

Financial Report 2021



UNIVERSAL LIFE

*This document is
an internal translation into English of
the Greek audited Consolidated Financial Statements for the year ended 31st December 2021
and of the 2021 Embedded Value Report
Universal Life Insurance Public Company Limited*

Financial Report 2021

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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

Alexis Ph. Photiades

Stavros Christodoulides

Maria Agrotou Iacovidou

Maria Dionysiadou (*appointed on 22/12/2021*)

Nicos Syrimis (*appointed on 22/12/2021*)

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 (*appointed on 01/10/2021*)

Charalambos G. Chomatenos (*resigned on 30/09/2021*)

CHIEF FINANCIAL OFFICER

Pantelis Iacovides

APPOINTED ACTUARY

Rebecca Evangelou

LEGAL ADVISORS

Lellos P. Demetriades Law Office

INDEPENDENT AUDITORS

PricewaterhouseCoopers Ltd

REGISTERED OFFICE AND HEAD OFFICE

Universal Tower

85 Dighenis Akritas Avenue

1070 Nicosia

P.O.Box 21270, 1505 Nicosia

Financial Highlights of the Group

	2021	2020 Revised	2021/2020 Increase/ (decrease) %
	€000	€000	
Premiums	101 831	102 940	(1,08)
Net operating income and profit before income tax	1 634	1 129	44,73
Net profit/(loss) for the year	374	(85)	540,00
Insurance Contracts Liabilities	301 860	279 631	7,95
Total Assets	395 293	374 885	5,44
Total Equity	36 215	36 381	(0,46)

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 2021.

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 8.

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

CHANGES IN GROUP STRUCTURE

During the year there has been no change in the structure of the Group. The Company does not have the intention to perform any acquisitions or mergers.

FINANCIAL RESULTS

The Group made profits of €374 000 after tax in 2021, compared to losses of €85 000 in 2020. Despite a considerable impairment in property revaluations, the profits are mainly a result of the solid performance in the Group's primary business sectors, Life and Health insurance.

The financial highlights for 2021 and 2020 are as follows:

	2021	2020
		Revised
	€000	€000
Premiums	101 831	102 940
Net operating income and profit before income tax	1 634	1 129
Net profit/(loss) for the year	374	(85)
Insurance contracts liabilities	301 860	279 631
Total assets	395 293	374 875
Total equity	36 215	36 381

MAIN RISKS AND UNCERTAINTIES

The main risks and uncertainties faced by the Group are described in Notes 2 (page 32) and 32.

DIVIDENDS

The Board of Directors at the annual general meeting held on 16 December 2021 decided the distribution of dividend from 2019 profits of €0.144 per ordinary share, by issuing Company's shares. The issued price was €5.87 per share based on the Company's calculated Embedded Value as of 31 December 2020. The dividend was paid to the shareholders on 31 December 2021 and amounted to €2 086 449.

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 32 of the Consolidated Financial Statements.

Management Report

FUTURE DEVELOPMENTS

The most significant objectives of the Group are the following:

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

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

GROUP OPERATING ENVIRONMENT

The ongoing impact of the COVID-19 pandemic, the emergence of mutations, and the related measures implemented by various governments around the world to limit the disease's spread, protect public health, and ensure the economic survival of workers, businesses, vulnerable groups, and the economy as a whole marked the year 2021.

For that purpose, the government of the Republic of Cyprus has extended some of the existing measures of 2020 and, in some cases, implemented new, financially costly measures to protect the population from further spread of the disease.

The entry regulations continued to apply in 2021, which imposed restrictions on the entry of people into the Republic of Cyprus. Throughout the year, many private businesses in various sectors of the economy remained closed for some time, and several restrained measures, such as a ban on unnecessary movement and the suspension of non-essential businesses, including retail companies (with some exceptions), were implemented. The Republic of Cyprus evaluated (lifted or strengthened) the measures throughout the year, considering the country's epidemiological status.

The tourism, hospitality, and entertainment industries have been directly and significantly disrupted by these measures. Other sectors, such as construction and financial services, have also been indirectly impacted.

These measures have further restricted economic activity both in Cyprus and globally and have severely affected and could continue to adversely affect businesses, market participants, the Cypriot economy, and other economies worldwide as long as they remain in place for an unknown period.

The Group's Management has taken and continues to take the necessary steps to ensure the minimum disruption and viability of the Group's activities by supporting its staff, customers, and associates. Measures include movement restrictions for employees belonging to vulnerable groups and measures of social distancing, such as the replacement of physical meetings with teleconferences. As of March 2020, employees in non-critical activities of the Group have been rotating from home, and employees in critical activities are working in different locations to limit virus transmission. In addition, strict hygiene rules have been applied to protect the health and safety of the Group's employees and customers.

Since 24 February 2022 and the recent events in Ukraine, particularly the further escalating conflict between Russia and Ukraine, have caused a situation that remains extremely unstable.

Management Report

In response to the conflict, some sanctions were imposed on Russian entities to restrict their access to foreign financial markets, including the abolition of access by several Russian banks to the international SWIFT system. The European Union, the United Kingdom, and the US (among others) have also imposed sanctions against the Russian central bank, limiting the Russian state's access to foreign exchange reserves and introducing further freezing of assets to designated individuals/entities and sanctions in specific sectors. These measures adversely affected business activity in Russia and the overall economic environment and led to increased instability in the financial markets.

The situation is still evolving and may result in further sanctions and restrictions on the business activity of companies operating in the region and consequences for the Russian economy. However, the full scope of the issue and its potential effects are unknown. Management cannot predict or estimate the financial impact of this uncertainty on the Group's future operations.

The Management, considering the impact to date and assessments of expected developments regarding Coronavirus (COVID-19), events in Ukraine, and relevant sanctions to Russia, believes that the Group can successfully manage the above risks, despite the uncertain financial prospects 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 348 783 fully paid ordinary shares of €1,00 each. These shares were the result of the dividend distribution from the 2019 profits amounting to €0,144 per share. The issue price of the new shares was €5,87 each.

DEVELOPMENTS OVERVIEW, PERFORMANCE, ACTIVITIES AND GROUP POSITION

During the year ended 31 December 2021, Group's turnover decreased by 1,08% to €101,8m compared to €102,94m in 2020. This decrease is due to the reduction of premiums in the accident and health business as a result of the NHIS implementation.

Despite the decrease in turnover, there was an improvement in results as the Group recorded a profit for the year 2021 of €345 000 compared to a loss of €85 000 for the year 2020.

The improvement in profitability mainly resulted from the positive change in the fair value of financial assets at fair value through profit or loss and the decrease in the net change in the fair value of investment property. During the year ended 31 December 2021, the Group invested €0.5 million in plant and equipment and €0.7 million in software projects in, both of which were financed with cash earned from operations.

In 31 December 2021 the total assets of the Group were €395,3m (2020:revised €374,9m) and the total equity were €36,2m (2020:revised €36,4m)

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

EVENTS AFTER THE REPORTING PERIOD

Events after the reporting period affecting the understanding of the financial statements are described in Note 38 to these consolidated financial statements.

BRANCHES

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

Management Report

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 2021 and 5 April 2022 is presented below:

	31 December 2021 %	5 April 2022 %
Andreas Georghiou	0,77	0,77
Demosthenis Z. Severis	0,08	0,08
Pavlos Ph. Photiades	23,96	23,96
Alexis Ph. Photiades	19,30	19,30
George A. Georghiou	5,86	5,86

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

MAJOR SHAREHOLDERS

At 31 December 2021 and at the date of this report, the direct and indirect shareholder 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 2021 %	5 April 2022 %
Photos Photiades Group Ltd	58,37	58,37
Magnum Investments Ltd	6,44	6,44
Hellenic Bank Public Company Ltd	18,57	18,57
Pavlos Ph. Photiades	23,96	23,96
Alexis Ph. Photiades	19,30	19,30
George A. Georghiou	5,86	5,86

BOARD OF DIRECTORS

During 2021 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
Alexis Ph. Photiades
Stavros Christodoulides
Maria Agrotou Iacovidou
Maria Dionysiadou (*appointed on 22/12/2021*)
Nicos Syrimis (*appointed on 22/12/2021*)

Management Report

In accordance with the Company's Articles of Association, Messrs Pavlos Ph. Photiades and Demosthenis Severis retire by rotation and are eligible for re-election. Mr. Pavlos Ph. Photiades offers himself for re-election, while Mr. Demosthenes Severis does not offer himself for re-election and exits from the Company's Board of Directors. Also, Ms. Maria Dionysiadou and Mr. Nikos Syrimis, appointed on 22 December 2021, are retiring but are eligible to offer themselves for re-election.

INDEPENDENT AUDITORS

The Independent Auditors, PricewaterhouseCoopers 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
5 April 2022

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2021

	Notes	2021 €000	2020 €000
Income			
Premiums	35a	101 831	102 940
Reinsurance premiums	35a	(33 876)	(38 415)
Net premiums		67 955	64 525
Commission from reinsurers and other commissions		13 650	11 721
Investment and other income	4	1 803	800
Net change in fair value of investment properties	12	(10 280)	(16 004)
Net profit/(loss) in fair value of financial assets at fair value through profit or loss		11 459	(7 492)
Total net income		84 587	53 550
Outgo			
Gross payments to policyholders	35β	54 218	72 244
Reinsurers' share of payments to policyholders	35β	(17 016)	(22 693)
Gross change in insurance contracts liabilities	25	22 707	(21 220)
Reinsurers' share of change in insurance contracts liabilities	25	1 583	3 138
Gross change in deferred acquisition costs		52	108
Reinsurers' share in deferred acquisition costs		(72)	(121)
Operating expenses	5	11 642	10 837
Impairment of amounts receivable		156	149
Other expenses		61	31
Commission to insurance agents		9 436	9 533
Interest expense		157	287
Foreign exchange differences		(1)	-
Change in unappropriated surplus	24	(407)	(55)
Expenses from the administration of superannuation and pension		437	183
Total net outgo		82 953	52 421
Net operating income and profit before income tax		1 634	1 129
Tax	7	(1 260)	(1 214)
Net profit/(loss) for the year		374	(85)
Assigned to:			
Owners of the Group		364	427
Minority rights		10	(512)
		374	(85)

Consolidated Statement Comprehensive Income

For the year ended 31 December 2021

	Notes	2021 €000	2020 €000
Other comprehensive income not to be reclassified to profit or loss in subsequent periods			
Revaluation of property		(395)	453
Deferred tax on revaluation of property		(107)	109
Net comprehensive (loss)/income not to be reclassified to profit or loss in subsequent periods		(502)	562
Other comprehensive (loss)/income for the year after tax		(502)	562
Total comprehensive (loss)/income for the year after tax		(128)	477
Assigned to:			
Owners of the Group		(138)	989
Minority rights		10	(512)
		(128)	477

The notes on pages 16 to 81 form part of the financial statements.

