749**	1,045,003
- claims incurred but not reported or enough reported	**13,938,122**	10,528,195	**-**	-	**13,938,122**	10,528,195
- other technical provision – unexpired risk	**234,158**	1,055,209	**-**	-	**234,158**	1,055,209
	15,252,029	12,628,407	**-**	-	**15,252,029**	12,628,407
- provision for unearned premium	**46,537,468**	39,274,609	**-**	-	**46,537,468**	39,274,609
Technical provisions, gross – direct insurance	**61,789,497**	51,903,016	**-**	-	**61,789,497**	51,903,016
Reinsurance inwards contract						
- claims incurred but not reported	**703,697**	1,480,168	**2,472,260**	1,277,471	**3,175,957**	2,757,639
- provision for unearned premium	**-**	-	**1,222,742**	1,086,332	**1,222,742**	1,086,332
Technical provisions, gross – reinsurance inwards	**703,697**	1,480,168	**3,695,002**	2,363,803	**4,398,699**	3,843,971
Total technical provisions, gross	**62,493,194**	53,383,184	**3,695,002**	2,363,803	**66,188,196**	55,746,987
Technical provisions – reinsurer's share						
- claims incurred but not reported or enough reported	**41,753**	10,673	**-**	-	**41,753**	10,673
- provision for unearned premium	**246,215**	120,121	**-**	-	**246,215**	120,121
Technical provisions – reinsurer's share	**287,968**	130,794	**-**	-	**287,968**	130,794
Total technical provisions, net	**62,205,226**	53,252,390	**3,695,002**	2,363,803	**65,900,228**	55,616,193

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

14 Insurance liabilities and reinsurance assets - continued

14.2 Movement in technical provisions

	CORE		CELL		TOTAL	
	2020	2019	**2020**	2019	**2020**	2019
	€	€	**€**	€	**€**	€
Gross technical provisions						
As at 01 January	**14,108,575**	12,707,937	**1,277,471**	-	**15,386,046**	12,707,937
Release to claims paid during the year	**(19,764,668)**	(15,568,622)	**(880,900)**	(152,608)	**(20,645,568)**	(15,721,230)
Movement in estimate of ultimate claims for the year	**21,611,819**	16,696,260	**2,075,689**	1,430,079	**23,687,508**	18,399,339
As at 31 December	**15,955,726**	14,108,575	**2,472,260**	1,277,471	**18,427,986**	15,386,046
Reinsurer's share of technical provisions						
As at 01 January	**10,673**	-	**-**	-	**10,673**	-
Movement in estimate of ultimate claims for the year	**31,080**	10,673	**-**	-	**31,080**	10,673
As at 31 December	**41,753**	10,673	**-**	-	**41,753**	10,673
Net technical provisions						
As at 01 January	**14,097,902**	12,707,937	**1,277,471**	-	**15,375,373**	12,707,937
Release to claims paid during the year	**(19,764,668)**	(15,568,622)	**(880,900)**	(152,608)	**(20,645,568)**	(15,721,230)
Movement in estimate of ultimate claims for the year	**21,580,739**	16,958,587	**2,075,689**	1,430,079	**23,656,428**	18,388,666
As at 31 December	**15,913,973**	14,097,902	**2,472,260**	1,277,471	**18,386,233**	15,375,373

14.3 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 deficit of €305,445 during 2020 (2019: €135,227 favourable), primarily arising from an adjustment to actuarial models after considering historical experience. Further information on claims developments is provided in Note 25 to these financial statements. A provision for claims handling expenses of €613,886 (2019: €618,465) is included in the gross claims incurred but not reported or enough reported reserve.

14 Insurance liabilities and reinsurance assets - continued

14.4 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:

