

Financial Report 2022



UNIVERSAL LIFE

This document is
an internal translation into English of
the Greek audited Consolidated Financial Statements for the year ended 31st December 2022
and of the 2022 Embedded Value Report
Universal Life Insurance Public Company Limited

Financial Report 2022

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Board of Directors and Executive Management

BOARD OF DIRECTORS

Chairman

Pavlos Ph. Photiades (*appointed to the position of Chairman on 01/02/2022*)

Socrates Solomides (*resigned from the position of Chairman on 01/02/2022*)

Vice Chairman

Socrates Solomides (*appointed to the position of Vice Chairman on 01/02/2022*)

George A. Georghiou (*resigned from the position of Vice Chairman on 01/02/2022*)

Members

Evan Gavas

Andreas Georghiou

George A. Georghiou

Constantinos Dekatris

Demosthenis Z. Severis (*resigned on 27/07/2022*)

Alexis Ph. Photiades

Stavros Christodoulides

Maria Agrotou Iacovidou

Maria Dionysiadou

Nicos Syrimis

Marios Savvides (*appointed on 07/09/2022*)

EXECUTIVE MANAGEMENT

Evan Gavas

Chief Executive Officer

Kypros Miranthis

General Manager and

Deputy Chief Executive Officer

Savvas Sideras

General Manager of Insurance Operations

COMPANY SECRETARY

Eleana Spyris

CHIEF FINANCIAL OFFICER

Pantelis Iacovides

APPOINTED ACTUARY

Rebecca Evangelou

LEGAL ADVISORS

Lellos P. Demetriades Law Office

Tasos Papadopoulos & Associates Law Office

INDEPENDENT AUDITORS

KPMG Ltd (audit 2022)

PricewaterhouseCoopers Ltd (audit 2021)

REGISTERED OFFICE AND HEAD OFFICE

Universal Tower

85 Dighenis Akritas Avenue

1070 Nicosia

P.O.Box 21270, 1505 Nicosia

Financial Highlights of the Group

	2022	2021	2022/2021
	€000	€000	Increase/ (decrease) %
Premiums	102 813	101 831	1
Profit before tax for the year	10 616	1 634	550
Profit after tax for the year	8 873	374	2 272
Insurance Contracts Liabilities	292 881	301 860	(3)
Total Assets	393 033	395 293	(1)
Total Equity	43 243	36 215	19

Management Report

The Board of Directors submits to the shareholders its report together with the audited Consolidated Financial Statements for the year ended 31 December 2022.

ACTIVITIES

Universal Life Insurance Public Company Limited (the "Company") is the parent company of the Universal Group of Companies (the "Group"). The principal activities of the Group during the year were life insurance, accident and health insurance and administration of superannuation and managed pension funds in Cyprus. The Group companies are set out in Note 7.

The Company operates through a network of eight branches for its insurance operations in Cyprus.

CHANGES IN GROUP STRUCTURE

During the year, the Group company Universal Golf Enterprises PLC established Universal Green Energies Limited, which is a wholly owned subsidiary of Universal Golf Enterprises PLC. There have been no other changes in the Group's structure. The Group does not intend to make any acquisitions or mergers.

FINANCIAL RESULTS

In 2022 the Group made profits after tax of €8 873 000 compared to profits of €374 000 in 2021. The profits are mainly due to the positive performance of the Group's primary business sectors, Life and Health insurance, despite the significant decrease in the fair value of financial assets at fair value through profit or loss.

The financial highlights for 2022 and 2021 are as follows:

	2022	2021
	€000	€000
Premiums	102 813	101 831
Profit before tax for the year	10 616	1 634
Profit after tax for the year	8 873	374
Insurance contracts liabilities	292 881	301 860
Total assets	393 033	395 293
Total equity	43 243	36 215

MAIN RISKS AND UNCERTAINTIES

The main risks and uncertainties faced by the Group are described in Notes 2 and 31.

DIVIDENDS

At the Annual General Meeting held on 27 July 2022, the Board of Directors' proposal for the distribution of dividend of €0,07 per ordinary share from the profits of 2020 was approved. The dividend was paid to shareholders on 12 August 2022 and amounted to €1 038 661.

In addition, the Board of Directors decided at its meeting on 6 December 2022 the distribution of dividend from 2020 profits of €0,061 per ordinary share by issuing Company's shares. The issue price was €5.70 per share based on the Company's calculated Embedded Value as of 31 December 2021. The dividend was paid to shareholders on 31 December 2022 and amounted to €905 119.

At the same Board of Directors' meeting, it was decided the distribution of cash dividend from 2020 profit of €0,07 per ordinary share. The dividend was paid to shareholders on 31 December 2022 and amounted to €1 038 661.

Management Report

USE OF FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Like all other financial organisations, the Group is exposed to risks, the most significant of which are those arising from obligations to policyholders and risks of financial instruments held. These risks are monitored on a systematic basis and all the necessary measures are taken to prevent undue risk concentrations. Further information on the Group's insurance and financial risks, are presented in Note 31 of the Consolidated Financial Statements.

FUTURE DEVELOPMENTS

The most significant objectives of the Group are the following:

- Further penetration of the Life Insurance Market.
- Development of human resources.
- Transformation of the Health Business Portfolio.
- Digitisation, automation and reengineering of business processes.
- Optimisation of investment portfolio mix.

The planning and implementation for the achievement of the above objectives has already commenced.

GROUP OPERATING ENVIRONMENT

2022 was marked by a gradual recovery from the effects of the COVID-19 pandemic. Governments worldwide, taking into account the decline in cases and morbidity and the effectiveness of vaccination programmes, eased measures to return to normal. Industries such as tourism, hospitality and entertainment have returned to pre-pandemic levels.

The Group's operations have returned to normal while management continues to monitor developments to ensure the health of staff, customers and business partners.

The geopolitical situation in Eastern Europe peaked on 24 February 2022 with the start of the conflict between Russia and Ukraine. The impact of the war does not only affects entities operating in the region, but also economies and financial markets worldwide, exacerbating economic challenges.

The United Nations, the European Union, the United States, Switzerland, the United Kingdom and other countries have imposed a series of sanctions on the Russian and Belarusian governments, various companies and certain individuals. The sanctions imposed include the freezing of assets and the prohibition on making funds available to these individuals and entities. In addition, the sanctioned persons are subject to travel restrictions preventing them from entering or transiting the relevant territories. The Republic of Cyprus has implemented the restrictive measures of the United Nations and the European Union.

The growing uncertainty about global commodity supplies due to the conflict between Russia and Ukraine has disrupted some global trade flows and put upward pressure on the increase in commodity prices, energy, input costs and interest rates. It has also increased inflation and caused unprecedented anxiety in stock markets.

The Group has no exposure to Russia, Ukraine or Belarus and therefore does not expect any direct impact on its operations. Developments will continue to be monitored for indirect impacts and any future need for action will be assessed.

Management Report

The Management, considering the impact to date and its assessments of expected developments regarding Coronavirus (COVID-19), events in Ukraine as well as the economic challenges in the financial markets, believes that the Group can successfully manage the above risks, despite the uncertainty and that it has sufficient resources to continue its operations in the future. The Management closely monitors the situation and is ready to take further measures depending on the developments.

SHARE CAPITAL

During the year, the issued share capital of the Company increased by 155 789 fully paid ordinary shares of €1,00 each. These shares were the result of the dividend distribution from the 2020 profits amounting to €0,061 per share.

DEVELOPMENTS OVERVIEW, PERFORMANCE, ACTIVITIES AND GROUP POSITION

During the year ended 31 December 2022, the Group's turnover increased by 1% to €102,8 m compared to €101,9 m in 2021. This increase is the result of growth in life insurance premiums. In addition to the increase in turnover, there was an improvement in results as the Group recorded a profit for the year 2022 of €8 873 000 compared to a profit of €374 000 for the year 2021.

The improvement in profitability was mainly the result of improvement in the profitability of the Life sector compared to 2021, mainly due to the change in the valuation rate of actuarial liabilities. During the year ended 31 December 2022, the Group invested in equipment valued at €0,3m and software programs valued at €0,3 m, which were financed with cash generated from operations.

As at 31 December 2022, the Group's total assets were €393,0 m (2021: €395,3 m) and its equity was €43,2 m (2021: €36,2 m).

The financial situation, development and performance of the Group as presented in the consolidated financial statements are considered satisfactory.

EVENTS AFTER THE REPORTING PERIOD

Events after the reporting period affecting the understanding of the financial statements are described in Note 37 to these consolidated financial statements.

BRANCHES

The Group operated through a network of eight branches during the year.

DIRECTORS' INTEREST IN THE SHARE CAPITAL OF THE COMPANY

The directly and indirectly participations of the members of the Board of Directors in the share capital of the Company, their spouses and minor children and their affiliated companies, at 31 December 2022 and 6 April 2023 is presented below:

	31 December 2022 %	6 April 2023 %
Andreas Georghiou	0,77	0,77
Pavlos Ph. Photiades	23,96	23,96
Alexis Ph. Photiades	19,31	19,31
George A. Georghiou	5,85	5,85

The other members of the Board of Directors namely, Messrs Constantinos Dekatris, Socrates Solomides, Stavros Christodoulides, Maria Agrotou Iacovidou, Maria Dionysiadou, Nicos Syrimis, Marios Savvides and Evan Gavvas and their related persons and companies, do not hold any voting rights in a general meeting.

Management Report

MAJOR SHAREHOLDERS

At 31 December 2022 and at the date of this report, the direct and indirect shareholders of the Company who hold direct or indirect participation of more than 5% of the issued share capital of the Company, including their spouses and children and their affiliated companies, were as follows:

	31 December 2022 %	6 April 2023 %
Photos Photiades Group Ltd	58,38	58,38
Magnum Investments Ltd	6,44	6,44
Hellenic Bank Public Company Ltd	18,58	18,58
Pavlos Ph. Photiades	23,96	23,96
Alexis Ph. Photiades	19,31	19,31
George A. Georghiou	5,85	5,85

BOARD OF DIRECTORS

During 2022 and up to the date of this Report, the Board of Directors is comprised of the following members:

Pavlos Ph. Photiades (*Chairman as from 01/02/2022*)
Socrates Solomides (*Vice Chairman from 01/02/2022*)
George A. Georghiou (*Vice Chairman up to 01/02/2022*)
Evan Gavas
Andreas Georghiou
Constantinos Dekatris
Demosthenis Z. Severis (*resigned on 27/07/2022*)
Alexis Ph. Photiades
Stavros Christodoulides
Maria Agrotou Iacovidou
Maria Dionysiadou
Nicos Syrimis
Marios Savvides (appointed on 07/09/2022)

In accordance with the Company's Articles of Association, Messrs George A. Georghiou and Alexis Ph. Photiades retire by rotation and are eligible for re-election. Also, Mr Marios Savvides appointed on 7 September 2022, is retiring but he is eligible and offers himself for re-election.

INDEPENDENT AUDITORS

The Independent Auditors KPMG Limited, have expressed their willingness to continue to provide their services. A resolution authorising the Board of Directors to determine their remuneration will be submitted to the Annual General Meeting.

Pavlos Ph. Photiades
Chairman
6 April 2023

Consolidated Statement Comprehensive Income

For the year ended 31 December 2022

	Notes	2022 €000	2021 €000
Income			
Premiums	34a	102 813	101 831
Reinsurance premiums	34a	(33 262)	(33 876)
Net premiums		69 551	67 955
Commission from reinsurers and other commissions	34c	14 260	13 650
Investment and other income	3	1 579	1 803
Net change in fair value of investment properties	11	(1 209)	(10 280)
Net (loss)/profit in fair value of financial assets at fair value through profit or loss		(21 525)	11 459
Total net income		62 656	84 587
Outgo			
Gross payments to policyholders	34b	54 366	54 218
Reinsurers' share of payments to policyholders	34b	(16 108)	(17 016)
Gross change in insurance contracts liabilities	24	(9 161)	22 707
Reinsurers' share of change in insurance contracts liabilities	24	(1 252)	1 583
Gross change in deferred acquisition costs		(87)	52
Reinsurers' share in deferred acquisition costs		11	(72)
Operating expenses	4	13 372	11 642
Impairment of amounts receivable		65	156
Other expenses		272	61
Commission to insurance agents		9 916	9 436
Interest expense		269	157
Foreign exchange differences		-	(1)
Change in unappropriated surplus	23	-	(407)
Expenses from the administration of superannuation and pension		377	437
Total net outgo		52 040	82 953
Net operating income and profit before income tax		10 616	1 634
Tax	6	(1 743)	(1 260)
Net profit for the year		8 873	374
Assigned to:			
Owners of the Group		8 949	364
Minority rights		(76)	10
		8 873	374

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2022

	Notes	2022 €000	2021 €000
Other comprehensive income not to be reclassified to profit or loss in subsequent periods			
Revaluation of property		447	(395)
Deferred tax on revaluation of property		47	(107)
Net comprehensive income/(loss) not to be reclassified to profit or loss in subsequent periods		494	(502)
Other comprehensive income/(loss) for the year after tax		494	(502)
Total comprehensive income/(loss) for the year after tax		9 367	(128)
Assigned to:			
Owners of the Group		9 443	(138)
Minority rights		(76)	10
		9 367	(128)

The notes on pages 15 to 107 form part of the financial statements.

Consolidated Statement of Financial Position

As at 31 December 2022

	Notes	31/12/2022 €000	31/12/2021 €000
Assets			
Cash and deposits with banks	9	62 744	38 531
Debtors and prepayments	10	2 755	1 436
Financial assets at fair value through profit or loss	12	159 110	189 245
Loans and receivables	13	3 479	3 600
Reinsurers' share in insurance contracts liabilities	24	13 432	12 127
Premiums receivable and other insurance receivables	15	10 818	8 763
Tax receivable	6	1 056	1 053
Property and equipment	18	17 942	17 312
Investment properties	11	119 759	121 336
Right of use assets	20	48	165
Deferred acquisition costs		703	616
Intangible assets	19	1 187	1 109
Total assets		393 033	395 293
Liabilities			
Bank overdraft	9	553	205
Creditors and accruals	21	7 497	5 700
Tax payable	6	826	517
Reinsurers' share in deferred acquisition costs		785	775
Liabilities of superannuation and managed pension funds	14	19 793	21 431
Insurance liabilities	22	20 972	21 880
Insurance contracts liabilities	24	292 881	301 860
Lease liabilities	20	150	298
Deferred tax liabilities	6	6 333	6 412
Total liabilities		349 790	359 078
Equity			
Share capital	27	14 994	14 838
Share premium		7 810	7 078
Revaluation reserves	28	9 404	8 910
Minority rights	5	1 529	1 605
Retained profits	28	9 506	3 784
Total equity		43 243	36 215
Total equity and liabilities		393 033	395 293

Pavlos Ph. Photiades, *Chairman*

Evan Gavas, *Chief Executive Officer*

Pantelis Iacovides, *Chief Financial Officer*

6 April 2023

The notes on pages 15 to 107 form part of the financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2022

	Share Capital (Note 27)	Share Premium	Revaluation Reserve (Note 28)	Retained Profits (Note 28)	Minority Rights (Note 5)	Total
	€000	€000	€000	€000	€000	€000
At 1 January 2022	14 838	7 078	8 910	3 784	1 605	36 215
Total income						
Profit for the year	-	-	-	8 949	(76)	8 873
Other comprehensive income						
Other total comprehensive income for the year after tax	-	-	494	-	-	494
Total comprehensive income for the year	-	-	494	8 949	(76)	9 367
Transactions with owners						
Issue of shares (note 27)	156	732	-	-	-	888
Dividends (note 8)	-	-	-	(2 982)	-	(2 982)
Special contribution to the defence fund in the deemed dividend distribution	-	-	-	(245)	-	(245)
At 31 December 2022	14 994	7 810	9 404	9 506	1 529	43 243
At 1 January 2021	14 489	5 379	9 412	5 506	1 595	36 381
Total income						
Profit for the year	-	-	-	364	10	374
Other comprehensive income						
Other total comprehensive losses for the year after tax	-	-	(502)	-	-	(502)
Total comprehensive income for the year	-	-	(502)	364	10	(128)
Transactions with owners						
Issue of shares (note 27)	349	1 699	-	-	-	2 048
Dividends (note 8)	-	-	-	(2 086)	-	(2 086)
At 31 December 2021	14 838	7 078	8 910	3 784	1 605	36 215

The notes on pages 15 to 107 form a part of the financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2022

	Notes	2022 €000	2021 €000
Net cash flow from operating activities	30	20 718	32 360
Cash flow from investing activities			
Purchase of investment properties	11	(533)	(598)
Proceeds from sale of investment properties		134	-
Payments for the purchase of financial assets at fair value through profit or loss		(86 377)	(123 284)
Proceeds from the sale of financial assets at fair value through profit or loss		92 230	101 497
Proceeds from loans to policyholders		56	226
Increase in bank deposits		(15 441)	(10 538)
(Increase)/decrease in blocked deposits		(162)	131
Purchase of property and equipment	18	(339)	(529)
Proceeds from the sale of property and equipment		50	-
Payments for the purchase of intangible assets	19	(253)	(673)
Investment income received		728	1 803
Net cash flow for investing activities		(9 907)	(31 965)
Cash flow for financing activities			
Dividend payment		(2 077)	-
Leases payments		(203)	(203)
Payment of interest expenses		(269)	(218)
Net cash flow for financing activities		(2 549)	(421)
Net increase/(decrease) in cash and cash equivalents		8 262	(26)
Cash and cash equivalents at 1 January	9	1 321	1 347
Cash and cash equivalents at 31 December	9	9 583	1 321

The notes on pages 15 to 107 form part of the financial statements.

Summary of significant accounting policies

A summary of the accounting policies followed in respect of items that are considered material or significant for the results of the year and the financial position of the Group are stated below:

1. Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU). In addition, the consolidated financial statements have been prepared in accordance with the requirements of the Cyprus Companies Law, Cap. 113.

The consolidated financial statements have been prepared on a historical cost basis, except for properties held for own use, investment properties and financial assets at fair value through profit, that have been measured at fair value.

The Group presents its consolidated statement of financial position in order of liquidity. An analysis regarding expected recovery or settlement of financial assets and liabilities within twelve months after the consolidated statement of financial position date and more than twelve months after the consolidated statement of financial position date is presented in note 33.

Group operating environment

2022 was marked by a gradual recovery from the effects of the COVID-19 pandemic. Governments worldwide, taking into account the decline in cases and morbidity and the effectiveness of vaccination programmes, eased measures to return to normal. Industries such as tourism, hospitality and entertainment have returned to pre-pandemic levels.

The Group's operations have returned to normal while management continues to monitor developments to ensure the health of staff, customers and business partners.

The geopolitical situation in Eastern Europe peaked on 24 February 2022 with the start of the conflict between Russia and Ukraine. The impact of the war does not only affects entities operating in the region, but also economies and financial markets worldwide, exacerbating economic challenges.

The United Nations, the European Union, the United States, Switzerland, the United Kingdom and other countries have imposed a series of sanctions on the Russian and Belarusian governments, various companies and certain individuals. The sanctions imposed include the freezing of assets and the prohibition on making funds available to these individuals and entities. In addition, the sanctioned persons are subject to travel restrictions preventing them from entering or transiting the relevant territories. The Republic of Cyprus has implemented the restrictive measures of the United Nations and the European Union.

The growing uncertainty about global commodity supplies due to the conflict between Russia and Ukraine has disrupted some global trade flows and put upward pressure on the increase in commodity prices, energy, input costs and interest rates. It has also increased inflation and caused unprecedented anxiety in stock markets.

The Group has no exposure to Russia, Ukraine or Belarus and therefore does not expect any direct impact on its operations. Developments will continue to be monitored for indirect impacts and any future need for action will be assessed.

Summary of significant accounting policies

The Management, considering the impact to date and its assessments of expected developments regarding Coronavirus (COVID-19), events in Ukraine as well as the economic challenges in the financial markets, believes that the Group can successfully manage the above risks, despite the uncertainty and that it has sufficient resources to continue its operations in the future. The Management closely monitors the situation and is ready to take further measures depending on the developments.

Going concern

The Group's management has assessed the Group's ability to continue as a going concern taking into account the current situation as described in the Operating environment. Management believes that the Group can successfully manage its business risks despite the uncertain economic conditions prevailing. It therefore continues to use the going concern basis in the preparation of the annual consolidated financial statements.

2. Functional and presentation currency

The consolidated financial statements are presented in Euro (€) which is the functional and reporting currency of the financial statements of the Group. All amounts are rounded to the nearest thousand except where otherwise indicated.

3. Adoption of new and amended standards and interpretations

During the current year the Company adopted all the new and revised International Financial Reporting Standards (IFRS) that are relevant to its operations and are effective for accounting periods beginning on 1 January 2022. This adoption did not have any significant impact on the Group's financial statements. New or amendment disclosures for the current period are presented where applicable, and the disclosures for the comparative period are comparable to those made in the previous year.

3.1 New accounting pronouncements

At the date of approval of these financial statements a number of new standards, interpretations and amendments to existing standards are effective for annual periods beginning after 1 January 2022 and have not been applied in preparing these financial statements. None of these is expected to have a significant effect on the financial statements of the Company, except the following set out below:

- *IAS 12 Income Taxes (Amendments): Deferred Tax related to Assets and Liabilities arising from a Single Transaction (effective for annual periods beginning on or after 1 January 2023).* Targeted amendments to IAS 12 clarify how companies should account for deferred tax on certain transactions (e.g. leases and decommissioning provisions). The amendments narrow the scope of the initial recognition exemption (IRE) so that it does not apply to transactions that give rise to equal and offsetting temporary differences. As a result, companies will need to recognise a deferred tax asset and a deferred tax liability for temporary differences arising on initial recognition of a lease and a decommissioning provision. The Group is currently assessing the impact of the amendments on its financial statements and as of the date of issue of these financial statements the impact of the amendments is not reasonably estimable
- *IFRS 17 "Insurance Contracts (including Amendments)" (is effective for annual periods beginning on or after 1 January 2023).* IFRS 17 replaces IFRS 4 "Insurance Contracts" and is effective for annual periods on or after 1 January 2023, with early adoption permitted. The Group will apply IFRS 17 for the first time on 1 January 2023. This standard will bring significant changes to the accounting for insurance and reinsurance contracts and is expected to have material impact on the Group's financial statements in the period of initial application.

Summary of significant accounting policies

The anticipated changes in the recognition and measurement of insurance contracts issued and reinsurance contracts held, the changes in presentation and disclosures, the transition considerations and the estimated impact of its adoption are described below.

A. Changes in accounting policies, presentation and disclosures

1. Definition and classification of insurance and reinsurance contracts

The products that are issued by the Group will be considered as Insurance contracts when the Group accepts significant insurance risk from a policyholder by agreeing to compensate the policyholder if a specified uncertain future event adversely affects the policyholder. In making this assessment, all substantive rights and obligations, including those arising from law or regulation, will be considered by the Group on a contract-by-contract basis.

The Group will use judgement to assess whether a contract transfers insurance risk (that is, if there is a scenario with commercial substance in which the Group has the possibility of a loss on a present value basis) and whether the accepted insurance risk is significant. The Group will determine whether it has significant insurance risk, by comparing benefits payable after an insured event with benefits payable if the insured event had not occurred. The Group issues contracts under which it accepts significant insurance risk from its policyholders, which will be classified as insurance contracts.

Contracts that have a legal form of insurance but do not transfer significant insurance risk and expose the Group to financial risk will be classified as investment contracts, and they will follow financial instruments accounting under IFRS 9. The Group entered into some contracts which have the legal form of insurance contracts but do not transfer significant insurance risk. These contracts will be classified as financial liabilities and are referred to as "investment contracts".

Some investment contracts contain discretionary participation features ("DPF"), whereby the investor has the right and is expected to receive, as a supplement to the amount not subject to the issuer's discretion, potentially significant additional benefits based on the return of specified pools of investment assets that are held by the issuer. The Group issues investment contracts with DPF which have similar economic characteristics as insurance contracts and they are linked to the same pool of assets as insurance contracts. The Group will apply insurance contract accounting to these contracts.

The Group does not expect any significant changes in the classification of insurance or investment contracts from the application of the specific provisions.

Insurance contracts will be classified as direct participating contracts or contracts without direct participation features.

Insurance contracts with direct participation features is defined as one which, at inception, meets the following criteria:

- the contractual terms specify that the policyholder participates in a share of a clearly identified pool of underlying items;
- the Group expects to pay to the policyholder an amount equal to a substantial share of the fair value returns on the underlying items; and
- the Group expects a substantial proportion of any change in the amounts to be paid to the policyholder to vary with the change in fair value of the underlying items.

These criteria will be assessed at the individual contract level based on the Group's expectations at the contract's inception, and they are not reassessed in subsequent periods, unless the contract is modified. The variability in the cash flows is assessed over the expected duration of a contract. The duration of a contract takes into account all cash flows within the boundary.

Summary of significant accounting policies

The savings (unit-linked) contracts issued by the Group will be classified as direct participating contracts. Such contracts allow policyholders to participate in investment returns with the Group, in addition to compensation for losses from insured risk. These contracts are substantially investment-related service contracts where the return on the underlying items is shared with policyholders. Underlying items comprise specified portfolios of investment assets that determine amounts payable to policyholders.