Consolidated Statement of Financial Position

As at 31 December 2021

	Notes	31/12/2021	31/12/2020 Revised	01/01/2020 Revised
		€000	€000	€000
Assets				
Cash and deposits with banks	10	38 531	28 829	42 926
Debtors and prepayments	11	1 436	1 374	1 374
Financial assets at fair value through profit or loss	13	189 245	167 491	162 819
Loans and receivables	14	3 600	3 978	5 111
Reinsurers' share in insurance contracts liabilities	25	12 127	14 067	17 811
Premiums receivable and other insurance receivables	16	8 763	8 667	9 234
Tax receivable	7	1 053	380	380
Property and equipment	19	17 312	17 552	17 165
Investment properties	12	121 336	131 018	146 348
Assets with right of use	21	165	316	475
Deferred acquisition costs		616	668	776
Intangible assets	20	1 109	535	415
Total assets		395 293	374 875	404 834
Liabilities				
Bank overdraft	10	205	884	5 034
Creditors and accruals	22	5 700	6 639	6 937
Tax payable	7	517	877	1 015
Unappropriated surplus of life insurance business	24	-	407	462
Reinsurers' share in deferred acquisition costs		775	846	967
Liabilities of superannuation and managed pension funds	15	21 431	17 785	14 706
Insurance liabilities	23	21 880	24 400	30 296
Insurance contracts liabilities	25	301 860	279 631	301 715
Leases liabilities	21	298	467	631
Deferred tax liabilities	7	6 412	6 558	7 162
Total liabilities		359 078	338 494	368 930
Equity				
Share capital	28	14 838	14 489	14 489
Share premium		7 078	5 379	5 379
Revaluation reserves	29	8 910	9 412	8 850
Minority rights	6	1 605	1 595	2 107
Retained profits	29	3 784	5 506	5 079
Total equity		36 215	36 381	35 904
Total equity and liabilities		395 293	374 875	404 834

Pavlos Ph. Photiades, *Chairman*

Evan Gavas, *Chief Executive Officer*

Pantelis Iacovides, *Chief Financial Officer*

5 April 2022

The notes on pages 16 to 81 form part of the financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2021

	Share Capital (Note 28)	Share Premium	Revaluation Reserve (Note 29)	Retained Profits (Note 29)	Minority Rights (Note 6)	Total
	€000	€000	€000	€000	€000	€000
At 1 January 2021 (revised)	14 489	5 379	9 412	5 506	1 595	36 381
Profit for the year	-	-	-	364	10	374
Other comprehensive loss for the year after tax	-	-	(502)	-	-	(502)
Total comprehensive income for the year	-	-	(502)	364	10	(128)
Issue of shares (note 28)	349	1 699	-	-	-	2 048
Dividends (note 9)	-	-	-	(2 086)	-	(2 086)
At 31 December 2021	14 838	7 078	8 910	3 784	1 605	36 215
At 1 January 2020 (as originally presented)	14 489	5 379	8 850	7 436	2 107	38 261
Correction of errors of previous periods (Note 3)	-	-	-	(2 357)	-	(2 357)
At 1 January 2020 (revised)	14 489	5 379	8 850	5 079	2 107	35 904
Profit/(loss) for the year	-	-	-	427	(512)	(85)
Other comprehensive income for the year after tax	-	-	562	-	-	562
At 31 December 2020	14 489	5 379	9 412	5 506	1 595	36 381

The notes on pages 16 to 81 form a part of the financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2021

	Notes	2021 €000	2020 €000
Net cash flow from operating activities	31	32 360	(6 362)
Cash flow from investing activities			
Purchase of investment properties	12	(598)	(574)
Proceeds from sale of investment properties		-	106
Payments for the purchase of financial assets at fair value through profit or loss		(123 284)	(140 674)
Proceeds from the sale of financial assets at fair value through profit or loss		101 497	137 088
Proceeds from loans to policyholders		226	762
(Increase)/decrease in bank deposits		(10 538)	14 355
Decrease in blocked deposits		131	894
Purchase of property and equipment	19	(529)	(402)
Payments for the purchase of intangible assets	20	(673)	(210)
Investment income received		1 803	800
Net cash flow (for)/from investing activities		(31 965)	12 145
Cash flow for financing activities			
Leases payments		(203)	(194)
Payment of interest expenses		(218)	(287)
Net cash flow for financing activities		(421)	(481)
Net (decrease)/increase in cash and cash equivalents		(26)	5 302
Cash and cash equivalents at 1 January	10	1 347	(3 955)
Cash and cash equivalents at 31 December	10	1 321	1 347

The notes on pages 16 to 81 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.

Operating environment of the Group

The ongoing impact of the COVID-19 pandemic, the emergence of mutations, and the related measures implemented by various governments around the world to limit the disease's spread, protect public health, and ensure the economic survival of workers, businesses, vulnerable groups, and the economy as a whole marked the year 2021.

For that purpose, the government of the Republic of Cyprus has extended some of the existing measures of 2020 and, in some cases, implemented new, financially costly measures to protect the population from further spread of the disease.

The entry regulations continued to apply in 2021, which imposed restrictions on the entry of people into the Republic of Cyprus. Throughout the year, many private businesses in various sectors of the economy remained closed for some time, and several restrained measures, such as a ban on unnecessary movement and the suspension of non-essential businesses, including retail companies (with some exceptions), were implemented. The Republic of Cyprus evaluated (lifted or strengthened) the measures throughout the year, considering the country's epidemiological status.

The tourism, hospitality, and entertainment industries have been directly and significantly disrupted by these measures. Other sectors, such as construction and financial services, have also been indirectly impacted.

These measures have further restricted economic activity both in Cyprus and globally and have severely affected and could continue to adversely affect businesses, market participants, the Cypriot economy, and other economies worldwide as long as they remain in place for an unknown period.

The Group's Management has taken and continues to take the necessary steps to ensure the minimum disruption and viability of the Group's activities by supporting its staff, customers, and associates. Measures include movement restrictions for employees belonging to vulnerable groups and measures of social distancing, such as the replacement of physical meetings with teleconferences. As of March 2020, employees in non-critical activities of the Group have been rotating from home, and employees in critical activities are working in different locations to limit virus transmission. In addition, strict hygiene rules have been applied to protect the health and safety of the Group's employees and customers.

Summary of significant accounting policies

Since 24 February 2022 and the recent events in Ukraine, particularly the further escalating conflict between Russia and Ukraine, have caused a situation that remains extremely unstable.

In response to the conflict, some sanctions were imposed on Russian entities to restrict their access to foreign financial markets, including the abolition of access by several Russian banks to the international SWIFT system. The European Union, the United Kingdom, and the US (among others) have also imposed sanctions against the Russian central bank, limiting the Russian state's access to foreign exchange reserves and introducing further freezing of assets to designated individuals/entities and sanctions in specific sectors. These measures adversely affected business activity in Russia and the overall economic environment and led to increased instability in the financial markets.

The situation is still evolving and may result in further sanctions and restrictions on the business activity of companies operating in the region and consequences for the Russian economy. However, the full scope of the issue and its potential effects are unknown. Management cannot predictor estimate the financial impact of this uncertainty on the Group's future operations.

The Management, considering the impact to date and assessments of expected developments regarding Coronavirus (COVID-19), events in Ukraine, and relevant sanctions to Russia, believes that the Group can successfully manage the above risks, despite the uncertain financial prospects 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

At the moment of writing of this Business Impact assessment, the war in Ukraine is continuing, with a widening Russian offensive seeking to capture key urban centers. Whilst NATO countries have explicitly stated that they will not be directly involved in the war, the risk of wide-spread military escalation remains a possibility. Ongoing peace talks between Russia and Ukraine offer some hope for a swift ending to the war, however, to date no significant progress appears to have been made on the diplomatic front.

The imposed economic sanctions from the US and Europe have had a severe impact on the Russian economy, with the ruble down by 45% this year and Russian equities being removed from leading stock indices traded by US and European investors.

Sanctions are also causing an exodus of international companies out of Russia. Whilst the possibility of further sanctions from the US remains on the table, any additional measures are likely to result in more negative spillover effects on the US economy. Even with the current sanctions however, a Russian sovereign default remains a possibility. The European Union's dependency on Russian gas imports has resulted in soaring energy costs which are expected to persist in the medium-term. The European Union has stated its intention to reduce its Russian gas imports, however in the short-term, energy prices will continue to be characterized by high volatility as the region will remain highly dependent on Russian gas for the foreseeable future.

Further to the ongoing conflict in Ukraine, the spread of the Covid-19 outbreak continues to cause some disruption to businesses. The new "Omicron" variant appears to have been more infectious than prior strains, however it also appears to be less severe. The lower severity coupled with the continuation of vaccination programs has resulted in a reduced hospitalization and mortality rates globally. These developments have prompted governments to gradually lift imposed restrictions.

The Group's Management completed impact assessments in March 2020 and October 2021, regarding the Company's ability to continue operating on a going concern basis in relation to the Covid-19 situation. This assessment has been repeated in March 2022 and is included in this memo. Universal Life does not foresee an elevated risk from the Covid-19 outbreak, as the company has not experienced any disruption in operations or sales to date.

Summary of significant accounting policies

In relation to the ongoing conflict in Ukraine, Universal Life Management anticipates that a deterioration of the global economic outlook, which inevitably will also affect Cyprus, may have an impact on sales over the uncertainty period due to a decline in consumer sentiment.

Based on its assessment, the Group's management concludes that whilst the business will be impacted by the wider economic instability, the Group's ability to continue operating on a going concern basis will not be impacted.

