MAPFRE MSV Life p.l.c.

Annual Report
31 December 2023

Company Registration Number: C15722

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Directors' report

For the year ended 31 December 2023

The directors present their annual report for the year ended 31 December 2023.

Board of Directors

The directors of MAPFRE MSV Life p.l.c. (the "Company", "MAPFRE MSV Life" or "MMSV") who held office during the period under review were:

Gordon Cordina (Chairman)
Nicholas Dexter
Jose Luis Jimenez Guajardo-Fajardo
Jose Maria del Pozo Jodra
Javier Rufino Moreno Gonzalez
Godfrey Swain
Joseph FX Zahra
Izabela Dzierzylslawa Banas (resigned on 21 March 2023)
Kenneth Farrugia (appointed on 20 April 2023)

According to the Company's Articles of Association, every member or group of members holding in aggregate at least 10% of the issued share capital of the Company having voting rights, are entitled to appoint one director. Every member or group of members holding at least an additional 13% of the issued share capital of the Company having voting rights, are entitled to appoint an additional director for every 13% holding.

Unless appointed for a longer or shorter period, or unless they resign or are earlier removed, directors hold office for a period of one year, provided that no appointment may be made for a period exceeding three years.

During the AGM of the Company held on 21 March 2023, Kenneth Farrugia was appointed Director subject to Regulatory Approval. Regulatory Approval was received on 20 April 2023. Thus the effective date of Kenneth Farrugia's appointment was the date of receipt of Regulatory Approval.

Directors' report - continued

Principal Activities

The Company is licensed by the Malta Financial Services Authority to carry on long-term business of insurance, including life insurance and life re-insurance, as authorised under the Insurance Business Act (Chapter 403 of the Laws of Malta). The subsidiary of the Company, Growth Investments Limited, was liquidated with effect from 12 August 2023.

Business review 2023

MAPFRE MSV Life registered a profit before tax of €14.6 million for the year ended 31 December 2023, compared to a restated €2.5 million registered for the previous year. Profit after tax is at €9.6 million, compared to a €2.1 million restated for the previous year.

On 1 January 2023, MMSV adopted two new accounting standards, IFRS 17 'Insurance Contracts' and IFRS 9 'Financial Instruments'. IFRS 17 as adopted by the EU, became effective for annual periods beginning on or after 1 January 2023, while IFRS 9, although effective for years beginning on or after 1 January 2018, MMSV applied the temporary exemption for qualifying insurers to apply such standard together with IFRS 17. While IFRS 17 does not change the economic reality nor the underlying profitability of the Company over the lifetime of the contracts, it resulted in significant changes in accounting recognition, measurement, and disclosures.

The adoption of IFRS 17 required the restatement of the 2022 comparative figures. The restated 2022 comparative figures have to be read in the context of a Day 1 transitional gain reported directly into the Retained Earnings on the Statement of Financial Position, the derecognition of the Value of In-Force Business, the impact of interest rates on the assets matching the term business, and the timing differences in the accounting profit recognition.

The financial performance in 2023 was characterized by positive contributions from insurance activities and income generated from higher interest rates in spite of the challenging economic and financial landscape during the year.

The first half witnessed the US regional banking crisis and the subsequent takeover of Credit Suisse by UBS. Geopolitical anxieties remained elevated due to the ongoing war in Ukraine and the eruption of the Hamas-Israel conflict. Despite these headwinds, the global economy, particularly the US, demonstrated remarkable resilience. Growing confidence in central banks' ability to curb inflation, fuelled expectations of interest rate cuts in 2024, spurred a recovery in equity markets. Notably, bond benchmark yields closed the year near their previous year-end levels, underscoring the market's cautious optimism.

Total business written for financial year 2023 totalled €201.3 million, a decrease of 21.0% over the prior year, on account of lower demand for single premium With-Profits business, which was in line with expectations. Competition from bank deposits and government debt issues affected adversely the re-investment of maturing policies.

Directors' report - continued

Business review 2023 - continued

On the other hand, MMSV met the challenges associated with the prevailing interest rate scenario by taking the opportunity to accelerate its product diversification efforts with the launch of short-term Unit-linked campaign products. These proved to be extremely popular with the retail investors looking for short term guaranteed income and capital products. Regular premium business results were also satisfactorily.

The resilience of the local economy was reflected across several economic sectors particularly in terms of a heightened activity in the property market leading to a robust demand in mortgage loans, which generate demand opportunities in life insurance protection. Long-term regular savings, primarily retirement savings, continued to exhibit a sustained demand through personal pension plans and to a lesser degree, through voluntary occupational pensions schemes.

Net claims incurred decreased to €261.6 million through the year compared to a prior year €289.7 million, largely as a result of a decline in maturing contracts. A proportion of these maturing contracts were subsequently re-invested in new medium to long-term contracts.

Total assets increased by 2.1% to stand at €2,319.7 million by the end of 2023.

Total shareholders' funds at the close of 2023 amounted to €165.4 million (2022 restated: €155.8 million), an increase of 6.1% over the previous year and above the minimum solvency guidelines. The end of year Solvency Capital Requirement ratio is expected to improve compared to the corresponding 2022 figure. Through its risk management framework, the Company actively manages its insurance, market and operational risks to preserve its financial stability and maintain its solvency ratio within its defined risk tolerance.

The shareholders of MMSV are wholly committed to ensure that the Company remains adequately capitalised at all times to sustain business growth and to meet Solvency Capital Requirements in line with the Solvency II framework.

The MMSV With-Profits fund stood at €1.91 billion at 31 December 2023 (2022: €1.89 billion). The fund registered a marginal growth as the positive price movement and the income generated was contrasted by net fund outflows through an excess of claims, mainly maturities, over premia.

The investment strategy of the MMSV's With-Profits fund is to hold a diversified range of quality assets, spread across different geographies and currencies to mitigate market and concentration risk. This asset diversification together with the robust investment management process, the expertise of the asset managers engaged, and the Company's track record of investment management continue to be fundamental in managing policyholders' assets in this challenging and ever more volatile investments market environment.

Directors' report - continued

Business review 2023 - continued

As financial assets recovered from the 2022 market lows, the With-Profits Fund registered a total investment gain of €165.84 million generating a positive return of 8.64%. This performance still did not manage to recoup the investment losses incurred in 2022, which had amounted to €270.4 million. All asset classes, with one exception, contributed positively to the overall investment return, particularly the equity allocation. Notwithstanding this positive investment result, the unprecedented steep price falls in fixed income securities in 2022 remain largely unrecovered as interest rates remained higher.

In March 2024, the Board of Directors ("the Board") of MAPFRE MSV Life approved a resolution whereby differential rates of Regular Bonuses were declared in respect of With-Profits plans held with MAPFRE MSV Life for the year ended 31 December 2023. These amounted to 2.40% for the Comprehensive Life Plan (regular and single premium policies), 2.50% in respect of the Comprehensive Flexi Plan (regular and single premium policies), 2.50% under the Single Premium Plan and 2.50% under the With-Profits options of the Investment Bond, Retirement Plan and of the Personal Pension Plan. On the 'Old Series' Endowment and Whole Life policies, a Regular Bonus of 2.00% of the basic sum assured plus bonuses was declared.

In addition, the Board also announced the declaration of a Final Bonus for plans in force for more than 10 years in respect of Regular Premium Comprehensive Life Plans and Comprehensive Flexi Plans and Single Premium Plans. A Final Bonus was also declared for additional top-up premiums on these plans provided where top-up contributions were made at least 10 years before Maturity. For Regular Premium policies, the Final Bonus is expressed as a flat percentage plus a percentage for every year in force after a specified number of years in force as shown in the table below.

Final Bonuses will be paid on the value of the Policy Account as at the date of death or maturity between 1 May 2024 and the next bonus declaration in accordance with the following table:

Product	Final Bonus Flat Rate	Rate per Year in Force	After Years in Force
Comprehensive Life Plan (Regular Premium)	4.00%	1.30%	23
Comprehensive Flexi Plan (Regular Premium)	Nil	1.00%	20
Single Premium Plan	4.00%	2.50% (capped at 15.00%)	10
Comprehensive Life Plan (Single Premium)	4.00%	2.50% (capped at 15.00%)	10
Comprehensive Flexi Plan (Single Premium)	4.00%	2.50% (capped at 15.00%)	10

The Board also approved a Regular Bonus of 2.40% on those Secure Growth policies which formed part of the portfolio of business transferred to MAPFRE MSV Life from Assicurazioni Generali S.p.A. during 2000. Finally, the Board approved a Regular Bonus of 2.00% on the ALICO 78 policies and a Regular Bonus of 2.00% on the ALICO 66 polices which formed part of the portfolio of business transferred to MAPFRE MSV Life in 2011 from American Life Insurance Company ("ALICO").

Directors' report - continued

Business review 2023 - continued

Notwithstanding the prudent investment policy adopted by MAPFRE MSV Life, past performance is no guarantee for the future. Although MAPFRE MSV Life's With-Profits investments have generally provided policyholders with stable and satisfactory returns when compared with other similar investment products, in the light of the current uncertainty in the capital markets, investment returns could fluctuate further. Fair value movements and investment returns impinge directly on the rates of bonuses declared by the Company. Regular Bonuses are therefore expected to vary over the lifetime of the policy whilst Final Bonuses are likely to be highly volatile and very dependent on the investment performance of the Company.

In 2023, the life insurance market in Malta saw a further contraction as inflation remained elevated and a proportion of maturing insurance saving policies migrated to other financial sectors.

The 2023 regular bonus rates on core products represent an increase of 1.50% from the 2022 declaration. This reflects the improved investment performance of 2023.

The 2022-2024 Strategic Plan execution remains our top priority in ensuring the present and future success of the Company. Good progress continues being made along the three main strategic pillars of; revenue streams diversification; data and digital transformation and excellence in customer service. Together with these three pillars, sustainability has also featured prominently on the Company's agenda.

In 2023, the Company launched three single premium Unit-Linked products. This is in line with our revenue streams diversification strategy. Unit-Linked products can continue to further enhance our value proposition in the savings and investment space. Unit-Linked products also represent an opportunity to broaden our customer base by appealing to other segments of the market. Gradual but sustained growth continues to be registered in pension savings. Private pensions savings remains significantly underdeveloped and underfunded, and thus represent a significant growth opportunity over the coming years, providing the economy with a much-needed elements of strengthening and diversification of pension income. Apart from the pension sustainability challenges, the projected country's economic growth trajectory, opens a pensions adequacy reality for future generations as the gap between the state pension provided and the employment income before retirement continues to widen. The Company continues to invest in product development, IT systems and processes to offer solutions which are more accessible to policyholders to help them save and invest for their financial wellbeing along the different stages of their lifecycle including the retirement phase.

We consider our distribution footprint in Malta to be one of our key strengths. Whilst Bancassurance remains our most important distribution channel, we continue to invest in our tied insurance intermediaries network and direct distribution channels to ensure that our customers benefit from the widest possible accessibility and improved level of service. This is also another dimension to the first strategic pillar of diversification.

Directors' report - continued

Business review 2023 - continued

Data and Digital remain cornerstones of our strategic plan. We are living in an era where the pace of technological development is unprecedented. Developments in Artificial Intelligence (AI) and generative AI dominated 2023. In the years to come this new technology is expected to change the way people interact and work. This reinforces our conviction that the investment in our core system and the digital ecosystem around it remains fundamental to compete in this data driven and digital future. Increased automation is key to improved efficiencies, scaling up to increased volumes without incurring a corresponding increase in cost and to be able to deploy human capital towards higher value-added functions. Ambitious key performance indicators have been set in terms of straight through processing and automation.

Customer experience remains central to our strategy. In 2023, we have rolled our Customer Experience team. This team now handles most of the post-policy issuance communication and interaction with our customers. The objective of this team is to improve overall level of service through fully dedicated resources, thus improving quality and response times. We are very satisfied with the results achieved so far. Response times have improved across all channels being supported by the team. As a consequence of this initiative, our front office personnel at regional offices, can now dedicate more time to look after our clients' needs when they visit our office without increasing waiting time. This is an overall improvement in the service level we are offering to our customers which is confirmed by the regular customer satisfaction surveys conducted.

We invested and will continue to invest in our employees, technology, and operational processes to ensure that the service proposition continues to be a differentiating factor to competition but more importantly to meet the expected level of service of our policyholders.

There were no new significant insurance risks impacting the portfolios of business during the year, and actuarial assumptions used in the valuation of policyholder obligations are regularly updated to reflect our experience and in conformity with the relevant reporting standards.

Demand for life protection was in line with expectations. Locally, demand for life protection continues to be strongly correlated with the demand for home loans. The need to have life protection as a basic element of financial planning remains underappreciated. Promoting the importance of having adequate levels of insurance is also part of our responsibilities to build more financially secure and resilient communities.

The demand for With-Profits single premium contracts remained muted when compared to previous years. A lower demand for this line of business was expected given the prevailing financial and competitive landscape. On the positive side, a better-than-expected performance was registered in terms of Unit-Linked single premium business. The launch of short-term, guaranteed Unit-Linked products proved very attractive to the retail investor.

Regular savings business remains a core component of our business strategy. Through our regular savings products we aim to serve the need of the broader market through long-term, accessible, flexible and efficient solutions. While, pensions savings is seen as a growth area, promoting savings for retirement is also an obligation and responsibility. We want to support our future generations of pensioners in building and maintaining their financial wellbeing and aspirations.

Directors' report - continued

Business review 2023 - continued

Whilst we have an important role to provide our customers with peace of mind and financial solutions to meet their demands and needs, we acknowledge that we have a wider commitment to society by also supporting those who are not our customers. Over the years we have developed a Corporate Social Responsibility (CSR) policy framework which encompasses shareholders, the environment, people, communities and customers. Through our CSR programme we cooperate with and assist a number of public and private institutions, NGOs, museums, foundations and associations who share similar goals and values as us.

In line with the MAPFRE Group's Sustainability Plan, the Company is committed to be carbon neutral by end 2030. To this effect, a number of initiatives are being implemented and more will be formulated as we move towards this important goal. Good progress is also being registered in terms of the environment, social and governance (ESG) dimensions.

As a financial institution, we are aware of our responsibility and contribution towards sustainability and that this will primarily depend on how the Company allocates capital through its investing decisions. In terms of the Sustainable Financial Disclosure Requirements (SFDR), our With-Profits Fund, is currently classified as Article 6. The intention remains to progressively transition this Fund to an Article 8 classification. Our Unit-Linked fund choice provides a wide array of Article 8 funds. The Company obtained ISO 14001 Environment Management Systems certification. We have developed a set of key performance indicators which help us to gauge our pace and level of progress in achieving our sustainability goals.

Our people are our most valued asset. During the year, training and development continued to feature high on our agenda. Strategic key performance indicators have been set to ensure that employees achieve their full potential while the customer benefits from the competence and professionalism of our staff. We are committed to provide our employees with internal and external training opportunities in Malta as well as overseas. We are very pleased with the Employees Net Promote Score (ENPS) results being obtained. Our human resource strategy is based on recruiting the best talent, retaining talent and retraining to ensure we have the right skill set for the present and future needs of the Company.

The Board expresses its gratitude and appreciation to the management and staff for their commitment and contribution to another satisfactory year, to intermediaries for their continued support and to the many loyal customers for placing their trust in MAPFRE MSV Life p.l.c.

Directors' report - continued

Market developments & Outlook

The Maltese life insurance market has, for a number of years, registered growth that is significantly above the average in Europe but remains a relatively underinsured market. Although life insurance companies are playing an increasingly important role in Maltese household savings, comparative studies with other European life insurance markets continue to show that whilst the Maltese life insurance market has grown significantly over previous decades, the life insurance density and life insurance penetration remain below the European average. We therefore continue to see attractive potential for an uplift in life protection and in long-term and retirement savings in the local life insurance market.

On the regulatory front, the landscape continues to experience important developments.

Digital Operational Resilience will take center stage, with 2024 expected to be the year of implementation by the Company in preparation for its effective date in 2025. The adoption of the ambitious Retail Investment Package by the European Commission in May 2023 marks a significant regulatory milestone that calls for an in-depth impact assessment. Sustainability regulatory developments maintain their pace of development, featuring new European Sustainability Reporting Standards, the impending transposition of the Corporate Sustainability Reporting Directive (CSRD) into national law and the review of the Sustainable Finance Disclosure Regulation (SFDR), amongst others. Agreement was reached on amendments to the Solvency II Directive and new rules on insurance recovery and resolution (IRRD). The Insurance Distribution Directive and the Packaged Retail and Insurance-Based Investment Products (PRIIPs) Regulation remain the subject of reviews. Purely at the local level, the New Regime regulating Insurance Undertakings carrying Long-Term Business and the distribution of contracts of insurance as Retirement Products being proposed by the Malta Financial Services Authority will continue to be discussed and debated, shaping the future regulatory framework under which these products will eventually operate.

The local economy is expected to remain resilient in the context of a continued challenging environment as inflationary pressures persist for most of the year.

The global capital markets outlook is mixed, with many experts predicting the global economy to grow moderately and markets to remain volatile. In 2024, the world will go through 40 elections including four of the world's five most populous countries. Inflation and geopolitical risks remain the main sources of uncertainty.

Within this context, we remain cautiously optimistic. We expect demand for the regular savings and protection business to be sustained. On the other hand, demand for lump sum investments should improve as inflation subsides and Central Bank starts to ease monetary policy. However, competition for liquidity from financial institutions and local government debt issuance to finance its borrowing needs are expected to persist.

In this context, MMSV's capital strength and diversified business model will continue to underpin its resiliency and future success.

Directors' report - continued

Principal Risks and Uncertainties

The Company's principal risks and uncertainties are further disclosed in Note 3 dealing with management of risk as supplemented by Note 2.18 relating to critical accounting estimates and judgements in applying accounting policies and Note 21 discussing the assumptions underlying the insurance contract assets, insurance contract liabilities and reinsurance contract liabilities.

Dividends and Capital Management

The Directors are recommending the payment of a final net dividend of €2m.

Actuaries

The Company's Approved Actuary is Mr. Michael Green FIA, a director of Willis Towers Watson PLC.

Statement of directors' responsibilities

The directors are required by the Insurance Business Act, 1998 and the Companies Act, 1995 to prepare financial statements which give a true and fair view of the state of affairs of the Company as at the end of each reporting period and of the profit or loss for that period.

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

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

The directors are also responsible for designing, implementing and maintaining internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and that comply with the Insurance Business Act, 1998 and with the Companies Act, 1995. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The financial statements of MAPFRE MSV Life p.l.c. for the year ended 31 December 2023 are included in the Annual Report 2023, which is published in hard-copy printed form and will be made available on the Company's website. The directors are responsible for the maintenance and integrity of the Annual Report on the website. Access to information published on the Company's website is available in other countries and jurisdictions, where legislation governing the preparation and dissemination of financial statements may differ from requirements or practice in Malta.

Directors' report - continued

Auditors

KPMG have indicated their willingness to continue in office and a resolution for their re-appointment will be proposed at the Annual General Meeting.

Approved by the Board of Directors on 22 March 2024 and signed on its behalf by:

Gordon Cordina
Chairman

Joseph FX Zahra
Director

Etienne Sciberras
Chief Executive Officer

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Independent Auditors' Report

To the Shareholders of MAPFRE MSV Life p.l.c.

1 Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of MAPFRE MSV Life p.l.c. (the "Company"), which comprise the statement of financial position as at 31 December 2023, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising material accounting policies and other explanatory information.

In our opinion, the accompanying financial statements:

(a) give a true and fair view of the financial position of the Company as at 31 December 2023, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS") as adopted by the EU; and

(b) have been properly prepared in accordance with the provisions of the Companies Act, 1995 (Chapter 386, Laws of Malta) (the "Act") and the Insurance Business Act, 1998 (Chapter 403, Laws of Malta) (the 'Insurance Business Act').

Basis for opinion

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

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The firm is registered as a partnership of Certified Public Accountants in terms of the Accountancy Profession Act.

A list of partners and directors of the firm is available at 92, Marina Street, Pieta, PTA9044 Malta.

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Independent Auditors' Report

To the Shareholders of MAPFRE MSV Life p.l.c.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period (selected from those communicated to the audit committee), and include a description of the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We summarise below the key audit matters, together with our response by way of the audit procedures we performed to address those matters in our audit, and key observations arising with respect to such risks of material misstatement.

Measurement of assets and liabilities for remaining coverage ("ARC" and "LRC") for insurance contracts and reinsurance contracts held

Accounting policy note 2.3 and 2.18 to the financial statements and note 21 for further disclosures

ARC and LRC within the 'Insurance contract assets' (€8,945 thousand), 'Insurance contract liabilities' (€1,991,377 thousand) and 'Reinsurance contract liabilities' (€15,493 thousand)

The Company enters into insurance contracts which comprise term and unit-linked contracts with significant insurance risk and investment contracts with discretionary participation features ("DPF"). The Company also holds reinsurance contracts to cover its term business.

The Company applies the general measurement model on its insurance contracts and reinsurance contracts held, and the variable fee approach on investment contracts with DPF.

ARC and LRC are measured as the total of (i) the expected fulfilment cash flows ("FCF"), which comprise estimates of future cash flows within the contract boundary, adjusted to reflect the time value of money and the associated financial risks, and a risk adjustment for non-financial risks; and (ii) the contractual service margin ("CSM"), which represents the unearned profit that the Company will recognise as it provides insurance contract services in the future. The measurement of ARC and LRC involves use of current and historic data, actuarial methods and models, and significant assumptions for the estimation of future cash flows.

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Independent Auditors' Report

To the Shareholders of MAPFRE MSV Life p.l.c.

Key Audit Matters (continued)

Measurement of assets and liabilities for remaining coverage ("ARC" and "LRC") for insurance contracts and reinsurance contracts held (continued)

Accounting policy note 2.3 and 2.18 to the financial statements and note 21 for further disclosures (continued)

We have considered the measurement of ARC and LRC as a key audit matter in view of the nature and subjectivity of the estimate, and its overall inherent estimation uncertainty. The subjectivity involved relates mainly to the judgement involved in the selection of actuarial assumptions. Due to the degree of such inherent estimation uncertainty, the ultimate total settlement value may be different from the amounts provided, and the amount of CSM may be different from the amounts recognised as profit in the future. Those differences may be material.

Our response

As part of our procedures, we evaluated the ARC and LRC by performing audit procedures which included:

- the involvement of our actuarial specialist to assist us in:
  - assessing and challenging the significant assumptions selected by applying our experience, industry knowledge, and reference to the related accounting standards; and
  - evaluating the Company's estimate of ARC and LRC by assessing the overall liability movements based on the assumptions and data applied;
- testing of the underlying data elements by reference to the Company's actual cash flows and policy data; and
- considering the adequacy of the related disclosures to the financial statements.

Key observation

We have no key observations to report, specific to this matter.

Other information

The directors are responsible for the other information. The other information comprises the 'Directors' Report', but does not include the financial statements and our auditors' report thereon.

Our opinion on the financial statements does not cover the directors' report, on which we report separately below in our 'Report on Other Legal and Regulatory Requirements'.

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Independent Auditors' Report (continued)

To the Shareholders of MAPFRE MSV Life p.l.c.

Responsibilities of the directors for the financial statements

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

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

The directors are also responsible for overseeing the financial reporting process.

Auditors' responsibilities for the audit of the financial statements

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

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

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Consider the extent of compliance with those laws and regulations that directly affect the financial statements, as part of our procedures on the related financial statement items. For the remaining laws and regulations, we make enquiries of directors and other management, and inspect correspondence with the regulatory authority, as well as legal correspondence. As with fraud, there remains a higher risk of non-detection of other irregularities (whether or not these relate to an area of law directly related to the financial statements), as these may likewise involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

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Independent Auditors' Report (continued)

To the Shareholders of MAPFRE MSV Life p.l.c.

Auditors' responsibilities for the audit of the financial statements (continued)

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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

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

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

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

KPMG, a Maltese civil partnership and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee.

The firm is registered as a partnership of Certified Public Accountants in terms of the Accountancy Profession Act.

A list of partners and directors of the firm is available at 92, Marina Street, Pieta, PTA9044, Malta.

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92, Marina Street
Pietà, PTA 9044
Malta
Telephone (+356) 2563 1000
Fax (+356) 2566 1000
Website www.kpmg.com.mt

Independent Auditors' Report (continued)

To the Shareholders of MAPFRE MSV Life p.l.c.

2 Report on Other Legal and Regulatory Requirements

Opinion on the Directors' Report

The directors are responsible for preparing a directors' report in accordance with the provisions of article 177 of the Act.