Contracts with profit sharing for which the above three criteria are not met are considered indirect participating contracts. Such contracts provide the Group discretion in terms of the profit sharing of the returns of the underlying items. The Group's non-linked with profits contracts consist of indirect participating contracts.

The classification of contracts as contracts with direct participation features or contracts without direct participation features results in different requirements regarding their subsequent measurement.

In addition to issuing insurance contracts, the Group holds reinsurance contracts to mitigate certain risk exposures. A reinsurance contract is an insurance contract issued by a reinsurer to compensate the Group for claims arising from one or more insurance contracts issued by the Group. These are quota share, surplus, excess of loss and facultative reinsurance contracts. For reinsurance contracts held by the Group, even if they do not expose the issuer (the reinsurer) to the possibility of a significant loss they would still be deemed to transfer significant insurance risk if they transfer substantially all of the insurance risk relating to the reinsured portions of the underlying insurance contracts to the reinsurer. The Group does not expect any impact on the classification of the reinsurance contracts held arising from the application of these requirements.

2. Separating components from insurance and reinsurance contracts

At inception, the Group will separate the following components from an insurance contract and accounts for them as if they were stand-alone financial instruments:

- derivatives embedded in the contract whose economic characteristics and risks are not closely related to those of the host contract, and whose terms would not meet the definition of an insurance contract as a stand-alone instrument; and
- distinct investment components i.e. investment components that are not highly inter-related with the insurance components and for which contracts with equivalent terms are sold, or could be sold, separately in the same market or the same jurisdiction.

An investment component comprises of the amounts that an insurance contract requires the Group to repay to a policyholder in all circumstances, regardless of whether an insured event occurs. Investment components which are highly interrelated with the insurance contract of which they form a part are considered non-distinct and are not separately accounted for.

After separating any embedded derivatives or distinct investment components, the Group will separate any promises to transfer to policyholders distinct goods or services other than insurance coverage and investment services and accounts for them as separate contracts with customers (i.e. not as insurance contracts). A good or service is distinct if the policyholder can benefit from it either on its own or with other resources that are readily available to the policyholder. A good or service is not distinct and is accounted for together with the insurance component if the cash flows and risks associated with the good or service are highly inter-related with the cash flows and risks associated with the insurance component, and the Group provides a significant service of integrating the good or service with the insurance component.

Summary of significant accounting policies

The Group will assess its insurance contracts to determine whether they contain any derivatives or investment components or promises to transfer to policyholders distinct goods or services other than insurance coverage and investment services which must be accounted for under a different IFRS than IFRS 17. The Group will apply, IFRS 17 to all remaining components of the host insurance contract.

The Group issues some contracts which include an embedded derivative (surrender option) and/or investment component (account balance) under which the surrender value is paid to the policyholder on maturity or earlier lapse of the contract. These components have been assessed to meet the definition of a highly related and/or non-distinct component. The surrender option is interrelated with the value of the insurance contract and as such, is not separated. Concerning the account balance, the Group is unable to measure the investment component separately from the contract and the policyholder is unable to benefit from the investment component unless the insurance component is also present and as such they are will not be separated.

The Group issues certain contracts which include a promise to transfer a good or non-insurance service such as routine health checks. These transfers of a good or non-insurance service are not distinct and therefore will not be separated from the contracts.

The Group does not expect any changes to arise from the implementation of these requirements.

Once the embedded derivatives, investment components and the goods and services components are separated, the Group will assess whether the contract should be separated into several insurance components that, in substance, should be treated as separate contracts.

To determine whether a single legal contract does not reflect the substance of the transaction and its insurance components recognised and measured separately instead, the Group will consider whether there is an interdependency between the different risks covered, whether components can lapse independently of each other and whether the components can be priced and sold separately. When the Group enters into one legal contract with different insurance components operating independently of each other, insurance components will be recognised and measured separately applying IFRS 17.

Concerning the contracts with supplementary benefits (riders) the Group has determined that the legal contract reflects the substance of the transaction and as such the insurance components will not be separated. This is expected to have some effect on measurement of insurance policies because currently the supplementary benefits (riders) are measured separately.

Reinsurance contracts held by the Group, may provide cover for underlying contracts that are included in different groups. Notwithstanding, the Group concludes that the reinsurance contract's legal form of a single contract reflects the substance of the Group's contractual rights and obligations, considering that the different covers lapse together and are not sold separately. As a result, the reinsurance contracts will not be separated into multiple insurance components that relate to different underlying groups. The effect from the implementation of these requirements is not expected to be significant.

3. Aggregation level

For insurance contracts issued and reinsurance contracts held, the Group will identify portfolios of contracts. A portfolio comprises contracts subject to similar risks and managed together. The Group will define portfolios of insurance contracts issued based on its product lines, due to the fact that the products are subject to similar risks and managed together. Reinsurance contracts held will be grouped into portfolios taking into consideration the nature of the risk and the type of reinsurance cover.

Summary of significant accounting policies

The Group will not include contracts issued more than one year apart in the same group. The Group will divide each portfolio into annual cohorts (i.e. by year of issue) and each annual cohort into three groups based on the profitability of contracts:

- any contracts that are onerous on initial recognition;
- any contracts that, on initial recognition, have no significant possibility of becoming onerous subsequently; and
- any remaining contracts in the annual cohort.

Portfolios of reinsurance contracts held will be assessed for aggregation separately from portfolios of insurance contracts issued. Applying the grouping requirements to reinsurance contracts held, the Group will aggregate reinsurance contracts held into groups of:

- contracts for which there is a net gain at initial recognition, if any;
- contracts for which, at initial recognition, there is no significant possibility of a net gain arising subsequently; and
- remaining contracts in the portfolio, if any.

The Group will make an evaluation of whether a set of contracts can be treated together in making the profitability assessment based on reasonable and supportable information. In the absence of such information the Group will assess each contract individually.

If insurance contracts within a portfolio would fall into different groups only because law or regulation specifically constrains the Group's practical ability to set a different price or level of benefits for policyholders with different characteristics, the Group may include those contracts in the same group.

For contracts applying the Premium Allocation Approach ("PAA") the Group will assume that contracts are not onerous (for reinsurance contracts there is not a net gain) on initial recognition unless there are facts and circumstances indicating otherwise. The Group will assess the likelihood of changes in applicable facts and circumstances to determine whether contracts not onerous (for reinsurance contracts there is not a net gain) at initial recognition belong to a group with no significant possibility of becoming onerous (for reinsurance contracts no significant possibility of a net gain) in the future. The Group will exercise judgment for the determination of the facts and circumstances which will indicate whether a group of contracts is onerous either at initial recognition or at subsequent measurement.

For long-term contracts, the requirements of IFRS 17 for the degree of concentration limit netting of profits from groups with profitable contracts (deferred through the Contractual Service Margin) against losses from groups with onerous contracts which are immediately recognized. Compared to the level at which is currently being audited for the adequacy of obligations (liability adequacy test), the degree of concentration according to IFRS 17 is more detailed and expected to result in more contracts being recognized as onerous and the related damages to be recognized earlier. For short-term contracts, for determination of loss-making portfolios, metrics such as indices will be used (combined ratios). The indicators will reflect the principles of IFRS 17 and will be similar with the current measurement and therefore the change is not expected to be significant.

The composition of the groups is established at initial recognition and is not subsequently reassessed.

4. Initial Recognition

The Group will recognise groups of insurance contracts that it issues from the earliest of the following:

- The beginning of the coverage period of the group of contracts;
- The date when the first payment from a policyholder in the group is due, or when the first payment is received if there is no due date;
- When the Group determines that a group of contracts becomes onerous.

Summary of significant accounting policies

Concerning onerous contracts such contracts expected on initial recognition to be loss-making will be grouped together and such groups will be measured and presented separately. Once contracts are allocated to a group, they will not be re-allocated to another group, unless they are substantively modified.

The Group will recognise a group of reinsurance contracts held:

- If the reinsurance contracts provide proportionate coverage, at the later of the beginning of the coverage period of the group, or the initial recognition of any underlying contract. This provision will apply to proportionate reinsurance held by the Group;
- In all other cases, from the beginning of the coverage period of the first contract in the group. The provision will apply to excess of loss reinsurance held by the Group.

If the Group entered into the reinsurance contract held at or before the date when an onerous group of underlying contracts is recognised prior to the beginning of the coverage period of the group of reinsurance contracts held, the reinsurance contract held will be recognised at the same time as the group of underlying insurance contracts is recognised.

The Group will add new contracts to the group when they meet the recognition criteria.

The Group does not expect any significant changes to arise from the implementation of these requirements.

5. Contract Boundaries

Insurance contracts

The Group will include in the measurement of a group of insurance contracts all the future cash flows within the boundary of each contract in the group.

Cash flows are within the boundary of an insurance contract if they arise from substantive rights and obligations that exist during the reporting period in which the Group can compel the policyholder to pay the premiums, or in which the Group has a substantive obligation to provide the policyholder with services.

Cash flows within the boundary of an insurance contract are those that relate directly to the fulfilment of the contract, including cash flows for which the Group has discretion over the amount or timing.

A substantive obligation to provide services ends when:

- The Group has the practical ability to reassess the risks of the particular policyholder and, as a result, can set a price or level of benefits that fully reflects those risks; or
- Both of the following criteria are satisfied:
 - The Group has the practical ability to reassess the risks of the portfolio of insurance contracts that contain the contract and, as a result, can set a price or level of benefits that fully reflects the risk of that portfolio and
 - The pricing of the premiums for coverage up to the date when the risks are reassessed does not take into account the risks that relate to periods after the reassessment date

Summary of significant accounting policies

In determining whether all the risks have been reflected either in the premium or in the level of benefits, the Group shall consider all risks that policyholders would transfer had it issued the contracts (or portfolio of contracts) at the reassessment date. Similarly, the Group will conclude on its practical ability to set a price that fully reflects the risks in the contract or portfolio at a renewal date by considering all the risks that it would assess when underwriting equivalent contracts on the renewal date for the remaining service. The assessment on the Group's practical ability to reprice existing contracts takes into account all contractual, legal and regulatory restrictions. In doing so, the Group will disregard restrictions that have no commercial substance. The Group will also consider the impact of market competitiveness and commercial considerations on its practical ability to price new contracts and repricing existing contracts. Judgement is required to decide whether such commercial considerations are relevant in concluding as to whether the practical ability exists at the reporting date.

The Group issues contracts that include an option to add insurance coverage at a future date so that the Group is obligated to provide additional coverage if the policyholder exercises the option. The Group has no right to compel the policyholder to pay premiums and the option to add insurance coverage at a future date will be an insurance component that will not be measured separately from the insurance contract.

When the insurance option is not in substance a separate contract and the terms are guaranteed by the Group, the cash flows arising from the option will be within the boundary of the contract. If the option is not a separate contract and the terms are not guaranteed by the Group, the cash flows arising from the option might be either within or outside the contract boundary, depending on whether the Group has the practical ability to set a price that fully reflects the reassessed risks of the whole contract. If the Group does not have the practical ability to reprice the whole contract when the policyholder exercises the option to add coverage, the expected cash flows arising from the additional premiums after the option exercise date would be within the original contract boundary.

In estimating expected future cash flows of the group of contracts the Group should apply judgement in assessing future policyholder behaviour surrounding the exercise of options available to them such as surrenders options, and other options falling within the contract boundary.

Cash flows will be within the boundaries of investment contracts with discretionary participation features if they result from a substantive obligation of the Group to deliver cash at a present or future date.

The Group will assess the contract boundary at initial recognition and at each subsequent reporting date to include the effect of changes in circumstances on the Group's substantive rights and obligations.

Compared to current practice, the Group expects that for some contracts (including contracts with supplementary benefits – riders), the requirements of IFRS 17 for contract limits are likely to bring about changes in the cash flows that will be included in the measurement of the contracts. For short-term group life and accident and health insurance policies, no significant impact is expected from the implementation of these provisions.

Reinsurance contracts

For groups of reinsurance contracts held, cash flows are within the contract boundary if they arise from substantive rights and obligations of the cedant that exist during the reporting period in which the Group is compelled to pay amounts to the reinsurer or has a substantive right to receive insurance contract services from the reinsurer.

Summary of significant accounting policies

A substantive right to receive services from the reinsurer ends when the reinsurer:

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

The boundary of a reinsurance contract held includes cash flows resulting from the underlying contracts covered by the reinsurance contract. This includes cash flows from insurance contracts that are expected to be issued by the Group in the future if these contracts are expected to be issued within the boundary of the reinsurance contract held.

The Group holds proportional life reinsurance agreements which have an unlimited duration but which allow both the reinsurer and the Group to terminate the contract at three months' notice for new business ceded. The Group will include within the contracts boundary only cash flows arising from such three months' notice period because it does not have substantive rights or obligations beyond that point. Therefore, on initial recognition, the cash flows within the reinsurance contract boundary are determined to be those arising from underlying contracts that the Group expects to issue and cede under the reinsurance contract within the next three months. Subsequently, expected cash flows beyond the end of this initial notice period are considered cash flows of new reinsurance contracts and are recognised, separately from the initial contract, as they fall within the rolling three-month notice period.

Other life reinsurance agreements have a cancellability clause for new business with three months' notice but this being effective at the next annual renewal of the agreement and hence, in this case, on initial recognition the cash flows within the reinsurance contract boundary are determined to be those arising from underlying contracts that the Group expects to issue and cede under the reinsurance contract within the next year. The Group treats all the above mentioned reinsurance contracts as a series of contracts that form an annual group and cover underlying business issued within a year.

The Group also holds proportional group life and accident and health reinsurance contracts that have an annual term and cover short-term underlying contracts issued within the term on a risk-attaching basis. All cash flows arising from claims incurred and expected to be incurred during the effective period of the reinsurance contract (two years) are included in the measurement.

Finally, the Group's excess of loss reinsurance contracts held have an annual term and provide coverage for claims incurred during an accident year (i.e. loss occurring). Thus, all cash flows arising from claims incurred and expected to be incurred in the accident year will be included in the measurement of the reinsurance contracts held.

No significant changes are expected from the application of the requirements of IFRS 17 in relation to the boundaries of reinsurance contracts held.

6. Insurance acquisition cashflows

Insurance acquisition cash flows arise from the costs of selling, underwriting and starting a group of insurance contracts (issued or expected to be issued) that are directly attributable to the portfolio of insurance contracts to which the group belongs. Such cash flows include cash flows that are not directly attributable to individual contracts or groups of insurance contracts within the portfolio.

Insurance acquisition cash flows that are directly attributable to a group of insurance contracts will be allocated to that group and to renewal groups of insurance contracts using a systematic and rational method and considering, in an unbiased way, all reasonable and supportable information that is available without undue cost or effort.

A systematic and rational method will be also used to allocate insurance acquisition cash flows directly attributable to a portfolio but not to groups of contracts to such groups in the portfolio.

Summary of significant accounting policies

Insurance acquisition cash flows arising before the recognition of the related group of contracts will be recognised as an asset. Insurance acquisition cash flows arise when they are paid or when a liability is required to be recognised under a standard other than IFRS 17. Such an asset will be recognised for each group of contracts to which the insurance acquisition cash flows are allocated. The asset will derecognised, fully or partially, when the insurance acquisition cash flows are included in the measurement of the group of contracts.

At each reporting date, the Group will revise the amounts allocated to groups to reflect any changes in assumptions that determine the inputs to the allocation method used. Amounts allocated to a group will not be revised once all contracts have been added to the group.

Impairment

At each reporting date, if facts and circumstances indicate that an asset for insurance acquisition cash flows may be impaired, then the Group will:

- recognises an impairment loss in profit or loss so that the carrying amount of the asset does not exceed the expected net cash inflow for the related group; and
- if the asset relates to future renewals, recognises an impairment loss in profit or loss to the extent that it expects those insurance acquisition cash flows to exceed the net cash inflow for the expected renewals and this excess has not already been recognised as an impairment loss as above.

The Group will reverse any impairment losses in profit or loss and increases the carrying amount of the asset to the extent that the impairment conditions have improved.

The Group does not expect a significant impact from the application of these requirements considering that any acquisition cash flows arising prior to the recognition of the relevant group of contracts are insignificant.

7. Measurement of Insurance contracts issued

The liability for remaining coverage ("LRC") will represent the Group's obligation to investigate and pay valid claims under existing contracts for insured events that have not yet occurred (i.e. the obligation that relates to the unexpired portion of the coverage period), comprising (a) fulfilment cash flows relating to future service and (b) the contractual service margin yet to be earned.

The liability for incurred claims ("LIC") will include the Group's liability to pay valid claims for insured events that have already incurred, other incurred insurance expenses arising from past coverage service and includes the liability for claims incurred but not yet reported. Will also include the Group's liability to pay amounts to the policyholder under the contract, including repayment of investment components, when a contract is derecognised. The current estimate of LIC will be comprise from the fulfilment cash flows related to current and past service allocated to the group at the reporting date.

The carrying amount of a group of insurance contracts at each reporting date will be the sum of the LRC and the LIC.

Measurement on initial recognition of contracts not measured under the PAA

Under the general measurement model ("GMM") the Group measures a group of contracts on initial recognition as the sum of the expected fulfilment cash flows within the contract boundary and the contractual service margin representing the unearned profit in the contracts relating to services that will be provided under the contracts.

The application of these requirements to long-term insurance contracts is expected to affect significantly the Group.

Summary of significant accounting policies

Contractual Service Margin ("CSM")

The CSM is a component of the overall carrying amount of a group of insurance contracts representing unearned profit the Group will recognise as it provides insurance contract services over the coverage period.

On initial recognition of a group of insurance contracts, if the total of (a) the fulfilment cash flows, (b) any cash flows arising at that date and (c) any amount arising from the derecognition of any assets or liabilities previously recognised for cash flows related to the group (including assets for insurance acquisition cash flows) is a net inflow, the CSM will be measured as the equal and opposite amount of the net inflow, which will result in no gain no loss, arising on initial recognition.

If the total is a net outflow, then the group is onerous. In this case, the net outflow will be recognised as a loss in profit or loss. A loss component will be created to depict the amount of the net cash outflow, which will determine the amounts that will subsequently be presented in profit or loss as reversals of losses on onerous contracts and are excluded from insurance revenue.

Fulfilment Cashflows ("FCF")

FCF comprise unbiased and probability-weighted estimates of future cash flows, an adjustment to reflect the time value of money and the financial risks related to the future cash flows, to the extent that the financial risks are not included in the estimates of the future cash flows, plus a risk adjustment for non-financial risk.

The Group's objective in estimating future cash flows will be to determine the expected value, or the probability weighted mean, of the full range of possible outcomes, considering all reasonable and supportable information available at the reporting date without undue cost or effort, that reflect the timing and uncertainty of those future cash flows. The future cash flows are discounted using current assumptions.

The Group will estimate certain FCF at the portfolio level or higher and then will allocate such estimates to groups of contracts.

When estimating future cash flows, the Group will include all cash flows that are within the contract boundary including:

- Premiums and related cash flows
- Claims and benefits, including reported claims not yet paid, incurred claims not yet reported and expected future claims
- Payments to policyholders resulting from embedded surrender value options
- An allocation of insurance acquisition cash flows attributable to the portfolio to which the contract belongs
- Claims handling costs
- Policy administration and maintenance costs, including recurring commissions that are expected to be paid to intermediaries
- An allocation of fixed and variable overheads directly attributable to fulfilling insurance contracts

The cash flow estimates will include both market variables, which will be consistent with observable market prices, and non-market variables, which will not be contradictory with market information and based on internally and externally derived data.

The Group will update its estimates at the end of each reporting period using all newly available information, as well as historic evidence and information about trends. The Group will determine its current expectations of probabilities of future events occurring at the end of the reporting period. In developing new estimates, the Group will consider the most recent experience and earlier experience, as well as other information.

Summary of significant accounting policies

Risk of the Group's non-performance will not be included in the measurement of groups of insurance contracts issued.

Risk Adjustment ("RA")

The risk adjustment for non-financial risk for a group of insurance contracts, will be determined separately from the other estimates and will be the compensation required for bearing uncertainty about the amount and timing of the cash flows that arises from non-financial risk.

The risk adjustment will also reflect the degree of diversification benefit the Group includes when determining the compensation it requires for bearing that risk; and both favourable and unfavourable outcomes, in a way that reflects the Group's degree of risk aversion.

The Group will use the Value at Risk (VaR) method in estimating the risk adjustment.

Time value of money and Financial risks

The Group will adjust the estimates of future cash flows to reflect the time value of money and the financial risks related to those cash flows, to the extent that the financial risks are not included in the estimates of cash flows. The discount rates that will be applied to the estimates of the future cash flows:

- will reflect the time value of money, the characteristics of the cash flows and the liquidity characteristics of the insurance contracts;
- will be consistent with observable current market prices (if any) for financial instruments with cash flows whose characteristics are consistent with those of the insurance contracts, in terms of, for example, timing, currency and liquidity; and
- will exclude the effect of factors that influence such observable market prices but do not affect the future cash flows of the insurance contracts.

The Group will use the 'bottom-up approach' to estimate discount rates.

Subsequent measurement of contracts not measured under the PAA

At the end of each reporting period, the Group will update the fulfilment cash flows for both LRC and LIC to reflect current estimates of the amounts, timing and uncertainty of future cash flows, as well as discount rates and other financial variables.

Experience adjustments will be the difference between:

- The expected cash flow estimate at the beginning of the period and the actual cash flows for premiums received in the period (and any related cash flows paid such as insurance acquisition cash flows)
- The expected cash flow estimate at the beginning of the period and the actual incurred amounts of insurance service expenses in the period (excluding insurance acquisition expenses)

Experience adjustments relating to current or past service will be recognised in the profit or loss. For incurred claims (including incurred but not reported) and other incurred insurance service expenses, experience adjustments always relate to current or past service. They will be included in profit or loss as part of insurance service expenses.

Experience adjustments relating to future service will be included in the LRC by adjusting the CSM. The release of the CSM will depend on whether the contract does not participate, participates indirectly or directly participates in the performance of the specified underlying items.

At the end of each reporting period, the Group will re-estimate the LRC fulfilment cash flows, updating for changes in assumptions relating to financial and non-financial risks.

Summary of significant accounting policies

The application of these requirements to long-term insurance contracts is expected to affect significantly the Group.

Insurance contracts without direct participation features

For a group of insurance contracts, the carrying amount of the CSM of the group at the end of the reporting period will be equal to the carrying amount at the beginning of the reporting period adjusted, as follows:

- The effect of any new contracts added to the group
- Interest accreted on the carrying amount of the CSM during the reporting period, measured at the discount rates at initial recognition
- The changes in fulfilment cash flows relating to future service, except to the extent that:
 - Such increases in the fulfilment cash flows exceed the carrying amount of the CSM, giving rise to a loss; or
 - Such decreases in the fulfilment cash flows are allocated to the loss component of the liability for remaining coverage
- The effect of any currency exchange differences on the CSM
- The amount recognised as insurance revenue because of the transfer of services in the period, determined by the allocation of the CSM remaining at the end of the reporting period (before any allocation) over the current and remaining coverage period.

The locked-in discount rate for each group of insurance contracts will be determined as the rate applicable at the beginning of the 12-month period during which the contracts joined the group.

The changes in fulfilment cash flows relating to future service that will adjust the CSM comprise of:

- Experience adjustments that arise from the difference between the premium receipts (and any related cash flows such as insurance acquisition cash flows) and the estimate, at the beginning of the period, of the amounts expected.
- Changes in estimates of the present value of future cash flows in the liability for remaining coverage, except those relating to the time value of money and changes in financial risk (recognised in the statement of profit or loss and other comprehensive income rather than adjusting the CSM)
- Differences between:
 - any investment component expected to become payable in the year, determined as the payment expected at the start of the year plus any insurance finance income or expenses related to that expected payment before it becomes payable; and
 - the actual amount that becomes payable in the year
- Changes in the risk adjustment for non-financial risk that relate to future service

The adjustments to the CSM noted above will be measured at the locked-in discount rates.

The CSM at the end of the reporting period represents the profit in the group of insurance contracts that has not yet been recognised in profit or loss, because it relates to future service.

An amount of the CSM will be released to profit or loss in each period during to reflect the insurance contract services that will be provided.

In determining the amount of the CSM to be released in each period, the Group should follows three steps:

- should determine the total number of coverage units in the group. The amount of coverage units in the group is determined by considering for each contract the quantity of benefits provided under the contract and the expected coverage period.
- should allocate the CSM at the end of the period (before any of it is released to profit or loss to reflect the insurance contract services provided in the period) equally to each of the coverage units provided in the current period and expected to be provided in the future.
- should recognise in profit or loss the amount of CSM allocated to the coverage units provided during the period.

Summary of significant accounting policies

The number of coverage units will change as insurance contract services will be provided, contracts will expire, will lapse or surrender and new contracts will be added into the group. The total number of coverage units will depend on the expected duration of the obligations that the Group will have from its contracts, which can differ from the legal contract maturity because of the impact of policyholder behaviour and the uncertainty surrounding future insured events. In determining a number of coverage units, the Group will exercise judgement in estimating the likelihood of insured events occurring and policyholder behaviours to the extent that they affect expected period of coverage in the group, the different levels of service offered across periods and the 'quantity of benefits' provided under a contract.

The Group does not issue insurance contracts generating cash flows in a foreign currency that is different from the functional currency of the Group.