As a result, the Group's management continues to use this 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 2021. 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 2021 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:

- *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 and IAS 28* (issued on 11 September 2014 and effective for annual periods beginning on or after a date to be determined by the IASB)*. The EU endorsement is postponed as IASB effective date is deferred indefinitely. These amendments address an 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. A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are held by a subsidiary. 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 known/ or reasonable estimable.
- *Classification of liabilities as current or non-current – Amendments to IAS 1* (issued on 23 January 2020 and effective for annual periods beginning on or after 1 January 2022)*. These narrow scope amendments clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Liabilities are non-current if the entity has a substantive right, at the end of the reporting period, to defer settlement for at least twelve months. The guidance no longer requires such a right to be unconditional. Management's expectations whether they will subsequently exercise the right to defer settlement do not affect classification of liabilities. The right to defer only exists if the entity complies with any relevant conditions as of the end of the reporting period. A liability is classified as current if a condition is breached at or before the reporting date even if a waiver of that condition is obtained from the lender after the end of the reporting period. Conversely, a loan is classified as non-current if a loan covenant is breached only after the reporting date. In addition, the amendments include clarifying the classification

Summary of significant accounting policies

requirements for debt a company might settle by converting it into equity. 'Settlement' is defined as the extinguishment of a liability with cash, other resources embodying economic benefits or an entity's own equity instruments. There is an exception for convertible instruments that might be converted into equity, but only for those instruments where the conversion option is classified as an equity instrument as a separate component of a compound financial instrument. 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 known/ or reasonable estimable.

- *Classification of liabilities as current or non-current, deferral of effective date – Amendments to IAS 1* (issued on 15 July 2020 and effective for annual periods beginning on or after 1 January 2023)*. The amendment to IAS 1 on classification of liabilities as current or non-current was issued in January 2020 with an original effective date 1 January 2022. However, in response to the Covid-19 pandemic, the effective date was deferred by one year to provide companies with more time to implement classification changes resulting from the amended guidance. 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 known/ or reasonable estimable.
- *Transition option to insurers applying IFRS 17 – Amendments to IFRS 17* (issued on 9 December 2021 and effective for annual periods beginning on or after 1 January 2023)*. The amendment to the transition requirements in IFRS 17 provides insurers with an option aimed at improving the usefulness of information to investors on initial application of IFRS 17. The amendment relates to insurers' transition to IFRS 17 only and does not affect any other requirements in IFRS 17. The transition requirements in IFRS 17 and IFRS 9 apply at different dates and will result in the following one-time classification differences in the comparative information presented on initial application of IFRS 17: accounting mismatches between insurance contract liabilities measured at current value and any related financial assets measured at amortised cost; and if an entity chooses to restate comparative information for IFRS 9, classification differences between financial assets derecognised in the comparative period (to which IFRS 9 will not apply) and other financial assets (to which IFRS 9 will apply). The amendment will help insurers to avoid these temporary accounting mismatches and, therefore, will improve the usefulness of comparative information for investors. It does this by providing insurers with an option for the presentation of comparative information about financial assets. When initially applying IFRS 17, entities would, for the purpose of presenting comparative information, be permitted to apply a classification overlay to a financial asset for which the entity does not restate IFRS 9 comparative information. The transition option would be available, on an instrument-by-instrument basis; allow an entity to present comparative information as if the classification and measurement requirements of IFRS 9 had been applied to that financial asset, but not require an entity to apply the impairment requirements of IFRS 9; and require an entity that applies the classification overlay to a financial asset to use reasonable and supportable information available at the transition date to determine how the entity expects that financial asset to be classified applying IFRS 9.
- *Deferred tax related to assets and liabilities arising from a single transaction – Amendments to IAS 12* (issued on 7 May 2021 and effective for annual periods beginning on or after 1 January 2023)*. The amendments to IAS 12 specify how to account for deferred tax on transactions such as leases and decommissioning obligations. In specified circumstances, entities are exempt from recognising deferred tax when they recognise assets or liabilities for the first time. Previously, there had been some uncertainty about whether the exemption applied to transactions such as leases and decommissioning obligations – transactions for which both an asset and a liability are recognised. The amendments clarify that the exemption does not apply and that entities are required to recognise deferred tax on such transactions. The amendments require companies to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. 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 known/ or reasonable estimable.

Summary of significant accounting policies

IFRS 17 "Insurance Contracts" (issued on 18 May 2017 and effective for annual periods beginning on or after 1 January 2021)*. IFRS 17 replaces IFRS 4, which has given companies dispensation to carry on accounting for insurance contracts using existing practices. As a consequence, it was difficult for investors to compare and contrast the financial performance of otherwise similar insurance companies. IFRS 17 is a single principle-based standard to account for all types of insurance contracts, including reinsurance contracts that an insurer holds. The standard requires recognition and measurement of groups of insurance contracts at: (i) a risk-adjusted present value of the future cash flows (the fulfilment cash flows) that incorporates all of the available information about the fulfilment cash flows in a way that is consistent with observable market information; plus (if this value is a liability) or minus (if this value is an asset) (ii) an amount representing the unearned profit in the group of contracts (the contractual service margin). Insurers will be recognising the profit from a group of insurance contracts over the period they provide insurance coverage, and as they are released from risk. If a group of contracts is or becomes loss-making, an entity will be recognising the loss immediately. The Group has started the process of evaluating the impact of the application of the standard on the results and its financial position. The Group has appointed external consultants in the implementation and enforcement of IFRS 17 while creating an internal team.

- *Amendments to IFRS 17 and an amendment to IFRS 4* (issued on 25 June 2020 and effective for annual periods beginning on or after 1 January 2023)*. The amendments include a number of clarifications intended to ease implementation of IFRS 17, simplify some requirements of the standard and transition. The amendments relate to eight areas of IFRS 17, and they are not intended to change the fundamental principles of the standard. The following amendments to IFRS 17 were made:
 - Effective date: The effective date of IFRS 17 (incorporating the amendments) has been deferred by two years to annual reporting periods beginning on or after 1 January 2023; and the fixed expiry date of the temporary exemption from applying IFRS 9 in IFRS 4 has also been deferred to annual reporting periods beginning on or after 1 January 2023.
 - Expected recovery of insurance acquisition cash flows: An entity is required to allocate part of the acquisition costs to related expected contract renewals, and to recognise those costs as an asset until the entity recognises the contract renewals. Entities are required to assess the recoverability of the asset at each reporting date, and to provide specific information about the asset in the notes to the financial statements.
 - Contractual service margin attributable to investment services: Coverage units should be identified, considering the quantity of benefits and expected period of both insurance coverage and investment services, for contracts under the variable fee approach and for other contracts with an 'investment-return service' under the general model. Costs related to investment activities should be included as cash flows within the boundary of an insurance contract, to the extent that the entity performs such activities to enhance benefits from insurance coverage for the policyholder.
 - Reinsurance contracts held – recovery of losses: When an entity recognises a loss on initial recognition of an onerous group of underlying insurance contracts, or on addition of onerous underlying contracts to a group, an entity should adjust the contractual service margin of a related group of reinsurance contracts held and recognise a gain on the reinsurance contracts held. The amount of the loss recovered from a reinsurance contract held is determined by multiplying the loss recognised on underlying insurance contracts and the percentage of claims on underlying insurance contracts that the entity expects to recover from the reinsurance contract held. This requirement would apply only when the reinsurance contract held is recognised before or at the same time as the loss is recognised on the underlying insurance contracts.
 - Other amendments: Other amendments include scope exclusions for some credit card (or similar) contracts, and some loan contracts; presentation of insurance contract assets and liabilities in the statement of financial position in portfolios instead of groups; applicability of the risk mitigation option when mitigating financial risks using reinsurance contracts held and non-derivative financial instruments at fair value through profit or loss; an accounting policy

Summary of significant accounting policies

choice to change the estimates made in previous interim financial statements when applying IFRS 17; inclusion of income tax payments and receipts that are specifically chargeable to the policyholder under the terms of an insurance contract in the fulfilment cash flows; and selected transition reliefs and other minor amendments.

At this stage, Gap Analysis, Impact Assessment, IT Architecture and Infrastructure, Analysis and Design for the general measurement model have been completed and the results were presented to the Board. The Group is currently in the Solution Validation process.

- *Amendments to IAS 1 and IFRS Practice Statement 2: Disclosure of Accounting policies* (issued on 12 February 2021 and effective for annual periods beginning on or after 1 January 2023)*. IAS 1 was amended to require companies to disclose their material accounting policy information rather than their significant accounting policies. The amendment provided the definition of material accounting policy information. The amendment also clarified that accounting policy information is expected to be material if, without it, the users of the financial statements would be unable to understand other material information in the financial statements. The amendment provided illustrative examples of accounting policy information that is likely to be considered material to the entity's financial statements. Further, the amendment to IAS 1 clarified that immaterial accounting policy information need not be disclosed. However, if it is disclosed, it should not obscure material accounting policy information. To support this amendment, IFRS Practice Statement 2, 'Making Materiality Judgements' was also amended to provide guidance on how to apply the concept of materiality to accounting policy disclosures. 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 known/ or reasonable estimable.
- *Proceeds before intended use, Onerous contracts – cost of fulfilling a contract, Reference to the Conceptual Framework – narrow scope amendments to IAS 16, IAS 37 and IFRS 3, and Annual Improvements to IFRSs 2018-2020 – amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41* (issued on 14 May 2020 and effective for annual periods beginning on or after 1 January 2022). The amendment to IAS 16 prohibits an entity from deducting from the cost of an item of PPE any proceeds received from selling items produced while the entity is preparing the asset for its intended use. The proceeds from selling such items, together with the costs of producing them, are now recognised in profit or loss.

An entity will use IAS 2 to measure the cost of those items. Cost will not include depreciation of the asset being tested because it is not ready for its intended use. The amendment to IAS 16 also clarifies that an entity is 'testing whether the asset is functioning properly' when it assesses the technical and physical performance of the asset. The financial performance of the asset is not relevant to this assessment. An asset might therefore be capable of operating as intended by management and subject to depreciation before it has achieved the level of operating performance expected by management.

The amendment to IAS 37 clarifies the meaning of 'costs to fulfil a contract'. The amendment explains that the direct cost of fulfilling a contract comprises the incremental costs of fulfilling that contract; and an allocation of other costs that relate directly to fulfilling. The amendment also clarifies that, before a separate provision for an onerous contract is established, an entity recognises any impairment loss that has occurred on assets used in fulfilling the contract, rather than on assets dedicated to that contract.

IFRS 3 was amended to refer to the 2018 Conceptual Framework for Financial Reporting, in order to determine what constitutes an asset or a liability in a business combination. Prior to the amendment, IFRS 3 referred to the 2001 Conceptual Framework for Financial Reporting. In addition, a new exception in IFRS 3 was added for liabilities and contingent liabilities. The exception specifies that, for some types of liabilities and contingent liabilities, an entity applying IFRS 3 should instead refer to IAS 37 or IFRIC 21, rather than the 2018 Conceptual Framework. Without this new exception, an entity would have recognised some liabilities in a business combination that it would not recognise under

Summary of significant accounting policies

IAS 37. Therefore, immediately after the acquisition, the entity would have had to derecognise such liabilities and recognise a gain that did not depict an economic gain. It was also clarified that the acquirer should not recognise contingent assets, as defined in IAS 37, at the acquisition date.