We are required to consider whether the information given in the directors' report for the accounting period for which the financial statements are prepared is consistent with those financial statements; and, if we are of the opinion that it is not, we shall state that fact in our report. We have nothing to report in this regard.

Pursuant to article 179(3) of the Act, we are also required to:

- express an opinion on whether the directors' report has been prepared in accordance with the applicable legal requirements; and

- state whether, in the light of the knowledge and understanding of the entity and its environment obtained in the course of our audit of the financial statements, we have identified material misstatements in the directors' report, giving an indication of the nature of any such misstatements.

In such regards:

- in our opinion, the Directors' Report has been prepared in accordance with the applicable legal requirements; and

- we have not identified material misstatements in the Directors' Report.

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The firm is registered as a partnership of Certified Public Accountants in terms of the Accountancy Profession Act.

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Independent Auditors' Report (continued)

To the Shareholders of MAPFRE MSV Life p.l.c.

Matters on which we are required to report by the Act, specific to public-interest entities

Pursuant to article 179B(1) of the Act, we report as under matters not already reported upon in our 'Report on the Audit of the Financial Statements':

- we were first appointed as auditors by the shareholders on 15 July 2015, and subsequently reappointed at the Company's general meetings for each financial year thereafter. The period of total uninterrupted engagements is nine years;
- our opinion on our audit of the financial statements is consistent with the additional report to the audit committee required to be issued by the Audit Regulation (as referred to in the Act); and
- we have not provided any of the prohibited services as set out in the APA.

Matters on which we are required to report by exception by the Act

Pursuant to articles 179(10) and 179(11) of the Act, we have nothing to report to you with respect to the following matters:

- proper accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records; or
- we have not obtained all the information and explanations which, to the best of our knowledge and belief, we require for the purpose of our audit.

The Principal authorised to sign on behalf of KPMG on the audit resulting in this independent auditors' report is Thane Micallef.

KPMG
Registered Auditors

22 March 2024

KPMG, a Maltese civil partnership and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee

The firm is registered as a partnership of Certified Public Accountants in terms of the Accountancy Profession Act.

A list of partners and directors of the firm is available at 92, Marina Street, Pieta, PTA9044, Malta.

Statement of profit or loss and other comprehensive income

	Notes	Year ended 31 December 2023 €'000	2022 (restated) €'000
Insurance revenue	5	**47,711**	47,058
Insurance service expenses	5	**(22,989)**	(25,873)
Net expenses from reinsurance contracts held	5	**(3,597)**	(2,145)
Insurance service result		**21,125**	19,040
Net gains (losses) on FVTPL instruments	4	**179,427**	(293,571)
Interest revenue from financial assets not measured at FVTPL	4	**5,001**	1,427
Net losses from fair value adjustments to investment properties	4	**(3,925)**	(2,461)
Investment income from investment properties	4	**5,698**	5,420
Expenses arising from investment properties	4	**(368)**	(328)
Other investment income	4	**853**	992
Other investment expenses	4	**(5,954)**	(6,635)
Net credit impaired losses	4	**(22)**	-
Net investment return (losses)		**180,710**	(295,156)
Net change in investment contract liabilities	4	**(8,194)**	10,353
Finance (expenses) income from insurance contracts issued	4	**(175,552)**	262,091
Finance (expenses) income from reinsurance contracts held	4	**(2,713)**	6,994
Net financial result		**(186,459)**	279,438
Net insurance and investment result		**15,376**	3,322
Asset management services revenue	22	**1,222**	203
Other income		**36**	34
Other operating expenses		**(2,062)**	(1,093)
Profit before income tax		**14,572**	2,466
Income tax expense	8	**(4,953)**	(396)
Profit for the year		**9,619**	2,070

The notes on pages 22 to 134 are an integral part of these financial statements.

Statement of financial position

	Notes	As at 31 December 2023 €'000	2022 (restated) €'000	As at 1 January 2022 (restated) €'000
ASSETS				
Intangible assets	12	20,341	18,180	13,471
Property, plant and equipment	13	12,401	12,542	12,510
Investments:				
Investment property	14	92,844	95,504	97,226
Investment in subsidiary undertaking		-	466	466
Investments in associated undertakings	15	24,508	23,809	23,618
Other investments	16	2,120,023	1,971,673	2,405,487
Deferred tax asset	17	-	6,495	-
Insurance contract assets	21	8,945	8,400	17,986
Income tax receivable		-	-	308
Other receivables	18	4,574	11,200	10,377
Cash at bank and in hand	19	36,066	124,779	59,064
Total assets		2,319,702	2,273,048	2,640,513
EQUITY AND LIABILITIES				
Equity attributable to shareholders of the Company				
Share capital	20	94,750	94,750	94,750
Retained earnings		70,631	61,099	61,029
Total equity		165,381	155,849	155,779
Insurance contract liabilities	21	1,991,377	1,967,809	2,323,502
Reinsurance contract liabilities	21	15,493	10,750	19,971
Investment contract liabilities	22	123,253	69,054	75,922
Deferred tax liability	17	11,402	15,585	51,746
Income tax payable		1,769	42,482	673
Derivative financial instruments		-	-	775
Other payables	23	11,027	11,519	12,145
Total liabilities		2,154,321	2,117,199	2,484,734
Total equity and liabilities		2,319,702	2,273,048	2,640,513

The notes on pages 22 to 134 are an integral part of these financial statements. The financial statements on pages 18 to 134 were authorised for issue by the Board of Directors on 22 March 2024 and were signed on its behalf by:

Gordon Cordina
Chairman

Joseph FX Zahra
Director

Etienne Sciberras
Chief Executive Officer

Statement of changes in equity

	Notes	Share capital €'000	Other Reserves €'000	Retained earnings €'000	Total €'000
Balance at 1 January 2022, as previously reported		94,750	80,931	46,039	221,720
Impact of initial application of IFRS 17, net of tax		-	(80,931)	14,990	(65,941)
Restated balance as at 1 January 2022		94,750	-	61,029	155,779
Comprehensive income					
Profit for the year – total comprehensive income		-	-	2,070	2,070
Transactions with owners					
Dividends	11	-	-	(2,000)	(2,000)
Restated balance at 31 December 2022		94,750	-	61,099	155,849
Balance at 1 January 2023		**94,750**	**-**	**61,099**	**155,849**
Impact of initial application of IFRS 9, net of tax		**-**	**-**	**(87)**	**(87)**
Restated balance as at 1 January 2023		**94,750**	**-**	**61,012**	**155,762**
Comprehensive income					
Profit for the year – total comprehensive income		**-**	**-**	**9,619**	**9,619**
Transactions with owners					
Dividends	11	-	-	-	-
Balance at 31 December 2023		**94,750**	**-**	**70,631**	**165,381**

The notes on pages 22 to 134 are an integral part of these financial statements.

Cash flow statement

	Notes	Year ended 31 December 2023 €'000	2022 (restated) €'000
Operating activities			
Cash used in operations	24	**(86,508)**	(77,382)
Dividends received		**12,330**	10,349
Interest received		**20,600**	17,632
Taxation paid		**(43,305)**	(936)
Net cash used in operating activities		**(96,883)**	(50,337)
Investing activities			
Purchase of intangible assets	12	**(4,561)**	(5,309)
Purchase of property, plant and equipment	13	**(290)**	(512)
Purchase of investment property	14	**(1,265)**	(842)
Purchase of other financial investments	16	**(1,763,955)**	(1,312,024)
Disposal of subsidiary undertaking		**466**	-
Disposal of investment property		**-**	104
Disposal of other financial investments		**1,777,775**	1,436,635
Net cash generated from investing activities		**8,170**	118,052
Financing activities			
Dividends paid	11	**-**	(2,000)
Cash used in financing activities		**-**	(2,000)
Net movement in cash and cash equivalents		**(88,713)**	65,715
Cash and cash equivalents at beginning of year		**124,779**	59,064
Cash and cash equivalents at end of year	19	**36,066**	124,779

The notes on pages 22 to 134 are an integral part of these financial statements.

Notes to the financial statements

1. Basis of preparation

MAPFRE MSV Life p.l.c. ("the Company") is licensed under the Insurance Business Act, 1998 to transact long term insurance business.

The Company offers a range of individual life insurance and investment contracts that can be broadly classified into long term insurance contracts, investment contracts with discretionary participation features ('DPF') and linked long term contracts. Long term insurance contracts and investment contracts with DPF consist mainly of life protection and/or savings contracts. Linked long term contracts are essentially investment contracts that are intended to provide customers with asset management solutions for their savings and retirement needs. Linked long-term contracts are more commonly referred to as unit-linked contracts.

Growth Investments Limited, the subsidiary of the Company, was liquidated with effect from 12 August 2023. As a result, these financial statements are prepared on a stand-alone basis.

These financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the European Union ('EU'), the Insurance Business Act, 1998 and the Companies Act, 1995. The financial statements are prepared under the historical cost convention as modified by the revaluation of property, investment property and financial assets and financial liabilities (including derivatives) at fair value through profit or loss.

This is the first set of the Company's financial statements in which IFRS 17 'Insurance Contracts' and IFRS 9 'Financial Instruments' have been applied. The related changes in material accounting policies are described in Note 1.1.

The preparation of financial statements in conformity with the above reporting framework requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 2.18.

The statement of financial position is organised in increasing order of liquidity, with additional disclosures on the current or non-current nature of the Company's assets and liabilities provided within the notes to the financial statements.

Standards, interpretations and amendments to published standards effective in 2023

In 2023, the Company adopted new standards, amendments and interpretations to existing standards that are mandatory for the Company's accounting period beginning on 1 January 2023. The adoption of IFRS 17 and IFRS 9 as adopted by the EU had a significant impact on the Company's accounting policies. Other standards as per the requirements of IFRSs as adopted by the EU did not result in material changes.

1. Basis of preparation - continued

Amendments to published standards that are not yet effective

A number of amendments to existing standards are effective for annual periods beginning after 1 January 2024. However, the Company has not early adopted these amendments in preparing these financial statements and management are of the opinion that there are no requirements that are expected to have a material impact on the Company's financial statements in the period of initial application.

1.1 Changes in material accounting policies

(a) IFRS 17 'Insurance Contracts'

The Company has adopted IFRS 17 as adopted by the EU with a date of transition 1 January 2022, which resulted in changes in accounting policies and adjustments to the amounts previously recognised in the financial statements. The Company did not early adopt IFRS 17 in previous periods.

The adoption of IFRS 17 has resulted in significant changes in the Company's accounting policies for recognition, classification and measurement of insurance contracts, reinsurance contracts held and investment contracts with discretionary participation features. It introduces a model that measures groups of contracts based on the Company's estimates of the present value of future cash flows that are expected to arise as the Company fulfils the contracts, an explicit risk adjustment for non-financial risk and a Contractual Service Margin ('CSM').

Under IFRS 17, insurance revenue in each reporting period represents the changes in the liabilities for remaining coverage that relate to services for which the Company expects to receive consideration and an allocation of premiums that relate to recovering insurance acquisition cash flows. In addition, investment components are no longer included in insurance revenue and insurance service expenses.

Insurance finance income and expenses are presented separately from insurance revenue and insurance service expenses.

Income and expenses from reinsurance contracts held other than reinsurance finance income and expenses are now presented as a single net amount in profit or loss. Previously, amounts recovered from reinsurers and reinsurance expenses were presented separately.

Set out below are disclosures relating to the impact of the adoption of IFRS 17 on the Company. Further details of the specific IFRS 17 accounting policies applied are described in more detail in Note 2.3.

1. Basis of preparation - continued

1.1 Changes in material accounting policies - continued

(a) IFRS 17 'Insurance Contracts' - continued

At the transition date (i.e. 1 January 2022), the Company has:
- identified, recognised and measured each group of insurance contracts, reinsurance contracts held and investment contracts with DPF as if IFRS 17 had always been applied;
- derecognised previously reported balance that would have not existed if IFRS 17 had always been applied including Value of in-force business and the corresponding reserves in equity; and
- recognised in equity, on a net basis, any differences between amounts recognised under IFRS 4 and other applicable standards and IFRS 17.

Given the long-term nature of life insurance contracts and investment contracts with DPF, it was not deemed to be practicable for the fully retrospective approach to be adopted for all cohorts. Refer to Note 2.17– Methods used and judgements applied in determining IFRS 17 transition amounts. The Company has applied the transition provisions in IFRS 17 and has not disclosed the impact of the adoption of IFRS 17 on each financial statement line item. The effects of adopting IFRS 17 on the financial statements at 1 January 2022 are presented in the statement of changes in equity.

(b) IFRS 9 'Financial Instruments'

The Company has adopted IFRS 9 as adopted by the EU. IFRS 9 replaces IAS 39 'Financial Instruments: Recognition and Measurement' and became effective for annual periods beginning on or after 1 January 2018 with early adoption permitted. However, in September 2016, the International Accounting Standards Board issued amendments to IFRS 4 'Insurance Contracts' which provide optional relief to eligible insurers in respect of IFRS 9. The option permitted entities whose predominant activity is issuing insurance contracts within the scope of IFRS 4, a temporary exemption to defer the implementation of IFRS 9. IFRS 17, published on 18 May 2017, and amended on 25 June 2020, supersedes IFRS 4 and is applicable for annual periods beginning on or after 1 January 2023, with early adoption permitted. IFRS 17 was adopted by the EU on 19 November 2021, extending to 2023 the temporary exemption for qualifying insurers to apply IFRS 9. The Company has met the relevant criteria and has applied the temporary exemption from IFRS 9 for annual periods before 1 January 2023.

The general requirement in IFRS 9 is that an entity must apply IFRS 9 at the date of initial adoption retrospectively (i.e., as if the new requirements had always been in effect) in accordance with IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors'. However, IFRS 9 includes certain special transition provisions designed to make the crossover to IFRS 9 easier.

1. Basis of preparation - continued

1.1 Changes in material accounting policies - continued

(b) IFRS 9 'Financial Instruments' - continued

IFRS 9 contains exemptions from full retrospective application for its classification and measurement requirements, including impairment. These include an exception from the requirement to restate comparative information. An entity may restate prior periods only if it is possible without the use of hindsight. If an entity does not restate comparatives, it should adjust the opening balance of its retained earnings to take account of the effect of applying the new standard in the year of initial application.

As permitted by the transitional provisions of IFRS 9, the Company did not restate comparative figures. Any adjustments to the carrying amounts of financial assets and liabilities at the date of transition were recognised in the opening retained earnings of the current period.

The adoption of IFRS 9 has resulted in changes to the Company's accounting policies for recognition, classification and measurement of financial assets and financial liabilities, and impairment of financial assets as further described in the sections below.

Effect of initial application

IFRS 9 includes three principal classification categories for financial assets: measured at amortised cost ('AC'), fair value through other comprehensive income ('FVOCI') and fair value through profit or loss ('FVTPL'). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. IFRS 9 eliminates the previous IAS 39 categories of held-to-maturity investments, loans and receivables, and available-for-sale financial assets.

There are no significant changes in the measurement categories for financial liabilities under IFRS 9 when compared to IAS 39.

Further, IFRS 9 replaces the incurred loss model in IAS 39 with a forward-looking 'expected credit loss' ('ECL') model. The new model applies to financial assets measured at amortised costs including deposits with banks or credit institutions of the Company. The Company has recognised an ECL of €134 thousand on its deposits with banks or credit institutions at transition.

1. Basis of preparation - continued

1.1 Changes in material accounting policies - continued

(b) IFRS 9 'Financial Instruments' - continued

Effect of initial application - continued

The following table below explains the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Company's financial assets and financial liabilities as at 1 January 2023. The Company's material accounting policies on the classification of financial instruments under IFRS 9 are set out in Note 2.11.

Financial assets	Classification IAS 39	Classification IFRS 9	Carrying amount IAS 39 €'000s	Carrying amount IFRS 9 €'000s
Cash at bank and in hand	Loans and receivables	AC	124,779	124,779
Other investments				
Equity securities and units in unit trusts	FVTPL (held for trading)	FVTPL (Mandatory)	972,740	972,740
Debt securities	FVTPL (held for trading)	FVTPL (Designated)	777,251	783,205
Collective investment schemes	FVTPL (held for trading)	FVTPL (Mandatory)	102,256	102,256
Forward foreign exchange contracts and swaps	FVTPL (held for trading)	FVTPL (Mandatory)	2,698	2,698
Deposits with banks or credit institutions	Loans and receivables	AC	116,728	116,988
Other receivables				
Accrued interest and rent	Loans and receivables	AC	7,597	1,249
Other prepayments and accrued income	Loans and receivables	AC	3,603	3,603
Total			**2,107,652**	**2,107,518**

The Company's ultimate objective with regards to cash at bank and deposits with banks or credit institutions is that of collecting contractual cash flows that solely represent payments of principal and interest. On this basis, these are classified and measured at AC and they are subject to expected credit losses under IFRS 9.

1. Basis of preparation - continued

1.1 Changes in material accounting policies - continued

(b) IFRS 9 'Financial Instruments' - continued

Effect of initial application - continued

Financial liabilities	Classification IAS 39	Classification IFRS 9	Carrying amount IAS 39 €'000s	Carrying amount IFRS 9 €'000s
Other payables				
Amount owed to immediate parent company and other related parties	Loans and receivables	AC	350	350
Indirect taxation	Loans and receivables	AC	2,531	2,531
Other creditors	Loans and receivables	AC	2,959	2,959
Accruals	Loans and receivables	AC	4,970	4,970
Investment contract liabilities	FVTPL	FVTPL	69,054	69,054
Total			**79,864**	**79,864**

(c) Material accounting policy information

The Company also adopted *Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)* from 1 January 2023. Although the amendments did not result in any changes to the accounting policies themselves, they impacted the accounting policy information disclosed in the financial statements.

The amendments require the disclosure of 'material', rather than 'significant', accounting policies. The amendments also provide guidance on the application of materiality to disclosure of accounting policies, assisting entities to provide useful, entity-specific accounting policy information that users need to understand other information in the financial statements.

Management reviewed the accounting policies and made updates to the information disclosed in Note 2 - Summary of material accounting policies (2022: Summary of significant accounting policies) in certain instances in line with the amendments.

2. Summary of material accounting policies

2.1 Accounting policies

The material accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

The Company adopted *Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)* from 1 January 2023. The amendments require the disclosure of 'material' rather than 'significant', accounting policies. Although the amendments did not result in any changes to the accounting policies themselves, they impacted the accounting policy information disclosed in certain instances.

2.2 Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

Transactions in foreign currencies have been converted into the functional currency at the rates of exchange ruling on the date of the transaction or valuation where items are re-measured.

Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Translation differences on non-monetary items, mainly arising on equities held at fair value through profit or loss, are reported as part of the net gains (losses) on FVTPL instruments.

2. Summary of material accounting policies - continued

2.3 Insurance and investment contracts issued and reinsurance contracts held

(a) Definition and classification

The following table provides an overview of the Company's assessment of its products and whether these fall in scope of IFRS 17:

Portfolio	Product	In scope of IFRS 17?	Measurement model	Description of benefit
Life Risk	Insurance contracts - Term assurance including term riders	Yes	General Measurement Model ('GMM')	Pure insurance contracts carrying significant insurance risk where the obligation of the Company towards the insured is the payment of a death benefit, if the death occurs whilst the policy is in force.
Life Risk	Unit-linked – Maximum Investment Plan	Yes	GMM	A unit-linked contract with significant insurance risk is one that incorporates a material sum assured within the contract (i.e. the sum assured/minimum death benefit provided, exceeds the investment value of the product.
Direct participating contracts	With-profits (Investment contracts with DPF)	Yes	Variable Fee Approach ('VFA')	Investment contracts with DPF where the obligation of the Company towards the insured also includes an annual discretionary investment return (declared bonus rate).
Direct participating contracts	Hybrids (Investment contracts with DPF)	Yes	VFA	These are mainly unit-linked products including with-profits components (investment contract with DPF).
Investment contracts	Unit-linked - others (Investment contracts without DPF)	No	FVTPL	Investment contracts which pays the policyholder 1% of the fund value at the time of death, this component is deemed to be immaterial to the overall value of the fund and therefore, no significant insurance risk is deemed to arise from it. Therefore, these contracts will be valued in line with IFRS 9 with effect from 1 January 2023 and IAS 39 prior to 1 January 2023.

2. Summary of material accounting policies - continued

2.3 Insurance and investment contracts issued and reinsurance contracts held - continued

(a) Definition and classification - continued

Insurance contracts are contracts under which the Company accepts significant insurance risk from a policyholder by agreeing to compensate the policyholder if a specified uncertain future event adversely affects the policyholder. In making this assessment, all substantive rights and obligations, including those arising from law or regulation, are considered on a contract by contract basis. Judgement is used to assess whether a contract transfers insurance risk and whether the accepted insurance risk is significant. Generally, the Company defines as significant insurance risk the possibility of having to pay benefits on the occurrence of an insured event that are at least 5% more than the benefits payable (on a present value basis) if the insured event did not occur. The Company accounts for these contracts under IFRS 17.

The Company also issues term riders which represent an add-on to a basic policy that provides additional benefits to policyholders (at additional cost). They can be purchased by a policyholder concurrently to a basic policy or at a subsequent date, i.e. a date after the inception of the basic policy. The addition of a term rider triggers medical underwriting at the point in time the rider is added, giving the Company the ability to reprice the policy at that point in time. The Company has concluded that term riders are to be separated from the host contract and will form part of the term portfolio.

Contracts that have a legal form of insurance but do not transfer significant insurance risk and expose the Company to financial risk are classified as investment contracts, and they follow financial instruments accounting under IFRS 9, unless they have DPF as described below, in which case they are accounted for as insurance contracts.

A number of investment contracts contain a DPF. This feature entitles the holder to receive, as a supplement to guaranteed benefits (i.e. amounts not subject to the Company's discretion), additional benefits or bonuses:

- that are likely to be a significant portion of the total contractual benefits;
- whose amount or timing is contractually at the discretion of the Company; and
- that are based on realised and/or unrealised investment returns on specified pools of underlying assets held by the Company.

The Company also issues a 'hybrid' product which is a unit-linked product that gives policyholders the possibility to initially allocate and subsequently switch a portion of the premium to a 'with-profits' DPF holding as well as a unit-linked holding. This product was deemed to fall within scope of IFRS 17 when the policyholder allocates a percentage holding in the with-profits fund as at inception or transition date. Furthermore, management concluded that the unit-linked component of the product does not constitute a distinct investment component, given that both elements of the 'hybrid' product cannot be measured and presented separately and are interdependent on each other.

2. Summary of material accounting policies - continued

2.3 Insurance and investment contracts issued and reinsurance contracts held - continued

(a) Definition and classification - continued

Since this product is primarily a unit-linked product with the option to hold a percentage of the holding in the with-profits fund, management has determined that for such a contract to be in scope of IFRS 17, it needs to hold a 5% level of significant discretionary benefit.

Local statutory regulations and the terms and conditions of both investment contracts with DPF and hybrids set out the bases for the determination of the amounts on which the additional discretionary benefits are based (the DPF eligible surplus), and within which the Company may exercise its discretion as to the quantum and timing of their payment to contract holders, also considering the advice of the Approved Actuary. The Company accounts for these contracts under IFRS 17 as it also issues insurance contracts.

The Company assessed investment contracts that qualify as having direct participation features as a result of the nature of their design (i.e. they are primarily investment related contracts where the investment risk is substantially borne by the policyholder) to ascertain whether or not they meet the VFA eligibility criteria.

IFRS 17 requires these criteria to be assessed at the individual contract level. The Company assessed the criteria at the product level. The assessment is carried out based on the Company's expectations at inception, and is not reassessed subsequently, unless the product is modified.

The with-profits policies are ring fenced, meaning, a barrier clearly segregates the policyholder assets participating in the fund from the shareholders' ones. Therefore, the pool of assets is clearly identifiable. The 'underlying items' in this case would be the with-profits assets.

Investment contracts with direct participation features are viewed as creating an obligation to pay policyholders an amount that is equal to the fair value of the underlying items, less a variable fee for service. The variable fee comprises the amount of the Company's share of the fair value of the underlying items less the fulfillment cash flows ('FCF') that do not vary based on the returns on underlying items. Therefore, on an average probability-weighted basis, the Company considers that the amount it expects to pay to policyholders comprises a substantial portion of the fair value returns on underlying items.

The variability in cash flows is assessed over the duration of the insurance contracts and on the basis of the average of the probability-weighted present value. The duration of the contract takes into account all the cash flows in the contract boundary. The major component of the liability (the present value of the future net cash outflows) is made up of claims which vary substantially with the underlying items.