Insurance contracts with direct participation features

Direct participating contracts are contracts under which the Group's obligation to the policyholder is the net of:

- the obligation to pay the policyholder an amount equal to the fair value of the underlying items; and
- a variable fee in exchange for future services provided by the contracts, being the amount of the Group's share of the fair value of the underlying items less fulfilment cash flows that do not vary based on the returns on underlying items. The Group provides investment services under these contracts by promising an investment return based on underlying items, in addition to insurance coverage.

When measuring a group of direct participating contracts, the Group will adjust the fulfilment cash flows for the whole of the changes in the obligation to pay policyholders an amount equal to the fair value of the underlying items. These changes do not relate to future services and will be recognised in profit or loss. The Group will adjust any CSM for changes in the amount of the Group's share of the fair value of the underlying items which relate to future services.

Hence, the carrying amount of the CSM at each reporting date will be the carrying amount at the start of the year, adjusted for:

- the CSM of any new contracts that are added to the group in the year;
- the change in the amount of the Group's share of the fair value of the underlying items and changes in fulfilment cash flows that relate to future services, except to the extent that:
 - a decrease in the amount of the Group's share of the fair value of the underlying items, or an increase in the fulfilment cash flows that relate to future services, exceeds the carrying amount of the CSM, giving rise to a loss in profit or loss (included in insurance service expenses) and creating a loss component; or
 - an increase in the amount of the Group's share of the fair value of the underlying items, or a decrease in the fulfilment cash flows that relate to future services, is allocated to the loss component, reversing losses previously recognised in profit or loss (included in insurance service expenses);
- the effect of any currency exchange differences on the CSM; and
- the amount recognised as insurance revenue because of the services provided in the year.

Changes in fulfilment cash flows that relate to future services include the changes relating to future services specified above for contracts without direct participation features (measured at current discount rates) and changes in the effect of the time value of money and financial risks that do not arise from underlying items – e.g. the effect of financial guarantees.

Summary of significant accounting policies

Indirect participating contracts

The participating non-linked with profit contracts of the Group have cash flows dependent on underlying items but do not meet the definition of direct participating contracts. This results in the VFA not being applicable to these contracts. Instead, the Group will apply the GMM. The effects of financial variables will not impact the CSM measurement for a group of indirect participating contracts as changes in financial risk will be recognised directly in profit or loss as part of total insurance finance income or expenses except when the change will trigger a change in the way the Group will apply its discretion. In this instance, the change will adjust the CSM.

The Group will specify at inception what they regard as their commitment under the contract, which enables the Group to calculate the amount that will be recognised in profit or loss (for changes in assumptions related to financial risk on that commitment) and the amount that will adjust the CSM (because of the exercise of discretion in relation to the Group's commitment).

The CSM of indirect participating contracts will accrete interest at the original locked-in discount rates determined for a group of contracts at initial recognition. Those changes in fulfilment cash flows related to future coverage that adjust the CSM will also be measured at the original 'locked-in' discount rates determined on initial recognition.

Onerous Contracts

After the loss component is recognised, the Group will allocate any subsequent changes in fulfilment cash flows of the LRC on a systematic basis between 'loss component' and 'LRC excluding the loss component'.

The subsequent changes in the fulfilment cash flows of the LRC to be allocated will be:

- insurance finance income or expense,
- changes in risk adjustment for non-financial risk recognised in profit or loss representing release from risk in the period; and
- estimates of the present value of future cash flows for claims and expenses released from the LRC because of incurred insurance service expense in the period.

The Group will determine the systematic allocation of insurance service expenses incurred based on the percentage of loss component to the total outflows included in the LRC, excluding any investment component amount. Any subsequent decreases relating to future service in fulfilment cash flows allocated to the group arising from changes in estimates of future cash flows and the risk adjustments for non-financial risk will be allocated first only to the loss component, until it is exhausted. Once it is exhausted, any further decreases in fulfilment cash flows relating to future service will create the group's CSM.

Measurement of contracts under the PAA

On initial recognition the Group will apply the PAA:

- When the coverage period of each insurance contract in the group is one year or less.
- For groups of insurance contracts including contracts with a coverage period extending beyond one year the Group reasonably expects that such simplification would produce a measurement of the LRC for the group that would not differ materially from the one that would be produced applying the requirements of the general measurement model.

For insurance contracts issued, on initial recognition, the Group will measure the LRC at the amount of premiums received, less any acquisition cash flows paid and any amounts arising from the derecognition of the insurance acquisition cash flows asset and the derecognition of any other relevant pre-recognition cash flows.

The insurance acquisition cash flows allocated to a group will be deferred and will be recognised over the coverage period of the contracts in a group.

Summary of significant accounting policies

On initial recognition of each group of contracts, the Group expects that the time between providing each part of the services and the related premium due date is no more than a year. Accordingly, the Group will choose not to adjust the liability for remaining coverage to reflect the time value of money and the effect of financial risk.

There are no investment components within insurance contracts issued that will be measured under the PAA.

The carrying amount of a group of insurance contracts issued at the end of each reporting period will be the sum of (a) the LRC and (b) the LIC, comprising the FCF related to past service allocated to the group at the reporting date.

The carrying amount of the LRC for subsequent measurement purposes will be increased by any premiums received and the amortisation of insurance acquisition cash flows recognised as expenses, and will be decreased by the amount recognised as insurance revenue for services provided and any additional insurance acquisition cash flows allocated after initial recognition.

The LIC is measured similarly to the LIC's measurement under the GMM. The liability equals the amount of the fulfilment cash flows relating to incurred claims (as for other policies not measured using the PAA). The liability will be equal to the settlement cash flows associated with the incurred claims. For claims that the Group expects to be paid within one year or less from the date of incurring the Group will not adjust future cash flows for the time value of money and the effect of financial risk. However, claims expected to take more than one year to settle will be discounted. The Group will not adjust the claim cash flows for the time value of money and the effect of financial risk as the majority of the claims are settled within one year or less from the date they are incurred.

If facts and circumstances indicate that a group of insurance contracts measured under the PAA is onerous on initial recognition or becomes onerous subsequently, the Group will increase the carrying amount of the LRC to the amount of the FCF determined under the GMM with the amount of such an increase will be recognised in insurance service expenses, and a loss component will be established for the amount of the loss that recognised. The fulfilment cash flows that relate to the onerous group will not be discounted as the liability for incurred claims will also not be discounted.

The Group does not expect to be significantly affected by the application of the above requirements for measurement of short-term contracts.

Measurement of reinsurance contracts held

Measurement of the asset for remaining coverage ("ARC")

Reinsurance contracts measured under the general model ("GMM")

The measurement of reinsurance contracts held will follow the same principles as those for insurance contracts issued, with the exception of the following:

- Measurement of the cash flows will include, when determined as significant, an allowance on a probability-weighted basis for the effect of any non-performance by the reinsurers, including the effects of collateral and losses from disputes
- The Group will determine the risk adjustment for non-financial risk so that it represents the amount of risk being transferred to the reinsurer
- The Group will recognise both day 1 gains and day 1 losses at initial recognition in the statement of financial position as a CSM and releases this to profit or loss as the reinsurer renders services, except for any portion of a day 1 loss that relates to events before initial recognition as described below
- Changes in the fulfilment cash flows will be recognised in profit or loss if the related changes arising from the underlying ceded contracts have been recognised in profit or loss. Alternatively, changes in the fulfilment cash flows will adjust the CSM.

Summary of significant accounting policies

The Group will measure the estimates of the present value of future cash flows using assumptions that will be consistent with those used to measure the estimates of the present value of future cash flows for the underlying insurance contracts.

On initial recognition, the CSM of a group of reinsurance contracts will represent a net cost or net gain on purchasing reinsurance. Will be measured as the equal and opposite amount of the total of (a) the fulfilment cash flows, (b) any amount arising from the derecognition of any assets or liabilities previously recognised for cash flows related to the group, (c) any cash flows arising at that date and (d) any income recognised in profit or loss because of onerous underlying contracts recognised at that date.

However, if any net cost on purchasing reinsurance coverage relates to insured events that occurred before the purchase of the group, then the Group will recognise the cost immediately in profit or loss as an expense.

The carrying amount of the CSM at each reporting date will be the carrying amount at the start of the year, adjusted for:

- the CSM of any new contracts that are added to the group in the year;
- interest accreted on the carrying amount of the CSM during the year, measured at the discount rates determined on initial recognition;
- income recognised in profit or loss in the year on initial recognition of onerous underlying contracts;
- reversals of a loss-recovery component to the extent that they are not changes in the fulfilment cash flows of the group of reinsurance contracts;
- changes in fulfilment cash flows that relate to future services, measured at the discount rates determined on initial recognition, unless they result from changes in fulfilment cash flows of onerous underlying contracts, in which case they are recognised in profit or loss and create or adjust a loss-recovery component;
- the effect of any currency exchange differences on the CSM; and
- the amount recognised in profit or loss because of the services received in the year.

For a group of reinsurance contracts covering onerous underlying contracts, the Group will establish a loss-recovery component of the asset for remaining coverage, will adjust the CSM and as a result will recognise income when the Group recognises a loss on initial recognition of onerous underlying contracts, if the reinsurance contract is entered into before or at the same time as the onerous underlying contracts are recognised. The adjustment to the CSM will be determined by multiplying:

- the amount of the loss that relates to the underlying contracts; and
- the percentage of claims on the underlying contracts that the Group expects to recover from the reinsurance contracts.

The loss-recovery component will be adjusted for changes in FCFs of the group of reinsurance contracts relating to future services that result from changes in FCFs of the onerous underlying contracts. If the reinsurance contract covers only some of the insurance contracts included in an onerous group of contracts, then the Group will use a systematic and rational method to determine the portion of losses recognised on the onerous group of contracts that relates to underlying contracts covered by the reinsurance contract.

The loss-recovery component will determine the amounts that will subsequently be presented in profit or loss as reversals of recoveries of losses from the reinsurance contracts and are excluded from the allocation of reinsurance premiums paid. Will be adjusted to reflect changes in the loss component of the onerous group of underlying contracts, but it cannot exceed the portion of the loss component of the onerous group of underlying contracts that the Group will expect to recover from the reinsurance contracts.

The measurement of long-term reinsurance contracts held is expected to be significantly affected by the implementation of these provisions.

Summary of significant accounting policies

Reinsurance contracts measured under the Premium Allocation Approach ("PAA")

The Group will apply the PAA to measure a group of reinsurance contracts using the same accounting policies to the insurance contracts, as adapted where necessary to reflect the features of reinsurance contracts.

The Group will apply the PAA to reinsurance contracts that it holds, as follows:

- To excess of loss reinsurance contracts that provide coverage on the insurance contracts originated for claims incurred during an accident year.
- To proportional reinsurance contracts on risk attaching basis that provide coverage for short-term underlying insurance contracts and have an effective period of two years the Group will elect to apply the PAA since at inception it expects it will provide an asset for remaining coverage that would not differ materially from the general model.

Under the PAA, the initial measurement of the asset equals the reinsurance premium paid. The Group will measure the amount relating to remaining service by allocating the amount of expected reinsurance premium payments over the coverage period of receiving services for the group. For all reinsurance contracts held the allocation will be based on the passage of time.

On initial recognition of each group of reinsurance contracts held, the Group expects that the time between receiving each part of the services and the related reinsurance premium due date is no more than a year. Accordingly, the Group will choose not to adjust the asset for remaining coverage to reflect the time value of money and the effect of financial risk. Despite, for certain reinsurance arrangements that provide for interest payment on the delayed settlement of reinsurance premiums due the respective expense will be recorded in reinsurance finance expense.

Where the reinsurance contracts held cover a group of onerous underlying insurance contracts, the Group will adjust the carrying amount of the asset for remaining coverage and will recognise a gain when, in the same period, it reports a loss on initial recognition of an onerous group of underlying insurance contracts or on additional loss from an already onerous group of underlying insurance contracts. The recognition of this gain will result in the accounting for the loss recovery component of the asset for the remaining coverage of a group of reinsurance contracts held. The loss-recovery component will be adjusted to reflect changes in the loss component of the onerous group of underlying contracts, but it will not exceed the portion of the loss component of the onerous group of underlying contracts that the Group expects to recover from the reinsurance contracts.

Apart from the potential impact of any gain on the recognition of onerous underlying contracts, the measurement of the asset for remaining coverage is not expected to be significantly affected by the application of IFRS 17. In addition, the presentation of the relevant amounts in the financial statements will differ.

Measurement of the asset for incurred claims ("AIC")

The Group will use consistent assumptions to measure the estimates of the present value of future cash flows for the group of reinsurance contracts held and the estimates of the present value of future cash flows for the group(s) of underlying insurance contracts. The Group will include in the estimates of the present value of the future cash flows for the group of reinsurance contracts held the effect of any risk of non-performance by the issuer of the reinsurance contract, including the effects of collateral and losses from disputes, when this is determined as significant.

The risk adjustment for non-financial risk for reinsurance contracts held will represent the amount of risk being transferred by the Group to the reinsurer.

Summary of significant accounting policies

Impact assessment

Life contracts

Under IFRS 17, all profits will be recognised in profit or loss over the lifetime of the contracts, and this will primarily be driven by the timing of the recognition in profit or loss of the CSM as services are provided and the risk adjustment for non-financial risk as the related risk expires. The Group expects that, even though the total profit recognised over the lifetime of the contracts will not change, it will emerge more slowly under IFRS 17.

The transition to IFRS 17 is expected to have a significant positive impact on equity as a net result of the below:

- Recognition of future profits (CSM) for contracts that would be accounted for under the GMM and VFA as an explicit liability (negative effect).
- Recognition of a separate risk adjustment for non-financial risk (negative effect).
- Release of prudency margins and application of best estimate assumptions for life insurance liabilities (positive effect).

Group Life and accident and health contracts

The Premium Allocation Approach (PAA) is similar to the Group's current accounting treatment when measuring liabilities for remaining coverage therefore is not expected to significantly impact the Group.

Concerning the liability for incurred claims, IFRS 17 requires the fulfillment cash flows to include a risk adjustment for non-financial risk which is currently not explicitly allowed for.

Significant judgments and estimates

The following are the significant judgments and estimates which the Group expects to apply as a result of IFRS 17:

- *Measurement of future cash flows*

The measurement of a group of insurance contracts will include all the future cash flows arising within the contract boundary. In determining which cash flows fall within a contract boundary, the Group shall consider its substantive rights and obligations arising from the terms of the contract, and also from applicable law and regulation. Cash flows will be considered to be outside of the contract boundary if the Group will have the practical ability to reprice existing contracts to reflect their reassessed risks and if the contract's pricing for coverage up to the date of reassessment considers only the risks till that next reassessment date.

The following are the main assumptions that will be used when estimating future cash flows:

- Mortality and morbidity rates
Mortality and morbidity risks are inherent in most life insurance contracts. The Group shall perform an investigation, at least on an annual basis, to ensure the validity of the mortality assumptions, and when deemed necessary the assumptions should be adjusted accordingly. The assumptions will be set based on the internal experience of the Group when there will be sufficient volumes of data to support a credible investigation. When internal experience will not be sufficient, the assumptions will be set with reference to industry experience and commonly used tables.
- Longevity (immediate annuity business)
The annuity business is exposed to the risk that the policyholders live longer than anticipated, resulting in annuity payments for longer than expected. The Group will set the mortality assumptions for the annuity business by considering potential mortality improvements.

Summary of significant accounting policies

- Expenses

- Assessment of directly attributable cash flows*

- The Group will apply judgement in assessing whether cash flows are directly attributable to a specific portfolio of insurance contracts. Insurance acquisition cash flows are included in the measurement of a group of insurance contracts only if they are directly attributable to either the individual contracts in a group, or to the group itself, or the portfolio of insurance contracts to which the group belongs. The Group will also consider as attributable cash flows fixed and variable overheads directly attributable to the fulfilment of insurance contracts.

- Expense basis for cashflow projections*

- The Group will perform a detailed expense investigation, at least on an annual basis, to determine the expense assumptions used in the cashflow projections. The expense basis will be set in accordance with the budgeted attributable expenses and the projected volumes of business. The Group will also determine an assumption for the future expense inflation.

- Lapse and surrender rates

- Lapse and surrenders assumptions relate to the rate by which policyholders cancel/surrender their policies. The assumptions will be set in line with recent Group experience, by adjusting for expected improvements/deteriorations where necessary. The rates vary by product and duration in force.

- *Discount rates*

Life insurance contract liabilities will be calculated by discounting expected future cash flows. The Group will use the bottom-up approach in determining the discount rates and hence will use a risk-free rate, plus an illiquidity premium. Risk free rates will be determined by reference to the European Insurance and Occupational Pensions Authority (EIOPA) yields and the illiquidity premium will be determined by the volatility adjustment as published by EIOPA.

- *Risk adjustment for non-financial risk*

The risk adjustment for non-financial risk represents the compensation that the Group requires for bearing the uncertainty about the amount and timing of the cash flows arising from insurance risk and other non-financial risks such as lapse risk and expense risk. It measures the degree of variability of expected future cash flows and the Group-specific price for bearing that risk and reflects the degree of the Group's risk aversion. The Group shall determine the risk adjustment for non-financial risk at the Group level and then shall allocate it to all the groups of insurance contracts.

The Group will estimate the risk adjustment using the Value at Risk method calibrated using the Solvency II standard formula.

The risk adjustment shall be determined subject to a confidence level of 80% over a one-year period.

- *CSM amortization*

The number of coverage units in a group will be the quantity of insurance contract services provided by the contracts in the group, and shall be determined by considering the quantity of the benefits provided and the expected coverage period.

For direct participating contracts (Savings) coverage units shall be determined based on the quantity of benefits provided by the fixed death benefit amounts and the policyholders' account values (to reflect insurance as well as investment service). For non-direct participating life contracts the quantity of benefits will reflect both the sum insured and the account value to account for the level of investment-return service of such contracts. For Non-Participating contracts the quantity of benefits shall be the contractually agreed sum insured over the period of the contracts. The coverage units for annuity type of contracts will be determined by the constant annuity amount.

Summary of significant accounting policies

The total coverage units of each group of insurance contracts should be reassessed at the end of each reporting period to adjust for the reduction of remaining coverage for claims paid, expectations of lapses and cancellation of contracts in the period. They will then be allocated based on probability-weighted average duration of each coverage unit provided in the current period and expected to be provided in the future.

For reinsurance contracts held, the CSM amortisation shall reflect the level of service received and depends on the number of underlying contracts in-force.

- *Accident and health liability for incurred claims*

The ultimate cost of outstanding claims will be estimated by using a range of standard actuarial claims projection techniques such as Chain Ladder. The main assumption underlying these techniques is that a Group's past claims development experience can be used to project future claims development and hence ultimate claims costs. These methods extrapolate the development of paid and incurred losses, average costs per claim (including claims handling costs), and claim numbers based on the observed development of earlier years and expected loss ratios.

Historical claims development is mainly analysed by accident years, but can also be further analysed by significant business lines and claim types. Large claims are usually separately addressed, either by being reserved at the face value of loss adjuster estimates or separately projected in order to reflect their future development. In most cases, no explicit assumptions are made regarding future rates of claims inflation or loss ratios. Instead, the assumptions used are those implicit in the historical claims development data on which the projections are based. Additional qualitative judgement shall be used to assess the extent to which past trends may not apply in future, (e.g., to reflect one-off occurrences, changes in external or market factors such as public attitudes to claiming, economic conditions, levels of claims inflation, judicial decisions and legislation, as well as internal factors such as portfolio mix, policy features and claims handling procedures) in order to arrive at the estimated ultimate cost of claims that present the probability weighted expected value outcome from the range of possible outcomes, taking account of all the uncertainties involved. Estimates of salvage recoveries and subrogation reimbursements are considered as an allowance in the measurement of ultimate claims costs.

8. Insurance contracts – modification and derecognition

The Group will derecognise insurance contracts when:

- The rights and obligations relating to the contract are extinguished (i.e., discharged, cancelled or expired); or
- The contract is modified such that the modification results in:
 - the contract being outside the scope of IFRS 17;
 - a different insurance contract due to separating components from the host contract;
 - a substantially different contract boundary;
 - the contract being included in a different group of contracts.

If any of the modification criteria described above are met, the Group will derecognise the initial contract and recognise the modified contract as a new contract.

On derecognition of a contract from within a group of contracts not measured under the PAA:

- the fulfilment cash flows allocated to the group will be adjusted to eliminate those that relate to the rights and obligations derecognised;
- the CSM of the group will be adjusted for the change in the fulfilment cash flows, except where such changes are allocated to a loss component; and
- the number of coverage units for the expected remaining services will be adjusted to reflect the coverage units derecognised from the group.

Summary of significant accounting policies

If a contract is derecognised because it is transferred to a third party, then the CSM will also be adjusted for the premium charged by the third party, unless the group is onerous.

If a contract is derecognised because its terms are modified, then the CSM will also be adjusted for the premium that would have been charged had the Group entered into a contract with the new contract's terms at the date of modification, less any additional premium charged for the modification. The new contract recognised will be measured assuming that, at the date of modification, the Group received the premium that it would have charged less any additional premium charged for the modification.

If the contract modification does not meet the above conditions the Group will treat the effect of the modification as changes in the estimates of fulfilment cash flows.

For insurance contracts accounted for applying the PAA the Group will adjust insurance revenue prospectively from the time of the contract modification.

The Group does not expect any changes to arise from the implementation of these requirements.

9. Presentation

IFRS 17 will significantly change the way insurance policies issued and reinsurance policies held are presented and disclosed in the Group's financial statements.

The Group will present separately in the consolidated statement of financial position the carrying amount of

- portfolios of insurance contracts that are assets,
- portfolios of insurance contracts that are liabilities,
- portfolios of reinsurance contracts held that are assets and,
- portfolios of reinsurance contracts held that are liabilities.

Any assets for insurance acquisition cash flows recognised before the corresponding insurance contracts are recognised will be included in the carrying amount of the related groups of insurance contracts issued.

The Group will disaggregate the amounts recognised in the consolidated income statement into an insurance service result, comprising insurance revenue and insurance service expenses, and insurance finance income or expenses.

The Group will disaggregate the change in risk adjustment for non-financial risk between a financial portion recognised in insurance finance income or expenses and a non-financial portion recognised in insurance service result.

The Group will separately presents income or expenses from reinsurance contracts held from the expenses or income from insurance contracts issued.

Insurance Service Revenue

The Group's insurance revenue will depict the provision of coverage and other services arising from a group of insurance contracts at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those services. Insurance revenue from a group of insurance contracts will therefore be the relevant portion for the period of the total consideration for the contracts, (i.e., the amount of premiums paid to the Group adjusted for financing effect (the time value of money) and excluding any investment components.

The total consideration for a group of contracts will cover amounts related to the provision of services and will be comprised of:

Summary of significant accounting policies

- Insurance service expenses, excluding any amounts allocated to the loss component of the liability for remaining coverage
- The risk adjustment for non-financial risk related to current service, excluding any amounts allocated to the loss component of the liability for remaining coverage
- The CSM release measured based on coverage units provided
- Other amounts, including experience adjustments for premium receipts for current or past services

In addition, the Group will allocate a portion of premiums that relate to recovering insurance acquisition cash flows to each period in a systematic way based on the passage of time. The Group will recognise the allocated amount, as insurance service revenue and an equal amount as insurance service expenses.

CSM Release

The amount of the CSM of a group of insurance contracts that will be recognised as insurance revenue in each year will be determined by identifying the coverage units in the group, allocating the CSM remaining at the end of the year (before any allocation) equally to each coverage unit provided in the year and expected to be provided in future years, and recognising in profit or loss the amount of the CSM allocated to coverage units provided in the year. The number of coverage units will be the quantity of services provided by the contracts in the group, determined by considering for each contract the quantity of benefits provided and its expected coverage period. The coverage units will be reviewed and updated at each reporting date.

Services provided by insurance contracts will include insurance coverage and, for all direct participating contracts, investment services for managing underlying items on behalf of policyholders. In addition, some contracts may also provide investment services for generating an investment return for the policyholder, but only if:

- an investment component exists or the policyholder has a right to withdraw an amount (e.g. the policyholder's right to receive a surrender value on cancellation of a contract);
- the investment component or withdrawal amount is expected to include an investment return; and
- the Group expects to perform investment activities to generate that investment return.

The expected coverage period will reflect the expectations of lapses and cancellations of contracts, as well as the likelihood of insured events occurring to the extent that they would affect the expected coverage period. The period of investment services will end no later than the date on which all amounts due to current policyholders relating to those services have been paid.

Contracts measured under the PAA

For contracts measured under the PAA, the insurance revenue for each period will be the amount of expected premium receipts for providing services in the period. The Group will recognise such insurance revenue based on the passage of time by allocating premium receipts including premium experience adjustments to each period of service.

Loss Component

The Group will group contracts that are onerous at initial recognition separately from contracts in the same portfolio that are not onerous at initial recognition. Groups that were not onerous at initial recognition can also subsequently become onerous if assumptions and experience changes. The Group will establish a loss component of the liability for remaining coverage for any onerous group depicting the future losses recognised.