The amendment to IFRS 9 addresses which fees should be included in the 10% test for derecognition of financial liabilities. Costs or fees could be paid to either third parties or the lender. Under the amendment, costs or fees paid to third parties will not be included in the 10% test.

Illustrative Example 13 that accompanies IFRS 16 was amended to remove the illustration of payments from the lessor relating to leasehold improvements. The reason for the amendment is to remove any potential confusion about the treatment of lease incentives.

IFRS 1 allows an exemption if a subsidiary adopts IFRS at a later date than its parent. The subsidiary can measure its assets and liabilities at the carrying amounts that would be included in its parent's consolidated financial statements, based on the parent's date of transition to IFRS, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. IFRS 1 was amended to allow entities that have taken this IFRS 1 exemption to also measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to IFRS. The amendment to IFRS 1 extends the above exemption to cumulative translation differences, in order to reduce costs for first-time adopters. This amendment will also apply to associates and joint ventures that have taken the same IFRS 1 exemption.

The requirement for entities to exclude cash flows for taxation when measuring fair value under IAS 41 was removed. This amendment is intended to align with the requirement in the standard to discount cash flows on a post-tax basis.

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 known/ or reasonable estimable.

- *Amendments to IAS 8: Definition of Accounting Estimates* (issued on 12 February 2021 and effective for annual periods beginning on or after 1 January 2023)*. The amendment to IAS 8 clarified how companies should distinguish changes in accounting policies from changes in accounting estimates. 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 known/ or reasonable estimable.
- *Covid-19-Related Rent Concessions – Amendments to IFRS 16* (issued on 31 March 2021 and effective for annual periods beginning on or after 1 April 2021). In May 2020 an amendment to IFRS 16 was issued that provided an optional practical expedient for lessees from assessing whether a rent concession related to COVID-19, resulting in a reduction in lease payments due on or before 30 June 2021, was a lease modification. An amendment issued on 31 March 2021 extended the date of the practical expedient from 30 June 2021 to 30 June 2022. The Company 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 known/ or reasonable estimable.

* Denotes standards, interpretations and amendments which have not yet been endorsed by the European Union.

Summary of significant accounting policies

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 8) that together with the Company are referred to as the "Group". All are fully owned both in 2021 and 2020 except for Universal Golf Enterprises PLC, where at 31 December 2021 the Company held 94.14% (2020: 94.14%) of its share capital. 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.

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.

Summary of significant accounting policies

7. Insurance business

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

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

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.

Unallocated surplus

The unallocated 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 are accounted for when they become due during the period where the risk coverage applies.

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.

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

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.

Summary of significant accounting policies

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

The Group manages retirement funds and group pension plans on behalf of clients. The relevant fees are recognized in the consolidated statement of comprehensive income.

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.

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.

Summary of significant accounting policies

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 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

Summary of significant accounting policies

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.

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.

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.

Summary of significant accounting policies

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.

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.

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. Deferred tax is provided using the liability method.

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).

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.

Summary of significant accounting policies

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.

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:

Summary of significant accounting policies

- 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).

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.

Summary of significant accounting policies

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

The comparative amounts have been adjusted to conform with changes in the current year's presentation. Details of reclassifications and adjustments for previous years are presented in Note 3.

Notes to the Consolidated Financial Statements

1. CORPORATE INFORMATION

The consolidated financial statements of the Universal Group for the year ended 31 December 2021, were authorised for issue by the Board of Directors on 5 April 2022.

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. For the analysis of the sensitivity of the results to changes in significant assumptions, refer to Note 26.

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 (IBNR) 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 26.

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

Notes to the Consolidated Financial Statements

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 12 and 19. For sensitivity analysis of the results to changes in significant assumptions, refer to Note 36.

Provisions for impairment of debtors

The Group reviews the collectability of all amounts due from debtors. Evidence includes the customer's payment record, overall financial position and the realisable value of any collateral. If such evidence exists, the recoverable amount is estimated and a provision is made for impairment and recognised in the consolidated statement of comprehensive income. The review of credit risk is continuous. The methodology and assumptions used for estimating the provision are regularly reviewed to reduce any differences between estimated and actual losses. The Management considers that the greatest credit risk relates to loans and receivables. A 5% decrease in the fair value of mortgages in relation to these loans would lead to an increase in the provision for impairment of these loans amounting to €623 thousand.

Income Tax

The Group operates and is therefore subject to tax in Cyprus and Romania. Estimates are required in determining the provision for income taxes at the reporting date since the final tax determination is uncertain. Where the final tax is different from the amounts that were initially recorded, such differences will impact the income tax expense, the tax liabilities and deferred tax liabilities in the period in which the final tax is agreed with the tax authorities. If the final result (for issues that required judgment) was 10% different from the Management's calculations, the Group would have to increase its current tax liabilities by € 35 thousand.

Notes to the Consolidated Financial Statements

3. ADJUSTMENTS FOR PRIOR PERIODS

Investment properties

Until 2020, the Group, regarding investments in large agricultural properties that may, under certain conditions, qualify for special exploitation through the relevant Policy Statement, adopted a goodwill percentage on the average price of agricultural plots in these areas based on valuations made by independent qualified valuers.

In 2021, the Group re-evaluated this process and concluded that it could not sufficiently substantiate the recognition of goodwill due to the lack of comparable sales of similar sized plots with similar development prospects, as well as the lack of a thorough analysis based on an integrated development plan and relevant economic models to secure planning approval in principle.

The adjustments made to eliminate the relevant amount of goodwill, to the affected items in the Group's consolidated statement of financial position, as a result of the above for the comparative period, are as follows:

Consolidated Statement of Financial Position

	As initially stated €000	Correction €000	Revised €000
01/01/2020			
Assets			
Investment properties	152 915	(6 567)	146 348
Liabilities			
Insurance contracts liabilities	305 401	(3 686)	301 715
Deferred tax liabilities	7 691	(524)	7 167
	313 092	(4 210)	308 882
Equity			
Retained profits	7 436	(2 357)	5 079
31/12/2020			
Assets			
Investment properties	137 585	(6 567)	131 018
Liabilities			
Insurance contracts liabilities	283 317	(3 686)	279 631
Deferred tax liabilities	7 082	(524)	6 558
	290 399	(4 210)	286 189
Equity			
Retained profits	7 863	(2 357)	5 506

Notes to the Consolidated Financial Statements

4. INVESTMENT AND OTHER INCOME

	2021 €000	2020 €000
Life insurance and annuity business		
Interest income	219	383
Dividends from equities	1 451	287
Rental income from investment property	133	130
	<u>1 803</u>	<u>800</u>
Accident and health insurance business	-	-
	<u>1 803</u>	<u>800</u>

5. EXPENSES ANALYSIS

	2021 €000	2020 €000
Salaries and employer's contributions	6 895	6 397
Retirement benefit costs	572	443
Directors' emoluments:		
- Fees	197	161
- Emoluments in executive capacity	229	246
- Employer's contributions	34	32
Legal and other professional expenses	671	327
Depreciation of property and equipment	328	284
Depreciation of assets with rights of use	177	178
Amortisation of intangible assets	99	90
Profit on disposal and write-off of property and equipment and intangible asset	(12)	(7)
Operating lease rentals for buildings	7	7
Advertising and promotion expenses	323	346
Repair and maintenance expenses	516	469
Telecommunications and postages	163	190
Administrative expenses and related commissions	264	274
Printing and stationery	152	170
Other operating expenses	1 027	1 230
	<u>11 642</u>	<u>10 837</u>

Notes to the Consolidated Financial Statements

Other operating expenses include the fees (including taxes) of the Company's independent auditors for the years 2020 and 2021, for audit and other professional services rendered as follows:

	2021	2020
	€000	€000
Parent Company:		
- Fees for statutory audit of financial statements	92	92
- Fees for other verification services	29	29
- Fees for tax consultancy services	3	3
- Fees for other services	7	-
Subsidiaries:		
- Fees for the audit of financial statements	30	30
- Fees for tax services	2	2
	163	156

6. MINORITY RIGHTS

As at 31 December 2021 and 2020 the Company held 94,14% of the share capital of Universal Golf Enterprises PLC (see Note 8) 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 2021 and 2020 are presented below:

	2021	2020
	€000	€000
Investment properties	38 587	37 242
Cash and cash equivalent	9	16
Total assets	38 695	37 349
Total liabilities	10 764	9 594
Net change in fair value of investment properties	747	(8 479)
Profit/(loss) after tax	175	(8 743)

7. TAX

	2021	2020
	€000	€000
Consolidated Statement of Comprehensive Income		
Corporation tax	1 510	1 710
Special contribution to the defence fund	3	4
Deferred tax	(253)	(500)
Total tax	1 260	1 214

Notes to the Consolidated Financial Statements

Analysis of tax charge

	2021 €000	2020 €000
Tax at 1,5% on gross premiums of life insurance business in Cyprus	921	834
Tax at 12,5% of the taxable income of the accident and health insurance business	589	876
Special contribution for defence	3	4
Deferred tax	(253)	(500)
Total tax	1 260	1 214

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

	2021 €000	2020 €000
Profit before tax	1 634	1 129
Tax at standard rates in Cyprus	361	266
Tax at standard rates in Romania	-	(30)
Tax impact:		
- expenses not deductible	1 182	1 151
- non-taxable income	(286)	(177)
Special contribution for defence	3	4
	1 260	1 214

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% (2020: 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 2021 and 2020 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% (2020: 12,5%) on the taxable income of the year.

Tax losses amounted to €318.724 (2020: €131 114) 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 2021, can be offset against future taxable profits by the year 2026 (2020: by 2025).

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 (2020: 3%). There are no tax losses to be carried forward and therefore no deferred tax asset is recognized.