2. Summary of material accounting policies - continued

2.3 Insurance and investment contracts issued and reinsurance contracts held - continued

(a) Definition and classification - continued

In the normal course of business, the Company uses reinsurance to mitigate its risk exposures. A reinsurance contract transfers significant risk if it transfers substantially all of the insurance risk resulting from the insured portion of the underlying insurance contracts, even if it does not expose the reinsurer to the possibility of a significant loss.

All references to insurance contracts in these financial statements apply to insurance contracts issued or acquired, reinsurance contracts held and investment contracts with DPF, unless specifically stated otherwise.

(b) Unit of account

The Company manages insurance contracts issued by product type, where each product type includes contracts which are subject to similar risks and are managed together. The Company has determined that contracts have similar risk and are managed together if they are priced together, have the same underwriting process, have common reporting, and claims and risks underlying the contracts are managed together. All insurance contracts of the same product type represent a portfolio. Each portfolio is further disaggregated into groups of contracts that are issued within a calendar year (annual cohorts) and are at initial recognition:

- contracts that are onerous; or
- all remaining contracts.

In variation to the above, as further described below, in contrast with all other contracts in scope of IFRS 17, investment contracts with DPF are not grouped by annual cohort.

As per Article 2 of the Commission Regulation (EU) 2021/2036 (the 'Regulation'), a Company may choose not to apply the annual cohorting requirement to groups of investment contracts with discretionary participation features and with cash flows that affect or are affected by cash flows to policyholders of other contracts.

The Company's with-profits fund is a pool of policies sharing in the same pool of underlying items. Therefore, the risk that a particular policy becomes onerous (i.e. the possibility of the with-profits fund assets being lower than the present value of its future liabilities) is shared between the policyholders within this pool. In such instances, policies, which do not exhibit such onerosity, will make good for those policies which are onerous.

2. Summary of material accounting policies - continued

2.3 Insurance and investment contracts issued and reinsurance contracts held - continued

(b) Unit of account - continued

Given that the Company's with-profits fund has all mutualisation features described above, the Company has chosen to apply the option to avoid allocating policies to annual cohorts as per the Regulation as these are groups of investment contracts with DPF and with cash flows that affect or are affected by cash flows to policyholders of other contracts. All with-profits and hybrid policies will therefore be allocated to a single cohort.

Portfolios of reinsurance contracts held are assessed for aggregation separately from portfolios of insurance contracts issued. Separate portfolios for reinsurance contracts held were therefore established and the Company has a single reinsurance portfolio. In groups of reinsurance contracts held, the amount an entity pays generally exceeds the expected present value of the cash flows generated by that reinsurance contract plus the risk adjustment for non-financial risk and thus the Company is usually in a net cost position. The Company has determined that the reinsurance contracts held will be grouped by calendar year (annual cohorts) under the category 'Rest' which includes reinsurance contracts held with an initial net loss but with a possibility of a future of net profit.

Transition approaches that were applied by the Company on adoption of IFRS 17 with respect to contracts aggregation requirements are included in note 2.17.

Before the Company accounts for an insurance contract based on the guidance in IFRS 17, it analyses whether the contract contains components that should be separated. IFRS 17 distinguishes three categories of components that have to be accounted for separately:

- cash flows relating to embedded derivatives that are required to be separated;
- cash flows relating to distinct investment components; and
- promises to transfer distinct goods or distinct services other than insurance contract services.

The Company applies IFRS 17 to all remaining components of the contract. The Company does not have any contracts that require further separation (except for term riders – refer to note 2.3 (a)). The Company also does not have any contracts that requires combination.

2. Summary of material accounting policies - continued

2.3 Insurance and investment contracts issued and reinsurance contracts held - continued

(c) Recognition, modification and derecognition

Recognition

Groups of insurance contracts issued are initially recognised from the earliest of the following:

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

Investment contracts with DPF are initially recognised at the date when the Company becomes a party to the contract.

A group of reinsurance contracts held that provide proportionate coverage (quota share reinsurance) is recognised at the later of:

- the beginning of the coverage period of the group; and
- the initial recognition of any underlying insurance contract.

Only contracts that individually meet the recognition criteria by the end of the reporting period are included in the groups. When contracts meet the recognition criteria in the groups after the reporting date, they are added to the groups in the reporting period in which they meet the recognition criteria, subject to the annual cohorts restriction. Composition of the groups is not reassessed in subsequent periods.

Modification and derecognition

An insurance contract is derecognised when it is extinguished (that is, when the obligation specified in the insurance contract expires or is discharged or cancelled), or when the contractual terms are modified in a way that would have changed the accounting for the contract significantly had the new terms always existed, in which case a new insurance contract is recognised.

If a contract modification is not significant, the changes in cash flows caused by the modification are treated as changes in estimates of FCF.

2. Summary of material accounting policies - continued

2.3 Insurance and investment contracts issued and reinsurance contracts held - continued

(c) Recognition, modification and derecognition – continued

Modification and derecognition - continued

When an insurance contract is derecognised from within a group of insurance contracts, the Company:

- adjusts the FCF to eliminate the present value of future cash flows and risk adjustment for non-financial risk relating to the rights and obligations removed from the group;
- adjusts the CSM; and
- adjusts the number of coverage units for the expected remaining insurance contract services, to reflect the number of coverage units removed.

(d) Measurement

Fulfilment cash flows

Fulfilment cash flows ('FCF') are the current estimates of the future cash flows within the contract boundary of a group of contracts and include the premiums the Company expects to collect from customers, claims it expects to pay out, benefits and expenses, adjusted to reflect the timing and uncertainty of these amounts.

Estimates of future cash flows:

- are based on probability-weighted average of all possible outcomes;
- are reflective of the Company's perspective, provided estimates of any relevant market variables are consistent with observable market prices for those variables; and
- are reflective of conditions existing at measurement date.

An explicit risk adjustment for non-financial risk is estimated separately from the other estimates for Asset for Remaining Coverage ('ARC') and Liability for Remaining Coverage ('LRC').

2. Summary of material accounting policies - continued

2.3 Insurance and investment contracts issued and reinsurance contracts held - continued

(d) Measurement - continued

Fulfilment cash flows - continued

The estimates of future cash flows are also adjusted using current discount rates to reflect the time value of money and financial risks relating to these flows. The discount rates reflect the characteristics of the cash flows arising from the groups of insurance contracts, including timing, currency and liquidity of cash flows. The determination of the discount rate that reflects the characteristics of the cash flows and liquidity characteristics of the insurance contracts requires judgement and estimation.

Risk of non-performance is not included in the measurement of groups of insurance contracts issued. In the measurement of reinsurance contracts held, the probability-weighted estimates of the present value of future cash flows include the potential credit losses and other disputes of the reinsurer to reflect the non-performance risk of the reinsurer.

The Company estimates certain FCF at the portfolio level or higher and then allocates such estimates to groups of contracts.

The Company uses consistent assumptions to measure the estimates of the present value of future cash flows for the group of reinsurance contracts held and such estimates for the groups of underlying insurance contracts.

Contract boundary

The Company uses concept of contract boundary to determine what cash flows should be considered in the measurement of groups of insurance contracts.

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

A substantive obligation lasts until:

- the Company has the practical ability to reassess the risks of a particular policyholder, and hence, can set a price to fully reflect those risks;
- both of the following criteria are satisfied:
  - the entity has a practical ability to reassess the risk of the portfolio of insurance contracts, as a result of which it can set a price to fully reflect those risks; and
  - the pricing of premiums up to the date when the risks are reassessed does not take into account the risks that relate to periods after the reassessment date.

2. Summary of material accounting policies - continued

2.3 Insurance and investment contracts issued and reinsurance contracts held - continued

(d) Measurement - continued

Contract boundary - continued

In assessing the practical ability to reprice, risks transferred from the policyholder to the Company, such as insurance risk and financial risk, are considered; other risks, such as lapse or surrender and expense risk, are not included.

Cash flows outside the insurance contracts boundary relate to future insurance contracts and are recognised when those contracts meet the recognition criteria.

Cash flows are within the boundaries of investment contracts with DPF if they result from a substantive obligation of the Company to deliver cash at a present or future date.

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

Cash flows that are not directly attributable to a portfolio of insurance contracts are recognised in other operating expenses as incurred.

Insurance acquisition costs

Insurance acquisition cash flows are cash flows arising from the costs of selling, underwriting and starting a group of insurance contracts that are directly attributable to the portfolio of insurance contracts to which the group belongs. Insurance acquisition cash flows for the Company comprise commission paid to intermediaries for new business and salaries of employees whose efforts are directly related to the acquisition of new insurance business.

Insurance acquisition cash flows that are directly attributable to a group of insurance contracts shall be allocated to that group. IFRS 17 requires that insurance acquisition cash flows are also allocated to groups that will include insurance contracts that are expected to arise from renewals of the insurance contracts in that group. The latter does not apply to the Company as it does not incur acquisition costs in relation to future renewals.

Insurance acquisition cash flows not directly attributable to a group of contracts but directly attributable to a portfolio of contracts are allocated to groups of contracts in the portfolio or expected to be in a portfolio.

2. Summary of material accounting policies - continued

2.3 Insurance and investment contracts issued and reinsurance contracts held - continued

(d) Measurement - continued

Insurance acquisition costs - continued

The Company does not incur any material directly attributable acquisition cash flows, or other inflows or outflows, before a group of insurance contracts is recognised. Consequently it does not recognise any ‘pre-recognition cash flows’.

Risk adjustment for non-financial risk

The risk adjustment for non-financial risk is applied to the present value of the estimated future cash flows, and it reflects the compensation that the Company requires for bearing the uncertainty about the amount and timing of the cash flows from non-financial risk as the Company fulfils insurance contracts.

For reinsurance contracts held, the risk adjustment for non-financial risk represents the amount of risk being transferred by the Company to the reinsurer.

Methods and assumptions used to determine the risk adjustment for non-financial risks are discussed in note 21.5 (a).

Initial measurement and CSM

The CSM is a component of the carrying amount of the asset or liability for a group of insurance contracts issued representing the unearned profit that the Company will recognise as it provides insurance contract services in the future. At initial recognition, the CSM is an amount that results in no income or expenses arising from:

- the initial recognition of the FCF;
- cash flows arising from the contracts in the group at that date.

When the above calculation results in a net outflow, the group of insurance contracts would be onerous. A loss arising from onerous insurance contracts is recognised immediately in profit or loss, with no CSM recognised in the statement of financial position and a loss component is established in the amount of loss recognised.

No onerous contracts have been identified by the Company.

For groups of reinsurance contracts held, any net gain or loss at initial recognition is recognised as the CSM unless the net cost of purchasing reinsurance relates to past events, in which case the Company recognises the net cost immediately in profit or loss.

2. Summary of material accounting policies - continued

2.3 Insurance and investment contracts issued and reinsurance contracts held - continued

(d) Measurement - continued

Initial measurement and CSM - continued

For reinsurance contracts held, the CSM represents a deferred gain or loss that the Company will recognise as a reinsurance expense as it receives insurance contract services from the reinsurer in the future.

Subsequent measurement

The carrying amount at the end of each reporting period of a group of insurance contracts issued is the sum of:

- the LRC, comprising:
  - the FCF related to future service allocated to the group at that date; and
  - the CSM of the group at that date; and
- the liability for incurred claims ('LIC'), comprising the FCF related to past service allocated to the group at the reporting date.

The carrying amount at the end of each reporting period of a group of reinsurance contracts held is the sum of:

- the remaining coverage, comprising:
  - the FCF related to future service allocated to the group at that date; and
  - the CSM of the group at that date; and
- the incurred claims, comprising the FCF related to past service allocated to the group at the reporting date.

Changes in fulfilment cash flows

The FCF are updated by the Company for current assumptions at the end of every reporting period, using the current estimates of the amount, timing and uncertainty of future cash flows and of discount rates.

The way in which the changes in estimates of the FCF are treated depends on which estimate is being updated:

- changes that relate to current or past service are recognised in profit or loss; and
- changes that relate to future service are recognised by adjusting the CSM or the loss component within the LRC as per the policy below.

2. Summary of material accounting policies - continued

2.3 Insurance and investment contracts issued and reinsurance contracts held - continued

(d) Measurement - continued

Changes in fulfilment cash flows - continued

For insurance contracts measured under the General Measurement Model ('GMM'), the following adjustments relate to future service and thus adjust the CSM:

(a) experience adjustments arising from premiums received in the period that relate to future service and related cash flows;
(b) changes in estimates of the present value of future cash flows in the LRC, except those described in the following paragraph;
(c) differences between any investment component expected to become payable in the period and the actual investment component that becomes payable in the period; and
(d) changes in the risk adjustment for non-financial risk that relate to future service.

Adjustments (a) and (b) above are measured using discount rates determined on initial recognition (the locked in discount rates).

For insurance contracts under the GMM, the following adjustments do not adjust the CSM:

(a) changes in the FCF for the effect of the time value of money and the effect of financial risk and changes thereof;
(b) changes in the FCF relating to the LIC;
(c) experience adjustments arising from premiums received in the period that do not relate to future service and related cash flows; and
(d) experience adjustments relating to insurance service expenses (excluding insurance acquisition cash flows).

When measuring a group of investment contracts with DPF, the Company adjusts the fulfilment cash flows for the whole of the changes in the obligation to pay policyholders an amount equal to the fair value of the underlying items. These changes do not relate to future services and are recognised in profit or loss. The Company then adjusts any CSM for changes in the amount of the Company's share of the fair value of the underlying items, which relate to future services, as explained below.

2. Summary of material accounting policies - continued

2.3 Insurance and investment contracts issued and reinsurance contracts held - continued

(d) Measurement - continued

Changes in fulfilment cash flows - continued

For contracts measured under the VFA, the following adjustments relate to future service and thus adjust the CSM:

- changes in the amount of the Company's share of the fair value of the underlying items; and
- changes in the FCF that do not vary based on the returns of underlying items:

  (a) changes in the effect of the time value of money and financial risks including the effect of financial guarantees;
  (b) experience adjustments arising from premiums received in the period that relate to future service and related cash flows;
  (c) changes in estimates of the present value of future cash flows in the LRC, except those described in the following paragraph;
  (d) differences between any investment component expected to become payable in the period and the actual investment component that becomes payable in the period; and
  (e) changes in the risk adjustment for non-financial risk that relate to future service.

Adjustments (b) to (e) are measured using the current discount rates.

For contracts under the VFA, the following adjustments do not adjust the CSM:

- changes in the obligation to pay the policyholder the amount equal to the fair value of the underlying items;
- changes in the FCF that do not vary based on the returns of underlying items:
  - changes in the FCF relating to the LIC; and
  - experience adjustments arising from premiums received in the period that do not relate to future service and related cash flows; and
  - experience adjustments relating to insurance service expenses (excluding insurance acquisition cash flows).

The Company does not have any products with complex guarantees and does not use derivatives as economic hedges of the risks.

2. Summary of material accounting policies - continued

2.3 Insurance and investment contracts issued and reinsurance contracts held - continued

(d) Measurement - continued

Changes to the contractual service margin

For insurance contracts issued, at the end of each reporting period the carrying amount of the CSM is adjusted by the Company to reflect the effect of the following changes:

(a) The effect of any new contracts added to the group.
(b) For contracts measured under the GMM, interest accreted on the carrying amount of the CSM.
(c) Changes in the FCF relating to future service are recognised by adjusting the CSM. Changes in the FCF are recognised in the CSM to the extent that the CSM is available. When an increase in the FCF exceeds the carrying amount of the CSM, the CSM is reduced to zero, the excess is recognised in insurance service expenses and a loss component is recognised within the LRC. When the CSM is zero, changes in the FCF adjust the loss component within the LRC with correspondence to insurance service expenses. The excess of any decrease in the FCF over the loss component reduces the loss component to zero and reinstates the CSM.
(d) The effect of any currency exchange differences.
(e) The amount recognised as insurance revenue for insurance contract services provided during the period, determined after all other adjustments above.

For a group of reinsurance contracts held, the carrying amount of the CSM at the end of each reporting period is adjusted to reflect changes in the FCF in the same manner as a group of underlying insurance contracts issued.

Interest accretion on the CSM

Under the GMM, interest is accreted on the CSM using discount rates determined at initial recognition that are applied to nominal cash flows that do not vary based on the returns of underlying items. The Company uses the discount curves at the middle of each quarter during the year and will be assuming equal weighting per quarter given the stability of new business written.

2. Summary of material accounting policies - continued

2.3 Insurance and investment contracts issued and reinsurance contracts held - continued

(d) Measurement - continued

Adjusting the CSM for changes in the FCF relating to future service

The CSM is adjusted for changes in the FCF, measured applying the discount rates as specified in the *Changes in fulfilment cash flows* section above.

Release of the CSM to profit or loss

The amount of the CSM recognised in profit or loss for insurance contract services in the period is determined by the allocation of the CSM remaining at the end of the reporting period over the current and remaining expected coverage period of the group of insurance contracts based on coverage units.

The coverage period is defined as a period during which the entity provides insurance contract services. Insurance contract services include coverage for an insured event (insurance coverage), the generation of an investment return for the policyholder, if applicable (investment-return service) for the contracts under the GMM, and the management of underlying items on behalf of the policyholder (investment-related service) for the contracts under the VFA. The period of investment-return service or investment-related service ends at or before the date when all amounts due to current policyholders relating to those services have been paid. Investment-return services are provided only when an investment component exists in insurance contracts or the policyholder has a right to withdraw an amount, and the Company expects these amounts to include an investment return that is achieved by the Company by performing investment activities to generate that investment return.

For contracts issued, the Company determines the coverage period for the CSM recognition as follows:

- for investment contracts with DPF (including hybrids), the coverage period corresponds to the period in which investment-return services are expected to be provided; and
- for term life risk contracts, no investment-return services are provided and, thus, the coverage period is determined by insurance coverage;

2. Summary of material accounting policies - continued

2.3 Insurance and investment contracts issued and reinsurance contracts held - continued

(d) Measurement - continued

Release of the CSM to profit or loss - continued

The total number of coverage units in a group is the quantity of service provided by the contracts in the group over the expected coverage period. The coverage units are determined at each reporting period-end prospectively by considering:

- the quantity of benefits provided by contracts in the group;
- the expected coverage period of contracts in the group; and
- the likelihood of insured events occurring, only to the extent that they affect the expected coverage period of contracts in the group.

The Company determines coverage units as follows:

- for term life insurance contracts, coverage units are determined based on the policies’ face values that are equal to the fixed death benefit amounts in force; and
- for investment contracts with DPF, including with-profits and unit-linked hybrids, coverage units are based on the fund assets and value of the fund.

The Company does not reflect the time value of money in the allocation of the CSM to coverage units.

For reinsurance contracts held, the CSM is released to profit or loss as insurance contract services are received from the reinsurer in the period.

Coverage units for the proportionate term life reinsurance contracts held are based on the insurance coverage provided by the reinsurer, and they are determined by the ceded policies’ fixed face values in force, taking into account new business projected within the reinsurance contract boundary. The coverage period for these contracts is determined based on the coverage period of all underlying contracts whose cash flows are included in the reinsurance contract boundary.

2. Summary of material accounting policies - continued

2.3 Insurance and investment contracts issued and reinsurance contracts held - continued

(e) Amounts recognised in profit or loss

Insurance revenue

As the Company provides insurance contract services under the group of insurance contracts, it reduces the LRC and recognises insurance revenue. The amount of insurance revenue recognised in the reporting period depicts the transfer of promised services at an amount that reflects the portion of consideration that the Company expects to be entitled to in exchange for those services.

Insurance revenue comprises the following:

Amounts relating to the changes in the LRC:

a) claims and other directly attributable expenses incurred in the period measured at the amounts expected at the beginning of the period, excluding:
   - repayments of investment components and policyholder rights to withdraw an amount;
   - amounts of transaction-based taxes collected in a fiduciary capacity;
   - insurance acquisition expenses; and
   - amounts related to the risk adjustment for non-financial risk (see (b));
b) changes in the risk adjustment for non-financial risk, excluding:
   - changes included in insurance finance income (expenses);
   - changes that relate to future coverage (which adjust the CSM);
c) amounts of the CSM recognised for the services provided in the period;
d) experience adjustments arising from premiums received in the period other than those that relate to future service; and
e) other amounts.

Insurance acquisition cash flows recovery is determined by allocating the portion of premiums related to the recovery of those cash flows on the basis of the passage of time over the expected coverage of a group of contracts.

2. Summary of material accounting policies - continued

2.3 Insurance and investment contracts issued and reinsurance contracts held - continued

(e) Amounts recognised in profit or loss - continued

Insurance service expenses

Insurance service expenses include the following:

(a) incurred claims and benefits, excluding investment components;
(b) other incurred directly attributable expenses;
(c) insurance acquisition cash flows amortisation; and
(d) changes that relate to past service i.e. changes in the FCF relating to the LIC.

Other expenses that do not meet the above criteria are included as other operating expenses in the profit or loss.

Net income (expenses) from reinsurance contracts held

The Company presents financial performance of groups of reinsurance contracts held on a net basis in net income (expenses) from reinsurance contracts held, comprising the following amounts:

(a) reinsurance expenses;
(b) incurred claims recovery;
(c) other incurred directly attributable expenses;
(d) changes that relate to past service i.e. changes in the FCF relating to incurred claims recovery; and
(e) effect of changes in the risk of reinsurers' non-performance.

Reinsurance expenses are recognised similarly to insurance revenue. The amount of reinsurance expenses recognised in the reporting period depicts the transfer of received insurance contract services at an amount that reflects the portion of ceding premiums that the Company expects to pay in exchange for those services.

2. Summary of material accounting policies - continued

2.3 Insurance and investment contracts issued and reinsurance contracts held - continued

(e) Amounts recognised in profit or loss - continued

Net income (expenses) from reinsurance contracts held - continued

Reinsurance expenses comprise the following amounts relating to the changes in the remaining coverage:

(a) claims and other directly attributable expenses recovery in the period, measured at the amounts expected to be incurred at the beginning of the period, excluding amounts related to the risk adjustment for non-financial risk (see (b));
(b) changes in the risk adjustment for non-financial risk, excluding:
  - changes included in finance income (expenses) from reinsurance contracts held; and
  - changes that relate to future coverage (which adjust the CSM);
(c) amounts of the CSM recognised for the services received in the period; and
(d) experience adjustments arising from premiums paid in the period other than those relating to future service.

Ceding commissions of the underlying contracts issued reduce ceding premiums and are accounted for as part of reinsurance expenses.

Insurance finance income or expenses

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

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

For contracts measured under the GMM, the main amounts within insurance finance income or expenses are:

- interest accreted on the FCF and the CSM; and
- the effect of changes in interest rates and other financial assumptions.

For contracts measured under the VFA, insurance finance income or expenses comprise changes in the value of underlying items (excluding additions and withdrawals).

The Company has opted to include all its insurance finance income and expenses in profit or loss for all of its insurance contracts. The Company does not issue insurance contracts that generate cash flows in a foreign currency.

2. Summary of material accounting policies – continued

2.4 Revenue

Revenue comprises the fair value of the consideration received or receivable for the sale of services in the ordinary course of the Company's activities. The Company recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met.

Rendering of services

Revenue recognition in relation to revenue from insurance contracts and investment contracts with DPF issued by the Company is described in Note 2.3(e).

Revenue arising from the issue of investment contracts without DPF and other related services offered by the Company, is recognised in the accounting period in which the services are rendered. Fees include investment management fees arising from services rendered in conjunction with the issue and management of investment contracts where the Company actively manages the consideration received from its customers to fund a return that is based on the investment profile that the customer selected on origination of the instrument. The Company recognises these fees on a straight-line basis over the estimated life of the contract.

The Company charges its customers for management and other related services using the following different approaches:

- Front-end fees are charged to the client on inception. The consideration received is deferred as a liability and recognised over the life of the contract on a straight-line basis.
- Regular fees are charged to the customer periodically (monthly, quarterly, half yearly or annually) either directly or by making a deduction from invested funds. Regular charges billed in advance are recognised on a straight-line basis over the billing period.

Other revenue receivable by the Company mainly comprises commission or trailer fees receivable on account of investment or other services provided in an intermediary capacity which is accounted for on an accruals basis.

2. Summary of material accounting policies - continued

2.5 Investment return

Investment return includes net gains or losses on financial assets at fair value through profit or loss, interest income from financial assets not classified as fair value through profit or loss, rent receivable from and other fair value movements of investment properties, and is net of investment expenses (e.g. charges and interest payable).

(a) Net fair value gains or losses from financial assets at fair value through profit or loss
This category includes gains or losses arising from changes in the fair value of the financial assets at fair value through profit or loss in the year in which they arise, dividend income recognised when the right to receive payment is established and interest income received on financial assets at fair value through profit or loss.