Summary of significant accounting policies

A loss component represents a notional record of the losses attributable to each group of onerous insurance contracts (or contracts profitable at inception that have become onerous). The loss component will be released based on a systematic allocation of the subsequent changes in the fulfilment cash flows to: (i) the loss component; and (ii) the liability for remaining coverage excluding the loss component. The loss component will also be updated for subsequent changes in estimates of the fulfilment cash flows related to future service. The systematic allocation of subsequent changes to the loss component will result in the total amounts allocated to the loss component being equal to zero by the end of the coverage period of a group of contracts (since the loss component will have been materialised in the form of incurred claims). The Group will use the proportion on initial recognition to determine the systematic allocation of subsequent changes in future cash flows between the loss component and the liability for remaining coverage excluding the loss component.

Insurance Service Expenses

Insurance service expenses arising from insurance contracts will be recognised in profit or loss generally as they are incurred. They will exclude repayments of investment components and will comprise the following items.

- Incurred claims and other insurance service expenses: For some life risk contracts, incurred claims also include premiums waived on detection of critical illness.
- Amortisation of insurance acquisition cash flows: For contracts not measured under the PAA, this is equal to the amount of insurance revenue recognised in the year that relates to recovering insurance acquisition cash flows. For contracts measured under the PAA, the Company amortises insurance acquisition cash flows on a straight-line basis over the coverage period of the group of contracts.
- Losses on onerous contracts and reversals of such losses.
- Adjustments to the liabilities for incurred claims that do not arise from the effects of the time value of money, financial risk and changes therein.
- Impairment losses on assets for insurance acquisition cash flows and reversals of such impairment losses.

Insurance finance income and expense

Insurance finance income or expenses will comprise the change in the carrying amount of the group of insurance contracts arising from:

- The effect of the time value of money and changes in the time value of money
- The effect of financial risk and changes in financial risk

For contracts that will be measured under the GMM insurance finance income or expenses will reflect interest accreted on the future cash flows and the CSM and the effect of changes in interest rates and other financial assumptions.

For contracts that will be measured under the VFA insurance finance income or expenses will comprise changes in the measurement of the groups of contracts caused by changes in the value of underlying items (excluding additions and withdrawals).

The Group will disaggregate the changes in the risk adjustment for non-financial risk between insurance service result and insurance financial income or expenses.

The Group has an accounting policy choice to either present all of the period's insurance finance income or expenses in profit or loss or to split the amount between profit or loss and other comprehensive income (OCI). The accounting policy choice is applied on a portfolio-by-portfolio basis. The Group will not disaggregate insurance finance income or expenses between the profit or loss and the OCI for any of its portfolios.

Net income or expense from reinsurance contracts held

Net expenses from reinsurance contracts will comprise an allocation of reinsurance premiums paid less amounts recovered from reinsurers.

Summary of significant accounting policies

The Group will present separately on the face of the consolidated income statement, the amounts expected to be recovered from reinsurers, and an allocation of the reinsurance premiums paid.

The Group will treat reinsurance cash flows that are contingent on claims on the underlying contracts as part of the claims that are expected to be reimbursed under the reinsurance contract held. Ceding commissions that are not contingent on claims of the underlying contracts will be presented as a deduction in the premiums to be paid to the reinsurer which is then allocated to profit or loss.

B. Transition approach and impact

Transition

On the transition date 1 January 2022, the Group will:

- identify, recognise and measure each group of insurance contracts as if IFRS 17 had always applied, unless is impracticable;
- derecognize previously reported balances that would not have existed if IFRS 17 had always been applied; and
- recognise any resulting net difference in equity

Unless it is impracticable to do so, the Group will apply IFRS 17 retrospectively. From the assessment performed, the Group intends to apply the full retrospective approach for all the contracts issued from 1 January 2021 and subsequently. For the long-term contracts (Savings, Participating, Non-Participating) which are issued before 2021, the Company has determined that obtaining reasonable and supportable information to apply the full retrospective approach is impracticable without undue cost or effort. Therefore, for the long-term contracts issued before 2021, the Company has the choice to apply either the modified retrospective approach or the fair value approach. For these long-term contracts, the Group intends to apply the fair value approach.

Under the fair value approach, on transition the Group will group contracts from multiple cohorts and groups into a single unit for accounting purposes. Additionally, the Group shall determine the contractual service margin (CSM) of the liability for remaining coverage at the transition date as the difference between the fair value of the group of insurance contracts and the fulfilment cash flows measured at that date. In determining fair value, the Group will apply the requirements of IFRS 13 Fair Value Measurement, except for the demand deposit floor requirement. The Group will use income approach to calculate the fair value of the insurance contracts at the transition date.

For the application of the fair value approach, the Group intends to use the permitted modification to use reasonable and supportable information available at the transition date to identify groups of insurance contracts.

The discount rate for the group of contracts applying the fair value approach will be determined at the transition date and will be used for the measurement of fulfilment cash flows as of that date. The discount rate that will be used for accretion of interest on the CSM will be determined using the bottom-up approach at the transition date.

For the short-term contracts (group life and accident and health) issued before 2021, even though only current and future information is required to reflect the circumstances at the transition date, the Group intends to apply the permitted modification in accordance with the modified retrospective approach and will not divide groups into those that do not include contracts issued more than one year apart.

Summary of significant accounting policies

Estimated impact from the adoption of IFRS 17

The Group is in the process of evaluating the estimated impact that the initial application of IFRS 17 will have on its financial statements since:

- The calculations for the transition to the new standard have not yet been completed and as such the accounting policies, judgments and estimations described above may also be subject to changes until the Group finalizes its first financial statements that include the date of initial application;
- The Group continues to improve the new accounting procedures and the required internal controls for the application of IFRS 17;
- The new systems and the relevant checks are not yet operational; and
- The Group has not finalised the tests and the assessment of controls of the new information technology systems and any other changes in the governance framework.

As mentioned in section "Measurement of Insurance contracts issued" above, and on an early reading, the transition to IFRS 17 with regards to life contracts is expected to have a significant net positive impact to the Company's equity while no significant impact to the Company's equity is expected from the group life and accident and health insurance contracts.

- *IFRS 17 Insurance Contracts (Amendments): Initial Application of IFRS 17 and IFRS 9 – Comparative information (effective for annual periods beginning on or after 1 January 2023).* The amendments add a new transition option to IFRS 17 (the 'classification overlay') which will mitigate the operational complexities and the accounting mismatches that will be created in the comparative information between the obligations of the insurance contracts and the related ones financial assets upon initial application of IFRS 17. They allow the presentation of comparative information related to financial assets in a manner more consistent with IFRS 9 Financial Instruments. No significant effects on the Group's financial statements are expected.
- *IFRS9 Financial Instruments: The standard will replace IAS 39 Financial Instruments: Recognition and Measurement, from its effective date. The standard introduces new provisions for the classification and measurement of financial assets and liabilities, for the impairment methodology and hedge accounting.*

Part 1: Classification and measurement of financial assets and liabilities

All recognized financial assets that are currently within the scope of IAS 39 and will fall within the scope of IFRS 9 will be measured either at amortized cost or at fair value upon initial recognition. Specifically:

- a debt instrument, held within a business model whose objective is to collect contractual cash flows and has cash flows consisting solely of principal and interest payments on principal, must be measured at amortized cost (less any impairment) unless the asset has been determined at fair value through profit or loss, based on the fair value measurement option.
- a debt instrument that is held within a business model whose objective is both to collect contractual cash flows and to sell the assets and has contractual terms that only provide for the payment of principal and interest on the principal on specific dates, must be measured at fair value which will be presented in the statement of Other Comprehensive Income, unless the asset is classified at fair value through profit or loss, based on the fair value measurement election.
- all other debt instruments should be measured at fair value through profit or loss.

Summary of significant accounting policies

- all equity instruments are measured at fair value, and gains or losses are recognized in the income statement, except where with the possibility of an irrevocable option provided by the standard on the initial recognition of an instrument that is not held for trading purposes, nor does it involve a contingent price for a business combination under IFRS 3, this can be measured at fair value through Other Comprehensive Income while dividend income will be recognized in the income statement.

With respect to financial liabilities, a significant change is the presentation of changes in the fair value of a financial liability, which has been determined at fair value through profit or loss, and the changes arise from a change in the credit risk of the liability. According to IFRS 9 such changes are presented in the statement of Other Comprehensive Income, unless the presentation of the effect of the change in credit risk in that statement creates or widens an accounting mismatch in the income statement. Changes in the fair value which are due to the change in the credit risk of the financial liability, are not subsequently transferred to the income statement.

Part 2: Impairment of financial assets

IFRS 9 introduces a single model for the recognition of impairment losses applicable to securities that are measured at amortized cost and at fair value through other comprehensive income. The impairment model under IFRS 9 reflects expected credit losses as opposed to realized credit losses under IAS 39. This means that it is not necessary for a credit event to occur for credit losses to be recognised. The amount of expected credit losses should be revised at each financial statement date to take into account changes in credit risk since initial recognition.

The Group will recognize a loss provision for expected credit losses on:

- financial assets valued at amortized cost
- investments in debt securities valued at fair value through other comprehensive income
- assets from contracts.

The Group will measure the loss allowance for a financial instrument at an amount equal to expected credit losses over the lifetime of the financial instrument, except in the following cases where they are measured at an amount equal to twelve-month expected credit losses:

- debt securities determined to have low credit risk at the reporting date, and
- other debt securities and bank balances for which the credit risk (ie the risk of default arising over the expected life of the financial instrument) has not increased significantly since initial recognition.

The loss allowance for trade receivables and contract assets will always be valued at an amount equal to expected credit losses over the life of the financial instrument.

In determining whether the credit risk of a financial asset has increased significantly since initial recognition and in estimating expected credit losses, the Group will consider reasonable and supportable information that is relevant and available without excessive cost. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and up-to-date credit assessment, as well as forward-looking information.

The Group assumes that the credit risk of a financial asset has increased significantly if it is overdue for more than 60 days.

Part 3: Hedge Accounting

The general hedge accounting requirements of IFRS 9 retain the three basic hedge accounting mechanisms of IAS 39, but also expand the types of financial products that can be used as hedging instruments and the types of hedged items included in non-financial products, which may be subject to hedge accounting. In addition the effectiveness controls have been revised and replaced by the principle of economic correlation. The requirement to demonstrate retrospective effectiveness no

Summary of significant accounting policies

longer exists, however more disclosures have been introduced regarding entities' risk management. The Group does not apply hedge accounting.

- Transitional Provisions

IFRS 9 comes into effect on 1 January 2023, with application permission before the effective date. IFRS 9 requires an entity to apply the standard retrospectively with certain exceptions and not to apply it to assets that have been written off at the date of initial application, i.e. 1 January 2023. [IFRS 9:7.2.1]

An entity that adopts the classification and measurement requirements of this Standard need not restate prior periods ("modified retrospective approach"). An entity may restate prior periods if and only if it is possible without retrospective use and subject to classification overlap explained below. If an entity does not restate prior periods, the entity recognizes any difference between the previous carrying amount and the carrying amount at the beginning of the annual reporting period that includes the date of initial application in retained earnings of the annual reporting period that includes the date of initial application. The Group has chosen to apply the modified retrospective approach without restating comparative data on 1 January 2023.

Based on the analysis of the Group's financial assets as of 31 December 2022 and based on the facts and circumstances existing on that date, the Group's Management has assessed the impact of IFRS 9 on the Group's consolidated financial statements as follows:

- Classification

A summary of the results of the assessment of the classification of financial assets and liabilities is presented in the table below:

Assets and liabilities linked to insurance investment plans	IAS 39	IFRS 9
Financial assets at fair value through profit or loss	Fair value through profit or loss	Fair value through profit or loss
Cash and bank deposits ¹	Loans and receivables	Fair value through profit or loss
Liabilities of superannuation and managed pension funds	Fair value through profit or loss (specified)	Fair value through profit or loss (specified)
Assets and liabilities not linked to insurance investment plans	IAS 39	IFRS 9
Financial assets at fair value through profit or loss	Fair value through profit or loss	Fair value through profit or loss
Debtors and accrued income (except rent receivables)	Loans and receivables	Amortised cost
Loans and receivables (excluding items within the scope of IFRS 17)	Loans and receivables	Amortised cost
Cash and bank deposits ¹	Loans and receivables	Amortised cost
Premiums receivable and other insurance receivables	Loans and receivables	Amortised cost
Creditors and accruals	Amortised cost	Amortised cost
Bank overdraft	Amortised cost	Amortised cost

¹ The classification impact has only affected bank deposits linked to insurance investment plans of EUR 52 393 153

Summary of significant accounting policies

- Impairment

The impact of IFRS 9 on the impairment of assets within the scope for impairment is shown below:

	Gross book value	IFRS 9	IAS 39	Impact on transition
	€000	€000	€000	€000
Cash and bank deposits ²	62 740	2	-	2
Loans and receivables	4 547	2 478	2 243	235
Debtors and prepayments/ Premiums receivable and other insurance receivables ¹	1 483	42	-	42
Total²	68 770	2 522	2 243	279

1 Only items within the scope other than non-essential items and trade payables.

2 Cash and bank deposits include assets linked to investment plans and are classified at fair value through profit or loss.

The effect of the transition amounting to €279 000 will be recognized in retained earnings on 1st January 2023, as presented in the Consolidated Statement of Changes in Equity.

- *IAS 1 Presentation of Financial Statements (Amendments) and IFRS Practice Statement 2 Making Materiality Judgements: Disclosure of Accounting Policies (effective for annual periods beginning on or after 1 January 2023).* The amendments to IAS 1 and the update to IFRS Practice Statement 2 aim to help companies on the application of materiality to the disclosure of accounting policies. The key amendments to IAS 1 include: (1) requiring companies to disclose their material accounting policies rather than their significant accounting policies, (2) clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed, and (3) clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a company's financial statements. The amendments to IFRS Practice Statement 2 are to include guidance and two additional examples on the application of materiality to accounting policy disclosures. The amendments are consistent with the refined definition of material i.e. "Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those financial statements". The Group is currently assessing the impact of the amendments on its financial statements and as of the date of issue of these financial statements the impact of the amendments is not reasonably estimable.

Summary of significant accounting policies

- *IAS 1 Presentation of Financial Statements (Amendments): Classification of Liabilities as Current or Non-current and Non-current Liabilities with covenants (effective for annual periods beginning on or after 1 January 2024).* In 2020, the IASB has amended IAS 1 to promote consistency in application and clarify the requirements on determining if a liability is current or non-current. Under existing IAS 1 requirements, companies classify a liability as current when they do not have an unconditional right to defer settlement of the liability for at least twelve months after the end of the reporting period. As part of its amendments, the IASB has removed the requirement for a right to be unconditional and instead, now requires that a right to defer settlement must have substance and exist at the end of the reporting period. Similar to existing requirements in IAS 1, the classification of liabilities is unaffected by management's intentions or expectations about whether the company will exercise its right to defer settlement or will choose to settle early.

On 31 October 2022 the IASB issued further amendments to IAS 1 i.e. Non-current liabilities with covenants. The new amendments aim to improve the information an entity provides when its right to defer settlement of a liability is subject to compliance with covenants within twelve months after the reporting period. The amendments clarify that only covenants with which a company must comply on or before the reporting date affect the classification of a liability as current or non-current. Covenants with which the company must comply after the reporting date (i.e. future covenants) do not affect a liability's classification at that date. However, when non-current liabilities are subject to future covenants, companies will now need to disclose information to help users understand the risk that those liabilities could become repayable within 12 months after the reporting date.

The amendments also clarify how a company classifies a liability that can be settled in its own shares (e.g. convertible debt). When a liability includes a counterparty conversion option that involves a transfer of the company's own equity instruments, the conversion option is recognised as either equity or a liability separately from the host liability under IAS 32 Financial Instruments: Presentation. The IASB has now clarified that when a company classifies the host liability as current or non-current, it can ignore only those conversion options that are recognised as equity. Companies may have interpreted the existing IAS 1 requirements differently when classifying convertible debt. Therefore, convertible debt may become current.

The Group is currently assessing the impact of the amendments on its financial statements and as of the date of issue of these financial statements the impact of the amendments is not reasonably estimable.

- *IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (Amendments): Definition of Accounting Estimates (effective for annual periods beginning on or after 1 January 2023).* The amendments to IAS 8 are issued to clarify how companies should distinguish changes in accounting policies from changes in accounting estimates, with a primary focus on the definition of and clarifications on accounting estimates. The amendments introduce a new definition for accounting estimates: clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty. The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that a company develops an accounting estimate to achieve the objective set out by an accounting policy. Developing an accounting estimate includes both: (1) selecting a measurement technique (estimation or valuation technique), and (2) choosing the inputs to be used when applying the chosen measurement technique. The effects of changes in such inputs or measurement techniques are changes in accounting estimates. The definition of accounting policies remains unchanged. The Group is currently assessing the impact of the amendments on its financial statements and as of the date of issue of these financial statements the impact of the amendments is not reasonably estimable

Summary of significant accounting policies

- *IFRS 16 Leases (Amendments): Lease Liability in Sale and Leaseback (effective for annual periods beginning on or after 1 January 2024).* The IASB has issued amendments to IFRS 16 Leases, which add to requirements explaining how a company accounts for a sale and leaseback after the date of the transaction. A sale and leaseback is a transaction for which a company sells an asset and leases that same asset back for a period of time from the new owner. IFRS 16 includes requirements on how to account for a sale and leaseback at the date the transaction takes place. However, IFRS 16 had not specified how to measure the transaction when reporting after that date. The amendments issued in September 2022 impact how a seller-lessee accounts for variable lease payments that arise in a sale and leaseback transaction. The amendments introduce a new accounting model for variable payments and will require seller-lessees to reassess and potentially restate sale and leaseback transactions entered into since 2019.

The amendments confirm the following: (1) On initial recognition, the seller-lessee includes variable lease payments when it measures a lease liability arising from a sale and leaseback transaction. (2) After initial recognition, the seller-lessee applies the general requirements for subsequent accounting of the lease liability such that it recognises no gain or loss relating to the right of use it retains. The Group is currently assessing the impact of the amendments on its financial statements and as of the date of issue of these financial statements the impact of the amendments is not reasonably estimable.

- *IFRS 10 Consolidated Financial Statements (Amendments) and IAS 28 Investments in Associates and Joint Ventures (Amendments): Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (effective date postponed indefinitely; early adoption continues to be permitted).* The amendments address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28, in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business (as defined in IFRS 3). A partial gain or loss is recognised when a transaction involves assets that do not constitute a business. In December 2015, the IASB postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting. The Group is currently assessing the impact of the amendments on its financial statements and as of the date of issue of these financial statements the impact of the amendments is not reasonably.

4. Classification of insurance products

An insurance contract is a contract under which one party (the insurer) accepts significant insurance risk from the other party (the policyholder), by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder.

A contract that was classified as an insurance contract remains so until the fulfillment or expiration of all rights and obligations deriving from the contract, even if the insurance risk has been significantly reduced during the contract period.

5. Basis of consolidation

The consolidated financial statements include the accounts of Universal Life Insurance Public Company Ltd (the "Company") and all its subsidiaries companies (Note 7) that together with the Company are referred to as the "Group". All are fully owned both in 2022 and 2021 except for Universal Golf Enterprises PLC, where at 31 December 2022 the Company held 94.14% (2021: 94.14%) of its share capital and Universal Golf Enterprises PLC's subsidiary - Universal Green Energies Limited, in which the Company indirectly held 94.14% in 2022. Transactions and balances arising between subsidiaries of the Group are eliminated on consolidation. The subsidiaries are consolidated from the date on which the Group acquired control and cease to be consolidated when control is transferred outside the Group.

Subsidiaries are all companies (including structured companies) in which the Group has control. The group controls an entity (company) when it is exposed or has the rights, to the variable returns from its involvement with the company and has the ability to influence the returns through the control it exercises over the company.

Summary of significant accounting policies

The Group recognises any minority rights in the acquired company either at fair value or to the share of the net assets of the acquired company and corresponds to the minority interest, for each acquisition separately.

The financial statements of the subsidiary companies of the Group are prepared for the same financial reporting period as the holding company, using the same accounting policies.

Transactions with minority shareholders (non-controlling interest)

The Group treats transactions with minority shareholders as transactions with shareholders of the Group. For purchases by minority shareholders, the difference between the acquisition cost and the participation at the book value of the recognisable net asset of the acquired subsidiary, is recognised in equity. Profits or losses of the Group from sales in minority interest are also included in equity.

6. Foreign currency transaction

The consolidated financial statements are presented in Euro (€), which is the functional and presentation currency of the Company and its subsidiaries in Cyprus. Transactions in foreign currencies are recording using the functional currency rate of exchange ruling at the date of transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the reporting date of the consolidated financial position. Non-monetary assets and liabilities measured at fair value in foreign currency are translated using the exchange rate at the date that the fair value was determined.

Exchange differences arising from current transactions in relation to insurance business, the translation of the investments relating to unit-linked investment plans and of other assets and liabilities denominated in foreign currencies, are dealt with in the income statement of the respective business.

7. Insurance business

Products issued by the Group are considered insurance policies when the Group accepts a significant insurance risk from the policyholder by agreeing to indemnify the policyholder in the event of the occurrence of a specified uncertain future event that adversely affects the policyholder. In the assessment, which is made on a policy-by-policy basis, the Group will take into account all of its substantive rights and obligations, whether arising from contract, law or regulation.

Life and annuity business

The operations of life and annuity business include life insurance and their supplementary benefits and annuities. Premiums from life insurance policies which are not linked to investments are accounted for when they become due and the grace period has not elapsed according to the terms of the respective insurance contracts.

Premiums

Premiums from life insurance policies which are linked to investments are accounted for when they are collected and units are distributed to the policyholders.

Commissions

Commissions to insurance intermediaries are recognized in the income statement on an accrual basis, in accordance with the terms of the agreements with intermediaries.

Insurance liabilities

A provision is made for risks incurred and for matured policies. The insurance liabilities and consequently the results of the business are determined following the actuarial valuation of insurance liabilities for in-force policies, including benefits to participating policies. The amount of the surplus which is allocated to the shareholders of the Company and to the holders of participating insurance policies or which is retained for distribution in future years is determined by the Board of Directors on the advice of the actuaries.

Summary of significant accounting policies

Unappropriated surplus

The unappropriated surplus represents the excess of assets over liabilities of policyholders with Discretionary Participating Features (DPF), not yet divided between them and the shareholders. The Group has elected to classify the entire unallocated surplus as a liability without any allocation to equity. This reflects the fact that the participation of shareholders in the distribution of profits occurs only during distribution. The Group has the discretion to decide the amount and time of distribution of this surplus.

Accident and health insurance business

Premiums

Premiums are accounted for during the period where the risk coverage applies.

Commissions

Commissions to insurance intermediaries are recognized in the income statement on an accrual basis, in accordance with the terms of the agreements with intermediaries.

Insurance liabilities

Insurance contract liabilities includes a provision for the estimated amount of claims that have arisen but have not been settled by the reporting date. For cases where the claim has been notified, the provision is calculated on a case by case basis and is based on the estimated cost including settlement expenses. The provision includes claims in relation to risks incurred but not reported (I.B.N.R) up to the reporting date. Past experience and actual data regarding the number and amount of claims reported after the reporting date are used to calculate this provision up to the preparation date of the consolidated financial statements. Insurance contract liabilities for pending claims of accident and health business are based on the expected final cost of all claims that have been occurred and not been settled by the reporting date, whether or not they have been disclosed to the Company, including claims management costs.

The unearned premiums reserve represents the amount of premiums that relates to the risk period after the reporting date. Provision is made separately for each insurance policy taking into account the frequency of payment.

The deferred acquisition costs (costs that relate to policies contracted in the current financial year but which relate also to future years) are calculated on a comparable basis to that used for unearned premiums.

The reserve for unexpired risks is calculated based on claims and management expenses expected to be incurred after the end of the financial year and is in relation to policies contracted before this date, to the point that their expected amount exceeds the unearned premiums reserve.

Management of retirement and pension funds

Contracts that have the legal form of an insurance policy and do not transfer significant insurance risk or expose the Group to financial risk are classified as investment contracts. The Group manages retirement funds and group pension plans on behalf of its customers and staff. Premiums from retirement and pension funds are recorded when they are received and units are allocated to members.

Examination of the adequacy of the insurance liabilities

The Group examines at each balance sheet date whether its recognised insurance liabilities are adequate, using the current valuations of insurance policies' future cash flows. If the book value of insurance liabilities is insufficient, the total deficit is recognised in the income statement.

Summary of significant accounting policies

Liabilities of life insurance policies related to investments

The insurance liabilities and consequently the results of life, accident and health insurance businesses, are determined following the annual actuarial valuation of the liabilities of these businesses. The surplus or deficit from the operations, is distributed to the policyholders and to the shareholders according with the terms of their insurance policies. The insurance liabilities include the unit reserve, which represents the fair value of the units at the reporting date. They also include the insufficiency reserve, which is calculated separately for each insurance policy by the discount method, for each year that future expenses exceed income, until the expiration of the policy.

Investment contracts liabilities

The liability of investment contracts linked to investments is determined following an annual actuarial assessment of the liabilities of these contracts. The investment contracts liability linked to investments, include the unit reserve, which represents the fair value of the units at the reporting date. It also includes the insufficiency reserve, which is separately calculated for each investment contract using the discount method, for each year where the future expenses exceed income, until the expiration of the contract.