Consolidated Statement of Financial Position

	2021	2020
	€000	€000
Tax receivable	1 053	380
Tax payable	517	877

Deferred tax

The deferred tax arises from:

	2021	2020 Revised
	€000	€000
Company		
Difference between wear and tear allowances and depreciation	(829)	(813)
Revaluation on investment properties	(4 027)	(4 135)
	(4 856)	(4 948)
Subsidiaries		
Revaluation on investment properties	(1 556)	(1 610)
	(6 412)	(6 558)

Deferred tax

The movement of deferred tax is as follows:

	Difference between depreciation and amortisation €000	Revaluation of land and buildings €000	Total €000
At 1 January 2020	(797)	(6 370)	(7 167)
(Loss)/Profit for the year	(16)	516	500
Other total income	-	109	109
At 31 December 2020 / 1 January 2021	(813)	(5 745)	(6 558)
(Loss)/profit for the year	(16)	269	253
Other total expenses	-	(107)	(107)
At 31 December 2021	(829)	(5 583)	(6 412)

Notes to the Consolidated Financial Statements

8. 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
Corenca Investments PLC (ex Universal Investments PLC)	Closed-end investment company
Wizcode Ltd (ex Universal Nominees Ltd)	Trustee services
Towmetre Ltd (ex Universal Securities 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. All of them were wholly owned subsidiaries on both in 2021 and in 2020 except for Universal Golf Enterprises PLC, in which at 31 December 2021 the Company held 94,14% (2020: 94,14% of its share. On 19 December 2018 Corenca Investments PLC, Wizcode Ltd and Towmetre Ltd applied to the Registrar of Companies for deregistration.

9. DIVIDENDS

The Board of Directors at the annual general meeting held on 16 December 2021 decided the distribution of dividend from 2019 profits of €0.144 per ordinary share, by issuing Company's shares. The issued price was €5.87 per share based on the Company's calculated Embedded Value as of 31 December 2020.

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, where applicable, under the Special Contribution for the Defence of the Republic Law and €5 266 for a contribution to the General Health Insurance Scheme.

No dividend was paid in 2020.

10. CASH AND DEPOSITS AT BANKS

	2021	2020
	€000	€000
Cash and deposits at banks	1 579	2 415
Deposits held as investments of the insurance business, retirement and pension funds and other deposits relating to insurance activities	36 952	26 414
	38 531	28 829

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

	2021	2020
	€000	€000
Cash and deposits at banks	1 579	2 415
Bank overdraft	(205)	(884)
Cash collateral	(53)	(184)
	1 321	1 347

Notes to the Consolidated Financial Statements

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

	2021	2020
	€000	€000
Euro	38 479	28 751
Other	52	78
	38 531	28 829

Cash and deposits at banks bear interest from 0% - 0,05% annually (2020: 0% - 0,05% annually) and relate to deposits maturing within one year.

An amount of €53 000 (2020: €183 894) is pledged as collateral to provide bank guarantees required for the Company's operations.

The bank overdraft is payable on demand and is not guaranteed.

11. DEBTORS AND PREPAYMENTS

	2021	2020
	€000	€000
Debtors	1 436	1 374

The above debtors arise in the normal course of business, are receivable on demand and do not bear interest. 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.

12. INVESTMENT PROPERTIES

	2021	2020
	€000	Revised €000
1 January	131 018	146 348
Purchases	598	574
Disposals	-	(84)
Properties transferred from Investment properties to fixed assets	-	(692)
Properties transferred from fixed assets to investment properties	-	876
Revaluation	(10 280)	(16 004)
31 December	121 336	131 018
Investment properties relating to unit-linked funds	49 287	51 028
Other investment properties	72 049	79 990
	121 336	131 018

Refer to note 3 for prior period adjustments. The amount labelled as 'Other investment properties' includes the value of investment properties of the subsidiary Universal Golf Enterprises PLC, amounting to €38 587 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 17 for more information on investments for unit-linked policies.

Notes to the Consolidated Financial Statements

Rental income from investment properties (note 4) amounting to €133 000 (2020: €130 000) includes an amount of €41 200 (2020: €89 000) of rentals from investments of unit linked funds.

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 2021 and 2020, 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.

(a) Investment properties except Golf development plots

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

31 December 2021

Category	Valuation 2021 €000	Technical valuation	Significant non-observable data	Variation of values 2021 €000
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

Notes to the Consolidated Financial Statements

Agriculture plots – Pano Pyrgos Tillyrias	11 067	Comparative market method	Annual estimated fair value per sq.m.	€7 - €12
			Area in sq.m.	1 278 893
			Highest and best use	Development of large projects
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.	€5 - €16
			Area in sq.m.	1 404 419
			Highest and best use	Development of large projects
Agriculture and other plots	41 440	Comparative market method	Annual estimated fair value per sq.m.	€2 - €120
			Area in sq.m.	3 223 498
			Highest and best use	Existing
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			

31 December 2020

Category	Valuation 2020 €000	Technical valuation	Significant non-observable data	Variation of values 2020 €000
Offices and other commercial properties measured using the comparative market method	5 060	Comparative market method	Annual estimated fair value per sq.m.	€1 648 - €1 800
			Area in sq.m.	2 887
			Highest and best use	Existing

Notes to the Consolidated Financial Statements

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.	€62 - €118
			Rental yield	5,00% - 6,00%
			Annual estimated fair value per sq.m.	€1 203 - €2 757
			Area in sq.m.	1 632
			Highest and best use	Existing
Agriculture plots – Pano Pyrgos Tillyrias	11 055	Comparative market method	Annual estimated fair value per sq.m.	€8 - €15
			Area in sq.m.	1 278 893
			Highest and best use	Development of large projects
Agriculture plots – Kalo Chorio, Gourri, Klirou, Fikardou of the subsidiary Universal Properties Ltd	13 102	Comparative market method	Annual estimated fair value per sq.m.	€5 - €16
			Area in sq.m.	1 404 419
			Highest and best use	Development of large projects
Agriculture and other plots	51 838	Comparative market method	Annual estimated fair value per sq.m.	€2 - €149
			Area in sq.m.	3 223 498
			Highest and best use	Existing
Residential	2 379	Comparative market method	Annual estimated fair value per sq.m.	€550 - €1 410
			Area in sq.m.	2 284
			Highest and best use	Existing
Plots in Romania	7 694	Comparative market method	Annual estimated fair value per sq.m.	€3 - €46
			Area in sq.m.	996 594
			Highest and best use	Existing
Total	93 776			

The comparative market method is based on the comparison to properties with similar physical and legal

Notes to the Consolidated Financial Statements

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 36.

(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. The recent suspension/withdrawal of the program is expected to lead to a negative impact on property prices/values in general. This fact has been taken into account 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.

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

Category	Valuation 31/12/2021 €000	Technical valuation	Significant non-observable data	Variation of values	
				2021 Total	2020 Total
Plots (outside the general plan)	787 (2020: 900)	Comparative market method	Area in sq.m.	110 013	107 671
			Annual estimated fair value sq.m	€8	€10
			Highest and best use	Existing	Existing
Plots for Golf development (within the general plan)	37 800 (2020: 36 342)	Discounted cash flow valuation method (DCF)	Area in sq.m.	1 969 594	1 969 594
			Annual estimated fair value sq.m	€19	€18
			Percentage of cash flow time adjustment	15%	15,4%
			Sales duration	25 years	25 years

Notes to the Consolidated Financial Statements

	Residential sales prices	€4 813/sq.m.	€4 981/sq.m
	Direct construction costs	€1 400 - €1 850/ sq.m.	€1 350 - €1 800/sq.m
	Professional expenses	5,00%	5,00%
	Highest and best use	Golf development	Golf development
Total	38 587 (2020: 37 242)		

For the sensitivity analysis of the fair value hierarchy refer to Note 36

13. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2021 €000	2020 €000
Debt securities (Note 13.1)	69 359	96 560
Equity shares (Note 13.2)	21 825	49 656
Multi asset funds (Note 13.3)	89 620	6 722
Money market fund (Note 13.4)	8 440	8 500
Corporate debt securities (Note 13.5)	-	6 053
Derivatives (Note 13.6)	1	-
	189 245	167 491
Investments relating to unit-linked funds	145 348	127 117
Investments relating to superannuation and pension funds	16 220	14 935
Other investments	27 677	25 439
	189 245	167 491

All the above investments are held for trading.

13.1 Debt securities

	2021 €000	2020 €000
Foreign companies	69 359	96 560
	69 359	96 560
<i>Repayable:</i>		
Within one year	-	-
Between two and five years	-	-
After five years	69 359	96 560
	69 359	96 560
Units in collective investment debt securities funds – unlisted	69 359	96 560
	69 359	96 560

Notes to the Consolidated Financial Statements

Investments in debt securities are held for trading. Debt securities amounting to €39 795 000 (2020: €66 903 000) relate to unit linked funds. Debt securities investments relating to superannuation and pension funds amount to €8 166 000 (2020: €7 678 000).

13.2 Equity shares

	2021	2020
	€000	€000
Listed on the Cyprus Stock Exchange	913	3 388
Units in collective equity investment funds – listed on foreign stock exchanges	13 710	26 206
Units in collective equity investment funds - unlisted	7 202	20 062
	21 825	49 656

Investments in equity shares are held for trading. Investments in equity shares include unit linked equity shares amounting to €8 380 000 (2020: €41 907 000). Investments in equity shares relating to superannuation and pension funds amount to €7 166 000 (2020: €4 289 000).

13.3 Multi asset funds

	2021	2020
	€000	€000
Listed on European stock exchanges	-	4 502
Unlisted	89 620	2 220
	89 620	6 722

Investments in multi assets funds are held for trading. Investments in multi asset funds include unit linked multi assets funds amounting to €88 733 000 (2020: €4 758 000). Investments in multi asset funds relating to superannuation and pension funds amount to €887 000 (2020: €1 964 000).

13.4 Money market funds

	2021	2020
	€000	€000
Unlisted	8 440	8 500

Investments in money market funds are held for trading. Investments in money market fund include unit linked money market fund amounting to €8 440 000 (2020: €8 000 000). Investments in money market funds relating to superannuation and pension funds amounting to zero (2020: €500 000).

13.5 Corporate debt securities

	2021	2020
	€000	€000
Foreign companies	-	6 053
<i>Repayable:</i>		
Within one year	-	6 053
Unlisted	-	6 053

Notes to the Consolidated Financial Statements

Investments in corporate debt securities are held for trading. Investments in corporate debt securities include unit linked corporate debt securities amounting to zero (2020: €5 549 000). Investments in corporate debt securities relating to superannuation and pension funds amount to zero (2020: €504 000).

13.6 Derivatives

	2021 €000	2020 €000
Foreign companies	1	-
<i>Repayable:</i>		
Within one year	1	-
Unlisted	1	-

Investments in derivatives linked to retirement and pension funds amount to €1 000 (2020: zero).