	CORE		CELL		TOTAL	
	2020	2019	**2020**	2019	**2020**	2019
	€	€	**€**	€	**€**	€
Gross, unearned premiums						
At 01 January	**39,274,609**	21,700,613	**1,086,332**	-	**40,360,941**	21,700,613
Premium written during the year	**81,958,153**	85,458,640	**2,744,930**	3,483,648	**84,703,083**	88,942,288
Premium earned during the year	**(74,695,294)**	(67,884,644)	**(2,608,520)**	(2,397,316)	**(77,303,814)**	(70,281,960)
At 31 December	**46,537,468**	39,274,609	**1,222,742**	1,086,332	**47,760,210**	40,360,941
Reinsurer's share of unearned premium						
At 01 January	**(120,121)**	-	**-**	-	**(120,121)**	-
Premium written during the year	**(272,880)**	(162,811)	**-**	-	**(272,880)**	(162,811)
Premium earned during the year	**146,786**	42,690	**-**	-	**146,786**	42,690
At 31 December	**(246,215)**	(120,121)	**-**	-	**(246,215)**	(120,121)
Net, unearned premiums						
At 01 January	**39,154,488**	21,700,613	**1,086,332**	-	**40,240,820**	21,700,613
Premium written during the year	**81,685,273**	85,295,829	**2,744,930**	3,483,648	**84,430,203**	88,779,477
Premium earned during the year	**(74,548,508)**	(67,841,954)	**(2,608,520)**	(2,397,316)	**(77,157,028)**	(70,239,270)
At 31 December	**46,291,253**	39,154,488	**1,222,742**	1,086,332	**47,513,995**	40,240,820

15 Deferred acquisition costs

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

	2020	2019
	€	€
At 01 January	**15,342,619**	10,725,207
Amount credited to profit or loss (Note 7)	**2,181,741**	4,617,412
At 31 December	**17,524,360**	15,342,619

Deferred acquisition costs are current in nature.

16 Insurance and other receivables

	CORE		CELL		TOTAL	
	2020	2019	**2020**	2019	**2020**	2019
	€	€	**€**	€	**€**	€
Receivables arising from insurance operations						
- due from a parent company	**5,995,591**	5,134,818	**-**	-	**5,995,591**	5,134,818
- due from fellow subsidiary	**344,404**	600,817	**-**	-	**344,404**	600,817
- due from a branch of a parent	**1,150,593**	1,652,944	**-**	-	**1,150,593**	1,652,944
- due from other brokers	**18,462,116**	17,148,189	**4,968,197**	3,483,648	**23,430,313**	20,631,837
	25,952,704	24,536,768	**4,968,197**	3,483,648	**30,920,901**	28,020,416
Other receivables						
- due from parent	**16,767**	2,094	**-**	-	**16,767**	2,094
- due from fellow subsidiary	**57,609**	497,783	**-**	-	**57,609**	497,783
- other receivables	**4,841,162**	408,488	**240,696**	5,374	**5,081,858**	413,862
	4,915,538	908,365	**240,696**	5,374	**5,156,234**	913,739
	30,868,242	25,445,133	**5,208,893**	3,489,022	**36,077,135**	28,934,155

At 31 December 2020, other receivables includes a prepayment of insurance premium tax amounting to €4,966,235 (2019: Nil) paid in line with Italian regulations on car damage insurance. These amounts are current in nature, unsecured, interest free and receivable on demand.

17 Cash and cash equivalents

Cash and cash equivalents are analysed as follows:

	CORE		CELL		TOTAL	
	2020	2019	**2020**	2019	**2020**	2019
	€	€	**€**	€	**€**	€
Cash in hand	**298**	258	**-**	-	**298**	258
Cash at bank	**69,062,051**	41,638,196	**2,853,105**	2,494,626	**71,915,156**	44,132,822
Short-term deposits (including demand and time deposits)	**10,000,000**	18,000,000	**-**	-	**10,000,000**	18,000,000
	79,062,349	59,638,454	**2,853,105**	2,494,626	**81,915,454**	62,133,080

Short-term deposits are made for varying periods and can be withdrawn within a period of one month to three months depending on the immediate cash requirements of the Company. Cash at bank are available on demand. Cash and cash equivalents were subject to an average interest rate of 0.13% (2019: 0.2%). The carrying amounts disclosed above reasonably approximate fair value at the reporting date.

17 Cash and cash equivalents - continued

At year end demand deposits amounting to €17,589,041 (2019: €6,485,220) were held with a parent company, €15,139,041 (2019: €4,035,220) were deposited by the Core while €2,450,000 (2019: €2,450,000) were deposited by the Cell. Fixed deposit held at year end by the Core amounted to nil (2019: €8,000,000).

18 Share capital

	CORE		CELL		TOTAL	
	2020	2019	**2020**	2019	**2020**	2019
	€	€	**€**	€	**€**	€
Authorised share capital						
ordinary shares of €1 each	**5,600,000**	5,600,000	**3,000,000**	3,000,000	**8,600,000**	8,600,000
Issued and fully paid up share capital						
ordinary shares of €1 each	**5,600,000**	5,600,000	**2,500,000**	2,500,000	**8,100,000**	8,100,000

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 regards to the Company's residual assets.