(b) Interest income
Interest income from financial assets not classified as fair value through profit or loss is recognised using the effective interest method.

(c) Investment income from investment properties
Rent receivable from investment property is accounted for on an accruals basis in accordance with the substance of the relevant lease agreements.

2.6 Leases

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

(a) As a lessor

Property leased out under operating leases are included in investment property. Rental income is recognised in profit or loss on a straight-line basis over the period of the lease to which it relates.

(b) As a lessee

At commencement or on modification of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices.

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred. The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term.

2. Summary of material accounting policies – continued

2.6 Leases - continued

(b) As a lessee - continued

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise of fixed payments. The lease liability is measured at amortised cost using the effective interest method. It is re-measured when there is a change in future lease payments. When the lease liability is re-measured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

2.7 Intangible assets

(a) Computer software

Acquired computer software licences are measured at cost less any accumulated amortisation and any accumulated impairment losses. Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised using the straight-line method over their useful lives, not exceeding a period of ten years. All costs associated with maintaining computer software programmes are recognised as an expense as incurred.

(b) Deferred policy acquisition costs

Incremental costs that are incurred in acquiring new investment contracts without DPF are capitalised as deferred acquisition costs ('DAC').

The DAC is subsequently amortised over the life of the contracts as follows:

- For long-term investment contracts with a fixed maturity date, DAC is amortised over the life of the contract.
- For long-term investment contracts with no fixed date of maturity, DAC is amortised over the estimated life of the contract. This basis is reviewed periodically with reference to the historical experience of surrenders for these contracts.

2. Summary of material accounting policies - continued

2.8 Property, plant and equipment

All property, plant and equipment is initially recorded at historical cost. Freehold land and buildings are subsequently shown at revalued amount being its fair value at the end of the revaluation less accumulated depreciation for buildings and any accumulated impairment losses. Fair value is based on periodic valuations by qualified valuers to ensure that the carrying amount of property does not differ materially from that which would be determined using fair values at the end of the reporting period. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset. All other property, plant and equipment is stated at historical cost less depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset’s carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit or loss during the financial year in which they are incurred.

Increases in the carrying amount arising on revaluation of land and buildings are credited to other comprehensive income and shown as a revaluation reserve in shareholders’ equity. Decreases that offset previous increases of the same asset are charged in other comprehensive income and debited against the revaluation reserve directly in equity; all other decreases are charged to profit or loss. Each year the difference between depreciation based on the revalued carrying amount of the asset charged to profit or loss and depreciation based on the asset’s original cost is transferred from the revaluation reserve to retained earnings.

Freehold land is not depreciated as it is deemed to have an indefinite life. Depreciation on other assets is calculated using the straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives, as follows:

Buildings	100 years
Leasehold improvements	10 - 40 years
Furniture, fittings and equipment	3 - 10 years
Motor vehicles	5 years

The assets’ residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting year. An asset’s carrying amount is written down immediately to its recoverable amount if the asset’s carrying amount is greater than its estimated recoverable amount. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss.

2. Summary of material accounting policies - continued

2.9 Investment property

Freehold and leasehold properties treated as investment property principally comprise office and other commercial buildings that are held for long term rental yields and that are not occupied by the Company. Investment property is carried at fair value. Fair value is based on active market prices, adjusted, if necessary for any difference in the nature, location or condition of the specific asset. If this information is not available, the Company uses alternative valuation methods such as discounted cash flow projections or recent prices in less active markets. These valuations are reviewed annually by qualified valuers. Investment property that is being redeveloped for continuing use as investment property, or for which the market has become less active, continues to be measured at fair value. Changes in fair values are reported in profit or loss.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment, and its fair value at the date of reclassification becomes its cost for subsequent accounting purposes.

2.10 Investment in subsidiary and associated undertakings

(a) Subsidiary undertaking

In the Company's financial statements, investment in subsidiary undertaking is accounted for using the cost method of accounting, less impairment. The dividend income from such investment is included in profit or loss in the accounting year in which the Company's rights to receive payment of any dividend is established. On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to profit or loss and included within other investment income or other investment expenses.

(b) Associated undertakings

Interests in associated undertakings that are allocated to the insurance and investment contract liabilities are designated as financial assets at fair value through profit or loss. Associates are all entities over which the Company has significant influence but not control, over the financial and operating policies, generally accompanying a shareholding of between 20% and 50% of the voting rights.

2. Summary of material accounting policies - continued

2.11 Financial instruments

Policy applicable as from 1 January 2023

Summary of measurement categories

The Company classifies its financial assets and financial liabilities into the following categories:

Type of financial instruments	Classification	Reason
Cash at bank	AC	SPPI, hold to collect business model
Other investments	FVTPL	Trading or portfolio managed at FV
Other investments	AC	SPPI, hold to collect business model
Other receivables	AC	SPPI, hold to collect business model
Other payables	AC	Not managed at FV
Investment contract liabilities	FVTPL	Managed at FV

The Company does not apply hedge accounting and does not have any FVOCI instruments.

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument. Regular way purchases and sales of financial assets are recognised on the trade date (that is, the date on which the Company commits to purchase or sell the asset).

At initial recognition, the Company measures a financial asset or financial liability at its fair value, plus or minus, in the case of a financial asset or financial liability not at FVTPL, transaction costs that are incremental and directly attributable to the acquisition or issue of the financial asset or financial liability, such as fees and commissions. Transaction costs of financial assets and financial liabilities carried at FVTPL are expensed in profit or loss. Immediately after initial recognition, an ECL allowance is recognised for financial assets measured at AC.

2. Summary of material accounting policies – continued

2.11 Financial instruments - continued

Policy applicable as from 1 January 2023 - continued

Initial recognition and measurement - continued

When the fair value of financial assets and liabilities differs from the transaction price on initial recognition, the entity recognises the difference as follows:

- When the fair value is evidenced by a quoted price in an active market for an identical asset or liability (that is, a Level 1 input) or based on a valuation technique that uses only data from observable markets, the difference is recognised as a gain or loss.
- In all other cases, the difference is deferred and the timing of recognition of deferred day one profit or loss is determined individually. It is either amortised over the life of the instrument, deferred until the instrument's fair value can be determined using market observable inputs, or realised through settlement.

Amortised cost and effective interest rate

AC is the amount at which the financial asset or financial liability is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method for any difference between the initial amount and the maturity amount and, for financial assets, adjusted for any loss allowance.

The effective interest rate ('EIR') is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset (that is, its AC before any impairment allowance) or to the AC of a financial liability. The calculation does not consider the ECL and includes transaction costs, premiums or discounts and fees and points paid or received that are integral to the EIR.

When the Company revises the estimates of future cash flows, the carrying amount of the respective financial asset or financial liability is adjusted to reflect the new estimate discounted using the original EIR. Any changes are recognised in profit or loss.

Interest revenue is calculated by applying the EIR to the gross carrying amount of financial assets recognised at AC.

2. Summary of material accounting policies – continued

2.11 Financial instruments - continued

Policy applicable as from 1 January 2023 - continued

Financial assets

(a) Business model

The business model reflects how the Company manages assets in order to generate cash flows. That is, it reflects whether the Company's objective is solely to collect the contractual cash flows from assets or to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (for example, financial assets are held for trading purposes), the financial assets are classified as part of the other business model and measured at FVTPL.

Factors considered by the Company in determining the business model for a group of assets include past experience on how the cash flows for these assets were collected, how the asset's performance is evaluated and reported to key management personnel, how risks are assessed and managed, and how managers are compensated. For example, the business model for the investments underlying investment contracts with DPF is to hold to collect and sell contractual cash flows. The proceeds from the contractual cash flows of the financial assets are used to settle insurance contract liabilities as they become due.

(b) Solely payments of principal and interest ('SPPI')

Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Company assesses whether the financial instruments' cash flows represent SPPI (the SPPI test). In making this assessment, the Company considers whether the contractual cash flows are consistent with a basic lending arrangement (i.e. interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement). Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at FVTPL.

(c) Debt instruments

Debt instruments are those instruments that meet the definition of a financial liability from the issuer's perspective, such as government and corporate bonds.

The classification and subsequent measurement of debt instruments depend on:

- the Company's business model for managing the asset; and
- the cash flow characteristics of the asset (represented by SPPI).

2. **Summary of material accounting policies** - continued

2.11 **Financial instruments** - continued

Policy applicable as from 1 January 2023 - continued

Financial assets - continued

(c) Debt instruments - continued

Based on these factors, the Company classifies its debt instruments into one of the following two measurement categories:

- **AC**: Assets that are held for collection of contractual cash flows where those cash flows represent SPPI, and that are not designated at FVTPL, are measured at AC. The carrying amount of these assets is adjusted by any ECL allowance recognised and measured, as described further below. Interest revenue from these financial assets is included in interest revenue from financial assets not measured at FVTPL using the EIR method.
- **FVTPL**: Assets that do not meet the criteria for AC or FVOCI are measured at FVTPL. Also, some assets are voluntarily measured at FVTPL, because this significantly reduces an accounting mismatch. A gain or loss on a debt investment that is subsequently measured at FVTPL is recognised and presented in the statement of profit or loss and other comprehensive income within net gains (losses) on FVTPL instruments in the period in which it arises.

The Company reclassifies debt instruments only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change. Such changes are expected to be very infrequent, and none occurred during the period.

(d) Equity instruments

Equity instruments are instruments that meet the definition of equity from the issuer's perspective (that is, instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer's net assets). Examples of equity instruments include basic ordinary shares.

The Company subsequently measures all equity investments at FVTPL. Gains and losses on equity investments at FVTPL are included in the line 'Net gains (losses) on FVTPL instruments' in the profit or loss.

(e) Cash at bank

Cash at bank is carried in the statement of financial position at AC net of ECL. In the cash flow statement, it includes cash in hand and deposits held at call for operational purposes with banks.

2. Summary of material accounting policies – continued

2.11 Financial instruments - continued

Policy applicable as from 1 January 2023 - continued

Financial assets - continued

(f) Fair value measurement

For financial instruments traded in active markets, the determination of fair values of financial assets and financial liabilities is based on quoted market prices or dealer price quotations. This includes listed equity securities and quoted debt instruments on major exchanges. The quoted market price used for financial assets held by the group is the current bid price for foreign financial instruments and the closing price for local investments.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. If the market for a financial asset is not active, the Company establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same or valued by reference to the net assets of the underlying investment.

(g) Impairment

IFRS 9 provides that in measuring ECL an entity must reflect:

- An unbiased evaluation of a range of possible outcomes and their probabilities of occurrence.
- Discounting for the time value of money.
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

However, IFRS 9 emphasises that estimating ECL may not necessarily need to be a complex process and that an entity need not identify every possible scenario. In some cases, relatively simple modelling may be sufficient without the need for many detailed simulations or scenarios.

The Company calculates the ECL at an instrument level, using three main components:
- a probability of default ('PD'),
- a loss given default ('LGD'),
- and the exposure at default ('EAD').

At initial recognition, an allowance is required for ECL resulting from default events that are possible within the next 12 months, or less, where the remaining life is less than 12 months ('12-month ECL').

2. Summary of material accounting policies – continued

2.11 Financial instruments - continued

Policy applicable as from 1 January 2023 - continued

Financial assets - continued

(g) Impairment - continued

In the event of a 'significant increase in credit risk' (SICR), an allowance is required for ECL resulting from all possible default events over the expected life of the financial instrument ('Lifetime ECL'). In the case of a non-maturity deposit, the Company assumes a lifetime of 1 month.

Financial assets where 12-month ECL is recognised are considered to be 'stage 1'; financial assets which are considered to have experienced a SICR are classified as 'stage 2'; and financial assets for which there is objective evidence of impairment, and which are so considered to be in default or otherwise credit impaired, are classified as 'stage 3'.

The ECL allowance and any changes to it are recognised by recognising impairment gains and losses in profit or loss.

(h) Derecognition

Financial assets, or a portion thereof, are derecognised when the contractual rights to receive the cash flows from the assets have expired, or when they have been transferred and either (i) the Company transfers substantially all of the risks and rewards of ownership; or (ii) the Company neither transfers nor retains substantially all of the risks and rewards of ownership and the Company has not retained control.

The Company enters into transactions where it retains the contractual rights to receive cash flows from assets but assumes a contractual obligation to pay those cash flows to other entities and transfers substantially all of the risks and rewards. These transactions are accounted for as pass-through transfers that result in derecognition if the Company:

- has no obligation to make payments unless it collects equivalent amounts from the assets;
- is prohibited from selling or pledging the assets; and
- has an obligation to remit any cash that it collects from the assets without material delay.

(i) Modification

If cash flows are modified when the debtor is in financial difficulties, then the objective of the modification is usually to maximise recovery of the original contractual cash flows rather than to originate a new asset with substantially different terms. If the Company plans to modify a financial asset in a way that would result in forgiveness of cash flows, then it first considers whether a portion of the asset should be written off before the modification takes place.

2. Summary of material accounting policies – continued

2.11 Financial instruments - continued

Policy applicable as from 1 January 2023 - continued

Financial liabilities

(a) Classification and subsequent measurement

Financial liabilities are classified and subsequently measured at AC, except for derivatives and investment contracts without DPF, which are measured at FVTPL.

Investment contracts without DPF are financial liabilities whose fair value is dependent on the fair value of underlying financial assets and are designated at inception at FVTPL. The Company designates these investment contracts to be measured at FVTPL, because it eliminates or significantly reduces a measurement or recognition inconsistency (that is, an accounting mismatch) that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

The Company's main valuation techniques incorporate all factors that market participants would consider and make maximum use of observable market data. The fair value of financial liabilities for investment contracts without DPF is determined using the current unit values in which the contractual benefits are denominated. These unit values reflect the fair values of the financial assets contained within the Company's unitised investment funds linked to the financial liability. The fair value of the financial liabilities is obtained by multiplying the number of units attributed to each contract holder at the end of the reporting period by the unit value for the same date.

When the investment contract has a surrender option, the fair value of the financial liability is never less than the amount payable on surrender.

Changes in the fair value of financial liabilities measured at FVTPL presented in the profit or loss.

(b) Derecognition

Financial liabilities are derecognised when they are extinguished (that is, when the obligation specified in the contract is discharged, is cancelled or expires). The Company also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

2. Summary of material accounting policies - continued

2.11 Financial instruments - continued

Policy applicable as from 1 January 2023 - continued

Financial liabilities - continued

(c) Modification

If a financial liability measured at AC is modified but not substantially, then it is not derecognised.

Derivatives

Derivatives are initially recognised at fair value on the date on which the derivative contract is entered into and are subsequently remeasured at fair value. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative. Fair values are obtained from quoted market prices in active markets, and other valuation techniques, as appropriate. Subsequent changes in the fair value of any derivative instruments are recognised immediately in profit or loss.

Policy applicable before 1 January 2023

Financial assets

The Company classifies its financial assets (other than its investment in subsidiary) into the following two categories: a) financial assets at fair value through profit or loss, and b) loans and receivables. The directors determine the appropriate classification of financial assets at the time of purchase and re-evaluate such designation at every reporting date.

(a) Financial assets that are held to match insurance and investment contract liabilities are designated at inception as fair value through profit or loss to eliminate or significantly reduce the accounting mismatch that would otherwise arise from measuring insurance assets or liabilities, or recognising the gains and losses on them, on different basis. Financial assets that are attributable to shareholders are designated at inception as fair value through profit or loss if they are part of a group of investments that is managed on a portfolio basis, and whose performance is evaluated and reported internally on a fair value basis to the Board in accordance with a documented investment strategy.

(b) Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market, other than those that the Company has designated at fair value through profit or loss. They include, inter alia, receivables and cash and cash equivalents in the statement of financial position as well as other financial investments classified as loans and receivables within Note 16.

2. Summary of material accounting policies - continued

2.11 Financial Instruments - continued

Policy applicable before 1 January 2023 - continued

Financial assets - continued

All purchases and sales of investments are recognised on the trade date, which is the date that the Company commits to purchase or sell the assets. All investments are initially recognised at fair value plus, in the case of all financial assets not carried at fair value through profit or loss, transaction costs that are directly attributable to their acquisition. Investments are derecognised when the rights to receive cash flows from the investments have expired or where they have been transferred and the Company has also transferred substantially all risks and rewards of ownership.

Financial assets at fair value through profit or loss are subsequently re-measured at fair value. Loans and receivables are carried at AC using the effective interest method. Realised and unrealised gains and losses arising from changes in the fair value of the 'Financial assets at fair value through profit or loss' category are included in profit or loss in the period in which they arise.

For financial instruments traded in active markets, the determination of fair values of financial assets and financial liabilities is based on quoted market prices or dealer price quotations. This includes listed equity securities and quoted debt instruments on major exchanges. The quoted market price used for financial assets held by the Company is the current bid price for foreign financial instruments and the closing price for local investments.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. If the market for a financial asset is not active, the Company establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same or valued by reference to the net assets of the underlying investment.

Derivatives are recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at their fair value. Fair values are obtained from quoted market prices in active markets, and other valuation techniques, as appropriate. Subsequent changes in the fair value of any derivative instruments are recognised immediately in profit or loss. All derivatives are carried as assets when fair value is positive, and as liabilities when fair value is negative.

The Company enters into currency forward contracts to hedge the foreign exchange risk arising on its investments denominated in a foreign currency. These transactions provide effective economic hedges under the Company's risk management policies. However, hedge accounting under the specific rules in IAS 39 is not required because the change in the value of the hedged financial instrument is recognised in profit or loss.

2. Summary of material accounting policies - continued

2.11 Financial Instruments - continued

Policy applicable before 1 January 2023 - continued

Financial assets - continued

Impairment of financial assets not at fair value through profit or loss

The Company assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset ("a loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Objective evidence that a financial asset or group of assets is impaired includes observable data that comes to the attention of the Company about the following events:

- significant financial difficulty of the issuer or debtors;
- a breach of contract, such as a default or delinquency in payments;
- it becoming probable that the issuer or debtor will enter bankruptcy or other financial reorganisation; and
- observable data indicating that there is a measurable decrease in the estimated future cash flow from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the Company.

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

If there is objective evidence that an impairment loss has been incurred on loans and receivables carried at AC, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in profit or loss.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as improved credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in profit or loss.

2. Summary of material accounting policies - continued

2.11 Financial Instruments - continued

Policy applicable before 1 January 2023 - continued

Financial liabilities

Financial liabilities are initially recognised on the trade date, which is the date the Company becomes a party to the contractual provisions of the instruments and derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.

Borrowings are recognised initially at their fair value, net of incremental direct transaction costs incurred. Borrowings are subsequently carried at AC; any difference between the proceeds (net of incremental direct transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting year.

2.12 Impairment of non-financial assets

Assets that have an indefinite useful life and are not subject to amortisation, or assets not yet available for use, are tested annually for impairment. Assets that are subject to amortisation or depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable and independent cash flows (cash-generating units).

2.13 Offsetting

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when, and only when the Company currently has a legally enforceable right to set-off the recognised amounts and it intends to settle them on a net basis, or to realise the asset and settle the liability simultaneously. Income and expenses are presented on a net basis only when it is required or permitted by a standard – e.g. gains and losses arising from a group of similar transactions such as the gains and losses on financial assets measured at FVTPL.

2.14 Current and deferred tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity respectively.

2. Summary of material accounting policies - continued

2.14 Current and deferred tax - continued

The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. Current tax is measured using tax rates enacted or substantively enacted at the reporting date.

Deferred tax is recognised, in respect of, temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax is not recognised for temporary differences on the initial recognition of assets or liabilities in a transaction that: a) is not a business combination; and b) at the time of the transaction (i) affects neither accounting nor taxable profit or loss and (ii) does not give rise to equal taxable and deductible temporary differences.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date, and reflects uncertainty related to income taxes, if any. Deferred tax is expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences.

If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences are considered. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profit improves.

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

2.15 Share capital

Shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares are shown in equity as a deduction from the proceeds, net of tax.

2.16 Dividends

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

2. Summary of material accounting policies - continued

2.17 Methods and judgements applied in determining the IFRS 17 transition amounts

At 1 January 2022, the Company applied the following approaches to identify and measure certain groups of contracts on transition to IFRS 17.

Year of issue of contracts	Transition approach
After 2016 – term business including reinsurance	Full retrospective approach
Before 2016 – term business including reinsurance	Fair value approach
All with-profits and unit-linked business	Fair value approach

The transition approach was determined at the level of a group of insurance contracts and affected the approach to calculating the CSM on initial adoption of IFRS 17.

Full retrospective approach

The Company has determined that reasonable and supportable information was available for all contracts in force at the transition date for the term portfolio and reinsurance thereon that were issued after 1 January 2016. For these contracts, MMSV had enough data available to perform a reasonable calculation of the transitional value of the CSM under FRA, albeit with some simplifications. The CSM at initial recognition was based on initial assumptions when groups of contracts were recognised and rolled forward to the date of transition as if IFRS 17 had always been applied.

Accordingly, the Company has identified, recognised and measured each group of insurance contracts in this category as if IFRS 17 had always applied; derecognised any existing balances that would not exist if IFRS 17 had always applied; and recognised any resulting net difference in equity.

Fair value approach

The Company applied judgement in determining the transition amounts and the pre-transition FCF and experience were not considered under this approach.

The Company was required to comply with Solvency II requirements in 2016. Prior to 2016, it was impracticable to obtain realistic cash flow data without the use of hindsight. Thus, the Company could not obtain the necessary reasonable and supportable information to apply the FRA for the term cohorts pre-2016, thus the fair value approach was applied to these cohorts.

Further, given the mechanics of the Company's with-profits fund (which have changed over time) regarding the sharing of surpluses and cost of guarantees throughout the different generations in the portfolio at a particular time, applying FRA as if IFRS 17 always applied was impracticable.

2. Summary of material accounting policies - continued

2.17 Methods and judgements applied in determining the IFRS 17 transition amounts - continued

Fair value approach - continued

Applying the fair value approach, the Company determined the CSM to be the difference between the fair value of a group of insurance contracts, measured in accordance with IFRS 13 'Fair Value Measurement' and its FCF at the transition date.

The fair value of an insurance liability is the price that a market participant would be willing to pay to assume the obligation and the remaining risks of the in-force contracts as at the transition date. A present value technique was used to value groups of contracts.

In estimating the fair value of groups of insurance contracts, the following considerations were applied:

- only future cash flows within the boundaries of the insurance contracts were included in the fair value estimation, excluding future renewals and new business that would be outside the contract boundary of the contracts under IFRS 17;
- assumptions about expected future cash flows and risk allowances, including operational risk were adjusted for the market participant's view, as required by IFRS 13;
- profit margins were included to reflect what a market participant would require for accepting obligations under insurance contracts, beyond the risk adjustment for non-financial risk; and
- diversification between market risk and life risk. Although market risk is considered as a hedgeable risk, it was assumed that a buyer will be able to capture this diversification from its other own modules.

2. Summary of material accounting policies – continued

2.18 Critical accounting estimates and judgments in applying accounting policies

The Company makes estimates and assumptions concerning the future. Estimates and judgements are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Information about assumptions and estimation uncertainties that have a risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the year ended 31 December 2023 is described below.

Insurance contract assets, insurance contract liabilities and reinsurance contract liabilities

Insurance contract assets, insurance contract liabilities and reinsurance contract liabilities are subject to an annual valuation using generally accepted accounting and actuarial practice.

Different principles and valuation methodologies are adopted depending on the type and generation of products. The key assumptions used in determining the measurement of insurance contract assets, insurance contract liabilities and reinsurance contract liabilities are described in Note 21 to the financial statements.

3. Management of risk

The Company is a party to contracts that transfer insurance risk or financial risk or both. This section summarises these risks and the way the Company manages them.