14. LOANS AND RECEIVABLES

	2021 €000	2020 €000
Mortgage loans to policyholders (Note 14.1)	2 286	2 515
Loans on policies (Note 14.2)	1 282	1 426
Interest receivable	32	37
	3 600	3 978
Loans and receivable relating to unit-linked funds	254	302
Other loans and receivables	3 346	3 676
	3 600	3 978

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

14.1 Mortgage loans to policyholders

Mortgage loans to policyholders bear interest at 5,5% - 7% annually (2020: 5,5% - 7% annually) and are secured by first mortgage on the property.

	2021 €000	2020 €000
Mortgage loans to policyholders	4 422	4 322
Provision for impairment	(2 136)	(1 807)
	2 286	2 515

In 2021, the net amount of €1 668 000 of mortgage loans to policyholders (2020: €1 766 000) was considered non-performing. The remaining net loan amount of €618 000 (2020: €749 000) was considered as performing. The increase in impairment provisions is due to additional impairment charges deemed necessary based on the Management's assessment.

14.2 Loans on policies

Loans on policies are secured by the surrender value of life insurance policies, bear interest at 7,25% annually (2020: 7,25% annually) and are repaid before or at the maturity of the insurance policies.

Notes to the Consolidated Financial Statements

15. INVESTMENTS AND LIABILITIES OF SUPERANNUATION AND MANAGED PENSION FUNDS

15.1 Investments of superannuation and managed pension funds

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

	2021	2020
	€000	€000
Debt securities	8 166	7 678
Corporate debt securities	-	504
Money market fund	-	500
Equity shares	7 166	4 289
Multi asset funds	887	1 964
Derivatives	1	-
	16 220	14 935
Bank deposits	5 211	2 850
	21 431	17 785

15.2 Liabilities of superannuation and managed pension funds

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

	2021	2020
	€000	€000
1 January	17 785	14 706
Employer's and members contribution	3 778	4 619
Income from investments	48	6
Payments to retired members	(1 032)	(264)
Administrative expenses	(494)	(276)
Net profit/(loss) from the change in fair value of investments and from sale of investments	1 346	(1 006)
31 December	21 431	17 785

16. PREMIUMS RECEIVABLE AND OTHER INSURANCE RECEIVABLES

	2021	2020
	€000	€000
Premiums receivable	5 156	6 689
Amount receivable from reinsurers	3 374	1 848
Amount receivable from insurance agents	233	130
	8 763	8 667

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 32.

Notes to the Consolidated Financial Statements

17. UNIT LINKED ASSETS

	2021 €000	2020 €000
Assets		
Debt securities	39 795	66 903
Corporate debt securities	-	5 549
Equity shares	19 540	52 996
Multi asset funds	88 733	4 758
Money market funds	8 440	8 000
	156 508	138 206
Investment properties	49 287	51 028
Cash and deposits at banks	20 838	19 374
Loans and other receivables relating to unit-linked funds	254	302
	226 887	208 910

In 2021 and 2020, the shares at the above table, in addition to the equity shares presented in note 13.2, 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.

18. 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 2021, and the percentage of the total carrying amount of the Group's insurance contract liabilities is greater than 97% 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 2021 and 2020 and the changes in fair values for the year ended 31 December 2021 and 2020, 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 2021 and 2020 that were analysed between those that meet and those that do not meet the SPPI criteria are presented to the table below:

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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 10)	38 531	-	-	-
Debtors and prepayments (Note 11)	1 436	-	-	-
Loans and receivables (Note 14)	3 600	-	-	-
Premium receivable and other insurance receivables (Note 16)	8 763	-	-	-
Debt securities (Note 13.1)	-	-	69 359	(2 518)
Corporate debt securities (Note 13.5)	-	-	-	-
Equity shares (Note 13.2)	-	-	21 825	8 273
Multi asset funds (Note 13.3)	-	-	89 620	7 343
Derivatives (Note 13.6)	-	-	1	1
Money market funds (Note 13.4)	-	-	8 440	(59)
	52 330	-	189 245	13 040

2020

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 10)	28 829	-	-	-
Debtors and prepayments (Note 11)	1 374	-	-	-
Loans and receivables (Note 14)	3 978	-	-	-
Premium receivable and other insurance receivables (Note 16)	8 667	-	-	-
Debt securities (Note 13.1)	-	-	96 560	5 380
Corporate debt securities (Note 13.5)	-	-	6 053	-
Equity shares (Note 13.2)	-	-	49 656	456
Multi asset funds (Note 13.3)	-	-	6 722	271
Money market funds (Note 13.4)	-	-	8 500	23
	42 848	-	167 491	6 130

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

Notes to the Consolidated Financial Statements

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.

2021

Financial assets	<i>Fair value</i>	<i>Accounting Value</i>
	€000	€000
Cash and deposits with banks (Note 10)	1 579	1 579
Loans and receivables (Note 14)	2 286	2 286

2020

Financial assets	<i>Fair value</i>	<i>Accounting Value</i>
	€000	€000
Cash and deposits with banks (Note 10)	2 415	2 415
Loans and receivables (Note 14)	2 515	2 515

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:

2021

Financial assets	<i>Total</i>	Credit rating		
		<i>Caa1</i>	<i>B3</i>	<i>No rating</i>
	€000	€000	€000	€000
Cash and deposits with banks (Note 10)	1 579	1 373	149	57
Loans and receivables (Note 14)	4 422	-	-	4 422

2020

Financial assets	<i>Total</i>	Credit rating		
		<i>B3</i>	<i>No rating</i>	
	€000	€000	€000	
Cash and deposits with banks (Note 10)	2 415	2 410	5	
Loans and receivables (Note 14)	4 322	-	4 322	

For the year 2021 and 2020 the cash and deposits with banks are categorised in Stage 1. For the year 2021 an amount of €1 668 thousand from loans and receivables is considered non-performing (Stage 3) and the remaining amount of €618 thousand is considered performing (Stage 1). For 2020 an amount of €1 766 thousand of loans and receivables relates to non-performing loans (Stage 3) and the remaining amount of €749 thousand relates to performing loans (Stage 1). For the year 2021 and 2020 the Management evaluated that the remaining financial data are categorised in Stage 1.

Notes to the Consolidated Financial Statements

19. PROPERTY AND EQUIPMENT

	Properties €000	Equipment €000	Total €000
2021			
Cost or fair value			
1 January	16 938	6 737	23 675
Additions	164	365	529
Disposals and write-offs	-	(97)	(97)
Revaluation	(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>
2020			
Cost or fair value			
1 January	16 670	6 452	23 122
Additions	91	311	402
Disposals and write-offs	-	(26)	(26)
Transfer of properties to investment properties	(876)	-	(876)
Transfers from investment properties	692	-	692
Revaluation	361	-	361
31 December	<u>16 938</u>	<u>6 737</u>	<u>23 675</u>
Depreciation			
1 January	-	5 957	5 957
Charge for the year	92	192	284
Disposals and write-offs	-	(26)	(26)
Transfer of properties to investment properties	-	-	-
Reversal of depreciation due to revaluation	(92)	-	(92)
31 December	<u>-</u>	<u>6 123</u>	<u>6 123</u>
Net book value			
31 December	<u>16 938</u>	<u>614</u>	<u>17 552</u>

All properties are owned and used for the Group's operations. All properties were revalued in 2021 by independent valuers at fair value.

Notes to the Consolidated Financial Statements

During 2020 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 accumulated appreciation as at 31 December 2021 from the revaluation is included in the revaluation reserves of the Group (Note 29) and amounts to €8 910 000 (2020: €9 412 000).

The carrying value of properties of the Group based on the cost less accumulated depreciation, would have been €6 115 000 (2020: €6 053 000). Properties include land amounting to €9 602 000 (2020: €9 589 000) for which no depreciation is recognised.

Depreciation of properties and equipment for the year is included in operating expenses of insurance operations (note 5) in the consolidated statement of comprehensive income.

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

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			

Notes to the Consolidated Financial Statements

31 December 2020

Category	Valuation	Technical valuation	Significant non-observable inputs	Variation of values
	2020 €000			2020
Offices that are measured with the comparative market method	2 305	Comparative market method	Annual estimated fair value per sq.m.	€1 272 - €1 634
			Area in sq.m.	1 643
			Highest and best use	Existing
Offices that are measured with the comparative market method and Method of income capitalisation	14 633	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 - €2 967
			Area in sq.m.	6 186
			Highest and best use	Existing
Total	16 938			

20. INTANGIBLE ASSETS

	Software	
	2021	2020
	€000	€000
Cost		
1 January	6 708	6 498
Additions	673	210
31 December	7 381	6 708
Amortisation		
1 January	6 173	6 083
Charge for the year	99	90
31 December	6 272	6 173
Net book value		
31 December	1 109	535

Notes to the Consolidated Financial Statements

21. ASSETS WITH THE RIGHT OF USE

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
2021			
Cost			
1 January	901	123	1 024
Additions	26	-	26
Disposals and write-offs	-	-	-
31 December	927	123	1 050
Depreciation			
1 January	655	53	708
Depreciation	153	24	177
Disposals and write-offs	-	-	-
31 December	608	77	885
Net book value			
31 December	119	46	165
2020			
Cost			
1 January	925	89	1 014
Additions	-	34	34
Disposals and write-offs	(24)	-	(24)
31 December	901	123	1 024
Depreciation			
1 January	509	30	539
Depreciation	155	23	178
Disposals and write-offs	(9)	-	(9)
31 December	655	53	708
Net book value			
31 December	246	70	316

Notes to the Consolidated Financial Statements

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

	2021	2020
	€000	€000
1 January	467	631
Additions	26	34
Disposals and write-offs	-	(18)
Increasing debit interest rate	8	14
Payments against leases	(203)	(194)
31 December	298	467

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

	2021	2020
	€000	€000
Interest expense on lease liabilities	8	14
Depreciation	177	178
	185	192

22. CREDITORS AND ACCRUALS

	2021	2020
	€000	€000
Creditors	4 060	4 603
Accruals	1 294	1 694
Provisions for expenses	346	342
	5 700	6 639

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.