In 2019, the Affinity Cell licensed to carry out reinsurance business was incorporated within the Company by virtue of issuance of share capital totalling €2,500,000. All ordinary Cell shares rank pari passu and have the right to receive dividends. Each class of Cell shares shall be constituted as a separate cell for purposes of the PCC Regulations. Cell shareholders shall only have the right to one vote per share at the meetings of their class of Cell Shares.

19 Shareholders' contribution

In June 2013, the Company received a shareholders' contribution amounting to €4,425,001 from its immediate parent company, Oney Holding Limited. During 2017, the Company received a further shareholders' contribution amounting to €5,395,158. No further shareholder's contribution was received in 2018 but a further €2,000,000 shareholder's contribution was then received in 2019. During the year, the Company received a shareholders' contribution amounting to €10,532,049 which was allocated to the Core; and €488,780 allocated to the Cell, from its immediate parent company, Oney Holding Limited. 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).

20 Deferred tax liability

Deferred tax liability amounting to €25,072 (2019: €78,837) at the reporting date is attributable to temporary differences on intangible assets and equipment. A deferred tax benefit amounting to €53,766 (2019: €138,313) was recognised in the income statement during the year.

21 Insurance and other payables

	CORE		CELL		TOTAL	
	2020	**2019**	**2020**	2019	**2020**	2019
	€	**€**	**€**	€	**€**	€
Payables arising out of insurance operations:						
Payables to a parent company	**3,903,415**	3,081,990	**-**	-	**3,903,415**	3,081,990
Payables to fellow subsidiary	**258,987**	220,393	**-**	-	**258,987**	220,393
Payables to a branch of a parent	**630,825**	770,346	**-**	-	**630,825**	770,346
Payables to reinsurer	**311,709**	154,422	**-**	-	**311,709**	154,422
Other payables	**10,699,629**	9,369,046	**1,033,021**	280,001	**11,732,650**	9,649,047
	15,804,565	13,596,197	**1,033,021**	280,001	**16,837,586**	13,876,198
Other payables:						
Payables to a parent company	**-**	-	**-**	-		-
Payables to immediate parent company	**17,783**	24,264	**-**	-	**17,783**	24,264
Payable to fellow subsidiary	**-**	56,854	**-**	-	**-**	56,854
Other payables	**1,006,069**	500,396	**60,130**	87,874	**1,066,199**	588,270
	1,023,852	581,514	**60,130**	87,874	**1,083,982**	669,388
	16,828,417	14,177,711	**1,093,151**	367,875	**17,921,568**	14,545,586

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

22 Dividend

	CORE		CELL		TOTAL	
	2020	**2019**	**2020**	2019	**2020**	2019
	€	**€**	**€**	€	**€**	€
Net interim dividend paid	**10,532,049**	9,511,756	**488,780**	-	**11,020,829**	9,511,756
Dividend per share	**1.88**	1.70	**0.20**	-	**1.36**	1.70

23 Cash generated from operating activities

	CORE		CELL		TOTAL	
	2020	2019	**2020**	2019	**2020**	2019
	€	€	**€**	€	**€**	€
Profit before taxation	**15,322,796**	16,179,494	**285,065**	751,970	**15,607,861**	16,931,464
Adjustment for:						
Amortisation of intangible assets (Note 11)	**390,901**	576,154	**-**	-	**390,901**	576,154
Depreciation of equipment (Note 12)	**50,548**	34,282	**-**	-	**50,548**	34,282
Amortisation of right-of-use asset (Note 13)	**135,664**	67,831	**-**	-	**135,664**	67,831
Interest income (Note 6)	**(91,725)**	(94,891)	**-**	-	**(91,725)**	(94,891)
Interest amortisation (Note 13)	**1,683**	2,579	**-**	-	**1,683**	2,579
Movements in items in the statement of financial position:						
Increase in deferred acquisition costs	**(2,181,741)**	(4,617,412)	**-**	-	**(2,181,741)**	(4,617,412)
Decrease/ (increase) in insurance and other receivables	**(5,459,714)**	1,626,556	**(1,719,871)**	(3,489,022)	**(7,179,585)**	(1,862,466)
Increase in technical provisions	**8,952,836**	18,843,840	**1,331,199**	2,363,803	**10,284,035**	21,207,643
Increase in insurance and other payables	**2,650,706**	100,631	**725,276**	367,875	**3,375,982**	468,506
Cash generated from/(used in) operating activities	**19,771,954**	32,719,064	**621,669**	(5,374)	**20,393,623**	32,713,690

24 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.