3. Management of risk - continued

The following tables reconcile the statement of financial position to the investment classes and product lines:

31 December 2023	Life Risk	Investment contracts with DPF Underlying assets	Investment contracts without DPF	Other	Total
Cash at bank and in hand	-	8,910	-	27,156	36,066
Deposits with banks or credit institutions	-	-	-	75,977	75,977
Debt securities	-	844,145	-	79,720	923,865
Equity securities and units in unit trusts	-	926,282	-	31,389	957,671
Assets held to cover linked liabilities					
- collective investment schemes	6,484	31,762	122,294	-	160,540
Investments in associated undertakings	-	24,508	-	-	24,508
Investment property	-	92,844	-	-	92,844
Forward foreign exchange contracts and swaps	-	1,970	-	-	1,970
Total investment assets and cash and cash equivalents	6,484	1,930,421	122,294	214,242	2,273,441
Insurance and investment contract balances					
Insurance contract assets	8,945	-	-	-	8,945
Insurance contract liabilities	(6,488)	(1,984,889)	-	-	(1,991,377)
Reinsurance contract liabilities	(15,493)	-	-	-	(15,493)
Investment contract liabilities	-	-	(123,253)	-	(123,253)
Total insurance and investment contract balances	(13,036)	(1,984,889)	(123,253)	-	(2,121,178)
Other assets and liabilities					
Other assets	-	-	811	36,505	37,316
Other liabilities	-	-	(255)	(23,944)	(24,199)
Total other assets and liabilities			556	12,561	13,117

3. Management of risk - continued

31 December 2022	Life Risk	Investment contracts with DPF Underlying assets	Investment contracts without DPF	Other	Total
Cash at bank and in hand	15	11,891	-	112,873	124,779
Deposits with banks or credit institutions	-	51,502	-	65,226	116,728
Debt securities	14,672	762,579	-	-	777,251
Equity securities and units in unit trusts	-	931,605	-	41,135	972,740
Assets held to cover linked liabilities					
- collective investment schemes	6,323	27,796	68,137	-	102,256
Investment in subsidiary undertaking	-	-	-	466	466
Investments in associated undertakings	-	23,809	-	-	23,809
Investment property	-	95,504	-	-	95,504
Forward foreign exchange contracts and swaps	-	2,698	-	-	2,698
Total investment assets and cash and cash equivalents	21,010	1,907,384	68,137	219,700	2,216,231
Insurance and investment contract balances					
Insurance contract assets	8,400	-	-	-	8,400
Insurance contract liabilities	(6,357)	(1,961,452)	-	-	(1,967,809)
Reinsurance contract liabilities	(10,750)	-	-	-	(10,750)
Investment contract liabilities	-	-	(69,054)	-	(69,054)
Total insurance and investment contract balances	(8,707)	(1,961,452)	(69,054)	-	(2,039,213)
Other assets and liabilities					
Other assets	57	6,068	307	41,985	48,417
Other liabilities	-	-	(215)	(69,370)	(69,585)
Total other assets and liabilities	57	6,068	92	(27,385)	(21,168)

3.1 Insurance risk

The risk under any one insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the very nature of an insurance contract, this risk is fortuitous; however, it can be predicted with a certain disclosed level of reliability.

For a portfolio of insurance contracts where the theory of probability is applied to pricing and provisioning, the principal risk that the Company faces under its insurance contracts is that the actual claims and benefit payments exceed the carrying amount of the insurance liabilities. This could occur because the frequency or severity of claims are greater than estimated.

3. Management of risk - continued

3.1 Insurance risk - continued

Insurance events are fortuitous and the actual number and amount of claims and benefits will vary from year to year from the estimate established using statistical techniques. Experience shows that the larger the portfolio of similar insurance contracts, the smaller the relative variability about the expected outcome will be.

In addition, a more diversified portfolio is less likely to be affected across the board by a change in any subset of the portfolio. The Company manages this risk through adequate reinsurance arrangements and proactive claims handling.

The Company has developed its insurance underwriting strategy to diversify the type of insurance risk accepted and within each of these categories to achieve a sufficiently large population of risks to reduce the variability of the expected outcome. The objective of the underwriting strategy is to ensure that the underwritten risks are well diversified in terms of type and amount of risk. The variability of risks is improved by the careful selection and implementation of underwriting strategies, which are designed to ensure that risks are diversified in terms of type of risk and level of insured benefits.

Key risks arising from insurance contracts issued:

Product	Key risks	Risk mitigation
Term	Mortality risk: death of policyholder earlier than expected	Reinsurance with financially strong reinsurer and adequate underwriting
Investment contracts with DPF	- Market risk: investment return on underlying items falling below guaranteed minimum rates - Interest rate risk: difference in duration and yield of assets and liabilities	- Management discretion to determine amount and timing of policyholder bonus rates - Matching of asset and liability cash flows
Unit-linked	Lapse risk: insufficient charges to cover acquisition expenses	Surrender penalties and review of charges

Factors that aggravate insurance risk include lack of risk diversification in terms of type and amount of risk, and lack of geographical spread. The Company is largely exposed to insurance risk in one geographical area, Malta and in one currency, the Euro.

Frequency and severity of claims (Mortality risk)

For contracts where death is the insured risk, the most significant factor that could increase the overall frequency of claims are epidemics or wide-spread changes in lifestyle resulting in earlier or more claims than expected.

3. Management of risk - continued

3.1 Insurance risk - continued

Frequency and severity of claims (Mortality risk) - continued

At present these risks do not vary significantly in relation to the location of the risk insured by the Company. However, undue concentration by amounts could have an impact on the severity of benefit payments on a portfolio basis.

For contracts with fixed and guaranteed benefits and fixed future premiums, there are no mitigating terms and conditions that reduce the insurance risk accepted. For investment contracts with DPF, the participating nature of the contracts results in a portion of the insurance risk being reduced over the term of policy. Investment contracts with DPF carry negligible mortality risk.

The Company manages these risks through its underwriting strategy and reinsurance arrangements. The underwriting strategy is intended to ensure that the risks underwritten are well diversified in terms of type of risk and level of insured benefits. Medical selection is also included in the Company's underwriting procedures with premiums varied to reflect the health condition and life expectancy of the applicants.

The Company has reinsurance protection in place to cover death claims. The type of reinsurance cover and the level of retention for each risk are based on the Company's internal risk management assessment, which takes account of the nature of the risk covered and the sum assured. The reinsurance program is approved by the Board of Directors ("the Board") annually. The reinsurance arrangements in place include a mix of quota share, facultative and catastrophe protection, which limits the liability of the Company to any one individual life or event. The Company's reinsurance is placed with listed multinational reinsurance companies with investment grade rating not less than A.

The mortality assumptions applied are disclosed in Note 21.

Policyholder lapse risk

Higher lapses than expected cause a loss of future profits and possibility of non-recovery of sales expenses.

The amount of insurance risk is also subject to contract holder behaviour. On the assumption that policyholders will make decisions rationally overall underwriting risk can be assumed to be aggravated by such behaviour. For example, it is likely that contract holders whose health has deteriorated significantly will be less inclined to terminate contracts insuring death benefits than those contract holders remaining in good health. This results in an increasing trend of expected mortality as the portfolio of insurance contracts reduces due to voluntary terminations.

3. Management of risk - continued

3.1 Insurance risk - continued

Policyholder lapse risk - continued

Unit-linked and with-profits policies, can be surrendered before maturity for a cash surrender value specified in the contractual terms. Cash surrender value equals the policyholder account/investment value at the time of termination, less any surrender penalties. Through these penalties, policyholders are discouraged from surrendering contracts earlier than policy maturity.

As such, penalties mitigate the expense risk arising from acquisition and other costs incurred when policies were issued, because such costs were originally assumed to be spread over a longer period, since early surrender was not expected.

The lapse assumptions applied are disclosed in Note 21.

Expense Risk

Expense risk is the risk of unexpected increases in policy maintenance, claim handling and other costs relating to fulfilment of insurance contracts. The risk is managed through budgeting and periodic cost evaluations. Investment contracts with DPF carry negligible expense risk.

The expense assumptions applied are disclosed in Note 21.

Market Risk

This risk is covered in Note 3.2 (a). The investment assets return and discount rate assumptions applied are disclosed in Note 21.

Sensitivity analysis to underwriting risk variables

The following tables present information on how reasonably possible changes in assumptions made by the Company with regard to underwriting risk variables impact product line insurance liabilities and profit or loss and equity before and after risk mitigation by reinsurance contracts held. The analysis is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions might be correlated.

3. Management of risk - continued

3.1 Insurance risk - continued

Sensitivity analysis to underwriting risk variables - continued

31 December 2023	CSM		Profit or loss before tax		Equity	
	Gross	Net	Gross	Net	Gross	Net
	€'000	€'000	€'000	€'000	€'000	€'000
Life Risk						
Mortality rate – 10% increase	(4,155)	(1,852)	(59)	(15)	(39)	(10)
Mortality rate – 10% decrease	4,151	1,854	57	14	37	9
Lapse rates – 10% increase	(1,775)	(288)	192	124	125	80
Lapse rates – 10% decrease	1,775	288	(192)	(124)	(125)	(80)
Expenses – 10% increase	(1,566)	(1,812)	(48)	(57)	(31)	(37)
Expenses – 10% decrease	1,566	1,812	48	57	31	37
Investment contracts with DPF						
Mortality rate – 10% increase	(391)	(391)	3	3	2	2
Mortality rate – 10% decrease	391	391	(3)	(3)	(2)	(2)
Lapse rates – 10% increase	123	123	93	93	60	60
Lapse rates – 10% decrease	(178)	(178)	(89)	(89)	(58)	(58)
Expenses – 10% increase	(1,179)	(1,179)	(71)	(71)	(46)	(46)
Expenses – 10% decrease	1,179	1,179	71	71	46	46

31 December 2022	CSM		Profit or loss before tax		Equity	
	Gross	Net	Gross	Net	Gross	Net
	€000s	€000s	€000s	€000s	€000s	€000s
Life Risk						
Mortality rate – 10% increase	(5,030)	(2,257)	589	279	383	182
Mortality rate – 10% decrease	5,030	2,257	(589)	(279)	(383)	(182)
Lapse rates – 10% increase	(1,413)	(103)	324	52	211	34
Lapse rates – 10% decrease	1,413	103	(324)	(52)	(211)	(34)
Expenses – 10% increase	(1,678)	(1,891)	130	145	85	95
Expenses – 10% decrease	1,678	1,891	(130)	(145)	(85)	(95)
Investment contracts with DPF						
Mortality rate – 10% increase	(295)	(295)	(6)	(6)	(4)	(4)
Mortality rate – 10% decrease	295	295	6	6	4	4
Lapse rates – 10% increase	531	531	82	82	53	53
Lapse rates – 10% decrease	(531)	(531)	(82)	(82)	(53)	(53)
Expenses – 10% increase	(1,338)	(1,338)	(123)	(123)	(80)	(80)
Expenses – 10% decrease	1,338	1,338	123	123	80	80

Changes in underwriting risk variables mainly affect the CSM, profit or loss and equity as follows.

	GMM	VFA
a. CSM	Changes in fulfilment cash flows, other than those recognised as insurance finance income or expenses	Changes in fulfilment cash flows
b. Profit or loss	Changes in fulfilment cash flows that are recognised as insurance finance income or expenses in profit or loss and change in CSM release and /or coverage units	Changes in CSM release and /or coverage units
c. Equity	The effect on profit or loss under (b) after tax	The effect on profit or loss under (b) after tax

3. Management of risk - continued

3.2 Financial Risk

The Company is exposed to financial risks through its financial assets, financial liabilities and insurance contract assets, insurance contract liabilities and reinsurance contract liabilities. In particular, the key risk is that in the long term, the proceeds from its financial assets are not sufficient to fund the obligations arising from its insurance and investment contracts. The components of financial risks are market risk (including cash flow and fair value interest rate risk, equity price risk and currency risk), credit risk and liquidity risk.

These risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements.

The risks that the Company primarily faces due to the nature of its assets and liabilities are interest rate risk and equity price risk.

The Company has developed its Asset/Liability management framework to support the manner in which these risk positions are managed. It actively manages its assets to achieve a competitive rate of return within risk objectives delineated by asset liquidity measures, duration targets and credit quality parameters. The Investment Committee reviews and approves investment strategies on a periodic basis ensuring that assets are managed efficiently and within approved risk mandates.

(a) Market risk

Market risk comprises interest rate, equity price and foreign currency risks. These risks arise from variability in fair values of financial instruments or related future cash flows, as well as from variability of the FCF of insurance contracts due to variability in market risk variables.

(i) Cash flow and fair value interest rate risk

Insurance and investment contracts with DPF have benefit payments that are fixed and guaranteed at the inception of the contract (for example, sum assured), or as annual discretionary bonuses are declared. The Company's primary financial risk on these contracts is the risk that interest income and capital redemptions from the financial assets backing the liabilities are insufficient to fund the guaranteed benefits payable.

The Company does not guarantee a positive fixed rate of return to its policyholders at the inception of a contract. The declaration of discretionary bonuses is guided by the bonus philosophy of the Board. Once a reversionary bonus is declared, it is guaranteed to be paid in full at maturity or on the prior death of the life assured. Also, policyholders have the option to withdraw their current year's bonus without any charges following the date the bonus is declared.

3. Management of risk - continued

3.2 Financial Risk - continued

(a) Market risk - continued

(i) Cash flow and fair value interest rate risk - continued

The bonus philosophy considers historic and current rates of return generated by the Company's investment portfolio as well as the Company's expectations for future investment returns. The impact of interest rate risk is mitigated by the presence of the DPF. These guaranteed benefits increase as discretionary benefits are declared and allocated to contract holders. The current rates of regular and final bonuses are determined by the Board in consultation with the Approved Actuary. Different bonus rates are declared on different generations of contracts depending on the type of product, cost structure, past investment performance and premium rates. Different bonuses are declared to maintain equity between different generations of contract holders and products with different characteristics. Future bonus rates are not guaranteed and the assumptions are set to allow for a fair and orderly run-off of the fund.

All unit-linked and investment contracts with a DPF feature can be surrendered before maturity for a cash surrender value that is always less than the actual contract liability. Cash surrender values are determined at the discretion of the Company and can be varied from time to time.

The primary factor affecting the level of cash surrender value is the investment return earned on the assets of the Company. In addition, the cash surrender value is affected by the expenses, tax and the cost of risk benefits (such as life cover) borne by the Company, deductions to provide a return to shareholders, as well as profits and losses arising on other contracts. The expenses include payment of commission, medical report expenses, office administration costs and other expenses incurred in the setting up and maintenance of the contract. At most, the cash surrender value will be the amount of the actual liability reduced by the surrender charge (where applicable).

Furthermore, in respect of all with-profits (with the exception of some contracts that have been in force more than a certain number of years), the Company reserves the right to increase the level of the surrender charge and, if necessary, to apply a Market Value Reduction ('MVR'). A MVR is a deduction which the Company may make on surrender of a contract with DPF. For example, if the underlying investment return, after allowing for expenses, tax, risk benefits, shareholder returns and adjustment for profits or losses on other contracts is less than the return already provided for in the form of reversionary bonuses, the Company may decide to apply a MVR.

The MVR serves to protect the interests of remaining investors and the Company, who would otherwise have to subsidise the amount paid on surrendering contracts. The Company does not apply a standard percentage deduction on all contracts but determines the deduction to apply to each individual surrender at the time the surrender is made. The amount depends on a number of factors including the length of time the contract has been in force, and the underlying investment return over the same time period. There will be no MVR at maturity or on death. This means that at maturity or on death the payment of the actual contract liability is guaranteed.

3. Management of risk - continued

3.2 Financial Risk - continued

(a) Market risk - continued

(i) Cash flow and fair value interest rate risk - continued

The cash surrender value may also be less than the total amount of premiums paid up to the date of surrender. The Company is not required to, and does not, measure the effect of the above embedded derivative at fair value.

The Company matches its insurance contract liabilities with a diversified portfolio of assets which includes equity, debt securities and property. The return from debt and cash-based securities is subject to interest rate risk.

In general, the Company is exposed to risk associated with the effects of fluctuations in the prevailing levels of market interest rates. Assets/liabilities issued at variable rates generally expose the Company to cash flow interest risk. Assets/liabilities issued at fixed rates generally expose the Company to fair value interest rate risk. Company investment parameters exist to limit exposure to any one particular issuer and any one particular security. Periodic reports are prepared at portfolio, legal entity and asset class level that are circulated to the Company's key management personnel. Note 16 incorporates maturity information with respect to the Company's investments.

The total assets and liabilities subject to interest rate risk are the following:

Financial instruments	2023 €'000	2022 (restated) €'000
Assets at floating interest rates	70,570	68,536
Assets at fixed interest rates	1,290,378	1,069,497
	1,360,948	1,138,033

Reconciled to the notes to the financial statements as follows:

Financial instruments	2023 €'000	2022 (restated) €'000
Loans and receivables (Note 16)	-	116,728
Debt securities (Note 16)	923,865	777,251
Deposits with banks or credit institutions (Note 16)	75,977	-
A component of equity securities and units in unit trusts (Note 16)	360,935	243,126
Interest bearing cash and cash equivalents	171	928
	1,360,948	1,138,033

3. Management of risk - continued

3.2 Financial Risk - continued

(a) Market risk - continued

(i) Cash flow and fair value interest rate risk – continued

Insurance and reinsurance contracts	2023 €'000	2022 €'000
Liabilities	**(1,928,770)**	(1,906,950)
Assets	**11,290**	10,003
	(1,917,480)	(1,896,947)

Interest rate risk in relation to hybrid contracts, amounting to €30.6m (2022 restated: €26.6m) has been excluded as the directors consider the exposure to be insignificant.

In managing its portfolio, the Company entered into fixed income security futures contracts. Accordingly, it is exposed to movements in interest rates in the respective markets of the underlying, which comprise short, medium and long-term sovereign debt. The notional amount of futures contracts outstanding is shown below:

	2023 €'000	2022 €'000
Long positions		
- Federal Republic of Germany	**23,146**	69,704
- United States Government	**25,155**	-
	48,301	69,704
Short positions		
- Federal Republic of Germany	**90,016**	76,362
- United States Government	**18,352**	2,730
	108,368	79,092

Up to the reporting date, the Company did not have any hedging policy with respect to interest rate risk other than as described in Note 2.11.

Managing interest rate benchmark reform

A fundamental reform of major interest rate benchmarks is being undertaken globally, including the replacement of some interbank offered rates (IBORs) with alternative nearly risk-free rates (referred to as 'IBOR reform'). Currently, the Company has no exposures to IBORs on its financial instruments.

3. Management of risk - continued

3.2 Financial risk - continued

(a) Market risk - continued

(i) Cash flow and fair value interest rate risk - continued

Interest rate risk sensitivity

An analysis of the Company's sensitivity to a 1% increase or decrease in market interest rates at the reporting date, assuming that all other variables remain constant, is presented below. An explanation of the method used in preparing such a sensitivity analysis and of the main parameters and assumptions underlying the information provided is found in Note 3.1.

	CSM		Profit or loss before tax		Equity	
	Increase €'000	Decrease €'000	Increase €'000	Decrease €'000	Increase €'000	Decrease €'000
31 December 2023						
Insurance and reinsurance contracts (Net)	**370**	**(408)**	**(402)**	**268**	**(261)**	**174**
Investment contracts with DPF	**11,131**	**(27,317)**	**952**	**(2,363)**	**618**	**(1,536)**
31 December 2022 (restated)						
Insurance and reinsurance contracts (Net)	370	(406)	(2,224)	2,431	(1,445)	1,580
Investment contracts with DPF	12,238	(25,601)	1,845	(3,318)	1,199	(2,156)

(ii) Equity price risk

The Company's financial assets are susceptible to the risk of decreases in value due to changes in the prices of equities. The directors manage the risk of price volatility by entering into a diverse range of investments including equities and collective investment schemes. In addition, the Company's investments are spread geographically in a diverse number of different countries. The Company has an active Investment Committee that has established a set of investment guidelines that is also approved by the Board. Investments over prescribed limits are directly approved by the Board. These guidelines provide parameters for investment management, including contracts with external portfolio managers. They include, inter alia, reference to an optimal spread of the investment portfolio, assessment of equity issuers and maximum exposures by the Company to any one issuer and its connected parties (with the exception of investments in Government paper). These parameters also consider solvency restrictions imposed by the Regulator.

Management structures are in place to monitor all the Company's overall market positions on a regular basis. Reports are prepared at portfolio, legal entity and asset class level that are circulated to the Company's key management personnel. These are also reviewed by the Investment Committee and the Board.

3. Management of risk - continued

3.2 Financial risk - continued

(a) Market risk - continued

(ii) Equity price risk - continued

The total assets subject to equity price risk are the following:

	2023 €'000	2022 €'000
Assets subject to equity price risk	**621,244**	753,423
Reconciled to the notes to the financial statements as follows:		
Investments in associated undertakings (Note 15)	**24,508**	23,809
A component of equity securities and units in unit trusts (Note 16)	**596,736**	729,614
	621,244	753,423

In the case of assets held to cover unit-linked liabilities the exposure is carried by the contract holder. In the case of capital guaranteed products any shortfalls guaranteed upon maturity are mitigated by a back-to-back guarantee with international financial service providers as further referred in 3.2 (a) (i).

The sensitivity for equity price risk illustrates how changes in the fair value of equity securities will fluctuate because of changes in market prices, whether those changes are caused by factors specific to the individual equity issuer, or factors affecting all similar equity traded in the market.

An analysis of the Company's sensitivity to a 10% decrease in equity prices at the reporting date, assuming that all other variables remain constant, is presented below. An explanation of the method used in preparing such a sensitivity analysis and of the main parameters and assumptions underlying the information provided is found in Note 3.1.

	CSM €'000	Profit or loss before tax €'000	Equity €'000
31 December 2023			
Investment contracts with DPF	**(3,869)**	**(353)**	**(229)**
31 December 2022 (restated)			
Investment contracts with DPF	(7,692)	(543)	(353)

3. Management of risk - continued

3.2 Financial risk - continued

(a) Market risk - continued

(iii) Currency risk

The Company's liabilities are substantially denominated in Euro. The Company's exposure to foreign currency risk arises primarily from equity securities denominated in major foreign currencies. The Company hedges its foreign currency denominated debt securities using foreign exchange forward contracts in order to mitigate the risk that principal cash flows for these investments fluctuate as a result of changes in foreign exchange rates.

The table below summarises the Company's exposure to foreign currencies other than Euro.

31 December 2023	Net exposure Before Hedging €'000	Notional amount of currency derivatives €'000	Net exposure after hedging €'000
Currency of exposure:			
USD	255,481	101,730	153,751
CHF	18,203	-	18,203
GBP	10,269	805	9,464
SEK	37,777	24,421	13,356
DKK	13,166	30	13,136
HKD	3,456	-	3,456
Others	12,784	(15)	12,799
	351,136	126,971	224,165

31 December 2022	Net exposure Before Hedging €'000	Notional amount of currency derivatives €'000	Net exposure after hedging €'000
Currency of exposure:			
USD	194,286	2,325	191,961
CHF	19,762	-	19,762
GBP	6,712	901	5,811
SEK	11,932	-	11,932
DKK	13,378	-	13,378
HKD	7,454	-	7,454
Others	19,685	6,801	12,884
	273,209	10,027	263,182

Within the table above, €190.9m of the unhedged exposure relates to equity investments (2022: €238.2m). Due to an increasingly globalised economy, the Company's equity investments are diversified across various currencies. The directors consider that the exposure to currency risk is appropriately captured in the equity price risk sensitivity (Note 3.2 (a) (ii)). Any residual currency exposure relating to non-equity investments is not considered to be significant.

3. Management of risk - continued

3.2 Financial risk - continued

(b) Credit risk

(i) Credit risk management and exposures

Credit risk is the risk of decreases in value when counterparties are not capable of fulfilling their obligations or when changes in their credit status take place.

The Company has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Key areas where the Company is exposed to credit risk are:

- Investments and cash and cash equivalents;
- Amounts due from reinsurers in respect of claims already paid; and
- Counterparty risk with respect to forward foreign exchange contracts.

The Company places limits on the level of credit risk undertaken from the main categories of financial instruments. These limits also take due consideration of the solvency restrictions imposed by the relevant regulations. The investment strategy of the Company considers the credit standing of the counterparty and control structures are in place to assess and monitor these risk thresholds.

The Company structures the levels of credit risk it accepts by limiting as far as possible its exposure to a single counterparty or groups of counterparty. The Company has in place internal control structures to assess and monitor credit exposures and risk thresholds.

The Company's cash is placed with a number of core domestic credit institutions and investment grade international banks, thereby reducing the concentration of counterparty credit risk to an acceptable level.

Reinsurance is used to manage insurance risk. This does not, however, discharge the Company's liability as primary insurer. If a reinsurer fails to pay a claim for any reason, the Company remains liable for the payment to the policyholder. The creditworthiness of reinsurers is monitored on a quarterly basis by reviewing credit grades provided by rating agencies and other publicly available financial information. At the same time that the Board approves the overall reinsurance protection for the Company, it ensures that the reinsurers' credit rating (either Standard & Poors or equivalent) is within the parameters set by it.

It is not normal for credit to be extended to insurance policyholders due to the nature of the Company's business, unless automatic policy loans are advanced up to the surrender value of the contract.