23. INSURANCE LIABILITIES

	2021	2020
	€000	€000
Amount due regarding policyholders' claims	13 619	15 164
Amount payable to insurance intermediaries	110	50
Amounts payable to reinsurers		
- Life insurance and annuity business	2 236	2 390
- Accident and health insurance business	5 915	6 796
	21 880	24 400

Notes to the Consolidated Financial Statements

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

	Gross claims		Reinsurers' share		Net claims	
	2021	2020	2021	2020	2021	2020
	€000	€000	€000	€000	€000	€000
1 January	15 164	20 333	(1 526)	(704)	13 638	19 629
Increase in amount due regarding life policyholders' claims	32 562	43 471	(846)	(1 528)	31 716	41 943
Settlement of amount due regarding life policyholders' claims	(34 107)	(48 640)	1 841	706	(32 266)	(47 934)
31 December	13 619	15 164	(531)	(1 526)	13 088	13 638

24. UNAPPROPRIATED SURPLUS OF LIFE INSURANCE BUSINESS

The movement in the unappropriated surplus is as follows:

	2021	2020
	€000	€000
1 January	407	462
Surplus for the year before distribution	(6 407)	1 917
Transfer to the results of life insurance and annuity business	6 228	(1 750)
Appropriation to policies with Discretionary Participation Features (DPF)	(228)	(222)
31 December	-	407

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.

25. INSURANCE CONTRACT LIABILITIES

	Insurance contract liabilities		Reinsurers' share		Net liabilities	
	2021	2020 (Revised)	2021	2020	2021	2020 (Revised)
	€000	€000	€000	€000	€000	€000
Life insurance policies	290 211	265 623	(3 764)	(3 959)	286 447	261 664
Accident and health insurance policies	11 649	14 008	(8 363)	(10 108)	3 286	3 900
Total insurance contracts liabilities	301 860	279 631	(12 127)	(14 067)	289 733	265 564

Notes to the Consolidated Financial Statements

The life insurance contracts liabilities are analysed as follows:

	Insurance contract liabilities		Reinsurers' share		Net liabilities	
	2021	2020 (Revised)	2021	2020	2021	2020 (Revised)
	€000	€000	€000	€000	€000	€000
With fixed and guaranteed terms	12 327	11 912	(3 008)	(3 255)	9 319	8 657
With Discretionary Participation Features (DPF)	36 715	30 798	(1)	-	36 714	30 798
Without DPF	241 169	222 913	(755)	(704)	240 414	222 209
Total life insurance contracts liabilities	290 211	265 623	(3 764)	(3 959)	286 447	261 664

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

	Insurance contract liabilities		Reinsurers' share		Net liabilities	
	2021	2020 (Revised)	2021	2020	2021	2020 (Revised)
	€000	€000	€000	€000	€000	€000
1 January	265 623	283 942	(3 959)	(5 029)	261 664	278 913
Premiums received	61 432	55 630	(3 964)	(3 548)	57 468	52 082
Payments for death claims, surrenders and maturities	(32 562)	(43 471)	846	1 528	(31 716)	(41 943)
Management charges	(13 228)	(13 101)	-	-	(13 228)	(13 101)
Adjustment due to change in assumptions	(466)	1 200	822	(143)	356	1 057
Return on unit-linked investments	13 830	(15 179)	-	-	13 830	(15 179)
Appropriation of surplus to insurance contracts with DPF	228	222	-	-	228	222
Diversification experience requirements and benefits and other movements	(4 646)	(3 620)	2 491	3 233	(2 155)	(387)
31 December	290 211	265 623	(3 764)	(3 959)	286 447	261 664

Notes to the Consolidated Financial Statements

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

	Insurance contract liabilities		Reinsurers' share		Net liabilities	
	2021	2020	2021	2020	2021	2020
	€000	€000	€000	€000	€000	€000
Provision for reported claims	3 236	4 919	(2 377)	(3 645)	859	1 274
Provision for claims incurred but not reported (I.B.NI..N.R.)	2 834	3 006	(2 113)	(2 233)	721	773
Total provision for claims	6 070	7 925	(4 490)	(5 878)	1 580	2 047
Provision for claims management costs	212	238	-	-	212	238
Provision for unearned premiums	5 367	5 845	(3 873)	(4 230)	1 494	1 615
Total accident and health insurance contracts liabilities	11 649	14 008	(8 363)	(10 108)	3 286	3 900

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	
	2021	2020	2021	2020	2021	2020
	€000	€000	€000	€000	€000	€000
1 January	7 925	10 742	(5 878)	(7 947)	2 047	2 795
Provision for the year	19 799	25 957	(14 782)	(19 096)	5 017	6 861
Payments for claims during the year	(21 654)	(28 774)	16 170	21 165	(5 484)	(7 609)
31 December	6 070	7 925	(4 490)	(5 878)	1 580	2 047

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

	Insurance contract liabilities		Reinsurers' share		Net liabilities	
	2021	2020	2021	2020	2021	2020
	€000	€000	€000	€000	€000	€000
1 January	5 845	6 709	(4 230)	(4 836)	1 615	1 873
Premiums:						
- written during the year	39 921	46 447	(29 556)	(34 261)	10 365	12 186
- earned during the year	(40 399)	(47 311)	29 913	34 867	(10 486)	(12 444)
31 December	5 367	5 845	(3 873)	(4 230)	1 494	1 615

26. 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.

Notes to the Consolidated Financial Statements

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.

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

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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.

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	
	2021	2020	2021	2020	2021	2020
Policies with fixed and guaranteed benefits	45% A67/70	50% A67/70	1,10%	1,00%	€93	€77
Policies with DPF	45% A67/70	50% A67/70	0,60%	0,60%	€93	€77
Policies without DPF	45% A67/70	50% A67/70	1,10%	1,00%	€93	€77

Sensitivity of results

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

	Change in assumption	Increase/(decrease) in profit and equity	
		2021	2020
Mortality	%	€000	€000
- Increase	10	(376)	(469)
- Decrease	10	156	253
Discount factor			
- Increase	1	4 139	3 916
- Decrease	1	(6 409)	(6 234)
Administration expenses			
- Increase	10	(3 286)	(2 650)
- Decrease	10	2 459	2 039
Provision for claims incurred but not reported (I.B.N.R)			
- Increase	10	(283)	(301)
- Decrease	10	283	301

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27. 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 €833 225 (2020: €717 013).

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.

During 2020, the Group informed the Office of the Personal Data Commissioner for a breach incident of customer personal data. Following the assessment of the information requested and provided, the Office of the Personal Data Commissioner informed the Group in 2021 that the General Data Protection Regulation (EU) violation had been identified at first sight. The Group then presented to the Office of the Data Commissioner the mitigating factors that should be considered in the administrative sanction assessment and the final decision is expected. Based on the Management assessment, the sanction amount is not likely to be material.

28. SHARE CAPITAL

	2021 €000	2020 €000
Authorised		
16 000 000 shares of €1 each	16 000	16 000
Issued and fully paid		
14 489 231 shares of €1 each	14 489	14 489
Reinvestment of dividend	349	-
	14 838	14 489

The Board of Directors at the general meeting held on 16 December 2021 decided the distribution of dividend from 2019 profits of €0,144 per ordinary share for the total amount of €2 086 449, by issuing Company's shares. The issued price was €5,87 per share based on the Company's calculated Embedded Value as of 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 $\frac{1}{2}$, it was ignored, while in the cases it was equal to or greater than $\frac{1}{2}$, then a whole additional share was given.

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

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

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29. 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

	2021	2020
	€000	€000
1 January	9 412	8 850
Revaluation of fixed assets	(395)	453
Deferred tax	(107)	109
31 December	<u>8 910</u>	<u>9 412</u>

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 2021 and 2020 the Company held 94,14% of the share capital of Universal Golf Enterprises PLC (see Note 9) and as a result minority rights were calculated.

30. CAPITAL EXPENDITURE AGREEMENTS

The liabilities arising from agreements for capital expenditure of the Group amount to €977 300 (2020: €891 360).

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31. NET CASH FLOW FROM OPERATING ACTIVITIES

	Notes	2021	2020
		€000	€000
Profit for the year before tax		1 634	1 129
<i>Adjustments for:</i>			
Investment income and other expenses		(1 803)	(800)
Amortisation of intangible assets	20	99	90
Depreciation of property and equipment	19	328	284
Depreciation of assets with rights of use	21	177	178
Interest expenses		218	287
Profit on disposal of investment property		-	(22)
Provision for impairment of amounts due		156	149
Profit on disposal and write-off of property and equipment and intangible asset	5	(12)	(7)
Increase in the fair value of financial assets through profit or loss		(45)	(737)
Decrease in the fair value of investment property	12	10 280	16 004
		11 032	16 555
<i>Change in:</i>			
Decrease in unappropriated surplus of life insurance business	24	(407)	(55)
Increase/(decrease) in reinsurers' shares in insurance contract liabilities and superannuation managed pension funds	15, 25	25 875	(19 005)
Increase in the deferred acquisition costs		52	108
Decrease in reinsurers' share in insurance contracts liabilities	25	1 940	3 744
Decrease in reinsurers' share in deferred acquisition costs	25	(72)	(121)
Decrease in creditors and accruals	22	(939)	(298)
(Increase)/decrease in premiums and other insurance receivables	16	(96)	567
Increase in debtors and prepayments	11	(62)	-
Decrease in insurance liabilities	23	(2 520)	(5 896)
Cash flow from/(for) operating activities		34 803	(4 401)
Income tax paid		(2 443)	(1 961)
Net cash flow from/(for) for operating activities		32 360	(6 362)

Notes to the Consolidated Financial Statements

32. 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:

	2021			2020		
	Unit Linked €000	Other €000	Total €000	Unit Linked €000	Other €000	Total €000
Debt securities (Note 13.1, 13.5 and 17)	39 795	29 564	69 359	72 452	30 161	102 613
Cash and cash equivalents Note 10 and 17)	20 838	17 693	38 531	19 374	9 455	28 829
Policy loans (Note 14.2 and 17)	254	1 028	1 282	302	1 124	1 426
Mortgage loans to policyholders (Note 14.1)	-	2 318	2 318	-	2 552	2 552
Debtors and accrued income (Note 11)	-	1 436	1 436	-	1 374	1 374
Reinsurers' share in insurance contract liabilities (Note 25)	755	11 372	12 127	704	13 363	14 067
Premium receivable and other insurance receivables (Note 16)	2 591	6 172	8 763	4 585	4 082	8 667
	64 233	69 583	133 816	97 417	62 111	159 528

Policy loans and mortgage loans are secured by the value of insurance policies and mortgages on properties respectively (Note 14).