Liabilities of non-investment life insurance policies

The liabilities are calculated on the basis of actuarial assumptions, and the present value of premiums is deducted from the present value of the sum insured for each insurance policy.

8. Investment income

Investment income includes interest income, dividends and rents from investment property and is shown after the deduction of investment management fees.

Interest income is recognized using the effective interest rate. Dividend income is recognised when the Group's right to receive payment is established.

Rental income from investment properties is accounted for on a systematic basis over the lease period.

9. Provision of retirement benefits

The Group operates several defined contributions plans for providing retirement benefits to permanent employees and insurance agents.

Contributions are made in separate defined contribution schemes calculated as fixed percentages of the emoluments of staff and of the commissions of insurance agents. The relevant cost is recognised in the consolidated statement of comprehensive income.

10. Interest Expenses

Interest expenses are recognised in the year in which they are incurred.

11. Investment property

Property that is held by the Group for rental and / or for capital appreciation is classified as investment property. In the case that property held by the Group is used partly in the Group's operations and partly for rental or is kept for capital appreciation, the classification is dependent on whether the constituent parts can be sold separately. If this is not the case, the property is classified as property used in the Group's operations unless the part used by the Group is insignificant. The classification of properties is examined on a systematic basis and is revised whenever there are significant changes in their use.

Investment properties are initially measured at cost including transaction costs. Subsequent to initial recognition investment properties are measured at fair value as at the reporting date. Valuations are carried out by independent valuers. Depending on the nature of the property and the existing market information the determination of fair value may require the use of estimates such as future cash flows

Summary of significant accounting policies

from property and the appropriate discount rate for the flows. Properties held for unit-linked investment plans are subject to intermediate valuations performed by the Group's Management.

Gains or losses arising from changes in the fair value of investment properties are included in the consolidated income statement of the period in which they arise.

Transfers to or from investment properties are made when there is a change in use evidenced by the end of private use, the beginning of an operating lease to another person or the completion of construction or development. For a transfer from investment property to owner-occupied property, the deemed cost of property for subsequent recognition is the fair value at the date of change in use. If an owner-occupied property is transferred to investment property, the Group recognises this property in accordance with the policy followed for owner-occupied properties until the date of the change in use.

12. Investments

All investments are classified as investments at fair value through profit or loss and are measured at fair value.

All purchases and sales of investments for normal delivery are accounted for on the date of the transaction, on which the Group is committed to purchase or sell the investment.

Investments cease to be recognised when the contractual rights over their related cash flows expire or when the Group transfers all risks and rewards of ownership.

Investments classified as investments at fair value through profit or loss include investments held for trading and other investments.

Investments held for trading are those that (a) are acquired or incurred principally for the purpose of sale or repurchase in the near future, or (b) are part of a portfolio of separately identifiable financial instruments that have been commonly managed and for which there is evidence of a recent pattern of short term profit-taking.

All other investments are classified as investments at fair value through profit or loss upon their initial recognition when (a) the classification removes or reduces significantly an inconsistency that relates to the measurement of assets or liabilities or the recognition of related profits or losses using different bases or (b) they are collectively managed, investment performance is assessed having regard to their fair value in accordance with a verified risk or investment management strategy and information is provided to the Management of the Group on the same basis.

Investments at fair value through profit or loss are measured at fair value, based on market prices for listed securities. The fair value of unlisted securities is estimated using appropriate models and valuation methods and/or on the basis of the investee's financial results, condition and prospects of the investee, compared to those of similar companies for which quoted market prices are available. Changes in fair value of investments classified at fair value through profit or loss are recognized in the consolidated statement of comprehensive income.

All Group investments are classified as investments at fair value through profit or loss as all the conditions for such classification are met.

Summary of significant accounting policies

13. Property, equipment and computer software

Freehold land and buildings occupied by the Group for use in the supply of services or for administrative purposes are classified as properties used for the operations of the Group and are initially measured at cost. Periodically, these properties are revalued to their estimated fair value, based on valuations by independent qualified valuers, less accumulated depreciation.

Increases in book value resulting from revaluation are credited to other comprehensive income and then to the revaluation reserve in equity. Decreases that offset previous increases in the same asset are charged against this reserve. All other deductions are charged to results.

Depreciation is calculated on the revalued amount less the estimated residual value on a straight-line basis over the useful economic life, which has been estimated to be between 25 and 50 years. Land is not depreciated.

On disposal of freehold property, the relevant reserve balance is transferred to retained earnings / accumulated losses.

The cost of adapting / improving leasehold property is amortised over 10 years or during the period of the lease if it does not exceed 10 years.

Equipment and computer software is measured at cost less accumulated depreciation and any impairment. Depreciation is calculated on a straight-line basis over their expected useful life using the following rates per annum:

Office, furniture and equipment	10% - 25%
Motor vehicles	12% - 20%
Computer software	20% - 33 1/3%

The book value of equipment and computer software is reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. If there is such an indication and the book value is greater than the expected recoverable amount the assets or the cash flow creating units are impaired to the recoverable amount. The recoverable amount for equipment and computer software is the greater of the net sale proceeds and the value in use. For the calculation of the value in use, the expected future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current estimates of the market for the time value of money and the specific risks associated with the asset. For assets that do not generate cash flows from their continuous use, that are independent of the cash flows of other assets, the recoverable amount is determined for the unit that generates the cash flows to which the asset belongs.

Expenditure on repairs and maintenance of property, plant and equipment are charged to the consolidated statement of comprehensive income in the year in which they are incurred. Major renovation and other subsequent costs are included in the asset's book value or recognised as a separate asset only when it is probable that future financial benefits will accrue to the Group in respect of the asset, and its cost can be reliably calculated.

Profits and losses on disposal of property, plant and equipment are determined by comparing collections to book value and are recognised in the consolidated statement of comprehensive income. In the event of disposal of revalued assets, the amounts included in the other reserves are transferred to the retained earnings.

14. Claims from reinsurers

The Group reinsures risks that exist as a result of insurance contracts issued in the normal course of business.

Summary of significant accounting policies

Claims from reinsurers include their share of insurance contracts liabilities and of insurance claims and are calculated in accordance with the terms of the reinsurance agreements.

Reinsurance premiums, commissions from reinsurers and their share in insurance contracts liabilities are shown separately in the financial statements.

Amounts due from reinsurers are reviewed for possible impairment and are impaired to the recoverable amount when there is objective evidence that the Group may not collect the whole amount due according to the terms of the reinsurance agreements.

15. Insurance receivables and other debtors

Insurance receivables and other debtors are presented in the consolidated statement of financial position net of the provisions for bad and doubtful debts that may arise in the normal course of business.

A specific provision is made when there is objective evidence that the Group will not fully collect the amount due. The provision is the difference between the carrying amount of the claim and the expected recoverable amount that is defined as the present value of the expected future cash flows including the expected recoverable amounts from guarantees and securities discounted using the effective interest rate of the debt.

Provisions for impairment of debtors

The Group is considering whether there are reasonable indications that it will not collect all amounts due. Such indications include repayment history, the financial condition of the debtor and the realizable value of any collateral. If such evidence exists, the recoverable amount of the receivable is calculated and a provision for impairment of debtors is established. The amount of the provision is recognized in the consolidated statement of comprehensive income. Credit risk is considered on an ongoing basis. The methodology and assumptions for calculating the provision for impairment are reviewed regularly to limit differences between calculated and actual losses on bad debts. Management believes that the largest credit risk is borne by the balances related to loans and receivables. A 5% decrease in the fair value of mortgaged properties in relation to these loans would result in an increase in the provision for impairment of these loans of €623 thousand.

16. Income Tax

Provision is made for income tax in accordance with the fiscal regulations and rates which apply in the countries where the Group operates and is recognised as an expense in the period in which the income arises. The Group operates, and is therefore subject to income tax, in Cyprus and Romania. The determination of the income tax provision requires estimates at the date of preparation of the financial statements, since the final determination of taxation is uncertain. Where the final taxation differs from the amounts initially recognized in the results, the differences will affect the tax expense, tax liabilities and deferred tax assets or liabilities of the period in which the final settlement with the relevant tax authorities is made.

Deferred tax liabilities are recognised for all taxable temporary differences between the tax basis of assets and liabilities and their carrying amounts at the reporting date which will give rise to taxable amounts in future periods.

Deferred tax assets are recognised for all deductible temporary differences and carry-forward of unutilised tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and carry-forward of unutilised tax losses can be utilised. The Group's policy is not to recognise deferred tax on balances related to IFRS 16 (assets and liabilities).

Summary of significant accounting policies

The book value of deferred tax assets is reviewed at each reporting date and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to utilise all or part of the deductible temporary differences or tax losses.

Deferred tax assets and liabilities are measured at the amounts that are expected to be recovered from or paid to the tax authorities, taking into account the legislation and tax rates in force or materially enacted, up to the reporting date.

Current and deferred tax assets and liabilities are offset when they arise from the same tax reporting entity and relate to the same tax authority and when the legal right to offset exists.

17. Cash and cash equivalents

For the purposes of the consolidated cash flow statement, cash and cash equivalents comprise cash deposits and other highly liquid investments that are readily convertible into cash or are repayable within three months of the date of acquisition, less any bank overdrafts. In the financial statement position, bank overdraft including liabilities and are considered short-term.

18. Provisions for legal disputes

Provisions for legal disputes are recorded when: (a) The Group has a current obligation (legal or constructive) arising from past events, (b) it is possible that a cash outflow of economic benefits would be required for settlement of the obligations and (c) a reliable estimate of the amount of the obligation can be made.

19. Offsetting financial instruments

Financial assets and financial liabilities may be offset and the net amount reported in the consolidated statement of financial position when the Group has a legally enforceable right to offset the amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

20. Write off of financial liabilities

A financial liability is written off when it is repaid, namely when the contractual liability is fulfilled or cancelled, or when it expires.

21. Share capital and share premium

Ordinary shares are classified as equity. The difference between the fair value that is received by the Group upon the issue of shares and the nominal value of the issued share capital is transferred to the share premium account.

This difference can be recovered in limited ways, which do not include the distribution of dividends and is subject to the provisions of the Companies Law on the reduction of share capital.

22. Leases

The Group assesses at the conclusion of the contract whether a contract is or contains a lease. This is the case if the contract transfers the right to control the use of a specified asset for a period of time for consideration.

The Group as a lessee

The Group applies a uniform initial recognition and measurement approach for all leases except short-term leases and leases of low value assets. The Group recognises lease liabilities for lease payments and right-to-use assets for these assets.

Summary of significant accounting policies

A) Assets with the right of use

The Group recognises assets with a right to use on the date of commencement of the lease (i.e. the date that such asset is available for use). Right-to-use assets shall be valued at cost less accumulated depreciation and impairment losses, also adjusting them for any adjustment of lease liabilities. The cost of right-to-use assets includes the amount of recognised lease liabilities, initial direct costs as well as lease payments made on the start date or before the start date, less the rental incentives received. The right of use assets are depreciated using the fixed depreciation method during the shortest period of lease and the estimated useful life of the assets, as follows:

- Properties – 4 to 6 years
- Vehicles – 6 years

If ownership of the leased asset is transferred to the Group at the end of the lease or the cost reflects the exercise of a right to purchase, the depreciation is calculated on the basis of the estimated useful life of the asset. Assets with the right of use are also subject to impairment.

B) Lease liabilities

At the date of commencement of the lease, the Group recognizes lease liabilities that are measured at the present value of the payments to be made during the lease term. Liabilities payments include fixed payments (including fixed payments within the agreement) minus any receivables incurred, variable leases (depending on a ratio or percentage) and amounts expected to be paid with residual value guarantees. Lease payments also include the cost of exercising a purchase right that is reasonably certain to be exercised by the Group and payments to terminate the lease if the term of the lease indicates that the Group is expected to exercise the right to terminate. Variable rental payments that do not depend on an indicator or a percentage are recognised as expenses during the period in which the event or situation that triggers the payment occurs.

When calculating the present value of lease payments, the Group uses its incremental interest rate on the date of commencement of the lease, as the interest rate on the lease is not immediately identifiable. After the start date, the amount of rental liabilities increases to reflect the increase in interest and decreases for lease payments. In addition, the book value of lease liabilities is revalued if there is a modification, change in lease term, change in lease payments (i.e. changes in future payments resulting from a change in the index or rate used to determine these payments) or change in the valuation of the right to purchase the asset.

C) Short-term leases and leases of low value assets

The Group applies the recognition of short-term leases exemption to short-term leases (i.e. those leases that have a lease term of 12 months or less from the start date and do not include the right to purchase). The Group applies the recognition of low-value assets exemption in leases that are considered low-value. Lease payments for short-term leases and leases of low-value assets are recognised as costs by the fixed method during the lease.

The Group's policy is not to recognise differed tax on balances related to IFRS 16 (assets and liabilities).

Summary of significant accounting policies

The Group as the lessor

A) Operating leases

When the Group is the lessor in a lease that substantially transfers all the risks and rewards associated with the lessee's ownership (i.e. operating lease), the rental income is recognised as "other income" using the straight-line method over the term of the lease. The initial direct costs incurred in obtaining an operating lease are added to the book value of the underlying asset and are recognised as an expense over the lease term on the same basis as the rental income. The corresponding leased assets are included in the statement of financial position based on their nature.

The modification of operating leases is accounted by the Group as a new lease as of the date of the modification, with any prepaid or accrued leases relating to the initial lease being considered part of the lease payments for the new lease.

23. Creditors and accruals

Creditors and accruals are liabilities for payment of goods or services acquired from suppliers during the normal course of the Group's operations. Creditors and accruals are initially recognised at fair value and subsequently presented at amortised cost using the effective interest rate. Creditors and accruals are considered as current liabilities if the payment is due within a year or less (or at the Group's normal turnover if higher). Otherwise, they are considered as non-current liabilities.

24. Prepayments

Prepayments are valued at cost less provisions for impairment. An advance payment is considered long-term when the goods or services related to the prepayment are expected to be acquired after one year or when the prepayment relates to an asset that will be classified as long-term upon initial recognition. Prepayments for the acquisition of assets are transferred to the book value of the asset as soon as the Group acquires control of the asset and it is probable that future financial benefits related to the asset will flow to the Group. Other prepayments are amortised on the results when the prepaid goods or services are obtained.

If there is an indication that the prepaid assets, goods or services will not be received, the book value of the prepayment is recorded accordingly and a corresponding impairment loss is recognised in the consolidated income statement.

25. Dividends distribution

The distribution of dividends to the shareholders of the Group is recognised as a liability in the consolidated financial statements of the Group in the year in which the dividends are approved and are no longer subject to the jurisdiction of the Group. In particular, interim dividends are recognised as a liability in the year approved by the Board of Directors of the Group and in the case of final dividends, they are recognised in the year approved by the shareholders.

26. Comparative information

Where necessary, comparative amounts are adjusted to be consistent with current year changes.

Notes to the Consolidated Financial Statements

1. CORPORATE INFORMATION

The consolidated financial statements of the Universal Group for the year ended 31 December 2022, were authorised for issue by the Board of Directors on 6 April 2023.

Universal Life Insurance Public Company Ltd (the «Company») was incorporated in Cyprus and is a public company in accordance with the provisions of the Cyprus Companies and Income Tax Laws. The Company is the parent company of the Universal Group.

The Company's registered office is located at 85 Dighenis Akritas Avenue, 1070 Nicosia. The principal activities of the Company, its subsidiary and associated companies during the year continued to be life business, accident and health insurance business, the administration of superannuation and managed pension funds and the provision of other financial services and investment in property.

2. SIGNIFIGANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of the financial statements in accordance with IFRS requires that the Group's Management makes assumptions and judgments that affect the book value of assets and liabilities, the disclosures of contingent liabilities and commitments at the date of preparation of the financial statements as well as the income and expenses for the period under review. Consequently the actual results may differ from these estimates. These estimates are periodically reviewed and when adjustments are required these are accounted for in the period in which they occur. The main assumptions and estimates with respect to the future that are made the consolidated statement of financial position date and incorporate significant risk of material adjustments to the carrying values of assets and liabilities within the next financial year are presented below.

Life insurance policies

Actuarial estimates are made for life insurance policies, for every year that the Group is at risk. The Group bases this on standard international mortality tables that reflect historical mortality experience. The expected number of deaths determines the value of potential future benefits expected to be paid. This value contributes to the calculation of adequate reserves that are monitored in relation to the expected revenue from current and future premiums of the Group.

Estimates are also made regarding future investment income arising from assets backing life insurance contracts. These estimates are based on current market returns as well as expectations about future economic and financial developments.

Estimates for future deaths, voluntary terminations, investment returns and administration expenses are used to calculate the liability over the term of the contract. At each reporting date, these are reassessed for adequacy, with corresponding adjustments. The additional assumptions with the largest impact on the estimation of the liabilities relate to the return on investment, the discount rate, management fees and the lapse rate. For the analysis of the sensitivity of the results to changes in significant assumptions, refer to Note 25.

Accident and health insurance policies

For accident and health insurance policies, estimates are made for the expected ultimate cost of claims reported to the Group as well as of claims incurred but not yet reported (I.B.N.R.) at the reporting date. The assessment of claims is based on past experience and on actual facts up to the date of preparation of the financial statements. For the analysis of the sensitivity of the results to changes in significant assumptions, refer to Note 25.

Notes to the Consolidated Financial Statements

Fair value of properties for own use and investment properties

The Group's accounting policy in relation to both the Group's property for own use and the property held for investment requires that it be measured at fair value. In the case of real estate held for own use, the valuation is performed at regular intervals so that the book value does not differ materially from the fair value, while in the case of investment properties, the fair value is determined at each reporting date. Estimates are made by qualified valuers by applying valuation models as recommended by the Royal Institution of Chartered Surveyors and the International Valuation Standards Committee. Valuers have used their knowledge of the market and professional judgment and have not been based solely on historical trading data, given that the degree of uncertainty is higher due to lack of an active market for determining the market value of a property. Depending on the nature of the property in question and the existing market information, the use of estimates such as future cash flows from the property and the appropriate discounted rate of such flows may be required to determine the fair value of the property, as well as additional adjustments to comparables where deemed necessary by the valuers. All these estimates are based on prevailing local market conditions at the reporting date. The relevant valuations, include assumptions of increased subjectivity due to the lack of sufficient available observable data for comparable properties. Assumptions and resulting estimates are subject to market conditions and may change substantially over time. To assess any impact on the financial position and performance of the Group, the Management prepares a sensitivity analysis for some important assumptions. The significant valuation uncertainties that result from the pandemic and the suspension/withdrawal of the Cyprus Investment Program as well as the significant unobservable data are presented in Notes 11 and 18. For sensitivity analysis of the results to changes in significant assumptions, refer to Note 35.

Notes to the Consolidated Financial Statements

3. INVESTMENT AND OTHER INCOME

	2022	2021
	€000	€000
Life insurance and annuity business		
Interest income	531	219
Dividends from equities	121	1 451
Rental income from investment property	127	133
	<u>779</u>	<u>1 803</u>
Other income (note.36)	800	-
	<u>1 579</u>	<u>1 803</u>

Maturity analysis - contractual undiscounted cash flows for investment property leases:

	2022	2021
	€000	€000
Less than one year	58	96
Between one and two years	8	38
31 December	<u>66</u>	<u>134</u>

4. EXPENSES ANALYSIS

	2022	2021
	€000	€000
Salaries and employer's contributions	7 511	6 895
Retirement benefit costs	544	572
Directors' emoluments:		
- Fees	214	197
- Emoluments in executive capacity	243	229
- Employer's contributions	34	34
Legal and other professional expenses	1 087	671
Depreciation of property and equipment	356	328
Depreciation of assets with rights of use	165	177
Amortisation of intangible assets	175	99
Profit on disposal and write-off of property and equipment and intangible asset	48	(12)
Operating lease rentals for buildings	9	7
Advertising and promotion expenses	372	323
Repair and maintenance expenses	527	516
Telecommunications and postages	149	163
Administrative expenses and related commissions	366	264
Printing and stationery	135	152
Other operating expenses	1 437	1 027
	<u>13 372</u>	<u>11 642</u>

Notes to the Consolidated Financial Statements

Other operating expenses include the fees (including taxes) of the Company's independent auditors for the years 2022 and 2021, for audit and other professional services rendered as follows:

	2022	2021
	€000	€000
Parent Company:		
- Fees for statutory audit of financial statements	122	92
- Fees for other verification services	30	29
- Fees for tax consultancy services	4	3
- Fees for other services	48	7
Subsidiaries:		
- Fees for the audit of financial statements	27	30
- Fees for tax services	4	2
	235	163

5. MINORITY RIGHTS

As at 31 December 2022 and 2021 the Company held 94,14% of the share capital of Universal Golf Enterprises PLC (see Note 7) resulting in the creation of minority rights. The voting rights do not differ from the percentage held by minority shareholders.

The financial information of Universal Golf Enterprises Plc, a company registered in Cyprus, at 31 December 2022 and 2021 are presented below:

	2022	2021
	€000	€000
Investment properties	38 479	38 587
Cash and cash equivalent	2	9
Total assets	38 587	38 695
Total liabilities	11 958	10 764
Net change in fair value of investment properties	(644)	747
Profit/(loss) after tax	(1 302)	175

6. TAX

	2022	2021
	€000	€000
Consolidated Statement of Comprehensive Income		
Corporation tax	1 975	1 510
Reversal of provisional tax	(201)	-
Special contribution to the defence fund	3	3
Deferred tax	(34)	(253)
Total tax	1 743	1 260

Notes to the Consolidated Financial Statements

Analysis of tax charge

	2022 €000	2021 €000
Tax at 1,5% on gross premiums of life insurance business in Cyprus	951	921
Tax at 12,5% of the taxable income of the accident and health insurance business	1 024	589
Special contribution for defence	3	3
Reversal of provisional tax	(201)	-
Deferred tax	(34)	(253)
Total tax	1 743	1 260

The reconciliation between the income tax expense and the profit before tax using the current income tax rates is presented below:

	2022 €000	2021 €000
Profit before tax	10 616	1 634
Tax at standard rates in Cyprus	1 924	361
Deferred tax	(34)	-
Reversal of provisional tax	(201)	-
Tax impact:		
- expenses not deductible	108	1 182
- non-taxable income	(57)	(286)
Special contribution for defence	3	3
	1 743	1 260

Cyprus

Income Tax

Income tax consists of the tax on insurance operations and other gains. The tax of insurance business is subject to special tax provisions. The income tax payable in Cyprus in relation to life insurance business is the greater amount of:

- (a) the tax which is calculated at the rate of 12,5% (2021: 12,5%) on the taxable profits attributable to the shareholders, which consists of the net income/expense in the consolidated income statement of life insurance and annuity business and
- (b) the tax which is calculated at the rate of 1,5% on gross premium income (minimum tax). The tax charge for life insurance business in Cyprus for the years 2022 and 2021 represents the minimum tax.

Income tax in respect of accident and health insurance business and of other financial services in Cyprus is calculated at the rate of 12,5% (2021: 12,5%) on the taxable income of the year.

Tax losses amounted to €105 970 (2021: €318 724) resulted from the activities of subsidiaries in Cyprus. According to current legislation, tax losses can be carried forward and offset against taxable income of the next five years from the reporting date. Tax losses for the year ended 31 December 2022, can be offset against future taxable profits by the year 2027 (2021: by 2026).

Deferred tax is not recognised for the above losses since it is not expected to be utilised before they expire.

Notes to the Consolidated Financial Statements

Special contribution for defence

The special contribution for the defence tax is calculated at the rate of 3% on rental income.

Romania

Income tax

Income tax for the Group's subsidiaries (Priority Properties Srl and Unilife Properties Srl) in Romania is calculated at 3% on its income (2021: 3%). There are no tax losses to be carried forward and therefore no deferred tax asset is recognized.

Consolidated Statement of Financial Position

	2022	2021
	€000	€000
Tax receivable	1 056	1 053
Tax payable	826	517

Deferred tax

The deferred tax arises from:

	2022	2021
	€000	€000
Company		
Difference between wear and tear allowances and depreciation	(809)	(829)
Revaluation on investment properties	(4 015)	(4 027)
	(4 824)	(4 856)
Subsidiaries		
Revaluation on investment properties	(1 509)	(1 556)
	(6 333)	(6 412)

Deferred tax

The movement of deferred tax is as follows:

	Difference between depreciation and amortisation	Revaluation	
	€000	€000	€000
At 1 January 2021	(813)	(5 745)	(6 558)
Profit for the year	(16)	269	253
Other total income	-	(107)	(107)
At 31 December 2021 / 1 January 2022	(829)	(5 583)	(6 412)
Profit for the year	20	12	32
Other total expenses	-	47	47
At 31 December 2022	(809)	(5 524)	(6 333)

Notes to the Consolidated Financial Statements

7. GROUP COMPANIES

Universal Insurance Agency Ltd	Provision of general insurance services as an agent
Universal Properties Ltd	Owner of land
Priority Properties Srl	Owner of land
Unilife Properties Srl	Owner of land
Universal Golf Enterprises PLC	Development of the Limassol Hills Golf Project
Universal Green Energies Ltd	Dormant

All the above companies were incorporated and operate in Cyprus, apart from Priority Properties Srl and Unilife Properties Srl which are incorporated in Romania and hold property. The parent Company provides financial support to the subsidiaries when needed. All of them were wholly owned subsidiaries both in 2022 and in 2021 except for Universal Golf Enterprises PLC, in which at 31 December 2022 the Company held 94,14% (2021: 94,14%) of its share. Universal Green Energies Ltd was incorporated in 2022 and is a wholly owned subsidiary of Universal Golf Enterprises PLC. On 19 December 2018 Corenca Investments PLC, Wizcode Ltd and Towmetre Ltd applied to the Registrar of Companies for deregistration and were deregistered on 23 December 2021.