3. Management of risk - continued

3.2 Financial risk - continued

(b) Credit risk - continued

(i) Credit risk management and exposures - continued

The Company does not trade in derivative contracts, with the exception of forward contracts and exchange traded futures. All derivative contracts are placed with quality financial institutions within the parameters of a hedging policy approved by the Board.

The total assets bearing credit risk are the following:

	2023 €'000	2022 €'000
Fair value through profit or loss		
Debt securities (Note 16)	849,061	777,251
Forward foreign exchange contracts and swaps (Note 16)	1,970	2,698
Total exposure	851,031	779,949

Amortised cost	2023 €'000
Cash at bank and in hand (Note 19)	36,066
Deposits with banks or credit institutions (note 16)	76,109
Debt securities (Note 16)	74,828
A component of other receivables	3,058
ECL	(156)
Total exposure	189,905

Loans and receivables	2022 (restated) €'000
Deposits with banks or credit institutions (Note 16)	116,728
A component of other receivables	8,952
Cash at bank and in hand (Note 19)	124,779
Total exposure	250,459

3. Management of risk - continued

3.2 Financial risk - continued

(b) Credit risk - continued

(i) Credit risk management and exposures - continued

The assets above are analysed in the table below using Standard and Poors rating (or equivalent).

	2023 €'000	2022 (restated) €'000
AAA	**107,771**	113,992
AA	**185,504**	176,475
A	**405,069**	249,562
BBB	**238,337**	376,163
Below BBB or not rated	**104,255**	114,216
	1,040,936	1,030,408

The carrying amount of these assets represents the maximum credit exposure.

(c) Liquidity risk

The Company is exposed to daily calls on its available cash resources mainly from claims and benefits arising from long-term contracts. Liquidity risk is the risk that cash may not be available to pay obligations when due at a reasonable cost. The Company manages its funds in such a manner as to ensure an adequate portion of available funds to meet such calls, principally through limits set by the Board on the minimum proportion of maturity funds available to meet such calls. Furthermore, the Company invests a majority of its assets in listed investments that can be readily disposed of.

The following table indicates the expected timing of cash flows arising from the maturity of the Company's liabilities. The expected cash flows do not consider the impact of early surrenders.

3. Management of risk - continued

3.2 Financial risk - continued

(c) Liquidity risk - continued

At 31 December 2023	Expected cash flows							
	Payable on demand Undiscounted	0-1 Year Discounted	1-2 Years Discounted	2-3 Years Discounted	3-4 Years Discounted	4-5 Years Discounted	>5 Years Discounted	Total
	€ million							
Insurance contract assets	2	(8)	(7)	(6)	(6)	(5)	(26)	(56)
Insurance contracts liabilities	50	199	169	156	124	145	1,039	1,882
Reinsurance contracts liabilities	5	2	2	2	2	2	19	34
Other payables (excluding deferred income)	10	-	-	-	-	-	-	10
	67	193	164	152	120	142	1,032	1,870

At 31 December 2022	Expected cash flows							
	Payable on demand Undiscounted	0-1 Year Discounted	1-2 Years Discounted	2-3 Years Discounted	3-4 Years Discounted	4-5 Years Discounted	>5 Years Discounted	Total
	€ million							
Insurance contract assets	2	(8)	(7)	(6)	(5)	(4)	(18)	(46)
Insurance contracts liabilities	48	211	183	155	143	113	1,027	1,880
Reinsurance contracts liabilities	2	2	2	1	2	1	15	25
Other payables (excluding deferred income)	11	-	-	-	-	-	-	11
	63	205	178	150	140	110	1,024	1,870

Expected cash flows on unit-linked liabilities, presented under investment contract liabilities amounting to €123.3m (2022: €69.1m) and as part of insurance contract liabilities €34.8m (2022: €31.2m), have not been included as the directors consider that there is limited exposure to liquidity risk given that these are principally backed by unit-linked assets.

The amounts which are undiscounted and payable on demand mainly consist of claims outstanding.

The following table analyses the Company's derivative financial instruments that will be settled on a gross basis. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

3. Management of risk - continued

3.2 Financial risk - continued

(c) Liquidity risk - continued

	2023 €'000	2022 €'000
At 31 December		
Foreign exchange contracts		
- outflow	(140,177)	(97,745)
- inflow	142,147	100,443

At 31 December 2023 and 2022, the above derivatives were due to be settled within three months after year end.

3.3 Capital management

The Company's policy is to maintain a strong capital base to support its business growth plans and comply with all regulatory requirements on an ongoing basis whilst assessing the impact of shareholder returns on its capital employed and safeguarding the Company's ability to continue as a going concern. The Company defines capital as shareholders' equity.

The Company's objectives when managing capital are to:

- comply with the obligations to hold Eligible Own Funds to cover the Solvency Capital Requirement and Minimum Capital Requirement in terms of the Insurance Business Act, 1998, (Chapter 403, Laws of Malta) and the applicable Insurance Rules issued under the Insurance Business Act ('Insurance Rules') by the Malta Financial Services Authority ('MFSA');
- safeguard the Company's ability to continue as a going concern and provide returns for shareholders and benefits for other stakeholders; and
- provide an adequate return to shareholders by pricing insurance contracts commensurate with the level of risk.

The Company is required to hold regulatory capital for its life assurance business in compliance with the Insurance Rules issued by the MFSA. The minimum capital requirements must be maintained at all times throughout the period. The Company monitors the level of their own funds on a regular basis. Any transactions that may potentially affect the Company's own funds and solvency position are immediately reported to the directors and shareholders for resolution.

The Company's Minimum Capital Requirement Absolute Floor stands at €4,000,000 as per paragraph 5.6.4 of Chapter 5 ('Valuation of assets and liabilities, technical provisions, own funds, Solvency Capital Requirement, Minimum Capital Requirement and investment rules') of Part B of the Insurance Rules.

3. Management of risk - continued

3.3 Capital management - continued

Based on management calculations to date, the Company is sufficiently capitalised and was compliant at all times with the regulatory capital requirements as stipulated by the MFSA which are in line with the Solvency II requirements.

3.4 Fair value hierarchy - financial instruments

The table below analyses financial instruments carried at fair value, by valuation method. The fair value measurement hierarchy is defined as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

This note sets out the split of financial instruments by fair value hierarchy level:

31 December 2023	Level 1 €'000	Level 2 €'000	Level 3 €'000	Total €'000
Investment assets at FVTPL				
Debt securities	532,525	316,536	-	849,061
Equity securities, units in unit trust and collective investment schemes	933,641	89,731	94,839	1,118,211
Forward foreign exchange contracts and swaps	-	1,970	-	1,970
Investments in associates	-	23,346	1,162	24,508
Total investments at fair value	1,466,166	431,583	96,001	1,993,750
Investment contract liabilities	-	123,253	-	123,253

31 December 2022	Level 1 €'000	Level 2 €'000	Level 3 €'000	Total €'000
Investment assets at FVTPL				
Debt securities	529,138	248,113	-	777,251
Equity securities, units in unit trust and collective investment schemes	973,661	39,726	61,609	1,074,996
Forward foreign exchange contracts and swaps	-	2,698	-	2,698
Investments in associates	-	22,647	1,162	23,809
Total investments at fair value	1,502,799	313,184	62,771	1,878,754
Investment contract liabilities	-	69,054	-	69,054

3. Management of risk - continued

3.4 Fair value hierarchy - financial instruments - continued

Fair value measurements classified as Level 1 include government debt securities, units in unit trusts and collective investments schemes and foreign listed equities.

Corporate debt securities are classified as Level 2 in view of their trading characteristics. The financial liabilities for unit-linked contracts were also classified as Level 2. The fair value of these contracts is determined using the current unit values that reflect the fair values of the financial assets (classified as Level 1) linked to the financial liability. Derivative foreign exchange forward contracts have been classified as Level 2. The fair value of these instruments is determined by reference to market observable forward currency rates and interest rates. Domestic equities are classified as Level 2 in view of their trading characteristics.

At 31 December 2023, 4.8% (2022: 3.3%) of the financial assets measured at fair value on a recurring basis were classified as Level 3. They constitute investment in unlisted equities. The Company has €96.0m (2022: €62.8m) financial assets classified as Level 3, the valuation of which has been determined by reference to the latest available net asset values of the underlying investment or the latest transaction price.

The analysis of investment property is included within Note 14.

The following table presents the changes in Level 3 instruments for the year ended 31 December:

31 December 2023	Financial assets at fair value through profit or loss		
	Equity securities €'000	Investments in associated undertakings €'000	Total Assets €'000
Opening balance	61,609	1,162	62,771
Additions	30,252	-	30,252
Total gains (losses) recognised in profit or loss	2,978	-	2,978
Closing balance	94,839	1,162	96,001

31 December 2022	Financial assets at fair value through profit or loss		
	Equity securities €'000	Investments in associated undertakings €'000	Total Assets €'000
Opening balance	18,756	1,169	19,925
Additions	38,363	-	38,363
Total gains (losses) recognised in profit or loss	4,490	(7)	4,483
Closing balance	61,609	1,162	62,771

3. Management of risk – continued

3.4 Fair value hierarchy – financial instruments – continued

At 31 December 2023 and 2022, the carrying amount of the Company's other financial assets and liabilities approximated their fair values.

3.5 Carrying amounts of financial instruments

The carrying amounts of the financial assets and liabilities held by the Company are:

31 December 2023	AC	FVTPL		Total
		Designated	Mandatory	
	€'000	€'000	€'000	€'000
Cash at bank and in hand	36,066	-	-	36,066
Deposits with banks or credit institutions	75,977	-	-	75,977
Debt securities	74,804	849,061	-	923,865
Equity securities and units in unit trusts	-	-	957,671	957,671
Assets held to cover linked liabilities - collective investment schemes	-	-	160,540	160,540
Forward foreign exchange contracts and swaps	-	-	1,970	1,970
Total investment assets and cash and cash equivalents	186,847	849,061	1,120,181	2,156,089
Other receivables	4,574	-	-	4,574
Total financial assets	191,421	849,061	1,120,181	2,160,663
Other payables	9,701	-	-	9,701
Investment contract liabilities	-	123,253	-	123,253
Total financial liabilities	9,701	123,253	-	132,954

4. Net investment return (losses) and net financial result

An analysis of net investment return (losses) and net financial result by product line is presented below:

31 December 2023	Life Risk €'000	Investment contracts with DPF €'000	Investment contracts without DPF €'000	Other €'000	Total €'000
Net investment return					
Interest revenue from financial assets not measured at FVTPL	-	1,257	-	3,744	5,001
Net gains on FVTPL instruments	500	170,178	8,194	555	179,427
Other investment income	-	425	-	428	853
Net losses from fair value adjustments to investment properties	-	(3,925)	-	-	(3,925)
Investment income from investment properties	-	5,698	-	-	5,698
Expenses arising from investment properties	-	(368)	-	-	(368)
Other investment expenses	-	(5,927)	-	(27)	(5,954)
Net credit impairment losses	-	(37)	-	15	(22)
	500	167,301	8,194	4,715	180,710
Finance income (expenses) from insurance contracts issued					
Changes in value of underlying assets of contracts measured under VFA	-	(178,200)	-	-	(178,200)
Interest accreted	1,541	-	-	-	1,541
Effect of changes in interest rates and other financial assumptions	2,871	-	-	-	2,871
Effect of changes in FCF at current rates when CSM is unlocked at locked-in rates	(1,764)	-	-	-	(1,764)
	2,648	(178,200)	-	-	(175,552)
Finance income (expenses) from reinsurance contracts held					
Interest accreted	(752)	-	-	-	(752)
Effect of changes in interest rates and other financial assumptions	(2,680)	-	-	-	(2,680)
Effect of changes in FCF at current rates when CSM is unlocked at locked-in rates	719	-	-	-	719
	(2,713)	-	-	-	(2,713)
Net change in investment contract liabilities	-	-	(8,194)	-	(8,194)
Net financial result	(65)	(178,200)	(8,194)	-	(186,459)
Net investment return and net financial result	435	(10,899)	-	4,715	(5,749)

4. Net investment return (losses) and net financial result - continued

31 December 2022	Life Risk €'000	Investment contracts with DPF €'000	Investment contracts without DPF €'000	Other €'000	Total €'000
Net investment losses					
Interest revenue from financial assets not measured at FVTPL	-	1,306	-	121	1,427
Net gains on FVTPL instruments	(8,931)	(274,027)	(10,353)	(260)	(293,571)
Other investment income	-	992	-	-	992
Net losses from fair value adjustments to investment properties	-	(2,461)	-	-	(2,461)
Investment income from investment properties	-	5,420	-	-	5,420
Expenses arising from investment properties	-	(328)	-	-	(328)
Other investment expenses	-	(6,621)	-	(14)	(6,635)
	(8,931)	(275,719)	(10,353)	(153)	(295,156)
Finance income (expenses) from insurance contracts issued					
Changes in value of underlying assets of contracts measured under VFA	-	268,747	-	-	268,747
Interest accreted	(213)	-	-	-	(213)
Effect of changes in interest rates and other financial assumptions	(6,433)	-	-	-	(6,433)
Effect of changes in FCF at current rates when CSM is unlocked at locked-in rates	(10)	-	-	-	(10)
	(6,656)	268,747	-	-	262,091
Finance income (expenses) from reinsurance contracts held					
Interest accreted	124	-	-	-	124
Effect of changes in interest rates and other financial assumptions	6,881	-	-	-	6,881
Effect of changes in FCF at current rates when CSM is unlocked at locked-in rates	(11)	-	-	-	(11)
	6,994	-	-	-	6,994
Net change in investment contract liabilities	-	-	10,353	-	10,353
Net financial result	338	268,747	10,353	-	279,438
Net investment losses and net financial result	(8,593)	(6,972)	-	(153)	(15,718)

5. Insurance revenue and expenses

An analysis of insurance revenue, insurance service expenses and net expenses from reinsurance contracts held by contract type for 2023 and 2022 is included in the following tables.

31 December 2023	Life Risk €'000	Investment contracts with DPF €'000	Total €'000
Insurance revenue			
Amounts relating to change in the LRC			
- Expected incurred claims and other directly attributable expenses	7,945	24,576	32,521
- Changes in risk adjustment for non-financial risk for the risk expired	1,397	140	1,537
- CSM recognised for the services provided	3,589	6,178	9,767
- Experience adjustments arising from premiums received in the period other than those that relate to future service	61	18	79
Insurance acquisition cash flows recovery	51	3,756	3,807
	13,043	34,668	47,711
Insurance service expenses			
Incurred claims and other directly attributable expenses	(5,471)	(13,711)	(19,182)
Changes that relate to past service – changes in the FCF relating to the LIC	-	-	-
Insurance acquisition cash flows amortization	(51)	(3,756)	(3,807)
	(5,522)	(17,467)	(22,989)
Net expenses from reinsurance contracts held			
Amounts relating to the changes in the remaining coverage			
- Expected incurred claims and other directly attributable expenses recovery	(2,309)	-	(2,309)
- Change in the risk adjustment for non-financial risk for the risk expired	(242)	-	(242)
- CSM recognised for the services provided	(1,516)	-	(1,516)
- Experience adjustments arising from ceded premiums paid in the period other than those that relate to future service	(122)	-	(122)
Reinsurance expenses	(4,189)	-	(4,189)
Other incurred directly attributable expenses	(382)	-	(382)
Incurred claims recovery	974	-	974
	(3,597)	-	(3,597)
Total insurance service result	3,924	17,201	21,125

5. Insurance revenue and expenses - continued

31 December 2022	Life Risk €'000	Investment contracts with DPF €'000	Total €'000
Insurance revenue			
Amounts relating to change in the LRC			
- Expected incurred claims and other directly attributable expenses	7,393	21,791	29,184
- Changes in risk adjustment for non-financial risk for the risk expired	1,783	259	2,042
- CSM recognised for the services provided	2,624	6,754	9,378
- Experience adjustments arising from premiums received in the period other than those that relate to future service	4	32	36
Insurance acquisition cash flows recovery	67	6,351	6,418
	11,871	35,187	47,058
Insurance service expenses			
Incurred claims and other directly attributable expenses	(4,538)	(14,919)	(19,457)
Changes that relate to past service – changes in the FCF relating to the LIC	2	-	2
Insurance acquisition cash flows amortization	(67)	(6,351)	(6,418)
	(4,603)	(21,270)	(25,873)
Net expenses from reinsurance contracts held			
Amounts relating to the changes in the remaining coverage			
- Expected incurred claims and other directly attributable expenses recovery	(2,177)	-	(2,177)
- Change in the risk adjustment for non-financial risk for the risk expired	(355)	-	(355)
- CSM recognised for the services provided	(1,141)	-	(1,141)
- Experience adjustments arising from ceded premiums paid in the period other than those that relate to future service	781	-	781
Reinsurance expenses	(2,892)	-	(2,892)
Other incurred directly attributable expenses	(303)	-	(303)
Incurred claims recovery	1,050	-	1,050
	(2,145)	-	(2,145)
Total insurance service result	5,123	13,917	19,040

6. Profit before tax

Profit before tax is stated after charging:

	2023 €'000	2022 €'000
Employee benefit expense (Note 7)	4,632	4,205
Actuarial valuation fees	316	526
Depreciation/amortisation:		
- intangible assets (Note 12)	2,400	600
- property, plant and equipment (Note 13)	471	480
Reimbursement of expenses for back office support services (Note 27)	1,357	1,176

The financial statements include fees, exclusive of VAT, charged by the Company's auditors for services rendered for the financial years ended 31 December 2023 and 2022 relating to the following:

	2023 €'000	2022 €'000
Annual statutory audit	914	304
Solvency II audit	64	60
Non-audit services	-	1
Paid during the year:		
for financial year 2023	160	-
for financial year 2022	212	152
for financial year 2021	-	132

7. Employee benefit expense

	2023 €'000	2022 €'000
Salaries	4,425	4,018
Social security costs	207	187
	4,632	4,205

The average number of persons employed during the year was:

	2023	2022
Key management	10	10
Managerial	15	17
Technical	54	49
Administrative	3	3
Average number of employees	82	79

8. Income tax expense

	2023 €'000	2022 (restated) €'000
Current tax charge	**2,594**	43,052
Deferred taxation charge (Note 17)	**2,359**	(42,656)
Income tax expense	**4,953**	396

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

	2023 €'000	2022 (restated) €'000
Profit before tax	**14,572**	2,466
Tax on profit at 35%	**5,100**	863
Tax effect of:		
Final withholding tax on property returns	**144**	(241)
Net impact of maintenance allowance attributable to rental income	**(17)**	(16)
Other non-temporary differences	**(274)**	(210)
Income tax expense	**4,953**	396

9. Directors' emoluments

	2023 €'000	2022 €'000
Directors' fees	**207**	154

10. Earnings per share

Earnings per share is based on the net profit for the year divided by the weighted average number of shares in issue during the year.

	2023	2022 (restated)
Net profit attributable to shareholders (€'000)	**9,619**	2,070
Weighted average number of ordinary shares in issue	**37,900,000**	37,900,000
Earnings per share (€)	**25c4**	5c5

11. Dividends

A dividend of 5c3 is proposed to be paid in 2024 in respect of 2023, amounting to a total net dividend of €2 million. No dividend was declared and paid in 2023 in respect of 2022, and a dividend of 5c3 in respect of 2021, amounting to a total net dividend of €2 million was paid in 2022.

12. Intangible assets

	Computer software €'000	Deferred policy acquisition costs (i) €'000	Total (ii) €'000
At 31 December 2021			
Cost or valuation	25,263	3,718	28,981
Accumulated amortisation and impairment	(11,956)	(3,554)	(15,510)
Net book amount	13,307	164	13,471
Year ended 31 December 2022			
Opening net book amount	13,307	164	13,471
Additions	5,154	155	5,309
Amortisation charge (Note 6)	(588)	(12)	(600)
Closing net book amount	17,873	307	18,180
At 31 December 2022			
Cost or valuation	30,417	3,873	34,290
Accumulated amortisation and impairment	(12,544)	(3,566)	(16,110)
Net book amount	17,873	307	18,180
Year ended 31 December 2023			
Opening net book amount	**17,873**	**307**	**18,180**
Additions	**4,010**	**551**	**4,561**
Amortisation charge (Note 6)	**(2,353)**	**(47)**	**(2,400)**
Closing net book amount	**19,530**	**811**	**20,341**
At 31 December 2023			
Cost or valuation	**34,427**	**4,424**	**38,851**
Accumulated amortisation and impairment	**(14,897)**	**(3,613)**	**(18,510)**
Net book amount	**19,530**	**811**	**20,341**

(i) This intangible asset relates to investment contracts without DPF only.

(ii) The amount presented is after the derecognition of the previously reported balance of Value of in-force business as explained in Note 1.1(a).

13. Property, plant and equipment

	Freehold land and buildings €'000	Leasehold improvements €'000	Furniture, fittings & equipment €'000	Motor Vehicles €'000	Total €'000
At 31 December 2021					
Cost	11,221	550	4,871	163	16,805
Accumulated depreciation	-	(545)	(3,657)	(93)	(4,295)
Net book amount	11,221	5	1,214	70	12,510
Year ended 31 December 2022					
Opening net book amount	11,221	5	1,214	70	12,510
Additions	156	-	356	-	512
Additions to right-of-use assets (Note 25)	-	-	-	-	-
Derecognition of right-of-use assets (Note 25)	-	-	-	(46)	(46)
Depreciation charge (Note 6)	(61)	(4)	(390)	(25)	(480)
Depreciation released on derecognition of right-of-use assets (Note 25)	-	-	-	46	46
Closing net book amount	11,316	1	1,180	45	12,542
At 31 December 2022					
Cost	11,377	550	5,227	117	17,271
Accumulated depreciation	(61)	(549)	(4,047)	(72)	(4,729)
Net book amount	11,316	1	1,180	45	12,542
Year ended 31 December 2023					
Opening net book amount	11,316	1	1,180	45	12,542
Additions	170	-	120	-	290
Additions to right-of-use assets (Note 25)	-	-	-	40	40
Derecognition of right-of-use assets (Note 25)	-	-	-	(29)	(29)
Depreciation charge (Note 6)	(80)	(1)	(368)	(22)	(471)
Depreciation released on derecognition of right-of-use assets (Note 25)	-	-	-	29	29
Closing net book amount	11,406	-	932	63	12,401
At 31 December 2023					
Cost	11,547	550	5,347	128	17,572
Accumulated depreciation	(141)	(550)	(4,415)	(65)	(5,171)
Net book amount	11,406	-	932	63	12,401

13. Property, plant and equipment - continued

The Company's Land and buildings are shown at fair value (level 3).

A valuation of land and buildings was carried out by external qualified valuers in 2021. The fair value movements were debited to profit or loss. The carrying amount of land and buildings that would have been included in the financial statements had these assets been carried at cost less accumulated depreciation is €12.9 million (2022: €12.8 million).

(a) Valuation processes

Periodically, the Company engages qualified valuers to determine the fair value of the Company's land and buildings. As at 31 December 2021, the fair value of the land and buildings has been determined by PwC Malta. No valuation has been performed in 2022 and 2023.

Whenever a valuation is carried out the finance department:

- verifies all major inputs to the valuation report prepared by the qualified valuer;
- assesses property valuation movements when compared to the prior valuation report; and
- holds discussions with the qualified valuer.

(b) Valuation techniques

The fair value of the Company's land and buildings, with a total carrying amount of €11.4 million (2022: €11.3 million), was determined by using the following valuation technique, as well as the significant unobservable inputs used. These inputs include:

Valuation technique	Significant unobservable inputs on the latest valuation	Inter-relationship between key unobservable inputs and fair value measurement
Discounted cash flows: The valuation model considers the present value of net cash flows generated from the property, taking into account the expected rental growth rate, void periods and costs not paid for by the tenants. The expected net cash flows are discounted using the risk-adjusted discount rates. Among other factors, the discount rate estimation considers the quality of a building and its location (prime vs secondary), lease terms, property risk premium and inflation.	- Risk-adjusted discount rate varying between 6.2% & 6.8%. - The valuation provides for a void factor of 2.5% on rental income. - A benchmark lease market rate was applied once current lease terms expired. - Expected market rental growth rate of 1.6% in line with the implied inflation rate IRR (Internal Rate of Return).	The estimated fair value would increase/(decrease) if: - The risk-adjusted discount rate were lower/(higher); - Void factor were lower/(higher) - The market rate were higher/(lower); - Expected market rental growth were higher/(lower).

13. Property, plant and equipment - continued

(b) Valuation techniques - continued

Although the property is currently being used by the Company as its head office, for the purpose of the valuation, it was assumed that the property's highest and best use would be rental to a third party, assuming same use. Although the market approach was considered, its applicability is limited, due to the illiquidity of the commercial property market in Malta and therefore, the limited number of transactions available. Moreover, it is inherently difficult to find transactions including office blocks that are directly comparable to the property.