Life insurance premiums receivable amounting to €2 704 638 (2020: €2 954 431) 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
2021			
Premiums receivable and other insurance receivables	8 763	-	8 763
	8 763	-	8 763
2020			
Premiums receivable and other insurance receivables	8 667	-	8 667
	8 667	-	8 667

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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
2021	€000	€000	€000	€000	€000	€000
Debt securities	-	-	-	-	29 564	29 564
Corporate bond	-	-	-	-	-	-
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
2020						
Debt securities	-	-	-	-	29 657	29 657
Corporate bond	-	-	-	-	504	504
Cash and deposits with banks	279	5 687	2 723	32	734	9 455
Policy loans	-	-	-	-	1 124	1 124
Mortgage loans to policyholders	-	-	-	-	2 552	2 552
Debtors and accrued income	-	-	-	-	1 374	1 374
Premium receivable and other insurance receivables	-	-	-	-	4 082	4 082
Reinsurers' share in insurance contract liabilities	13 363	-	-	-	-	13 363
	13 642	5 687	2 723	32	40 027	62 111

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.

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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.

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 2021 and at 31 December 2020. 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
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	2187	-	-	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
	60 411	34 820	5 604	8 911	21 111	226 887	357 744

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2020 - Revised

Bank overdraft	884	-	-	-	-	-	884
Insurance contract liabilities	16 740	28 745	5 630	7 541	17 384	208 911	284 954
Insurance liabilities	18 158	4 280	838	1 124	-	-	24 400
Creditors and accruals	6 297	-	-	-	-	-	6 297
Leases liabilities	-	467	-	-	-	-	467
Unallocated surplus life insurance business	407	-	-	-	-	-	407
Reinsurers' share in deferred acquisition costs	846	-	-	-	-	-	846
Liabilities of superannuation and managed pension funds	17 785	-	-	-	-	-	17 785
	<u>61 117</u>	<u>33 492</u>	<u>6 468</u>	<u>8 665</u>	<u>17 384</u>	<u>208 911</u>	<u>336 037</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 2021 and 2020 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
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

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	Change in index	Effect on profit before tax €000	Effect on profit after tax €000
2020			
Cyprus Stock Exchange	+5%	52	46
	-5%	(52)	(46)
Units in collective equity investment funds – listed in foreign stock exchanges	+5%	103	90
	-5%	(103)	(90)
Units in collective equity investment funds – unlisted	+5%	233	204
	-5%	(233)	(204)

b) Multi asset funds and money market fund

	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%	-	-
	Change in index	Effect on profit before tax €000	Effect on profit after tax €000
2020			
Multi asset funds	+5%	98	86
	-5%	(98)	(86)
Money market fund	+5%	25	22
	-5%	(25)	(22)

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 2021 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 €210 thousands (2020: €190 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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33. 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:

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

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2020 - Revised	Within one year	Over one year	Total
	€000	€000	€000
Assets			
Cash and cash equivalents	28 829	-	28 829
Debtors and prepayments	1 374	-	1 374
<i>Financial assets at fair value through profit or loss</i>			
Equity shares	-	49 656	49 656
Debt securities	-	96 560	96 560
Multi asset fund	-	6 722	6 722
Money market fund	8 500	-	8 500
Corporate bond	6 053	-	6 053
Loans and receivables	198	3 780	3 978
Reinsurers' share in insurance contract liabilities	619	13 448	14 067
Premium receivable and other insurance receivables	8 667	-	8 667
Investment properties		131 018	131 018
Property and equipment	-	17 552	17 552
Intangible assets	-	535	535
Assets with right of use		316	316
Deferred acquisition costs	668	-	668
Tax receivable	380	-	380
	55 288	319 587	374 875
Liabilities			
Bank overdraft	884	-	884
Creditors and accruals	6 639	-	6 639
Leases liabilities	-	467	467
Insurance liabilities	18 158	6 242	24 400
Reinsurers' share in deferred acquisition costs	846	-	846
Tax payable	877	-	877
Deferred tax	-	6 558	6 558
Unallocated surplus life insurance business	407	-	407
Insurance contracts liabilities	16 070	263 561	279 631
Liabilities of superannuation and managed pension funds	17 785	-	17 785
	61 666	276 828	338 494

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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34. 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. At 31 December 2020, the coverage ratio of the Company's Solvency Requirements was above 115%, which is the minimum rate set by the Insurance Companies Control Service.

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.

35. 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

	2021	2020
	€000	€000
Individual life premiums	59 030	53 483
Group life premiums	2 402	2 146
	61 432	55 629
Regular premiums	52 332	49 602
Single premiums	9 100	6 027
	61 432	55 629

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Non-linked life premiums:

- Without participation in profits	5 387	4 855
- With participation in profits	2 040	1 541
	7 427	6 396

Premiums of unit-linked life policies for which the investment risk is borne by policyholders

54 005	49 233
61 432	55 629

Accident and health insurance business

	2021	2020
	€000	€000
Gross premiums of individual and group contracts	39 921	46 447
Unearned premiums of individual and group contracts	478	864
	40 399	47 311
Total premiums	101 831	102 940

Life insurance and annuity business

Reinsurance premiums of non-linked life business	2 814	2 476
Reinsurance premiums of unit-linked life business	1 149	1 072
	3 963	3 548

Accident and health insurance business

	2021	2020
	€000	€000
Gross reinsurance premiums of individual and group contracts	29 556	34 261
Unearned reinsurance premiums of individual and group contracts	357	606
	29 913	34 867
Total reinsurance premiums	33 876	38 415
Net premiums	67 955	64 525

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

Life insurance and annuity business

	2021	2020
	€000	€000
Gross payments with unchanged and guaranteed benefits	2 330	3 887
Gross payments with participation in profits	2 915	1 958
Gross payments without participation in profits	27 317	37 625
	32 562	43 470

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Accident and health insurance business

	2021	2020
	€000	€000
Gross payments on individual contracts	15 934	17 417
Gross payments on group contracts	5 722	11 357
	21 656	28 774
Gross payments to policyholders	54 518	72 244

Life insurance and annuity business

Reinsurers' shares of payments to policyholders:

- With unchanged and guaranteed benefits	562	1 420
- Without participation in profits	284	108
	846	1 528

Accident and health insurance business

Reinsurers' shares of payments to policyholders:

- Individual contracts	11 980	12 904
- Group contracts	4 190	8 261
	16 170	21 165
Reinsurers' shares of payments to policyholders	17 016	22 693

36. 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.

Notes to the Consolidated Financial Statements

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				
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

	Level 1	Level 2	Level 3	Total
	€000	€000	€000	€000
Financial assets and properties				
2020 - Revised				
Equity shares	49 502	-	154	49 656
Debt securities	96 560	-	-	96 560
Corporate bonds	-	6 053	-	6 053
Multi asset funds	6 772	-	-	6 772
Money market fund	8 500	-	-	8 500
Investment properties	-	-	131 018	131 018
Freehold properties	-	-	16 938	16 938
	161 284	6 053	148 110	315 447

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.

Notes to the Consolidated Financial Statements

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
	%	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

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

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
	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)

Sensitivity of fair value measurement to changes in unobservable inputs – 31 December 2020

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
		2020
	%	€000
Annual estimated fair value per sq.m.		
- Increase	10	1 694
- Decrease	10	(1 694)

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
		2020
	%	€000
Annual yield		
- Increase	0,5	(1 323)
- Decrease	0,5	1 616

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
	%	2020 €000
Percentage of hope value		
- Increase	10	9 378
- Decrease	10	(9 378)
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
	2020 €000
Discounting rate: 15%	1 950
Discounting rate: 16%	(2 770)
Sales duration: 30 years (+5 years)	(5 020)
Sale prices of houses: -10% (€4.332 / sq.m.)	(12 000)
Direct construction costs: +€100 / sq.m.	(3 170)
Direct construction costs: -€100 / sq.m.	3 180
Professional expenses: +2% (7%)	(1 530)

37. OTHER TRANSACTIONS WITH RELATED PARTIES

The Group is controlled by Photos Photiades Group Ltd, which is registered in Cyprus and holds 58,37% 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 end parent company that prepares the consolidated statements of the maximum set of companies of which the Company is a part as a subsidiary, is Photos Photiades Group Ltd, registered in Cyprus, with a registered office at 8 Stasinou Street, 1060 Nicosia.

The Group's related transactions include associates, 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)

	2021	2020
	€000	€000
Loans	31	29

Emoluments of members of the Board of Directors

	2021	2020
	€000	€000
Fees	197	161
Retirement benefits in the form of a pension payable as annuities	138	138
Benefits in kind	17	18

Emoluments of Senior Management

	2021	2020
	€000	€000
Emoluments including other short-term benefits and employer's contributions	1 050	1 007
Contributions in medical fund	19	17
Contributions in the retirement and pension fund	73	69
Benefits in kind	31	24
Total emoluments	1 173	1 117

Other transactions with related parties

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

	2021	2020
	€000	€000
Premiums	56	676
Claims	10	615

Management Team (including close family members)

	2021	2020
	€000	€000
Premiums	188	174
Claims	11	14
Interests from loans	1	1

Notes to the Consolidated Financial Statements

Entities under joint control

	2021	2020
	€000	€000
Premiums	815	1 301
Claims	339	-

38. EVENTS AFTER THE REPORTING PERIOD

In 2022, the Group may report negative results and record impairments in assets due to the duration of the coronavirus pandemic (COVID-19), the situation in Ukraine, the related sanctions against Russia, and the continued negative impact on economic activity. It is impossible to foresee the impact of the Group's operations in 2022 and beyond.

The effect of the events that occurred after the reporting date on the ongoing activity and the operating environment of the Group is described in note 1.

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.

2021 Results

The table below gives a breakdown of the Group's embedded value as at 31 December 2021. The corresponding figures for 2020 are given for comparison. The risk discount rate used for the 2021 provisions was 7,00% per annum (2020: 7,00%).

	2021	2020 (Revised)
	€000	€000
Value of net assets as per the IFRS financial statements	34 428	35 112
Value of policies in force	50 216	47 533
Embedded Value	84 644	82 645

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 2021 are €1 999 000 (2020: profits €6 626 000).

The table below shows the key elements of the results for 2021 as well as for 2020 under the traditional accounting standards method compared to the alternative embedded value method.

	As per audited financial statements		Embedded Value basis	
	2021	2020 (Revised)	2021	2020 (Revised)
	€000	€000	€000	€000
Profits /(Loss) for the year after tax	374	(85)	1 999	6 626
Equity	36 215	36 381	84 644	82 645
Profit/(loss) per share – cent	0,01	(0,01)	13,47	45,73
Net asset value per share - €	2,32	2,40	5,7	5,7

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