8. DIVIDENDS

2022

At the Annual General Meeting held on 27 July 2022, the Board of Directors' proposal for the distribution of dividend of €0,07 per ordinary share from profit of 2020 was approved.

The dividend was paid to the shareholders on 12 August 2022 and amounted to €1 038 661. An amount of €16 746 was deducted at source for special defence contribution, applicable under the Special Contribution for the Defence of the Republic Law and €2 610 for a contribution to the General Healthcare System.

The Board of Directors at its meeting held on 6 December 2022 decided the distribution of dividend from 2020 profits of €0,061 per ordinary share by issuing Company's shares. The issue price was €5,70 per share based on the Company's calculated Embedded Value as of 31 December 2021.

The dividend was paid to the shareholders on 31 December 2022 and amounted to €905 119. An amount of €14 785 was deducted at source for special defence contribution, applicable under the Special Contribution for the Defence of the Republic Law and €2 305 for a contribution to the General Healthcare System.

At the same Board of Directors' meeting, it was decided the distribution of cash dividend from 2020 profit of €0.07 per ordinary share.

The dividend was paid to shareholders on 31 December 2022 and amounted to €1 038 661. An amount of €16 967 was deducted at source for special defence contribution, applicable under the Special Contribution for the Defence of the Republic Law and €2 645 for a contribution to the General Healthcare System.

2021

At the Annual General Meeting held on 16 December 2021 the Board of Directors' proposal for the distribution of dividend from 2019 profits of €0,144 per ordinary share, by issuing Company's shares was approved. The issued price was €5,87 per share based on the Company's calculated Embedded Value as of 31 December 2020.

Notes to the Consolidated Financial Statements

The dividend was paid to the shareholders on 31 December 2021 and amounted to €2 086 449. An amount of €33 782 was deducted at source for special defence contribution, applicable under the Special Contribution for the Defence of the Republic Law and €5 266 for a contribution to the General Healthcare System.

9. CASH AND DEPOSITS AT BANKS

	2022	2021
	€000	€000
Cash and deposits at banks	10 351	1 579
Deposits held as investments of the insurance business, retirement and pension funds and other deposits relating to insurance activities	52 393	36 952
	62 744	38 531

For cash flows statement purposes cash and deposits at banks and bank overdrafts include:

	2022	2021
	€000	€000
Cash and deposits at banks	10 351	1 579
Bank overdraft	(553)	(205)
Cash collateral	(215)	(53)
	9 583	1 321

The breakdown per currency of cash and deposits at banks is as follows:

	2022	2021
	€000	€000
Euro	62 592	38 479
Other	152	52
	62 744	38 531

Cash and deposits at banks bear interest from 0% - 0,05% annually (2021: 0% - 0,05% annually) and relate to deposits maturing within one year.

An amount of €215 000 (2021: €53 000) is pledged as collateral to provide bank guarantees required for the Company's operations.

The bank overdraft is payable on demand and is secured by a real estate mortgage.

10. DEBTORS AND PREPAYMENTS

	2022	2021
	€000	€000
Debtors	2 755	1 436

The above debtors arise in the normal course of business, are receivable on demand and do not bear interest. The amount includes €800 000 receivable from a related party (note 36). Due to their short-term nature, their book value is considered to be the same as fair value. None of the above balances are overdue or impaired.

Notes to the Consolidated Financial Statements

11. INVESTMENT PROPERTIES

	2022	2021
	€000	€000
1 January	121 336	131 018
Purchases	533	598
Disposals	(127)	-
Properties transferred from Investment properties to fixed assets	(774)	-
Revaluation	(1 209)	(10 280)
31 December	119 759	121 336
Investment properties relating to unit-linked funds	48 704	49 287
Other investment properties	71 055	72 049
	119 759	121 336

Changes in fair value of investment properties are recognised in the consolidated statement of Comprehensive income.

The amount labelled as 'Other investment properties' includes the value of investment properties of the subsidiary Universal Golf Enterprises PLC, amounting to €38 479 thousand of which a part is attributed to unit linked funds through the shares they hold in the subsidiary company Universal Golf Enterprises PLC. Refer to Note 16 for more information on investments for unit-linked policies.

Rental income from investment properties (note 3) amounting to €127 000 (2021: €133 000) includes an amount of €56 000 (2021: €41 200) of rentals from investments of unit linked funds.

Expenses for maintenance and repair of properties for which rental income is recognised amount to €5 000 (2021 €7 000).

The change in the estimated fair value of investment properties during the year is recognised in the consolidated statement of comprehensive income.

Investment properties consist of offices and other commercial properties in Cyprus, building and agricultural plots in Cyprus and Romania and residential properties in Cyprus. As at 31 December 2022 and 2021, the fair value of the investment properties is based on valuations made by independent qualified surveyors who have experience in the areas and categories of properties under consideration. Fair value measurements of real estate are classified in the 3rd level of the fair value hierarchy.

The new reality resulting from the prolonged health crisis and the suspension/withdrawal of the Cyprus Investment Program creates an unprecedented situation and consequently the valuations by independent valuers are subject to "material valuation uncertainty", as defined by Royal Institution of Chartered Surveyors (VPS3 & VPGA 10, RICS Valuation Global Standards 2020) and the estimated values have been based mainly on the analysis and processing of comparative data before the Covid-19 pandemic. This report indicates less certainty and therefore a higher degree of attention to real estate appraisals as a result of the impact of the Covid-19 pandemic and of the Cyprus investment program termination. This represents a significant estimation uncertainty concerning the valuation of real estate investments.

Notes to the Consolidated Financial Statements

(a) Investment properties except Golf development plots

Description of valuation techniques and data used in measuring the fair value of properties

31 December 2022

Category	Valuation 2022 €000	Technical valuation	Significant non-observable data	Variation of values 2022
Offices and other commercial properties measured using the comparative market method	5 060	Comparative market method	Annual estimated fair value per sq.m. Area in sq.m. Highest and best use	€1 648 - €1 800 2 887 Existing
Offices and other commercial properties measured using the comparative market method and the method of income capitalisation	1 923	Comparative market method and Method of income capitalisation	Annual rent valuation per sq.m. Rental yield Annual estimated fair value per sq.m. Area in sq.m. Highest and best use	€62 - €72 5,00% - 6,00% €1 275 - €1 493 1 352 Existing
Agriculture plots – Pano Pyrgos Tillyrias	10 603	Comparative market method	Annual estimated fair value per sq.m. Area in sq.m. Highest and best use	€5 - €8 1 278 893 Existing
Agriculture plots – Kalo Chorio, Gourri, Klirou, Fikardou of the subsidiary Universal Properties Ltd	13 034	Comparative market method	Annual estimated fair value per sq.m. Area in sq.m. Highest and best use	€5 - €16 1 404 419 Existing
Agriculture and other plots	41 221	Comparative market method	Annual estimated fair value per sq.m. Area in sq.m.	€11 - €93 3 223 498

Notes to the Consolidated Financial Statements

			Highest and best use	Existing
Residential	2 275	Comparative market method	Annual estimated fair value per sq.m.	€424 - €1 222
			Area in sq.m.	2 284
			Highest and best use	Existing
Plots in Romania	7 164	Comparative market method	Annual estimated fair value per sq.m.	€3 - €45
			Area in sq.m.	969 517
			Highest and best use	Existing
Total	81 280			

Notes to the Consolidated Financial Statements

31 December 2021

Category	Valuation 2021 €000	Technical valuation	Significant non-observable data	Variation of values 2021
Offices and other commercial properties measured using the comparative market method	5 060	Comparative market method	Annual estimated fair value per sq.m. Area in sq.m. Highest and best use	€1 648 - €1 800 2 887 Existing
Offices and other commercial properties measured using the comparative market method and the method of income capitalisation	2 648	Comparative market method and Method of income capitalisation	Annual rent valuation per sq.m. Rental yield Annual estimated fair value per sq.m. Area in sq.m. Highest and best use	€62 - €118 5,00% - 6,00% €1 203 - €2 757 1 632 Existing
Agriculture plots – Pano Pyrgos Tillyrias	11 067	Comparative market method	Annual estimated fair value per sq.m. Area in sq.m. Highest and best use	€7 - €12 1 278 893 Existing
Agriculture plots – Kalo Chorio, Gourri, Klirou, Fikardou of the subsidiary Universal Properties Ltd	13 034	Comparative market method	Annual estimated fair value per sq.m. Area in sq.m. Highest and best use	€5 - €16 1 404 419 Existing
Agriculture and other plots	41 440	Comparative market method	Annual estimated fair value per sq.m. Area in sq.m. Highest and best use	€2 - €120 3 223 498 Existing

Notes to the Consolidated Financial Statements

Residential	2 276	Comparative market method	Annual estimated fair value per sq.m.	€424 - €1 410
			Area in sq.m.	2 284
			Highest and best use	Existing
Plots in Romania	7 224	Comparative market method	Annual estimated fair value per sq.m.	€3 - €46
			Area in sq.m.	996 594
			Highest and best use	Existing
Total	82 749			

The comparative market method is based on the comparison to properties with similar physical and legal characteristics of both the area under review and in other areas. These comparative data, collected from the archives of the Land Registry Department, have been evaluated taking into account factors such as the specific characteristics of the property, location, urban data, and any restrictions on use and features of the immediate and wider area.

The capitalisation of income method determines the value of the property by capitalizing the annual rental income at the rate of annual rental yield and is applicable on a case by case basis based on the knowledge of the market, the most widely acceptable levels of return of income by type of property and attractiveness of the area and its special features. The methodology does not assume any direct or ongoing renting of the property and the yield used for the capitalisation of rental income takes into account the risk to remain empty until a new tenant is found.

The limited information (lack of sufficient comparable sales) and low levels of liquidity and market activity have affected the degree of certainty in conducting valuations. For sensitivity analysis of the fair value measurement to changes in unobservable inputs, reference is made in Note 35.

(b) Investment properties relating to Golf development plots

The discounted cash flow valuation (DCF) model was applied by the Group for properties located within the master plan of the project, while the comparative market method, adapted to specific market and ownership conditions, was applied to the assessment of properties outside the project master plan.

However, the dependence of demand and consequently the prices of this project on the Cyprus Investment Program (Citizenship program) should be emphasised. While the suspension/cancellation of the programme was expected to have a negative impact on property prices/values, there has been an increase in property purchases by foreigners in 2022. This fact has been considered by the independent valuers both in determining the sales rate of the units in the project under consideration and in determining the unit values. However, the possibility of further adjustments to the relevant values in the near future cannot be overlooked.

Notes to the Consolidated Financial Statements

Description of valuation techniques and data used in measuring the fair value of Golf development plots

Category	Valuation 31/12/2022 €000	Technical valuation	Significant non-observable data	Variation of values	
				2022 Total	2021 Total
Plots (outside the general plan)	879 (2021: 787)	Comparative market method	Area in sq.m.	110 013	11 013
			Annual estimated fair value sq.m	€8	€8
			Highest and best use	Existing	Existing
Plots for Golf development (within the general plan)	37 600 (2021: 37 800)	Discounted cash flow valuation method (DCF)	Area in sq.m.	1 969 594	1 969 594
			Annual estimated fair value sq.m.	€19	€19
			Percentage of cash flow time adjustment	15,2%	15%
			Sales duration	25 years	25 years
			Residential sales prices	€3 553/sq.m.	€4 813/sq.m
			Direct construction costs	€1 350 - 1 700/ sq.m.	€1 400- €1 850/sq.m
			Professional expenses	5,00%	5,00%
			Highest and best use	Golf development	Golf development
Total	38 479 (2021: 38 587)				

For the sensitivity analysis of the fair value hierarchy refer to Note 35

Notes to the Consolidated Financial Statements

12. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2022 €000	2021 €000
Debt securities (Note 12.1)	71 496	69 359
Equity shares (Note 12.2)	19 945	21 825
Multi asset funds (Note 12.3)	67 669	89 620
Money market fund (Note 12.4)	-	8 440
Derivatives (Note 12.5)	-	1
	159 110	189 245
Investments relating to unit-linked funds	114 476	145 348
Investments relating to superannuation and pension funds	8 944	16 220
Other investments	35 690	27 677
	159 110	189 245

All the above investments are held for trading.

12.1 Debt securities

	2022 €000	2021 €000
Foreign companies	71 496	69 359
	71 496	69 359
<i>Repayable:</i>		
Within one year	-	-
Between two and five years	-	-
After five years	71 496	69 359
	71 496	69 359
Units in collective investment debt securities funds – unlisted	71 496	69 359
	71 496	69 359

Investments in debt securities are held for trading. Debt securities amounting to €39 480 000 (2021: €39 795 000) relate to unit linked funds. Debt securities investments relating to superannuation and pension funds amount to €3 982 000 (2021: €8 166 000).

12.2 Equity shares

	2022 €000	2021 €000
Listed on the Cyprus Stock Exchange	1 342	913
Units in collective equity investment funds – listed on foreign stock exchanges	15 784	13 710
Units in collective equity investment funds - unlisted	2 818	7 202
	19 945	21 825

Investments in equity shares are held for trading. Investments in equity shares include unit linked equity shares amounting to €11 329 000 (2021: €8 380 000). Investments in equity shares relating to superannuation and pension funds amount to €960 000 (2021: €7 166 000).

Notes to the Consolidated Financial Statements

The investments in shares measured at fair value hierarchy level 3, for 2022 amounted to €1 483 000 compared to €1 064 000 in 2021. The difference is due to the decrease in their market value as measured at year-end.

12.3 Multi asset funds

	2022 €000	2021 €000
Listed on European stock exchanges	-	-
Unlisted	67 669	89 620
	<u>67 669</u>	<u>89 620</u>

Investments in multi assets funds are held for trading. Investments in multi asset funds include unit linked multi assets funds amounting to €63 667 000 (2021: €88 733 000). Investments in multi asset funds relating to superannuation and pension funds amount to €4 002 000 (2021: €887 000).

12.4 Money market funds

	2022 €000	2021 €000
Unlisted	-	8 440

Investments in money market funds are held for trading. Investments in money market fund include unit linked money market fund amounting to zero (2021: €8 440 000). Investments in money market funds relating to superannuation and pension funds amounting to zero (2021: zero).

12.5 Derivatives

	2022 €000	2021 €000
Foreign companies	-	1
<i>Repayable:</i>		
Within one year	-	1
Unlisted	-	1

Investments in derivatives linked to retirement and pension funds amount to zero (2021: €1 000).

Notes to the Consolidated Financial Statements

13. LOANS AND RECEIVABLES

	2022	2021
	€000	€000
Mortgage loans to policyholders (Note 13.1)	2 276	2 286
Loans on policies (Note 13.2)	1 174	1 282
Interest receivable	29	32
	3 479	3 600
Loans and receivable relating to unit-linked funds	195	254
Other loans and receivables	3 284	3 346
	3 479	3 600

The book value of the above balances is considered to be approximately the same as their fair value.

13.1 Mortgage loans to policyholders

Mortgage loans to policyholders bear interest at 5,5% - 7% annually (2021: 5,5% - 7% annually) and are secured by first mortgage on the property.

	2022	2021
	€000	€000
Mortgage loans to policyholders	4 519	4 422
Provision for impairment	(2 243)	(2 136)
	2 276	2 286

In 2022, the net amount of €1 807 000 of mortgage loans to policyholders (2021: €1 688 000) was considered non-performing. The remaining net loan amount of €469 000 (2021: €618 000) was considered as performing. The increase in impairment provisions is due to additional impairment charges deemed necessary based on the Management's assessment which took into account the expected date of recovery of the collateral and its expected value at that date.

13.2 Loans on policies

Loans on policies are secured by the surrender value of life insurance policies, bear interest at 7,25% annually (2021: 7,25% annually) and are repaid before or at the maturity of the insurance policies.

Notes to the Consolidated Financial Statements

14. INVESTMENTS AND LIABILITIES OF SUPERANNUATION AND MANAGED PENSION FUNDS

14.1 Investments of superannuation and managed pension funds

The assets of the superannuation and managed pension funds are presented below:

	2022	2021
	€000	€000
Debt securities	3 982	8 166
Corporate debt securities	-	-
Money market fund	-	-
Equity shares	960	7 166
Multi asset funds	4 002	887
Derivatives	-	1
	8 944	16 220
Bank deposits	10 849	5 211
	19 793	21 431

14.2 Liabilities of superannuation and managed pension funds

The movement of the liabilities of superannuation and managed pension funds is presented below:

	2022	2021
	€000	€000
1 January	21 431	17 785
Employer's and members contribution	17 454	3 778
Income from investments	7	48
Payments to retired members	(16 648)	(1 032)
Administrative expenses	(540)	(494)
Net (loss)/profit from the change in fair value of investments and from sale of investments	(1 911)	1 346
31 December	19 793	21 431

15. PREMIUMS RECEIVABLE AND OTHER INSURANCE RECEIVABLES

	2022	2021
	€000	€000
Premiums receivable	5 853	5 156
Amount receivable from reinsurers	4 771	3 374
Amount receivable from insurance agents	194	233
	10 818	8 763

The above amounts are receivable within one year and bear no interest. Due to their short-term nature, their book value is considered to be the same as their fair value. For more information on the credit risk of the above amounts receivable, refer to note 31.

Notes to the Consolidated Financial Statements

16. UNIT LINKED ASSETS

	2022	2021
	€000	€000
Assets		
Debt securities	39 480	39 795
Corporate debt securities	-	-
Equity shares	21 968	19 540
Multi asset funds	63 667	88 733
Money market funds	-	8 440
	125 116	156 508
Investment properties	57 177	49 287
Cash and deposits at banks	44 385	20 838
Loans and other receivables relating to unit-linked funds	196	254
	226 872	226 887

In 2022 and 2021, the shares at the above table, in addition to the equity shares presented in note 12.2, also include the shares held by the insurance funds in Universal Golf Enterprises Plc, a subsidiary company of the Group, at their fair value. For the purposes of the consolidated financial statements this investment has been eliminated and the assets and liabilities of Universal Golf Enterprises Plc are presented in the appropriate lines in the consolidated statement of financial position.

17. TEMPORARY EXEMPTION OF THE IMPLEMENTATION OF IFRS 9 FINANCIAL INSTRUMENTS

The Group meets the provisions set out in the amendments to IFRS 4 Insurance Contracts regarding the implementation of IFRS 9 Financial Instruments and has decided to postpone the implementation of IFRS 9 until the date when the Group adopts for the first time the IFRS 17 Insurance Contracts (the "deferral option"), which is currently expected to be the consolidated financial statements for the year ending 31 December 2023.

The criteria for applying the deferral option are that the Group's activities are mainly related to insurance at the annual reference date that took place before 31 December 2022, and the percentage of the total carrying amount of the Group's insurance contract liabilities is greater than 95% of the total value of all its liabilities. There was no significant change in the Group's operations after that date.

The following tables present the fair value at 31 December 2022 and 2021 and the changes in fair values for the year ended 31 December 2022 and 2021, of the financial assets separately for the following categories:

- Financial assets that meet the criteria of the SPPI of IFRS 9, excluding financial assets held for trading or managed and valued at fair value; and
- All other financial assets, including those that do not meet the criteria of the SPPI of IFRS 9 and those that are "held for trading" or which are managed and valued at fair value.

Financial assets that meet the criteria of the SPPI of IFRS 9 are those whose contractual cash flows represent only capital and interest payments (SPPI).

The fair value of financial instruments at 31 December 2022 and 2021 that were analysed between those that meet and those that do not meet the SPPI criteria are presented to the table below:

Notes to the Consolidated Financial Statements

2022

Financial assets

	Financial assets that meet SPPI		Other financial assets	
	<i>Fair value</i>	<i>Change in fair value</i>	<i>Fair value</i>	<i>Change in fair value</i>
	€000	€000	€000	€000
Cash and deposits with banks (Note 9)	62 744	-	-	-
Debtors and prepayments (Note 10)	2 755	-	-	-
Loans and receivables (Note 13)	3 479	-	-	-
Premium receivable and other insurance receivables (Note 15)	10 818	-	-	-
Debt securities (Note 12.1)	-	-	71 496	(9 752)
Equity shares (Note 12.2)	-	-	19 945	(1 362)
Multi asset funds (Note 12.3)	-	-	67 669	(11 902)
	79 796	-	159 110	(23 016)

2021

Financial assets

	Financial assets that meet SPPI		Other financial assets	
	<i>Fair value</i>	<i>Change in fair value</i>	<i>Fair value</i>	<i>Change in fair value</i>
	€000	€000	€000	€000
Cash and deposits with banks (Note 9)	38 531	-	-	-
Debtors and prepayments (Note 10)	1 436	-	-	-
Loans and receivables (Note 13)	3 600	-	-	-
Premium receivable and other insurance receivables (Note 15)	8 763	-	-	-
Debt securities (Note 12.1)	-	-	69 359	(2 518)
Equity shares (Note 12.2)	-	-	21 825	8 273
Multi asset funds (Note 12.3)	-	-	89 620	7 343
Derivatives funds (Note 12.5)	-	-	1	1
Money market funds (Note 12.4)	-	-	8 440	(59)
	52 330	-	189 245	13 040

A financial instrument that is not impaired at initial recognition is classified in Stage 1. Financial assets in Stage 1 recognise their expected credit loss (ECL) at an amount equal to the ECL percentage over the life of any defaults within the next 12 months or until the end of the contract, if earlier ("12-month ECL"). If there is a significant increase in credit risk from initial recognition, the asset is transferred to Stage 2 and the ECLs are measured on the basis of the ECLs throughout the life of the financial asset, i.e. until the end of the contract but taking into account the expected prepayments, if any ("ECL during life"). If a financial asset is determined to be credit impaired, the asset is transferred to Stage 3 and the ECLs are measured as EPAs for life.

The following table provides information about the fair value and the carrying amount in accordance with IAS 39 for the SPPI financial assets that the Group has determined that have no low credit risk. Management believes that financial assets are considered low credit risk when they have low default risk and the issuer has a strong capacity to meet short-term liquidity to contractual obligations. The book value is measured in accordance with IAS 39, although it is presented before any impairment for those that are measured at amortised cost.

Notes to the Consolidated Financial Statements

2022

Financial assets	<i>Fair value</i>	<i>Accounting Value</i>
	€000	€000
Cash and deposits with banks (Note 9)	10 351	10 351
Loans and receivables (Note 13)	2 276	2 276

2021

Financial assets	<i>Fair value</i>	<i>Accounting Value</i>
	€000	€000
Cash and deposits with banks (Note 9)	1 579	1 579
Loans and receivables (Note 13)	2 286	2 286

In the above tables the amounts related to cash and deposits with banks do not include deposits that are investments of insurance operations, superannuation managed pension funds and other deposits relating to insurance operations.

For financial assets that meet the SPPI criteria, the current accounting values measured in accordance with IAS 39 are analysed in the following table with their credit rating:

2022

Financial assets	<i>Total</i>	Credit rating		
		<i>Caa1</i>	<i>Ba3</i>	<i>No rating</i>
	€000	€000	€000	€000
Cash and deposits with banks (Note 9)	1 579	1 373	149	57
Loans and receivables (Note 13)	4 422	-	-	4 422

2021

Financial assets	<i>Total</i>	Credit rating		
			<i>B3</i>	<i>No rating</i>
	€000		€000	€000
Cash and deposits with banks (Note 9)	10 351	8 700	110	1 541
Loans and receivables (Note 13)	4 519	-	-	4 519

For the year 2022 and 2021 the cash and deposits with banks are categorised in Stage 1. For the year 2022 an amount of €1 807 thousand from loans and receivables is considered non-performing (Stage 3) and the remaining amount of €469 thousand is considered performing (Stage 1). For 2021 an amount of €1 668 thousand of loans and receivables relates to non-performing loans (Stage 3) and the remaining amount of €618 thousand relates to performing loans (Stage 1). For the year 2022 and 2021 the Management evaluated that the remaining financial data are categorised in Stage 1.

Notes to the Consolidated Financial Statements

18. PROPERTY AND EQUIPMENT

	Properties €000	Equipment €000	Total €000
2022			
Cost or fair value			
1 January	16 602	7 005	23 607
Additions	14	325	339
Transfer of property from investment property to fixed assets	774	-	774
Disposals and write-offs	(590)	(36)	(626)
Revaluation (note 28)	362	-	362
31 December	<u>17 162</u>	<u>7 294</u>	<u>24 456</u>
Depreciation			
1 January	-	6 295	6 295
Charge for the year	104	252	356
Disposals and write-offs	4	(33)	(29)
Reversal of depreciation due to revaluation	(108)	-	(108)
31 December	<u>-</u>	<u>6 514</u>	<u>6 514</u>
Net book value			
31 December	<u>17 162</u>	<u>778</u>	<u>17 942</u>
2021			
Cost or fair value			
1 January	16 938	6 737	23 675
Additions	164	365	529
Disposals and write-offs	-	(97)	(97)
Revaluation (note 28)	(500)	-	(500)
31 December	<u>16 602</u>	<u>7 005</u>	<u>23 607</u>
Depreciation			
1 January	-	6 123	6 123
Charge for the year	105	223	328
Disposals and write-offs	-	(51)	(51)
Reversal of depreciation due to revaluation	(105)	-	(105)
31 December	<u>-</u>	<u>6 295</u>	<u>6 295</u>
Net book value			
31 December	<u>16 602</u>	<u>710</u>	<u>17 312</u>

All properties are owned and used for the Group's operations. The properties were revalued to fair value by independent valuers in the last quarter of 2022.