14. Investment property

	Level 3 €'000
At 31 December 2021	
Cost	59,646
Accumulated fair value gains	37,580
Net book amount	97,226
Year ended 31 December 2022	
Opening net book amount	97,226
Additions	842
Disposals	(83)
Net fair value losses	(2,481)
Closing net book amount	95,504
At 31 December 2022	
Cost	60,405
Accumulated fair value gains	35,099
Net book amount	95,504
Year ended 31 December 2023	
Opening net book amount	**95,504**
Additions	**1,265**
Disposals	**-**
Net fair value losses	**(3,925)**
Closing net book amount	**92,844**
At 31 December 2023	
Cost	**61,670**
Accumulated fair value gains	**31,174**
Net book amount	**92,844**

14. Investment property - continued

(a) Fair value of investment property

The fair value movements were charged to profit or loss and are presented within 'Net investment return (losses)' (Note 4).

The Company's investment property, comprising mainly office buildings, have been determined to fall within level 3 of the fair value hierarchy. The different levels in the fair value hierarchy have been defined in Note 3.4.

The Company's policy is to recognise transfers into and out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer. There were no transfers between levels during the year.

(b) Valuation processes

On an annual basis, the Company engages external, independent property valuers, having appropriate recognised professional qualifications and recent experience in the location and category of the properties being valued to determine the fair value of the Company's investment property. As at 31 December 2023 and 2022, the fair values of the land and buildings have been determined by PwC Malta.

At each financial year end the investments department:
- verifies all major inputs to the valuation report prepared by the qualified valuer;
- assesses property valuation movements when compared to the prior year valuation report; and
- holds discussions with the qualified valuer.

The valuation techniques used for investment properties were the discounted cash flow valuation and comparative methods so as to provide accuracy and consistency in arriving at a fair value that reflects a price that would be reasonably expected to be received in an orderly transaction between market participants at the measurement date.

(c) Valuation technique - Discounted cash flow method

The fair value of the Company's investment properties determined on the basis of the discounted cash flow method amounted to €92.1 million in 2023 (2022: €94.8 million). The following table shows the valuation technique, as well as the significant unobservable inputs used.

14. Investment property - continued

(c) Valuation technique - Discounted cash flow method - continued

Valuation technique	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Discounted cash flows: The valuation model considers the present value of net cash flows generated from the property, taking into account the expected rental growth rate, void periods and costs not paid for by the tenants. The expected net cash flows are discounted using the risk-adjusted discount rates. Among other factors, the discount rate estimation considers the quality of a building and its location (prime vs secondary), lease terms, property risk premium and inflation.	- Risk-adjusted discount rate varying between 7.0% & 8.6% (2022: 5.7% & 8.1%). - A void factor varying between 1.0% & 5.0% on rental income (2022: 1.5% & 6.5%). - Lease market rate was applied once current lease terms expired. - Expected market rental growth rate of 2.0% in line with the general inflation rate (2022: 2.0%). - Construction costs for undeveloped airspace and re-developable land varying between €671/sqm and €1,592/sqm (2022: €656/sqm and €1,535/sqm)	The estimated fair value would increase/(decrease) if: - The risk-adjusted discount rate were lower (higher); - Void factor were lower/(higher) - The market rate were higher/(lower); - Expected market rental growth were higher/(lower); - Constructions costs were lower/(higher).

(d) Valuation technique - Comparative method

The fair value of the Company's investment properties determined on the basis of the comparative method amounted to €0.7 million in 2023 (2022: €0.7 million). The comparative method is based on an expected sales value per square metre based on an average/ median of values derived from observable market transactions for comparable properties.

The below sensitivity considers the impact of changes in discount rates and market rates on the investment properties values.

(e) Sensitivity analysis

		2023 €	2022 €
Discount rates	0.5%	(6.4 million)	(7.1 million)
	-0.5%	7.4 million	8.3 million
Market rates	5%	4.5 million	4.3 million
	-5%	(4.6 million)	(4.3 million)

15. Investments in associated undertakings

	€'000
At 31 December 2021	
Cost	14,960
Accumulated net fair value gains	8,658
Net book amount	23,618
Year ended 31 December 2022	
Opening net book amount	23,618
Net fair value gains	191
Closing net book amount	23,809
At 31 December 2022	
Cost	14,960
Accumulated net fair value gains	8,849
Net book amount	23,809
Year ended 31 December 2023	
Opening net book amount	**23,809**
Net fair value gains	**699**
Closing net book amount	**24,508**
At 31 December 2023	
Cost	**14,960**
Accumulated net fair value gains	**9,548**
Net book amount	**24,508**

The associates at 31 December are shown below:

Associated undertakings	Registered Office	Class of shares held	Percentage of shares held 2023	Percentage of shares held 2022
Church Wharf Properties Limited	Middle Sea House Floriana, FRN 1442, Malta	Ordinary shares	**50%**	50%
Plaza Centres p.l.c.	The Plaza Commercial Centre Bisazza Street Sliema, Malta	Ordinary shares	**31.42%**	31.42%
Tigne' Mall p.l.c.	Management Suite The Point Shopping Mall Pjazza Tigne Point Sliema, TP 01, Malta	Ordinary shares	**35.46%**	35.46%

16. Other investments

The investments are summarised by measurement category in the table below:

	2023 €'000	2022 (restated) €'000
Fair value through profit or loss	**1,969,242**	1,854,945
Amortised cost	**150,781**	-
Loans and receivables	-	116,728
	2,120,023	1,971,673

(a) Investments at fair value through profit or loss

Analysed by type of investment as follows:

	2023 €'000	2022 €'000
Equity securities and units in unit trusts	**957,671**	972,740
Debt securities	**849,061**	777,251
Assets held to cover linked liabilities		
- collective investment schemes	**160,540**	102,256
Forward foreign exchange contracts and swaps	**1,970**	2,698
Total investments at fair value through profit or loss	**1,969,242**	1,854,945

At 31 December 2023, the Company had €35.8m financial commitments in respect of uncalled capital (2022: €66.1m).

Equity securities and collective investments schemes are considered to be substantially non-current assets in nature. The maturity of fixed income debt securities is detailed below:

	2023 €'000	2022 €'000
Within one year	**25,650**	58,337
Between 1 and 2 years	**50,064**	76,751
Between 2 and 5 years	**238,481**	194,953
Over 5 years	**534,866**	447,210
	849,061	777,251

16. Other investments - continued

(a) Investments at fair value through profit or loss - continued

The movements for the year are summarised as follows:

	€'000
At 31 December 2021	
Cost	1,947,594
Accumulated net fair value gains	252,230
Net book amount	2,199,824
Year ended 31 December 2022	
Opening net book amount	2,199,824
Additions	1,312,024
Disposals	(1,452,217)
Net fair value losses	(204,686)
Closing net book amount	1,854,945
At 31 December 2022	
Cost	1,847,337
Accumulated net fair value gains	7,608
Net book amount	1,854,945
Year ended 31 December 2023	
Opening net book amount	**1,854,945**
Accrued interest on initial application of IFRS 9	**5,954**
Movement in accrued interest receivable	**1,879**
Additions	**1,499,134**
Disposals	**(1,514,033)**
Net fair value gains	**121,363**
Closing net book amount	**1,969,242**
At 31 December 2023	
Cost	**1,846,613**
Accumulated net fair value gains	**122,629**
Net book amount	**1,969,242**

There are no derivative financial liabilities in 2023 and 2022.

16. Other investments - continued

(b) Amortised cost

	2023 €'000
Deposits with banks or credit institutions	75,977
Debt securities	74,804
	150,781

The movements for the year are summarised as follows:

	2023 €'000
Opening reclassification from loans and receivables (Note 16(c))	116,728
ECL on initial application of IFRS 9	(134)
Accrued interest on initial application of IFRS 9	394
Interest income earned	4,818
Interest income collected	(3,032)
Additions	264,821
Redemptions and disposals	(232,792)
ECL	(22)
Closing net book amount	150,781

Maturity of investments at amortised cost:

	2023 €'000
Within 3 months	61,159
Within 1 year but exceeding 3 months	10,009
Between 1 and 5 years	71,431
Over 5 years	8,182
	150,781

The above investments earn interest as follows:

	2023 €'000
At fixed rates	150,781

16. Other investments - continued

(c) Loans and receivables

Analysed by type of investment as follows:

	2022 (restated) €'000
Deposits with banks or credit institutions	116,728

Maturity of deposits with bank or credit institutions:

	2022 €'000
Within 3 months	19,564
Within 1 year but exceeding 3 months	76,527
Between 1 and 5 years	20,637
	116,728

The above deposits earn interest as follows:

	2022 €'000
At fixed rates	116,728

17. Deferred tax

	2023 €'000	2022 (restated) €'000
Balance at 1 January	**(9,090)**	(51,746)
Tax on initial application of IFRS 9	**47**	-
Movement during the year:		
Profit or loss (Note 8)	**(2,359)**	42,656
Balance at 31 December (net)	**(11,402)**	(9,090)

Deferred income taxes are calculated on all temporary differences using a principal tax rate of 35% (2022: 35%) with the exception of investment property and freehold and other property, for which deferred income taxes are calculated using a principal tax rate of 8% or 10% of the carrying amount (2022: 8% or 10%).

17. Deferred tax - continued

The analysis of deferred tax assets/(liabilities) is as follows:

	2023 €'000	2022 (restated) €'000
Tax effect of temporary differences attributable to:		
Investment property	(9,043)	(9,262)
Fair value adjustments on financial investments	-	9,858
Property, plant and equipment	(4,489)	(3,363)
ECL	54	-
Unabsorbed tax losses and capital allowances	2,076	-
Initial application of IFRS 17	-	(6,323)
Balance at 31 December (net)	(11,402)	(9,090)

Movements in the amounts disclosed in the table above are recognised in profit or loss.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off a current tax asset against a tax liability. The above amounts, determined after appropriate offsetting, are shown in the statement of financial position as follows:

	2023 €'000	2022 (restated) €'000
Deferred tax asset	-	6,495
Deferred tax liability	(11,402)	(15,585)
Balance at 31 December (net)	(11,402)	(9,090)

The Company's deferred tax liability was established on the basis of tax rates that were substantively enacted as at the financial year end.

18. Other receivables

	2023 €'000	2022 (restated) €'000
Accrued interest and rent	550	7,597
Other prepayments and accrued income	4,024	3,603
	4,574	11,200

All of the above receivables are current on payment terms.

19. Cash and cash equivalents

For the purposes of the cash flow statements, the year-end cash and cash equivalents comprise the following:

	2023 €'000	2022 €'000
Cash at bank and in hand	**36,066**	124,779

As at 31 December 2023, an amount of €2.76m (2022: €2.16m) included within deposits with banks or credit institutions was held in a margin account as collateral against exchange traded futures.

20. Share capital

	2023 No. of shares '000	**2023 €'000**	2022 No. of shares '000	2022 €'000
Authorised				
Balance at 1 January	**48,000**	**120,000**	48,000	120,000
Increase in Ordinary shares of €2.50 each	**-**	**-**	-	-
Balance at 31 December	**48,000**	**120,000**	48,000	120,000
Issued and fully paid				
Balance at 1 January	**37,900**	**94,750**	37,900	94,750
Increase in Ordinary shares of €2.50 each	**-**	**-**	-	-
Balance at 31 December	**37,900**	**94,750**	37,900	94,750

21. Insurance contract assets, insurance contract liabilities and reinsurance contract liabilities

21.1 Composition of the balance sheet

An analysis of the amounts presented on the statement of financial position for insurance contract assets, insurance contract liabilities and reinsurance contract liabilities is shown in the table below:

As at 31 December 2023	Life Risk €'000	Investment contracts with DPF €'000	Total €'000
Insurance contract assets	8,945	-	8,945
Insurance contract liabilities	6,488	1,984,889	1,991,377
Reinsurance contract liabilities	15,493	-	15,493

As at 31 December 2022	Life Risk €'000	Investment contracts with DPF €'000	Total €'000
Insurance contract assets	8,400	-	8,400
Insurance contract liabilities	6,357	1,961,452	1,967,809
Reinsurance contract liabilities	10,750	-	10,750

The Company does not have onerous contracts. Accordingly, the Company's insurance contract assets and insurance contract liabilities do not have loss components and similarly the reinsurance contract liabilities do not have a loss-recovery component.

The above assets and liabilities are substantially non-current in nature.

21. Insurance contract assets, insurance contract liabilities and reinsurance contract liabilities - continued

21.2 Long-term insurance contracts – Life risk

Reconciliation of the LRC (ARC) and the LIC

The following tables present reconciliations from the opening to the closing balances of the LRC (ARC) and LIC excluding any insurance acquisition cash flows assets and other pre-recognition cash flows.

	2023		
	LRC (ARC) €'000	LIC €'000	Total €'000
Insurance contract assets at 1 January	(9,423)	1,023	(8,400)
Insurance contract liabilities at 1 January	6,281	76	6,357
Insurance revenue	(13,043)	-	(13,043)
Insurance service expenses			
Incurred claims and other directly attributable expenses	-	5,471	5,471
Insurance acquisition cash flows amortization	51	-	51
	51	5,471	5,522
Insurance service result	(12,992)	5,471	(7,521)
Finance income from insurance contracts issued	(2,648)	-	(2,648)
Total amounts recognised in profit or loss	(15,640)	5,471	(10,169)
Investment components	(575)	575	-
Cash flows			
Premium received	15,510	-	15,510
Claims and other directly attributable expenses	-	(5,357)	(5,357)
Insurance acquisition cash flows	(398)	-	(398)
	15,112	(5,357)	9,755
Insurance contract assets as at 31 December	(10,686)	1,741	(8,945)
Insurance contract liabilities as at 31 December	6,441	47	6,488

21. Insurance contract assets, insurance contract liabilities and reinsurance contract liabilities - continued

21.2 Long-term insurance contracts – Life risk - continued

Reconciliation of the LRC (ARC) and the LIC - continued

	2022		
	LRC (ARC) €'000	LIC €'000	Total €'000
Insurance contract assets at 1 January	(19,822)	1,836	(17,986)
Insurance contract liabilities at 1 January	7,553	244	7,797
Insurance revenue	(11,871)	-	(11,871)
Insurance service expenses			
Incurred claims and other directly attributable expenses	-	4,538	4,538
Changes that relate to past service – changes in the FCF relating to the LIC	-	(2)	(2)
Insurance acquisition cash flows amortization	67	-	67
	67	4,536	4,603
Insurance service result	(11,804)	4,536	(7,268)
Finance expenses from insurance contracts issued	6,656	-	6,656
Total amounts recognised in profit or loss	(5,148)	4,536	(612)
Investment components	(502)	502	-
Cash flows			
Premium received	15,128	-	15,128
Claims and other directly attributable expenses	-	(6,019)	(6,019)
Insurance acquisition cash flows	(351)	-	(351)
	14,777	(6,019)	8,758
Insurance contract assets at 31 December	(9,423)	1,023	(8,400)
Insurance contract liabilities at 31 December	6,281	76	6,357

21. Insurance contract assets, insurance contract liabilities and reinsurance contract liabilities - continued

21.2 Long-term insurance contracts – Life risk - continued

Reconciliation of the measurement components of insurance contract balances

	2023			
	Present value of future cash flows €'000	Risk adjustment for non-financial risk €'000	CSM €'000	Total €'000
Insurance contract assets as at 1 January	(46,144)	13,269	24,475	(8,400)
Insurance contract liabilities as at 1 January	6,357	-	-	6,357
Changes that relate to current service				
CSM recognised for the services provided	-	-	(3,589)	(3,589)
Change in the risk adjustment for non-financial risk for risk expired	-	(1,397)	-	(1,397)
Experience adjustment relating to insurance service expenses	(2,535)	-	-	(2,535)
	(2,535)	(1,397)	(3,589)	(7,521)
Changes that relate to future service				
Changes in estimates that adjust the CSM	(11,341)	1,872	9,469	-
Contracts initially recognised in the period	(2,695)	1,161	1,534	-
	(14,036)	3,033	11,003	-
Insurance service result	(16,571)	1,636	7,414	(7,521)
Finance income from insurance contracts issued	(2,953)	-	305	(2,648)
Total amounts recognised in profit or loss	(19,524)	1,636	7,719	(10,169)
Cash flows				
Premium received	15,510	-	-	15,510
Claims and other directly attributable expenses paid	(5,357)	-	-	(5,357)
Insurance acquisition cash flows	(398)	-	-	(398)
	9,755	-	-	9,755
Insurance contract assets as at 31 December	(56,044)	14,905	32,194	(8,945)
Insurance contract liabilities as at 31 December	6,488	-	-	6,488

21. Insurance contract assets, insurance contract liabilities and reinsurance contract liabilities - continued

21.2 Long-term insurance contracts – Life risk - continued

Reconciliation of the measurement components of insurance contract balances - continued

	2022			
	Present value of future cash flows €'000	Risk adjustment for non-financial risk €'000	CSM €'000	Total €'000
Insurance contract assets as at 1 January	(56,783)	15,883	22,914	(17,986)
Insurance contract liabilities as at 1 January	7,797	-	-	7,797
Changes that relate to current service				
CSM recognised for the services provided	-	-	(2,624)	(2,624)
Change in the risk adjustment for non-financial risk for risk expired	-	(1,783)	-	(1,783)
Experience adjustment relating to insurance service expenses	(2,859)	-	-	(2,859)
	(2,859)	(1,783)	(2,624)	(7,266)
Changes that relate to future service				
Changes in estimates that adjust the CSM	181	(1,957)	1,776	-
Contracts initially recognised in the period	(3,345)	1,126	2,219	-
	(3,164)	(831)	3,995	-
Changes that relate to past service				
Changes that relate to past service – changes in FCF relating to LIC	(2)	-	-	(2)
Insurance service result	(6,025)	(2,614)	1,371	(7,268)
Finance expenses from insurance contracts issued	6,466	-	190	6,656
Total amounts recognised in profit or loss	441	(2,614)	1,561	(612)
Cash flows				
Premium received	15,128	-	-	15,128
Claims and other directly attributable expenses paid	(6,019)	-	-	(6,019)
Insurance acquisition cash flows	(351)	-	-	(351)
	8,758	-	-	8,758
Insurance contract assets as at 31 December	(46,144)	13,269	24,475	(8,400)
Insurance contract liabilities as at 31 December	6,357	-	-	6,357

21. Insurance contract assets, insurance contract liabilities and reinsurance contract liabilities - continued

21.2 Long-term insurance contracts – Life risk - continued

Impact of contracts recognised in the year

	2023	2022
	€'000	€'000
Estimates of present value of future cash outflows		
- Insurance acquisition cash flows	383	324
- Claims and other directly attributable expense	7,088	6,617
	7,471	6,941
Estimates of the present value of future cash inflows	(10,166)	(10,286)
Risk adjustment for non-financial risk adjustment	1,161	1,126
CSM	1,534	2,219
Increase in insurance contract liabilities from contracts recognised in the period	-	-

21. Insurance contract assets, insurance contract liabilities and reinsurance contract liabilities - continued

21.3 Life risk – Reinsurance contracts held

Reconciliation of the remaining coverage and incurred claims

	2023 Remaining coverage €'000	2023 Incurred Claims €'000	2023 Total €'000	2022 Remaining coverage €'000	2022 Incurred Claims €'000	2022 Total €'000
Reinsurance contract liabilities as at 1 January	14,239	(3,489)	10,750	25,377	(5,406)	19,971
Net expenses from reinsurance contracts held						
Reinsurance expenses	4,189	-	4,189	2,892	-	2,892
Other directly attributable expenses	-	382	382	-	303	303
Incurred claims recovery	-	(974)	(974)	-	(1,050)	(1,050)
	4,189	(592)	3,597	2,892	(747)	2,145
Finance expenses (income) from reinsurance contracts held	2,713	-	2,713	(6,994)	-	(6,994)
Total amounts recognised in profit or loss	6,902	(592)	6,310	(4,102)	(747)	(4,849)
Cash flows						
Premium paid net of ceding commission and other directly attributable expenses paid	(1,970)	(382)	(2,352)	(7,036)	(303)	(7,339)
Recoveries from reinsurance	-	785	785	-	2,967	2,967
Total cash flows	(1,970)	403	(1,567)	(7,036)	2,664	(4,372)
Reinsurance contract liabilities as at 31 December	19,171	(3,678)	15,493	14,239	(3,489)	10,750

21. Insurance contract assets, insurance contract liabilities and reinsurance contract liabilities - continued

21.3 Life risk – Reinsurance contracts held - continued

Reconciliation of the measurement components of reinsurance contract balances

	2023			
	Present value of future cash flows €'000	Risk adjustment for non-financial risk €'000	CSM €'000	Total €'000
Reinsurance contract liability at 1 January	25,404	(4,800)	(9,854)	10,750
Changes that relate to current service				
CSM recognised for the services received	-	-	1,516	1,516
Change in the risk adjustment for non-financial risk for risk expired	-	242	-	242
Experience adjustment relating to incurred claims and other directly attributable expenses recovery	1,839	-	-	1,839
	1,839	242	1,516	3,597
Changes that relate to future service				
Changes in estimates that adjust the CSM	5,186	(841)	(4,345)	-
Contracts initially recognised in the period	400	(227)	(173)	-
Experience adjustments arising from ceded premiums paid in the period that relate to future service	-	-	-	-
	5,586	(1,068)	(4,518)	-
Finance expenses (income) from reinsurance contracts held	2,819	-	(106)	2,713
Total amounts recognised in profit or loss	10,244	(826)	(3,108)	6,310
Cash flows				
Premium paid net of ceding commission and other directly attributable expenses paid	(2,352)	-	-	(2,352)
Recoveries from insurance	785	-	-	785
Total cash flows	(1,567)	-	-	(1,567)
Reinsurance contract liabilities at 31 December	34,081	(5,626)	(12,962)	15,493

21. Insurance contract assets, insurance contract liabilities and reinsurance contract liabilities - continued

21.3 Life risk – Reinsurance contracts held - continued

Reconciliation of the measurement components of reinsurance contract balances - continued

	2022			
	Present value of future cash flows €'000	Risk adjustment for non-financial risk €'000	CSM €'000	Total €'000
Reinsurance contract liability at 1 January	35,704	(5,947)	(9,786)	19,971
Changes that relate to current service				
CSM recognised for the services received	-	-	1,141	1,141
Change in the risk adjustment for non-financial risk for risk expired	-	355	-	355
Experience adjustment relating to incurred claims and other directly attributable expenses recovery and reinsurance premium	649	-	-	649
	649	355	1,141	2,145
Changes that relate to future service				
Changes in estimates that adjust the CSM	(37)	979	(942)	-
Contracts initially recognised in the period	379	(187)	(192)	-
	342	792	(1,134)	-
Finance income from reinsurance contracts held	(6,919)	-	(75)	(6,994)
Total amounts recognised in profit or loss	(5,928)	1,147	(68)	(4,849)
Cash flows				
Premium paid net of ceding commission and other directly attributable expenses paid	(7,339)	-	-	(7,339)
Recoveries from insurance	2,967	-	-	2,967
Total cash flows	(4,372)	-	-	(4,372)
Reinsurance contract liabilities at 31 December	25,404	(4,800)	(9,854)	10,750

21. Insurance contract assets, insurance contract liabilities and reinsurance contract liabilities - continued

21.3 Life risk – Reinsurance contracts held - continued

Impact of contracts recognised in the year

	2023 €'000	2022 €'000
Estimates of the present value of future cash inflows	(2,860)	(2,661)
Estimates of the present value of future cash outflows	3,260	3,040
Risk adjustment for non-financial risk	(227)	(187)
CSM	(173)	(192)
Increase in reinsurance contract assets from contracts recognised in the period	-	-