Related party transactions

	2020	2019
	€	€
Income from insurance contracts and other services		
Sale of insurance contracts to a parent company	**29,184,001**	28,751,674
Sale of insurance contracts to a fellow subsidiary	**96,174**	1,165,846
Sale of insurance contracts to a branch of a parent	**9,953,339**	9,890,296
Finance income from a parent company	**47,111**	36,444
Recharge of operating expenses to a fellow subsidiary	**968,353**	915,094
Expenses related to insurance contracts and other Services		
Claims incurred - parent company	**2,391,452**	2,016,729
Claims incurred - fellow subsidiary	**169,451**	203,548
Claims incurred - branch of a parent	**833,658**	651,923
Commission incurred - parent company	**17,931,525**	17,524,447
Commission incurred - fellow subsidiaries	**66,499**	510,077
Commission incurred - branch of a parent	**5,612,114**	5,634,889
Recharge of expatriate and other costs from a parent Company	**297,551**	400,263
Recharge of operating expenses from the immediate parent company	**17,783**	24,264

Directors' fees have been disclosed in Note 8 to these financial statements. In addition, an amount of €202,944 (2019: €270,336) relating to director's remuneration was recharged from a parent company (see Note 9).

Deposits held with a parent company (as disclosed in Note 17) earn an average interest of 0.3% (2019: 0.7%).

Related party balances

Information on the amounts due to and by related parties is set out in Notes 16, 17 and 21 to these financial statements.

25 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 or enough 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 or enough 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, Danish, Romanian 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.

25 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.

Accident year	2012 & Prior	2013	2014	2015	2016	2017	2018	2019	2020	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**
as at end 2019 - in Malta	18,349,614	3,975,950	4,006,484	4,172,626	4,761,367	6,005,644	8,931,759	9,034,930		14,272,399	**73,510,773**
as at end 2020 - in Malta	18,351,669	3,975,950	4,007,582	4,181,007	4,801,233	6,217,109	10,250,310	14,606,470	10,896,940	16,868,069	**94,156,339**
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	747,789	734,318	1,723,219	4,703,842						624,731	**8,533,899**
as at end 2016 - in Malta	284,986	269,391	668,893	1,787,817	5,034,107					625,195	**8,670,389**
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**
as at end 2019 - in Malta	19,880	24,959	46,908	77,005	179,629	436,268	3,292,751	10,679,507		618,465	**15,375,372**
as at end 2020 - in Malta	3,690	5,859	10,569	19,500	46,100	145,692	800,330	4,149,590	12,591,017	613,886	**18,386,233**
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	18,948,627	4,472,513	4,839,973	6,276,523						7,190,321	**41,727,957**
as at end 2016 - in Malta	18,584,022	4,199,733	4,434,664	5,271,246	7,001,133					8,656,891	**48,147,689**
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**
as at end 2019 - in Malta	18,369,494	4,000,909	4,053,392	4,249,631	4,940,996	6,441,912	12,224,510	19,714,437		14,890,864	**88,886,145**
as at end 2020 - in Malta	18,355,359	3,981,809	4,018,151	4,200,507	4,847,333	6,362,801	11,050,640	18,756,060	23,487,957	17,481,955	**112,542,572**

The above table is presented on a net basis. The reinsurer's share of claims is not material for both 2019 and 2020 (Note 14).

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**	Impact on profit before tax
		2020	2019
		€(000's)	€(000's)
IBNR Loss ratio – Disability	Increase by 1% nominal	**261**	257
IBNR Loss ratio – Unemployment	Increase by 1% nominal	**274**	244
IBNR Loss ratio - Fire & Damage	Increase by 5% nominal	**865**	853
IBNR loss ratio – Motor vehicle damage	Increase by 5% nominal	**283**	117
ICOP Claim Duration - Disability & Unemployment	Increase by 1 month	**146**	139
Total Outstanding Claims	Increase by 5%	**919**	769

25 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. 2021 for the current year and 2020 for the comparative).

Further information in relation to technical provisions is provided in Note 14 to these financial statements.

26 Commitments

There were no authorised and contracted commitments for capital expenditure not provided for in these financial statements as of 31 December 2020 (2019: Nil).

27 Events after the reporting date

In March 2021, the Company has applied with the MFSA for the repayment of part of the Shareholders' Contribution of the Core amounting to €10,532,049.