During 2022 and 2021, there was a limited number of similar sales in the local market and the valuation techniques used were based on unobservable data. Therefore, the fair value of the properties was classified at Level 3. The analysis of the sensitivity of the results to unobservable inputs is reported in Note 35. The accumulated appreciation as at 31 December 2022 from the revaluation is included in the revaluation reserves of the Group (Note 28) and amounts to €9 404 000 (2021: 8 910 000).

Notes to the Consolidated Financial Statements

The carrying value of properties of the Group based on the cost less accumulated depreciation, would have been €6 616 000 (2021: €6 115 000). Properties include land amounting to €9 761 000 (2021:€9 602 000) for which no depreciation is recognised.

Depreciation of properties and equipment for the year is included in operating expenses of insurance operations (note 4) in the consolidated statement of comprehensive income.

Changes in the fair value of properties are recognised in the consolidated statement of comprehensive income.

Description of valuation techniques and inputs used in measuring the fair value of properties

31 December 2022

Category	Valuation	Technical valuation	Significant non-observable inputs	Variation of values
	2022 €000			2022
Offices that are measured with the comparative market method	2 088	Comparative market method	Annual estimated fair value per sq.m.	€1 266 - €1 702
			Area in sq.m.	1 108
			Highest and best use	Existing
Offices that are measured with the comparative market method and Method of income capitalisation	15 074	Comparative market method and Method of income capitalisation	Annual rent valuation per sq.m.	€62 - €186
			Annual rental yield	5,00% - 6,00%
			Annual estimated fair value per sq.m.	€1 056 - €3 743
			Area in sq.m.	6 466
			Highest and best use	Existing
Total	17 162			

Notes to the Consolidated Financial Statements

31 December 2021

Category	Valuation	Technical valuation	Significant non-observable inputs	Variation of values
	2021 €000			2021
Offices that are measured with the comparative market method	2 219	Comparative market method	Annual estimated fair value per sq.m.	€1 250 - €1 763
			Area in sq.m.	1 561
			Highest and best use	Existing
Offices that are measured with the comparative market method and Method of income capitalisation	14 383	Comparative market method and Method of income capitalisation	Annual rent valuation per sq.m.	€63 - €147
			Annual rental yield	5,00% - 6,00%
			Annual estimated fair value per sq.m.	€1 065 - €2 889
			Area in sq.m.	6 186
			Highest and best use	Existing
Total	16 602			

19. INTANGIBLE ASSETS

	Software	
	2022	2021
	€000	€000
Cost		
1 January	7 381	6 708
Additions	253	673
31 December	7 634	7 381
Amortisation		
1 January	6 272	6 173
Charge for the year	175	99
31 December	6 447	6 272
Net book value		
31 December	1 187	1 109

Notes to the Consolidated Financial Statements

20. RIGHT OF USE ASSETS

The Group as a lessee

The Group maintains lease agreements for office buildings which, at the start date, have a lease duration of five to six years and do not include a right to buy. The Group also maintains contracts for vehicles for six years. The application of IFRS 16 has led to the recognition of the right of use assets and liabilities of leases.

	Properties €000	Vehicles €000	Total €000
2022			
Cost			
1 January	927	123	1 050
Additions	48	-	48
Disposals and write-offs	-	-	-
31 December	<u>975</u>	<u>123</u>	<u>1 098</u>
Depreciation			
1 January	808	77	885
Depreciation	142	23	165
Disposals and write-offs	-	-	-
31 December	<u>950</u>	<u>100</u>	<u>1 050</u>
Net book value			
31 December	<u>25</u>	<u>23</u>	<u>48</u>
	Properties €000	Vehicles €000	Total €000
2021			
Cost			
1 January	901	123	1 024
Additions	26	-	26
Disposals and write-offs	-	-	-
31 December	<u>927</u>	<u>123</u>	<u>1 050</u>
Depreciation			
1 January	655	53	708
Depreciation	153	24	177
Disposals and write-offs	-	-	-
31 December	<u>808</u>	<u>77</u>	<u>885</u>
Net book value			
31 December	<u>119</u>	<u>46</u>	<u>165</u>

Notes to the Consolidated Financial Statements

The movement in the balance of lease liabilities is as follows:

	2022	2021
	€000	€000
1 January	299	467
Additions	48	26
Disposals and write-offs	-	-
Increasing debit interest rate	6	8
Payments against leases	(203)	(203)
31 December	150	298

In the consolidated statement of comprehensive income the following are recognised in terms of leases.

	2022	2021
	€000	€000
Interest expense on lease liabilities	6	8
Depreciation	165	177
	171	185

Maturity analysis - contractual undiscounted cash flows:

	2022	2021
	€000	€000
Less than one year	121	197
Between one and five years	27	136
31 December	148	333

21. CREDITORS AND ACCRUALS

	2022	2021
	€000	€000
Creditors	4 723	4 060
Accruals	2 389	1 294
Provisions for expenses	385	346
	7 497	5 700

The creditors represent amounts payable within 12 months in the normal course of business of the Group and bear no interest. The fair value of creditors and due expenses that have expired within one year is approximately the same as the book value at the date of the consolidated statement of financial position.

Notes to the Consolidated Financial Statements

22. INSURANCE LIABILITIES

	2022	2021
	€000	€000
Amount due regarding policyholders' claims	12 725	13 619
Amount payable to insurance intermediaries	164	110
Amounts payable to reinsurers		
- Life insurance and annuity business	2 283	2 236
- Accident and health insurance business	5 800	5 915
	20 972	21 880

The movement in the rest of the claims for compensations to the policyholders is as follows:

	Gross claims		Reinsurers' share		Net claims	
	2022	2021	2022	2021	2022	2021
	€000	€000	€000	€000	€000	€000
1 January	13 619	15 164	(531)	(1 526)	13 088	13 638
Increase in amount due regarding life policyholders' claims	34 293	32 562	(1 736)	(846)	32 557	31 716
Settlement of amount due regarding life policyholders' claims	(35 187)	(34 107)	1 590	1 841	(33 597)	(32 266)
31 December	12 725	13 619	(677)	(531)	12 048	13 088

23. UNAPPROPRIATED SURPLUS OF LIFE INSURANCE BUSINESS

The movement in the unappropriated surplus is as follows:

	2022	2021
	€000	€000
1 January	-	407
Surplus for the year before distribution	-	(6 407)
Transfer to the results of life insurance and annuity business	-	6 228
Appropriation to policies with Discretionary Participation Features (DPF)	-	(228)
31 December	-	-

The unappropriated surplus is presented separately in the Consolidated Statement of Financial Position and distributed to shareholders and policyholders with discretionary participation features at the discretion of the Board of Directors, taking into account the actuary's recommendation.

Notes to the Consolidated Financial Statements

24. INSURANCE CONTRACT LIABILITIES

	Insurance contract liabilities		Reinsurers' share		Net liabilities	
	2022	2021	2022	2021	2022	2021
	€000	€000	€000	€000	€000	€000
Life insurance policies	278 534	290 211	(3 231)	(3 764)	275 303	286 447
Accident and health insurance policies	14 347	11 649	(10 201)	(8 363)	4 146	3 286
Total insurance contracts liabilities	292 881	301 860	(13 432)	(12 127)	279 449	289 733

The life insurance contracts liabilities are analysed as follows:

	Insurance contract liabilities		Reinsurers' share		Net liabilities	
	2022	2021	2022	2021	2022	2021
	€000	€000	€000	€000	€000	€000
With fixed and guaranteed terms	11 269	12 327	(2 438)	(3 008)	8 831	9 319
With Discretionary Participation Features (DPF)	36 587	36 715	(1)	(1)	36 586	36 714
Without DPF	230 678	241 169	(792)	(755)	229 886	240 414
Total life insurance contracts liabilities	278 534	290 211	(3 231)	(3 764)	275 303	286 447

The movement in the life insurance contracts liabilities is as follows:

	Insurance contract liabilities		Reinsurers' share		Net liabilities	
	2022	2021	2022	2021	2022	2021
	€000	€000	€000	€000	€000	€000
1 January	290 211	265 623	(3 764)	(3 959)	286 447	261 664
Premiums received	63 407	61 432	(4 337)	(3 964)	59 070	57 468
Payments for death claims, surrenders and maturities	(35 219)	(32 562)	1 736	846	(33 483)	(31 716)
Management charges	(13 497)	(13 228)	-	-	(13 497)	(13 228)
Adjustment due to change in assumptions	(7 365)	(466)	310	822	(7 055)	356
Return on unit-linked investments	(18 018)	13 830	-	-	(18 018)	13 830
Appropriation of surplus to insurance contracts with DPF	206	228	-	-	206	228
Diversification experience requirements and benefits and other movements	(1 191)	(4 646)	2 824	2 491	1 633	(2 155)
31 December	278 534	290 211	(3 231)	(3 764)	275 303	286 447

Notes to the Consolidated Financial Statements

Οι υποχρεώσεις ασφαλιστήριων συμβολαίων προσαρμόζονται λόγω αλλαγών στις παραδοχές ως ακολούθως:

	Insurance contract liabilities		Reinsurers' share		Net liabilities	
	2022	2021	2022	2021	2022	2021
	€000	€000	€000	€000	€000	€000
Interest rates	(4 481)	(470)	310	40	(4 171)	(430)
Growth rates	(1 119)	(462)	-	-	(1 119)	(462)
Renewal costs	(217)	3 390	-	-	(217)	3 390
Inflation	-	(2 575)	-	-	-	(2 575)
Mortality	-	(1 105)	-	782	-	(323)
Management costs	(1 474)	-	-	-	(1 474)	-
Other assumptions	(74)	756	-	-	(74)	756
31 December	(7 365)	(466)	310	822	(7 055)	356

The liabilities of accident and health insurance policies are analysed as follows:

	Insurance contract liabilities		Reinsurers' share		Net liabilities	
	2022	2021	2022	2021	2022	2021
	€000	€000	€000	€000	€000	€000
Provision for reported claims	5 237	3 236	(3 869)	(2 377)	1 368	859
Provision for claims incurred but not reported (I.B.NI..N.R.)	3 223	2 834	(2 406)	(2 113)	817	721
Total provision for claims	8 460	6 070	(6 275)	(4 490)	2 185	1 580
Provision for claims management costs	338	212	-	-	338	212
Provision for unearned premiums	5 549	5 367	(3 926)	(3 873)	1 623	1 494
Total accident and health insurance contracts liabilities	14 347	11 649	(10 201)	(8 363)	4 146	3 286

The provision for reported claims of accident and health insurance business and claims incurred but not reported are analysed as follows:

	Insurance contract liabilities		Reinsurers' share		Net liabilities	
	2022	2021	2022	2021	2022	2021
	€000	€000	€000	€000	€000	€000
1 January	6 070	7 925	(4 490)	(5 878)	1 580	2 047
Provision for the year	21 538	19 799	(16 158)	(14 782)	5 367	5 017
Payments for claims during the year	(19 148)	(21 654)	14 373	16 170	(4 762)	(5 484)
31 December	8 460	6 070	(6 275)	(4 490)	2 185	1 580

Notes to the Consolidated Financial Statements

The provision for unearned premiums of accident and health insurance business is analysed as follows:

	Insurance contract liabilities		Reinsurers' share		Net liabilities	
	2022	2021	2022	2021	2022	2021
	€000	€000	€000	€000	€000	€000
1 January	5 367	5 845	(3 873)	(4 230)	1 494	1 615
Premiums:						
- written during the year	39 589	39 921	(29 161)	(29 556)	10 428	10 365
- earned during the year	(39 407)	(40 399)	29 108	29 913	(10 299)	(10 486)
31 December	5 549	5 367	(3 926)	(3 873)	1 623	1 494

25. INSURANCE CONTRACTS LIABILITIES AND REINSURANCE-TERMS, CONDITIONS, ASSUMPTIONS AND SENSITIVITIES

Terms and conditions

Life insurance contracts

Life insurance contracts offered by the Group include whole life, term insurances, endowment, annuities and unit-linked policies. In addition there is a choice of supplementary benefits for disability, accidental death, dread disease and medical expenses.

Whole life insurance policies are conventional products where lump sum benefits are payable on death and which attain surrender value over the duration of the contract.

Term insurance policies refer to plans with fixed duration aiming to provide death benefits. In case of death within the period of cover, the sum assured is paid. On maturity these plans expire with no value.

Endowment insurance policies refer to fixed duration plans where the sum assured is paid in case of death during the period of cover or upon expiration of the policy.

Annuities refer to plans where periodic payments begin at a predetermined age and continue for life.

Unit linked insurance policies refer to plans (whole life or with fixed duration) where the amount payable upon death is the greater of the chosen sum assured and the value of the units allocated to the policyholder.

Discretionary Participating Features (DPF) of life insurance contracts

Certain insurance policies include Discretionary Participation Features (DPF). A DPF is defined as the contractual right to receive additional benefits supplementary to the guaranteed benefits:

- (a) that may form an important part of the total contractual benefits,
- (b) the amount of which is annually declared by the Group following the actuarial valuation of liabilities, and
- (c) which are based on surplus of life insurance business.

Accident and health insurance contracts

The Group provides health plans that offer various options as to the type (in-hospital or outpatient), the amount and the geographical location of cover.

In addition, the Group writes personal accident policies that provide insurance cover in case of accidental death or disability following an accident.

Notes to the Consolidated Financial Statements

Key assumptions

Material judgment by the Group's management is required in the choice of assumptions and in determining the insurance contracts liabilities.

The assumptions used are based on past experience, current internal data and conditions and on external market data which reflect current market prices and other published information. Assumptions are adopted at each valuation date and are periodically reassessed in order to maintain a realistic and reliable basis for the actuarial valuation.

For insurance contracts estimates are made in two stages: At inception of the contract, the Group determines the assumptions in relation to future deaths, voluntary terminations, investment returns and administration expenses. Subsequently, at each reporting date, an actuarial valuation is conducted to determine whether the liabilities are adequate in the light of current estimates.

The key assumptions to which the estimation of liabilities is particularly sensitive are as follows:

Mortality rates

Assumptions are based on standard international mortality tables, according to the type of insurance contract. In addition a study is conducted of historical mortality experience (actual deaths) for comparison purposes and if this data is considered adequate and thus statistically reliable, then it is incorporated into the abovementioned tables.

An increase in mortality rates will lead to a larger number of claims (and in a shorter than expected period of time) which will increase the expenditure and reduce profits for the shareholders.

Investments return and discount factor

The weighted average rate of return is derived based on the assets that back liabilities, consistent with the long term asset allocation strategy of the Group. These estimates are based on current market returns as well as expectations about future economic and financial developments.

An increase in investment returns will lead to increased profits for the shareholders.

Administration expenses

Operating expense assumptions reflect the projected costs of maintaining and servicing the in force policies and associated overhead expenses and are based on the actual expenses of the Group, taking into account the legislative provisions for calculating insurance contracts liabilities. Assumptions are also made with regard to the rate of increase of expenses in relation to the rate of inflation.

An increase in the level of expenses will result in a reduction of profits for the shareholders.

Persistency (Lapses)

Every year an analysis is performed of the percentage of terminated policies, using actual data up to the preceding year. These percentages may differ according to the type and duration of the plan. According to the Cyprus Laws on Insurance Services and Other Related Issues, no assumptions are made in the actuarial valuation for the percentage of terminations.

Notes to the Consolidated Financial Statements

The assumptions that have the greatest effect on the consolidated statement of financial position and the consolidated statement of comprehensive income are listed below:

Life business assumptions	Mortality rates		Discount factor		Administration expenses	
	2022	2021	2022	2021	2022	2021
Policies with fixed and guaranteed benefits	45% A67/70	45% A67/70	2,10%	1,10%	€95	€93
Policies with DPF	45% A67/70	45% A67/70	1,40%	0,60%	€95	€93
Policies without DPF	45% A67/70	45% A67/70	2,10%	1,10%	€95	€93

Sensitivity of results

The table below presents the sensitivity of results to the changes in assumptions that have the greatest effects.

2022

Increase / (decrease) in profit and equity				
	Change in assumption %	Insurance contract liabilities €000	Reinsurers' share €000	Net liabilities €000
Mortality				
- Increase	10	(1 135)	685	(450)
- Decrease	10	900	(586)	314
Discount Factor				
- Increase	1	2 816	(233)	2 583
- Decrease	1	(3 537)	310	(3 227)
Administration expenses				
- Increase	10	(1 665)	-	(1 665)
- Decrease	10	1 118	-	1 118
Provision for claims incurred but not reported (I.B.N.R)				
- Increase	10	(322)	241	(82)
- Decrease	10	322	(241)	82

Notes to the Consolidated Financial Statements

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Increase / (decrease) in profit and equity

	Change in assumption %	Insurance contract liabilities €000	Reinsurers' share €000	Net liabilities €000
Mortality				
- Increase	10	(1 075)	699	(376)
- Decrease	10	748	(592)	156
Discount Factor				
- Increase	1	4 386	(247)	4 139
- Decrease	1	(6 740)	331	(6 409)
Administration expenses				
- Increase	10	(3 286)	-	(3 286)
- Decrease	10	2 459	-	2 459
Provision for claims incurred but not reported (I.B.N.R)				
- Increase	10	(283)	211	(72)
- Decrease	10	283	(211)	72

26. CONTINGENT LIABILITIES

A number of clients have filed lawsuits against the Group in relation to their insurance contracts. The total of contingent liabilities from pending lawsuits amounts to €644 017 (2021: €833 225).

According to currently available information on the above lawsuits, the Group assessed the probability of a negative judgement of less than 50%, so no provision was made in the consolidated financial statements.

Notes to the Consolidated Financial Statements

27. SHARE CAPITAL

	2022	2021
	€000	€000
Authorised		
16 000 000 shares of €1 each	16 000	16 000
Issued and fully paid		
14 489 231 shares of €1 each	14 838	14 489
Reinvestment of dividend	156	349
	14 994	14 838

At the Board of Directors meeting (2021: Annual General Meeting) held on 6 December 2022 (2021: 16 December 2021) it was decided the distribution of dividend from profits of 2020 (2021: 2019) of €0,061 (2021: €0,144) per ordinary share for the total amount of €905 119 (2021: €2 086 449) by issuing Company's shares, based on the Company's calculated Embedded Value as of 31 December 2021 (2021: 31 December 2020).

In cases when calculating the number of shares granted to each shareholder, as referred above, resulted in a fractional number, then if this fractional number was less than 1/2, it was ignored, while in the cases it was equal to or greater than 1/2, then a whole additional share was given.

The beneficiaries of the dividend were those who held shares as at 19 December 2022 (2021: 19 December 2021). The dividend, in the form of shares as above, was paid to the Shareholders on 31 December 2022 (2021: 31 December 2021).

As a result of dividend reinvestment 155 789 (2021: 348 783) shares were issued, after tax, and the issued and fully paid up share capital of the Company increased by €155 789 (2021: €348 783). From the difference between the nominal value and the issued price of the new shares a share premium was recognized amounting to €732 240 (2021: €1 698 618).

28. REVALUATION RESERVES AND RETAINED PROFITS

The revaluation reserves are the difference between fair value and cost for the properties used for the Group's operations and the deferred tax arising from the revaluation.

Revaluation reserves

	2022	2021
	€000	€000
1 January	8 910	9 412
Revaluation of fixed assets	426	(395)
Transfer of property from investment property to fixed assets	23	-
Deferred tax	45	(107)
31 December	9 404	8 910

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Retained profits

The retained profits are the only reserve that is distributable as dividend.

Companies which do not distribute 70% of their profits after tax, as defined by the Special Contribution for the Defence of the Republic Law, during the two years after the end of the year of assessment to which the profits refer, will be deemed to have distributed this amount as dividend. Special contribution for defence at 17% will be payable on such deemed dividend to the extent that the ultimate shareholders at the end of the period of two years from the end of the year of assessment to which the profits refer are both Cyprus tax resident and Cyprus domiciled. As of 1 March 2019, deemed dividend distribution is subject to a contribution of 1,70% to the General Health Insurance System, which has been increased to 2,65% from 1 March 2020, with the exception of April 2020 until June 2020 where the rate of 1,70% applies. The amount of deemed distribution is reduced by any actual dividends paid out of the profits of the relevant year at any time. This special contribution for defence is payable by the Group on behalf of the shareholders.

As at 31 December 2022 and 2021 the Company held 94,14% of the share capital of Universal Golf Enterprises PLC (see Note 7) and as a result minority rights were calculated.

29. CAPITAL EXPENDITURE AGREEMENTS

The liabilities arising from agreements for capital expenditure of the Group amount to €897 600 (2021: €977 300).

Notes to the Consolidated Financial Statements

30. NET CASH FLOW FROM OPERATING ACTIVITIES

	Notes	2022	2021
		€000	€000
Profit for the year before tax		10 616	1 634
<i>Adjustments for:</i>			
Investment income and other expenses	3	(1 579)	(1 803)
Amortisation of intangible assets	19	175	99
Depreciation of property and equipment	18	356	328
Depreciation of assets with rights of use	20	165	177
Interest expenses		269	218
Profit on disposal of investment property		(7)	-
Provision for impairment of amounts due		65	156
Loss/(profit) on disposal and write-off of property and equipment and intangible asset	4	48	(12)
Decrease/(increase) in the fair value of financial assets through profit or loss		24 282	(45)
Decrease in the fair value of investment property	11	1 209	10 280
		35 599	11 032
<i>Change in:</i>			
Decrease in unappropriated surplus of life insurance business	23	-	(407)
(Decrease)/increase in reinsurers' shares in insurance contract liabilities and superannuation managed pension funds	14, 24	(10 617)	25 875
(Decrease)/increase in the deferred acquisition costs		(87)	52
(Increase)/decrease in reinsurers' share in insurance contracts liabilities	24	(1 305)	1 940
Increase/(decrease) in reinsurers' share in deferred acquisition costs	24	10	(72)
Increase/(decrease) in creditors and accruals	21	1 797	(939)
Increase in premiums and other insurance receivables	15	(2 055)	(96)
Increase in debtors and prepayments		(1)	(62)
Decrease in insurance liabilities	22	(908)	(2 520)
Cash flow from operating activities		22 433	34 803
Income tax paid		(1 715)	(2 443)
Net cash flow from for operating activities		20 718	32 360

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31. MANAGEMENT OF RISK FROM INSURANCE OPERATIONS AND FINANCIAL INSTRUMENTS

As part of its normal operations, the Group is exposed to a variety of risks namely, from insurance operations and financial instruments held. These risks are monitored on a systematic basis and all the necessary measures are undertaken to prevent undue risk concentrations.

Risk arising from insurance operations

The risk under an insurance contract is the risk that an insured event will occur including the uncertainty of the amount and timing of any resulting claim. For risks from insurance operations such estimates are created to meet adequately the obligations under the Group's insurance policies, following advice of the actuaries.

The main risk faced by the Group, are the actual claims and benefits to exceed the amount of liabilities recognised in the consolidated financial statements. This risk is influenced by the frequency and severity of claims and by the risk that actual benefits paid will be greater than originally estimated.

The risk exposure is limited by dispersion on a large portfolio of insurance contracts and by the careful selection and implementation of underwriting strategies and guidelines and is also limited by the use of reinsurance arrangements.

Although the Group has entered into reinsurance arrangements, it is not relieved of its direct obligations to its policyholders and thus a credit exposure exists with respect to reinsurance ceded, to the extent that any reinsurer is unable to meet its obligations assumed under such reinsurance agreements. For this reason the Group monitors regularly the credit rating of the reinsurance companies with which it cooperates through their financial results and their credit rating by well known agencies and takes all necessary steps so that this risk is minimised.

Life insurance contracts

The main factors affecting the frequency of claims are epidemics, widespread changes in lifestyle and natural disasters.

The Group's underwriting strategy is designed to ensure that risks are well diversified in terms of type of risk and level of insured benefits. This is largely achieved through the use of medical screening in order to ensure that pricing takes account of current health conditions and medical history, regular review of actual claims experience and product pricing. The Group has the right to refuse renewal of individual policies, to impose deductibles or to reject the payment of fraudulent claims.

Accident and health insurance contracts

The most important factors affecting accident and health contracts result from changes in lifestyle, climate and environmental changes.

The risks are reduced by following a strict underwriting policy and by investigating possible fraudulent claims.