21. Insurance contract assets, insurance contract liabilities and reinsurance contract liabilities - continued

21.4 Investment contracts with DPF

Reconciliation of the LRC and the LIC

	2023			2022		
	LRC €'000	LIC €'000	Total €'000	LRC €'000	LIC €'000	Total €'000
Insurance contract liabilities as at 1 January	1,914,851	46,601	1,961,452	2,271,573	44,132	2,315,705
Insurance revenue	(34,668)	-	(34,668)	(35,187)	-	(35,187)
Insurance service expenses						
Incurred claims and other directly attributable expenses	-	13,711	13,711	-	14,919	14,919
Changes that relate to past service – changes in the FCF relating to the LIC	-	-	-	-	-	-
Insurance acquisition cash flows amortisation	3,756	-	3,756	6,351	-	6,351
	3,756	13,711	17,467	6,351	14,919	21,270
Insurance service result	(30,912)	13,711	(17,201)	(28,836)	14,919	(13,917)
Finance expenses (income) from insurance contracts issued	178,200	-	178,200	(268,747)	-	(268,747)
Total amounts recognised in profit or loss	147,288	13,711	160,999	(297,583)	14,919	(282,664)
Investment components	(255,819)	255,819	-	(285,217)	285,217	-
Cash flows						
Premium received	135,175	-	135,175	233,775	-	233,775
Claims and other directly attributable expenses	-	(267,212)	(267,212)	-	(297,667)	(297,667)
Insurance acquisition cash flows	(3,721)	-	(3,721)	(6,661)	-	(6,661)
Increase in policy loans	(1,804)	-	(1,804)	(1,036)	-	(1,036)
	129,650	(267,212)	(137,562)	226,078	(297,667)	(71,589)
Insurance contract liabilities as at 31 December	1,935,970	48,919	1,984,889	1,914,851	46,601	1,961,452

21. Insurance contract assets, insurance contract liabilities and reinsurance contract liabilities - continued

21.4 Investment contracts with DPF – continued

Reconciliation of the measurement components of contract balances

	2023			
	Present value of future cash flows €'000	Risk adjustment for non-financial risk €'000	CSM €'000	Total €'000
Insurance contract liabilities at 1 January	1,904,544	2,199	54,709	1,961,452
Changes that relate to current service				
CSM recognised for the services provided	-	-	(6,178)	(6,178)
Change in the risk adjustment for non-financial risk for risk expired	-	(140)	-	(140)
Experience adjustment relating to insurance service expenses	(10,883)	-	-	(10,883)
	(10,883)	(140)	(6,178)	(17,201)
Changes that relate to future service				
Changes in estimates that adjust the CSM	(18,202)	612	17,590	-
Contracts initially recognised in the period	(2,489)	144	2,345	-
Experience adjustments arising from premiums received in the period that relate to future service	(3,261)	-	3,261	-
	(23,952)	756	23,196	-
Insurance service result	(34,835)	616	17,018	(17,201)
Finance expenses from insurance contracts issued	178,200	-	-	178,200
Total amounts recognised in profit or loss	143,365	616	17,018	160,999
Cash flows				
Premium received	135,175	-	-	135,175
Claims and other directly attributable expenses paid	(267,212)	-	-	(267,212)
Insurance acquisition cash flows	(3,721)	-	-	(3,721)
Increase in policy loans	(1,804)	-	-	(1,804)
Total cash flows	(137,562)	-	-	(137,562)
Insurance contract liabilities at 31 December	1,910,347	2,815	71,727	1,984,889

21. Insurance contract assets, insurance contract liabilities and reinsurance contract liabilities - continued

21.4 Investment contracts with DPF - continued

Reconciliation of the measurement components of contract balances - continued

	2022			
	Present value of future cash flows €'000	Risk adjustment for non-financial risk €'000	CSM €'000	Total €'000
Insurance contract liabilities at 1 January	2,244,713	3,688	67,304	2,315,705
Changes that relate to current service				
CSM recognised for the services provided	-	-	(6,754)	(6,754)
Change in the risk adjustment for non-financial risk for risk expired	-	(259)	-	(259)
Experience adjustment relating to insurance service expenses	(6,904)	-	-	(6,904)
	(6,904)	(259)	(6,754)	(13,917)
Changes that relate to future service				
Changes in estimates that adjust the CSM	14,213	(1,799)	(12,414)	-
Contracts initially recognised in the period	(5,656)	569	5,087	-
Experience adjustments arising from premiums received in the period that relate to future service	(1,486)	-	1,486	-
	7,071	(1,230)	(5,841)	-
Insurance service result	167	(1,489)	(12,595)	(13,917)
Finance income from insurance contracts issued	(268,747)	-	-	(268,747)
Total amounts recognised in profit or loss	(268,580)	(1,489)	(12,595)	(282,664)
Cash flows				
Premium received	233,775	-	-	233,775
Claims and other directly attributable expenses paid	(297,667)	-	-	(297,667)
Insurance acquisition cash flows	(6,661)	-	-	(6,661)
Increase in policy loans	(1,036)	-	-	(1,036)
Total cash flows	(71,589)	-	-	(71,589)
Insurance contract liabilities at 31 December	1,904,544	2,199	54,709	1,961,452

21. Insurance contract assets, insurance contract liabilities and reinsurance contract liabilities - continued

21.4 Investment contracts with DPF - continued

Impact of contracts recognised in the year

Investment contracts with DPF	**2023**	2022
	€'000	€'000
Estimates of present value of future cash outflows		
- Insurance acquisition cash flows	**4,001**	6,379
- Claims and other directly attributable expense	**144,823**	247,931
	148,824	254,310
Estimates of the present value of future cash inflows	**(151,313)**	(259,966)
Risk adjustment for non-financial risk adjustment	**144**	569
CSM	**2,345**	5,087
Increase in insurance contract liabilities from contracts recognised in the period	**-**	-

21.5 Long term contracts – inputs, assumptions and estimation techniques

In applying IFRS 17 measurement requirements, the below inputs, assumptions and estimation techniques were used.

(a) Estimation techniques

Best estimate of future cash flows

The best estimate liability is the present value of expected future cash flows, discounted using a yield curve (i.e. interest rates at different maturities at a given point in time). The estimates of these future cash flows are based on probability-weighted expected future cash flows. The Company estimates which cash flows are expected and the probability that they will occur as at the measurement date. The projections allow for all expected decrements and policyholder actions, including lapses. Future premiums are taken into account up to the contract boundary. Allowance for future expenses take into account both overheads and directly attributable expenses, and future expense inflation. The cash flow projections is performed on a policy by policy basis.

Investment contracts with DPF liabilities include the cost of financial guarantees and options. A market consistent stochastic valuation is used to calculate these costs. Representative model pointing is used in these stochastic runs. For such contracts, discretionary benefits are allowed for separately in the technical provisions. The calculations reflect a pre-defined set of realistic management actions and policyholder behaviour. The best estimate liability does not include the value of shareholder transfers.

For unit-linked business, the unit and non-unit components are unbundled for the purposes of determining the best estimate liability.

21. Insurance contract assets, insurance contract liabilities and reinsurance contract liabilities - continued

21.5 Long term contracts – inputs, assumptions and estimation techniques - continued

(a) Estimation techniques - continued

Risk adjustment for non-financial risk

The risk adjustment for non-financial risk is the compensation that is required for bearing the uncertainty about the amount and timing of cash flows that arises from non-financial risk as the insurance contract is fulfilled. Because the risk adjustment represents compensation for uncertainty, estimates are made on the degree of diversification benefits and expected favourable and unfavourable outcomes in a way that reflects the Company's degree of risk aversion. The Company estimates an adjustment for non-financial risk separately from all other estimates. The Company considers separately the effect of reinsurance in the risk adjustment for non-financial risk of the underlying insurance contracts. The risk adjustment applied by the Company only includes mortality risk, lapse risk, and expenses risk and catastrophic risk.

The risk adjustment was calculated at the issuing entity level and then allocated down to each group of contracts in accordance with their risk profiles. The value at risk ('VaR') method was used to derive the overall risk adjustment for non-financial risk, whereby the maximum loss that a portfolio can experience within a one year time horizon at a confidence level of 85 percent is determined. This technique discounts future cash flows of the best estimate liabilities under different possible scenarios to produce a risk distribution. The risk adjustment is taken to be equal to the VaR with that confidence interval less the value of the best estimate of the discounted cash flows.

(b) Assumptions

All assumptions are best estimate, with no prudential margins. The Company takes into account all relevant available data, both internal and external, when arriving at assumptions that best reflect the characteristics of the underlying insurance portfolio.

In calculating estimates of fulfilment cash flows, the Company uses information about past events, current conditions and forecasts of future conditions. The Company's estimate of future cash flows is the mean of a range of scenarios that reflect the full range of possible outcomes. Each scenario specifies the amount, timing and probability of cash flows.

Assumptions used to develop estimates about future cash flows are reassessed at each reporting date and adjusted where required.

21. Insurance contract assets, insurance contract liabilities and reinsurance contract liabilities – continued

21.5 Long term contracts – inputs, assumptions and estimation techniques - continued

(b) Assumptions - continued

Investment assets returns

For with-profits contracts, assumptions about future underlying investment returns are made. Due to the measurement models applied and the nature of the products, particularly the determination of the discount rates used to discount future estimates of cash flows that vary with returns on underlying items, assumptions about future underlying investment returns do not impact contract measurement significantly. There are limited financial guarantees in these products. The liabilities associated with these guarantees are measured using a market-consistent stochastic model. The interest rate guarantee embedded in investment contracts with DPF was measured using stochastic modelling, because the guarantee does not move symmetrically with different interest rate scenarios. The guarantee was measured using a full range of scenarios representing possible future risk-free interest rate environments published by European Insurance and Occupational Pensions Authority ('EIOPA'). Stochastic investment returns reflect the volatility of the underlying assets.

For a sensitivity analysis, refer to Note 3.2 (a).

Discount rates

The bottom-up approach was adopted by the Company in determining a suitable discount rate. This approach was used to derive the discount rate for the cash flows that do not vary based on the returns on underlying items in the investment contracts with DPF.

Under this approach, the discount rate is determined as the risk-free yield, adjusted for differences in liquidity characteristics between the financial assets used to derive the risk-free yield and the relevant liability cash flows (known as an 'illiquidity premium'). The risk-free rates used were as published by EIOPA and the Company evaluates the illiquidity premium on a yearly basis.

Management uses judgement to assess liquidity characteristics of the liability cash flows. The Company's insurance contracts do not have a cash surrender value and hence, its liabilities can be considered as illiquid which allows the Company to reflect the illiquidity characteristics of these products via the illiquidity premium. The Company decided to use a reference portfolio as an appropriate proxy for the term liabilities.

On the other hand, the Company's investment contracts with DPF have surrender value and therefore, liabilities can be considered highly liquid. Thus, these are discounted using the risk-free rates without applying any illiquidity adjustment. Cash flows varying based on underlying items are discounted using a discount rate that reflects the volatility of the underlying assets.

For a sensitivity analysis, refer to Note 3.2 (a).

21. Insurance contract assets, insurance contract liabilities and reinsurance contract liabilities - continued

21.5 Long term contracts – inputs, assumptions and estimation techniques - continued

(b) Assumptions - continued

The yield curves used to discount the estimates of future cash flows that do not vary based on the returns of the underlying items are as follows:

	2023 No. of years		2022 No. of years	
	5	10	5	10
Life risk (issued and reinsurance held)	**2.4%**	**2.5%**	3.8%	3.8%
Investment contracts with DPF	**2.3%**	**2.4%**	3.1%	3.1%

Policy acquisition and maintenance expenses

The Company projects estimates of future expenses relating to fulfilment of contracts within the scope of IFRS 17 using current expense levels adjusted for inflation, non-recurring expenses and new budgeted expenses that the Company is expected to incur in the future. Expenses comprise expenses directly attributable to the groups of contracts, including an allocation of fixed and variable overheads.

The short-term expense inflation assumption is based on forecasts issued by the Central Bank of Malta, adjusted for the Company's own experience. The long-term expense inflation assumption is based on the Central Bank of Malta long-term inflation target. Expense inflation is considered to be a non-financial risk.

Where estimates of indirect expenses-related cash flows are determined at the portfolio level or higher, they are allocated to groups of contracts on a systematic basis, such as number of policies in force. A renewal per policy maintenance expense including claims is derived for all portfolios.

	2023 €	2022 €
Life Risk	**41.7**	40.7
Investment contracts with DPF	**50.7 - 86.6**	42.2 - 75.4

Acquisition cash flows are typically allocated to the groups of contracts from which they arise or to which they relate. This includes an allocation of acquisition cash flows among existing new business. An acquisition expense per new business policy is derived for all portfolios.

The Company provides investment-return services for the investment contracts with DPF to manage assets in policyholder accounts and investment-related services for the contracts measured under the VFA. An investment expense per asset under management is derived.

For a sensitivity analysis, refer to Note 3.1.

21. **Insurance contract assets, insurance contract liabilities and reinsurance contract liabilities** - continued

21.5 Long term contracts – inputs, assumptions and estimation techniques - continued

(b) Assumptions - continued

Mortality rates

Mortality experience is reviewed annually and assumptions are set separately for term and investment contracts with DPF having regard to past experience, events not in data and future expected mortality trends. The Company makes reference to the following standard mortality table. This UK mortality table is based on male assured lives of combined smoker status.

	2023	2022
Life Risk	**44% AMC00**	52% AMC00
Investment contracts with DPF	**50% AMC00**	54% AMC00

The Company fits its own experience as a percentage of the AMC00 mortality table and uses this as a basis for its mortality assumption.

For a sensitivity analysis, refer to Note 3.1.

Lapse rates

The Company derives assumptions about lapse and surrender rates based on the Company's own experience. Historical lapse and surrender rates are derived from the Company's policy administration data. An analysis is then performed of the Company's historical rates in comparison to the assumptions previously used. Statistical methods are used to derive adjustments to reflect the Company's own experience and any trends in the data, to arrive at the probability-weighted expected lapse and surrender rates. Analysis is performed and assumptions are set by major product lines.

For investment contracts with DPF, the Company incorporates dynamic lapsing. For these products lapse experience also vary by market conditions and outlook.

The following assumptions about lapse and surrender rates were used. Methods used to derive these assumptions have not changed in 2023.

	2023	2022
Life Risk	3.0% - 7.0%	3.0% - 7.0%
Investment contracts with DPF	0.5% - 7.0%	0.5% - 7.0%

For a sensitivity analysis, refer to note 3.1.

21. Insurance contract assets, insurance contract liabilities and reinsurance contract liabilities - continued

21.6 Amounts determined on transition to IFRS 17

For insurance contracts issued by the Company and reinsurance contracts held, an analysis of insurance revenue for insurance contracts issued and the CSM by transition method is included in the following tables.

31 December 2023	Life Risk €'000	Investment contracts with DPF €'000	Total €'000
Insurance contracts issued			
Insurance revenue			
New contracts and contracts measured under the full retrospective approach at transition	(12,905)	(3,241)	(16,146)
Contracts measured under the fair value approach at transition	(138)	(31,427)	(31,565)
	(13,043)	(34,668)	(47,711)
CSM			
New contracts and contracts measured under the full retrospective approach at transition	24,909	8,770	33,679
Contracts measured under the fair value approach at transition	7,285	62,957	70,242
	32,194	71,727	103,921

31 December 2023	Life Risk €'000
Reinsurance contracts held	
CSM	
New contracts and contracts measured under the full retrospective approach at transition	(8,806)
Contracts measured under the fair value approach at transition	(4,157)
	(12,963)

21. Insurance contract assets, insurance contract liabilities and reinsurance contract liabilities - continued

21.6 Amounts determined on transition to IFRS 17 - continued

31 December 2022	Life Risk €'000	Investment contracts with DPF €'000	Total €'000
Insurance contracts issued			
Insurance revenue			
New contracts and contracts measured under the full retrospective approach at transition	(11,714)	-	(11,714)
Contracts measured under the fair value approach at transition	(157)	(35,187)	(35,344)
	(11,871)	(35,187)	(47,058)
CSM			
New contracts and contracts measured under the full retrospective approach at transition	19,868	-	19,868
Contracts measured under the fair value approach at transition	4,607	54,709	59,316
	24,475	54,709	79,184

31 December 2022	Life Risk €'000
Reinsurance contracts held	
CSM	
New contracts and contracts measured under the full retrospective approach at transition	(6,441)
Contracts measured under the fair value approach at transition	(3,413)
	(9,854)

21. Insurance contract assets, insurance contract liabilities and reinsurance contract liabilities - continued

21.6 Amounts determined on transition to IFRS 17 - continued

Expected recognition of the contractual service margin

An analysis of the expected recognition of the CSM remaining at the end of the reporting period in profit or loss is provided in the following table:

As at 31 December 2023	**Life Risk €'000**	**Investment contracts with DPF €'000**	**Total CSM for insurance contracts issued €'000**	**Life Risk €'000**	**Total CSM for reinsurance contracts held €'000**
1	(3, 418)	(6,027)	(9,445)	1,421	1,421
2	(3,144)	(5,560)	(8,704)	1,302	1,302
3	(2,888)	(5,120)	(8,008)	1,193	1,193
4	(2,645)	(4,704)	(7,349)	1,089	1,089
5	(2,424)	(4,374)	(6,798)	994	994
6 – 10	(9,400)	(15,485)	(24,885)	3,823	3,823
> 10	(13,994)	(30,457)	(44,451)	5,394	5,394
Total	**(37,913)**	**(71,727)**	**(109,640)**	**15,216**	**15,216**

As at 31 December 2022	Life Risk €'000	Investment contracts with DPF €'000	Total CSM for insurance contracts issued €'000	Life Risk €'000	Total CSM for reinsurance contracts held €'000
1	(2, 526)	(6,606)	(9,132)	1,055	1,055
2	(2,325)	(5,817)	(8,142)	967	967
3	(2,134)	(5,150)	(7,284)	883	883
4	(1,957)	(4,587)	(6,544)	809	809
5	(1,791)	(4,069)	(5,860)	739	739
6 – 10	(6,967)	(13,659)	(20,626)	2,850	2,850
> 10	(11,031)	(14,821)	(25,852)	4,244	4,244
Total	(28,731)	(54,709)	(83,440)	11,547	11,547

22. Investment contract liabilities

The table shows a reconciliation of the opening to closing balance for the investment contract liabilities.

	2023 €'000	2022 €'000
Opening balance – 1 January	**69,054**	75,922
Contributions received	**50,266**	6,594
Benefits paid	**(3,582)**	(3,173)
Investment return from underlying assets	**8,194**	(10,353)
Asset management fees charged	**(679)**	64
Closing balance – 31 December	**123,253**	69,054

In the above reconciliation, the investment return from the underlying assets represents changes in the fair value of the investment contract liabilities due to changes in market conditions. Asset management services revenue of €1.2m (2022: €0.2m) in the profit or loss includes the asset management fees charged and income from trailer fees.

The above liabilities are substantially non-current in nature.

23. Other payables

	2023 €'000	2022 (restated) €'000
Amount owed to immediate parent company and other related parties (Note 27)	**371**	350
Indirect taxation	**3,472**	2,531
Other creditors	**486**	2,959
Accruals	**5,372**	4,970
Deferred income	**1,326**	709
	11,027	11,519
Current	**10,772**	11,304
Non-current	**255**	215
	11,027	11,519

Deferred income includes front-end fees received from holders of investment contracts without DPF as a prepayment for asset management and related services and rental income received in advance. These amounts are non-refundable and are released to income as the services are rendered.

24. Note to the cash flow statements

Reconciliation of profit before tax to cash generated from operations:

	2023 €'000	2022 (restated) €'000
Profit before tax	14,572	2,466
Adjusted for:		
Amortisation (Note 12)	2,400	600
Depreciation (Note 13)	471	480
ECL	22	-
Investment return	(185,252)	282,814
Movement in:		
Insurance and reinsurance contract assets/liabilities	27,764	(355,328)
Investment contract liabilities	54,199	(6,868)
Other receivables and accrued interest	(151)	(921)
Other payables	(533)	(625)
Cash used in operations	**(86,508)**	(77,382)

25. Leases

The Company leases motor vehicles which run for different periods. Lease payments are subsequently renegotiated to reflect market rates.

Information about leases for which the Company is a lessee is presented below:

(i) Right-of-use assets

Right-of-use assets related to leased motor vehicles are presented as Property, plant and equipment.

	2023 €'000	2022 €'000
Balance on 1 January	45	70
Additions (Note 13)	40	-
Derecognitions (Note 13)	(29)	(46)
Depreciation charge (Note 13)	(22)	(25)
Depreciation released upon derecognition (Note 13)	29	46
Balance on 31 December	63	45

(ii) Amounts recognised in profit or loss

	2023 €'000	2022 €'000
Depreciation of right-of-use assets (Note 13)	22	25
Interest expense on lease liabilities	4	3
	26	28

25. Leases - continued

(iii) Amounts recognised in statement of cash flows

	2023 €'000	2022 €'000
Total cash outflows for leases	31	34

26. Commitments

Capital commitments

Commitments for capital expenditure not provided for in these financial statements are as follows:

	2023 €'000	2022 €'000
Authorised and contracted:		
- property, plant and equipment	42	22
- investment property	1,169	598
- intangible assets	933	1,580
- other investments	35,835	66,087
	37,979	68,287
Authorised but not yet contracted:		
- property, plant and equipment	629	647
- investment property	853	-
- intangible assets	3,957	2,037
	5,439	2,684

Operating lease commitments - where the Company is the lessor

The future minimum lease payments receivable under non-cancellable operating leases are as follows:

	2023 €'000	2022 €'000
Not later than 1 year	5,155	4,876
Later than 1 year and not later than 5 years	7,662	9,197
Later than 5 years	3,113	3,726
	15,930	17,799

27. Related party transactions

In the normal course of business, the Company enters into various transactions with related parties.

On 31 July 2011, MAPFRE Middlesea p.l.c. obtained *de facto* control over the Company without acquiring a further interest in the acquiree. Control was acquired by virtue of a shareholders' agreement following the change in shareholding in MAPFRE Middlesea p.l.c. during the year, which resulted in MAPFRE Internacional S.A. (the "intermediate parent") acquiring a controlling interest in MAPFRE Middlesea p.l.c.. From this date, MAPFRE MSV Life p.l.c. was classified as a subsidiary of MAPFRE Middlesea p.l.c..

Transactions with related parties during the year include, amongst others, transactions with MAPFRE Middlesea p.l.c. (the "immediate parent"), MAPFRE Middlesea p.l.c. group companies, MAPFRE group companies and Bank of Valletta p.l.c. Group (together referred to as "other related parties"). Bank of Valletta p.l.c. is a related party in light of its shareholding in the Company.

Relevant particulars of related party transactions are as follows:

(a) Sale of insurance contracts and other services

	2023 €'000	2022 €'000
Transactions with immediate parent undertaking:		
Premium income	76	60
Transactions with the Company's subsidiary:		
Trailer fee income	-	145
Management fee income	-	24
Transactions with other related parties:		
Commission income	82	-
Movement in claims recoverable	1,301	450
Trailer fee income	-	3
Rental income on investment property	248	230
Other rental income	43	36
Premium income	19	17

27. Related party transactions - continued

(b) Purchase of products and services

	2023 €'000	2022 €'000
Transactions with the immediate parent undertaking:		
Purchase of insurance cover and other services	**173**	197
Claims recovered	**(131)**	-
Reimbursement of expenses for back office support services (Note 6)	**429**	349
Transactions with other related parties:		
Reinsurance premium ceded	**2,137**	333
Commission payable	**-**	120
Staff development training	**-**	3
Computer maintenance	**1,112**	1,023
Capitalisation of software	**324**	290
Reimbursement of expenses for back office support services (Note 6)	**928**	827
Acquisition costs	**2,638**	4,304
Bank charges	**95**	88
Net investment return	**561**	966

Year-end balances arising from the above and other transactions are presented below:

	2023 €'000	2022 €'000
Accrued income from other related parties	**-**	189
Accrued expenses due to related parties	**(45)**	-
Reinsurer's share of claims outstanding	**684**	193
Accruals and deferred income	**(108)**	(102)
Creditors arising out of direct insurance operations – other related parties	**(562)**	(552)
Amounts due to immediate parent company (Note 23)	**(419)**	(307)
Amounts from (due to) other related parties (Note 23)	**48**	(43)
Investments in securities issued by other related parties	**13,288**	7,580
Deposits held with other related parties	**25,214**	155,990

The investments in associated undertakings are disclosed in Note 15.

27. Related party transactions - continued

All the amounts receivable or payable are unsecured, interest free and generally settled in cash.

Total salary remuneration paid by the Company to key management personnel during the year amount to €1.45m (2022: €1.40m).

28. Statutory information

MAPFRE MSV Life p.l.c. is a public limited liability company and is incorporated in Malta.

MAPFRE Middlesea p.l.c. (the "immediate parent") is a company registered in Malta, the registered office of which is Middle Sea House, Floriana, FRN 1442, Malta.

The Company's results are consolidated at MAPFRE Middlesea p.l.c. which are ultimately consolidated at MAPFRE S.A., of which Fundación MAPFRE is the parent. MAPFRE S.A. is a company, the registered office of which is situated at Carretera de Pozuelo 52, Majadahonda 28222, Madrid, Spain. The consolidated Annual Report and Financial Statements are available in the respective companies' websites.