Credit risk

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

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Maximum exposure to credit risk

The table below shows the maximum exposure to credit risk:

	2022			2021		
	Unit Linked €000	Other €000	Total €000	Unit Linked €000	Other €000	Total €000
Debt securities (Note 12.1, and 16)	39 480	32 016	71 496	39 795	29 564	69 359
Cash and cash equivalents Note 9 and 16)	44 385	18 359	62 744	20 838	17 693	38 531
Policy loans (Note 13.2 and 16)	196	1 174	1 370	254	1 028	1 282
Mortgage loans to policyholders (Note 13.1)	-	2 306	2 306	-	2 318	2 318
Debtors and accrued income (Note 10)	-	2 755	2 755	-	1 436	1 436
Reinsurers' share in insurance contract liabilities (Note 24)	-	13 432	13 432	755	11 372	12 127
Premium receivable and other insurance receivables (Note 15)	3 044	7 774	10 818	2 591	6 172	8 763
	87 105	77 816	164 921	64 233	69 583	133 816

Policy loans and mortgage loans are secured by the value of insurance policies and mortgages on properties respectively (Note 13).

Life insurance premiums receivable amounting to €3 142 796 (2021: €2 704 638) are secured by the surrender value of insurance policies.

The table below shows the exposure to credit risk:

	Neither past due nor impaired €000	Impaired €000	Total €000
2022			
Premiums receivable and other insurance receivables	10 818	-	10 818
	10 818	-	10 818
2021			
Premiums receivable and other insurance receivables	8 763	-	8 763
	8 763	-	8 763

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Exposure to credit risk by credit rating

The table below provides information regarding the credit risk exposure of the Group by classifying assets according to their credit rating of financial and insurance assets:

	Aaa -Aa3	A1-A3	B1-B3	Caa1- Caa3	Unrated	Total
2022	€000	€000	€000	€000	€000	€000
Debt securities	-	-	-	-	32 016	32 016
Cash and deposits with banks	21 300	30 568	-	9 076	1 468	62 412
Policy loans	-	-	-	-	978	978
Mortgage loans to policyholders	-	-	-	-	2 305	2 305
Debtors and accrued income	-	-	-	-	2 755	2 755
Premium receivable and other insurance receivables	-	-	-	-	7 774	7 774
Reinsurers' share in insurance contract liabilities	13 432	-	-	-	-	13 432
	34 732	30 568	-	9 076	47 296	121 672
	Aaa -Aa3	A1-A3	B1-B3	Caa1- Caa3	Unrated	Ολικό
2021						
Debt securities	-	-	-	-	29 564	29 564
Cash and deposits with banks	-	15 691	1 147	497	358	17 693
Policy loans	-	-	-	-	1 028	1 028
Mortgage loans to policyholders	-	-	-	-	2 318	2 318
Debtors and accrued income	-	-	-	-	1 436	1 436
Premium receivable and other insurance receivables	-	-	-	-	6 172	6 172
Reinsurers' share in insurance contract liabilities	11 372	-	-	-	-	11 372
	11 372	15 691	1 147	497	40 876	69 583

Deposits without credit rating represent balances in domestic banking institutions that are subject to the supervision of the authorised supervisory authorities and are evaluated by the Management as satisfactory in financial strength and solvency.

Debt securities without credit rating represent units in collective investment funds (unlisted) and are rated by the Management as satisfactory in terms of financial soundness and solvency.

The Group has not performed credit risk analysis for the financial assets linked to unit linked investment funds. This is due to the fact that for these funds, liabilities against insurance policies are directly linked to the return and value of assets that support these liabilities and shareholders are not directly exposed to credit risk with respect to those assets.

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Liquidity risk

Liquidity risk is the risk that the Group is unable to fully or promptly meet payment obligations as and when they fall due. This risk includes the possibility that the Group may have to raise funding at high cost or sell assets at a discount to fully and promptly satisfy its obligations.

The Group's business requires a steady flow of cash to meet payment obligations to policyholders and associates.

The basic source of liquidity for the Group are premiums received, disposals and income from investments, cash and cash equivalents and the bank overdraft.

To provide necessary cash inflow to cover future payment obligations the Group invests in assets with the same maturity profile as the maturity of insurance contracts liabilities.

The following table presents the Group's financial and insurance liabilities based on the remaining contractual maturity at 31 December 2022 and at 31 December 2021. The analysis was based on undiscounted cash flows analysed in time bands according to the number of days remaining from 31 December to the contractual maturity date.

	Within one year €000	1-5 years €000	6-15 years €000	More than 15 years €000	Without expiry date €000	Unit Linked €000	Total €000
2022							
Bank overdraft	553	-	-	-	-	-	553
Insurance contract liabilities	23 985	28 677	5 383	7 295	15 701	211 840	292 881
Insurance liabilities	14 056	3 476	652	884	1 904	-	20 972
Creditors and accruals	7 182	-	-	-	-	-	7 182
Leases liabilities	-	150	-	-	-	-	150
Unallocated surplus life insurance business	-	-	-	-	-	-	-
Reinsurers' share in deferred acquisition costs	785	-	-	-	-	-	785
Liabilities of superannuation and managed pension funds	19 793	-	-	-	-	-	19 793
	66 354	32 303	6 035	8 179	17 605	211 840	342 316

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2021

Bank overdraft	205	-	-	-	-	-	205
Insurance contract liabilities	18 031	30 947	5 024	7 988	18 924	226 887	307 801
Insurance liabilities	14 615	3 575	580	923	2 187	-	21 880
Creditors and accruals	5 354	-	-	-	-	-	5 354
Leases liabilities	-	298	-	-	-	-	298
Unallocated surplus life insurance business	-	-	-	-	-	-	-
Reinsurers' share in deferred acquisition costs	775	-	-	-	-	-	775
Liabilities of superannuation and managed pension funds	21 431	-	-	-	-	-	21 431
	<u>60 411</u>	<u>34 820</u>	<u>5 604</u>	<u>8 911</u>	<u>21 111</u>	<u>226 887</u>	<u>357 744</u>

Insurance contract liabilities that fall into the category 'No expiration date' consist of life contracts where the insurance obligation will arise on the date of death of the insured.

Market risk

Market risk is the risk of adverse movements in the rates of exchange between currencies, in the level of interest rates and the current prices of investments. The Group's profitability is not affected to the extent that such variations relate to investments held for unit-linked investment plans. For the remaining investments relating to insurance business this risk is kept at low levels through diversification, both geographically and through diversification in different sectors of the economy.

Equity shares price and debt securities risk

The risk of loss from changes in the price of equity shares and debt securities arises when there is an unfavorable change in the price of equity shares and debt securities held by the Group. Investments in equity shares and debt securities as at 31 December 2022 and 2021 are shown in Note 13. Moreover, risk reduction is achieved through diversification in various sectors.

a) Equity securities

	Change in index	Effect on profit before tax €000	Effect on profit after tax €000
2022			
Cyprus Stock Exchange	+5%	67	60
	-5%	67	60
Units in collective equity investment funds – listed in foreign stock exchanges	+5%	614	553
	-5%	614	553
Units in collective equity investment funds – unlisted	+5%	316	284
	-5%	316	284

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	Change in index	Effect on profit before tax €000	Effect on profit after tax €000
2021			
Cyprus Stock Exchange	+5%	46	40
	-5%	46	40
Units in collective equity investment funds – listed in foreign stock exchanges	+5%	411	359
	-5%	411	359
Units in collective equity investment funds – unlisted	+5%	216	189
	-5%	216	189

b) Multi asset funds and money market fund

	Change in index	Effect on profit before tax €000	Effect on profit after tax €000
2022			
Multi asset funds	+5%	200	180
	-5%	200	180
Money market fund	+5%	-	-
	-5%	-	-

	Change in index	Effect on profit before tax €000	Effect on profit after tax €000
2021			
Multi asset funds	+5%	44	39
	-5%	44	39
Money market fund	+5%	-	-
	-5%	-	-

Unlisted investments include direct and indirect investments in foreign multi asset funds.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. This risk is mainly focused on the Group's investments. Changes in interest rates do not affect profitability if they relate to unit-linked investment plans.

The Group reduces its exposure to this risk by investing in a combination of fixed interest and variable interest financial assets and by regular monitoring of assets and liabilities positions.

On 31 December 2022 if interest rates on all interest bearing financial instruments and obligations in any currency increased / decreased by 0,5%, with other things being equal, the Group profit after tax for the year, and consequently its equity, would show an increase / decrease of €331 thousands (2021: €210 thousands).

Currency risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group's exposure to currency risk is not significant.

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32. ANALYSIS OF ASSETS AND LIABILITIES BY EXPECTED MATURITY DATE

The table below presents an analysis of assets and liabilities based on expected maturity or redemption date:

2022	Within one year €000	Over one year €000	Total €000
Assets			
Cash and cash equivalents	62 744	-	62 744
Debtors and prepayments	2 755	-	2 755
<i>Financial assets at fair value through profit or loss</i>			
Equity shares	-	19 945	19 945
Debt securities	-	71 496	71 496
Multi asset fund	-	67 669	67 669
Money market fund	-	-	-
Derivatives	-	-	-
Loans and receivables	72	3 407	3 479
Reinsurers' share in insurance contract liabilities	1 753	11 679	13 432
Premium receivable and other insurance receivables	10 818	-	10 818
Investment properties	-	119 759	119 759
Property and equipment	-	17 942	17 942
Intangible assets	-	1 187	1 187
Assets with right of use	-	48	48
Deferred acquisition costs	703	-	703
Tax receivable	1 056	-	1 056
	79 901	313 132	393 033
Liabilities			
Bank overdraft	553	-	553
Creditors and accruals	7 497	-	7 497
Leases liabilities	-	150	150
Insurance liabilities	14 056	6 916	20 972
Reinsurers' share in deferred acquisition costs	785	-	785
Tax payable	826	-	826
Deferred tax	-	6 333	6 333
Insurance contracts liabilities	13 317	279 564	292 881
Liabilities of superannuation and managed pension funds	19 793	-	19 793
	56 827	292 963	349 790

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2021	Within one year	Over one year	Total
	€000	€000	€000
Assets			
Cash and cash equivalents	38 531	-	38 531
Debtors and prepayments	1 436	-	1 436
<i>Financial assets at fair value through profit or loss</i>			
Equity shares	-	21 825	21 825
Debt securities	-	69 359	69 359
Multi asset fund	-	89 620	89 620
Money market fund	8 440	-	8 440
Derivatives	1	-	1
Loans and receivables	75	3 525	3 600
Reinsurers' share in insurance contract liabilities	1 117	11 010	12 127
Premium receivable and other insurance receivables	8 763	-	8 763
Investment properties	-	121 336	121 336
Property and equipment	-	17 312	17 312
Intangible assets	-	1 109	1 109
Assets with right of use	-	165	165
Deferred acquisition costs	616	-	616
Tax receivable	1 053	-	1 053
	60 032	335 261	395 293
Liabilities			
Bank overdraft	205	-	205
Creditors and accruals	5 700	-	5 700
Leases liabilities	-	298	298
Insurance liabilities	14 615	7 265	21 880
Reinsurers' share in deferred acquisition costs	775	-	775
Tax payable	517	-	517
Deferred tax	-	6 412	6 412
Unallocated surplus life insurance business	-	-	-
Insurance contracts liabilities	17 997	283 863	301 860
Liabilities of superannuation and managed pension funds	21 431	-	21 431
	61 240	297 838	359 078

The determination of the expected maturity date of the insurance policy obligations and reinsurers' share in the insurance contract liabilities is determined based on the expected expiration/termination date of the contracts in force.

Investments and other assets that are directly related to insurance/investment funds are separately presented along with the respective liabilities of insurance policies, provided that their maturity profile corresponds to the estimated timing of outflows that will arise for the settlement of liabilities.

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33. CAPITAL MANAGEMENT

The Directive 2009/138/EC of the European Parliament and the Council and the relevant Regulations concerning the acquisition and pursuit of Insurance and Reinsurance businesses (Solvency II) came into force on 1 January 2016. The new Directive requires significantly enhanced information both in quantitative and qualitative terms and is divided into three pillars:

- Pillar I: Quantitative requirements - includes calculation of solvency capital requirements, technical provisions and principles for measurement of assets and liabilities.
- Pillar II: Qualitative requirements - includes the corporate governance requirements that guarantee the correct and prudent management of the insurance business, including the risk management function, compliance, internal audit and actuarial function.
- Pillar III: Disclosure requirements - includes the requirements to disclose quantitative and qualitative information necessary for supervisory authorities to better inform members - consumers.

With the implementation of the Directive, the Company manages its capital base by evaluating on a quarterly basis, the adequate coverage of the Solvency Capital Requirement of the company with high quality own equity. In this context, a number of actions was taken to optimize asset management and own funds, including adjusting its dividend policy, in order to be able to cover the increased quantitative capital requirements.

Additionally, the Company assesses annually the ongoing compliance with regulatory capital requirements of the Directive throughout the period of future business planning. This assessment takes into account possible future changes in the risk profile, quantity and quality of own funds, and their composition by class and how this can change during the period of future business planning. The results of the own risk assessment were taken into account for capital management, business planning and development and design of the Company's products.

At 31 December 2022, the Company's equity consists of the following:

Equity

	2022	2021
	€000	€000
Share capital	14 994	14 838
Share premium	7 810	7 078
Revaluation reserves	10 021	9 527
Retained profits	8 704	2 985
Total equity	41 529	34 428

The adjustments to meet the Company's capital requirements under the Solvency II Directive are set out below:

	2022	2021
	€000	€000
Insurance liabilities	38 069	30 574
Value of intangible assets	(1 187)	(1 109)
Deferred acquisition costs	83	159
Deferred tax liabilities	(4 769)	(3 842)
Total adjustments	32 169	25 782
Equity for Solvency II purposes	73 725	60 210

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34. ADDITIONAL INFORMATION ON INSURANCE OPERATIONS

Additional information is shown below based on the Accounting Directives issued according to paragraph 2 of article 87 of the Laws on Insurance Services and Other Related Issues:

A) Analysis of premiums and reinsurance premiums

Life insurance and annuity business

	2022 €000	2021 €000
Individual life premiums	60 227	59 030
Group life premiums	3 179	2 402
	63 406	61 432
Regular premiums	55 552	52 332
Single premiums	7 854	9 100
	63 406	61 432
Non-linked life premiums:		
- Without participation in profits	6 419	5 387
- With participation in profits	1 094	2 040
	7 513	7 427
Premiums of unit-linked life policies for which the investment risk is borne by policyholders	55 893	54 005
	63 406	61 432

Accident and health insurance business

	2022 €000	2021 €000
Gross premiums of individual and group contracts	39 588	39 921
Unearned premiums of individual and group contracts	(181)	478
	39 407	40 399
Total premiums	102 813	101 831

Life insurance and annuity business

Reinsurance premiums of non-linked life business	3 014	2 814
Reinsurance premiums of unit-linked life business	1 140	1 149
	4 154	3 963

Accident and health insurance business

	2022 €000	2021 €000
Gross reinsurance premiums of individual and group contracts	29 160	29 556
Unearned reinsurance premiums of individual and group contracts	(52)	357
	29 108	29 913
Total reinsurance premiums	33 262	33 876
Net premiums	69 551	67 955

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B) Analysis of gross payments to policyholders and reinsurers' share

Life insurance and annuity business

	2022	2021
	€000	€000
Gross payments with unchanged and guaranteed benefits	3 148	2 330
Gross payments with participation in profits	5 618	2 915
Gross payments without participation in profits	26 452	27 317
	35 218	32 562

Accident and health insurance business

	2022	2021
	€000	€000
Gross payments on individual contracts	13 276	15 934
Gross payments on group contracts	5 872	5 722
	19 148	21 656

Gross payments to policyholders

	54 366	54 218
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Life insurance and annuity business

Reinsurers' shares of payments to policyholders:

- With unchanged and guaranteed benefits	1 687	562
- Without participation in profits	49	284
	1 736	846

Accident and health insurance business

Reinsurers' shares of payments to policyholders:

- Individual contracts	9 996	11 980
- Group contracts	4 376	4 190
	14 372	16 170

Reinsurers' shares of payments to policyholders

	16 108	17 016
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C) Analysis of commissions from reinsurers and other commissions

	2022	2021
	€000	€000
Commissions from life reinsurers	1 235	1 249
Commissions from accident and health reinsurers	12 509	12 010
Commissions as general agent	516	391
	14 260	13 650

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35. FAIR VALUE OF FINANCIAL INSTRUMENTS AND PROPERTIES

The Group uses the following hierarchy for determining and disclosing the fair value:

Level 1: investments measured at fair value based on quoted prices in active markets.

Level 2: investments measured at fair value based on valuation models in which all factors affecting the fair value is based on observable market data.

Level 3: investments measured at fair value based on valuation models in which the data significantly affect the fair value are not based on observable market data. This category includes unlisted investments.

The method used for determining the fair value of financial instruments presented at fair value using valuation models is described in accounting policy number 12 for investments at fair value through profit or loss. These models include estimates of the Group regarding the assumptions that an investor would use in measuring fair value. The method used for determining the fair value of property is described in notes 11 and 13.

The analysis of financial instruments and properties measured at fair value by level is shown below:

	Level 1	Level 2	Level 3	Total
	€000	€000	€000	€000
Financial assets and properties				
2022				
Equity shares	18 461	-	1 483	19 944
Debt securities	71 496	-	-	71 496
Corporate bonds	-	-	-	-
Multi asset funds	67 669	-	-	67 669
Investment properties	-	-	119 759	119 759
Freehold properties	-	-	17 161	17 161
	157 626	-	138 403	296 029

	Level 1	Level 2	Level 3	Total
	€000	€000	€000	€000
Financial assets and properties				
2021				
Equity shares	20 761	-	1 064	21 825
Debt securities	69 359	-	-	69 359
Corporate bonds	-	-	-	-
Multi asset funds	89 620	-	-	89 620
Money market fund	8 440	-	-	8 440
Investment properties	-	-	121 336	121 336
Freehold properties	-	-	16 602	16 602
Derivatives	1	-	-	1
	188 181	-	139 002	327 183

Notes to the Consolidated Financial Statements

Sensitivity of fair value measurement to changes in unobservable inputs – 31 December 2022

Given the uncertainties in the market, any changes in unobservable inputs may lead to measurement with significantly higher or lower fair value.

A variation of the annual estimated fair value per sq.m. would affect the fair value of privately owned properties per sq.m. as follows:

	Change in assumption	Impact on fair value of owned properties
	%	2022 €000
Annual estimated fair value per sq.m.		
- Increase	10	1 716
- Decrease	10	(1 716)

A variation in the annual yield would affect the fair value of properties as follows

	Change in assumption	Impact on fair value of owned properties
	%	2022 €000
Annual yield		
- Increase	0,5	(1 314)
- Decrease	0,5	1 554

Sensitivity of fair value measurement to changes in unobservable investment property data - other than properties related to Golf development plots:

	Change in assumption	Impact on fair value of investment properties
	%	2022 €000
Percentage of hope value		
- Increase	10	(8 128)
- Decrease	10	(8 128)
Rental yield		
- Increase	0,5	(184)
- Decrease	0,5	230

Notes to the Consolidated Financial Statements

Sensitivity of fair value measurement to changes in unobservable investment property data relating to Golf development plots:

	Impact on fair value of investment properties
	2022
	€000
Discounting rate: 16,2%	(4 700)
Sales duration: 30 years (+5 years)	(10 400)
Sale prices of houses: -10% (€3.197 / sq.m.)	(13 000)
Direct construction costs: +€100 / sq.m.	(4 000)
Direct construction costs: -€100 / sq.m.	3 300
Professional expenses: +2% (7%)	(1 800)

Sensitivity of fair value measurement to changes in unobservable inputs – 31 December 2021

Given the uncertainties in the market, any changes in unobservable inputs may lead to measurement with significantly higher or lower fair value. A variation of the rental yield rate of return would affect the fair value of investment property and own property as follows:

	Change in assumption	Impact on fair value of owned properties
		2021
	%	€000
Annual estimated fair value per sq.m.		
- Increase	10	1 660
- Decrease	10	(1 660)

A variation in the annual yield would affect the fair value of properties as follows:

	Change in assumption	Impact on fair value of owned properties
		2021
	%	€000
Annual yield		
- Increase	0,5	(1 280)
- Decrease	0,5	1 558

Notes to the Consolidated Financial Statements

Sensitivity of fair value measurement to changes in unobservable investment property data - other than properties related to Golf development plots:

	Change in assumption	Impact on fair value of investment properties
	%	2021 €000
Percentage of hope value		
- Increase	10	8 275
- Decrease	10	(8 275)
Rental yield		
- Increase	0,5	(262)
- Decrease	0,5	328

Sensitivity of fair value measurement to changes in unobservable investment property data relating to Golf development plots:

	Impact on fair value of investment properties
	2021 €000
Discounting rate: 16%	(4 877)
Sales duration: 30 years (+5 years)	(7 106)
Sale prices of houses: -10% (€4.332 / sq.m.)	(9 896)
Direct construction costs: +€100 / sq.m.	(3 386)
Direct construction costs: -€100 / sq.m.	3 359
Professional expenses: +2% (7%)	(1 665)

36. OTHER TRANSACTIONS WITH RELATED PARTIES

The Group is controlled by Photos Photiades Group Ltd, which is registered in Cyprus and holds 58,38% of the Company's shares. The remaining percentage of the shares is widely dispersed and there is no final person to control the Company.

The ultimate parent company, which prepares the consolidated financial statements of the largest group of companies to which the Company belongs as a subsidiary, is Photos Photiades Group Ltd, registered in Cyprus, with registered office at 8 Stasinou Street, P.O. Box 1060, Nicosia.

Transactions with related parties of the Group include associates, the senior management, members of the Board of Directors and their affiliates.

Notes to the Consolidated Financial Statements

Balances from transactions with related parties

Management team (including close family members)

	2022	2021
	€000	€000
Loans	30	31

Emoluments of members of the Board of Directors

	2022	2021
	€000	€000
Fees	214	197
Retirement benefits in the form of a pension payable as annuities	147	138
Benefits in kind	8	17

Emoluments of Senior Management

	2022	2021
	€000	€000
Emoluments including other short-term benefits and employer's contributions	1 199	1 050
Contributions in medical fund	20	19
Contributions in the retirement and pension fund	83	73
Benefits in kind	39	31
Total emoluments	1 341	1 173

Other transactions with related parties

Members of the Board of Directors (including close family members)

	2022	2021
	€000	€000
Premiums	64	56
Claims	13	10
Other income from related party	800	-
Amount receivable from related party	800	-

These amounts relate to the recognition of a receivable in respect of taxes on the fees of a related party paid on its behalf to the Tax Department with a parallel credit to an account of other income.

Notes to the Consolidated Financial Statements

Management Team (including close family members)

	2022	2021
	€000	€000
Premiums	216	188
Claims	37	11
Interests from loans	1	1

Entities under joint control

	2022	2021
	€000	€000
Premiums	795	815
Claims	691	339

37. EVENTS AFTER THE REPORTING PERIOD

At the date of approval of the financial statements the conflict between Russia and Ukraine is ongoing, with military operations continuing and additional sanctions being imposed. The Group will continue to monitor the situation.

Subsequent to the reporting date and as part of the Group's rationalisation of administrative costs, the Board of Directors has approved managements' proposal to offer a Voluntary Redundancy Scheme (VRS) to permanent staff of the Group with more than sixteen completed years of service as at 31/3/2023. The VRS was successfully completed and the expected cost is €2.1 million.

Except as noted above, there were no other significant events subsequent to the reporting date that are relevant to an understanding of the financial statements.

There were no other material events after the reporting date, which have a bearing on the understanding of the financial statements.

Embedded Value

In addition to the annual statutory actuarial valuation which is reflected in the audited financial statements, Universal Life reports the results of the Company using the embedded value method.

The embedded value of a life insurance company is defined as the sum of the value of shareholders' assets and the present value of the projected future transfers to the shareholders arising out of future profits. No allowance is made for profits to be generated out of future new business (goodwill).

The calculation of the projected future cash flows is based on assumptions of investment return, mortality and morbidity, lapse rates, commissions and management expenses, tax and any other factors which contribute positively or negatively in the risk management and profitability of a life insurance company. The assumptions are set by allowing for the economic conditions and the Company's own recent experience. The projected future cash flows are discounted back to their present value using a risk discount rate which represents the shareholders' expected return from an investment in a life insurance company.

The embedded value of the Company is calculated at the beginning and at the end of the year and the change in value, adjusted for any transfers to or from the shareholders, represents the embedded value earnings of the Company.

2022 Results

The table below gives a breakdown of the Group's embedded value as at 31 December 2022. The corresponding figures for 2021 are given for comparison. The risk discount rate used for the 2022 provisions was 9,00% per annum (2021: 7,00%).

	2022	2021
	€000	€000
Value of net assets as per the IFRS financial statements	41 529	34 428
Value of policies in force	48 277	50 216
Embedded Value	89 806	84 644

The change in the embedded value in successive years plus the dividends paid to shareholders within the year represents the embedded value profits / losses for the year. The embedded value profits for 2022 are €5 162 000 (2021: profits €1 999 000).

The table below shows the key elements of the results for 2022 as well as for 2021 under the traditional accounting standards method compared to the alternative embedded value method.

	As per audited financial statements		Embedded Value basis	
	2022	2021	2022	2021
	€000	€000	€000	€000
Profits for the year after tax	8 873	374	5 162	1 999
Equity	43 243	36 215	89 806	84 644
Profit per share – cent	59,17	2,5	34,42	13,47
Net asset value per share - €	2,77	2,32	6	5,7

The embedded value was not audited by the external auditors of the Group.