IVALIFE Insurance Limited

Annual Report and Financial Statements 2022

Company Registration Number: C94404

Contents

Directors' Report

For the Year Ended 31 December 2022

The directors present their report together with the audited financial statements of IVALIFE Insurance Limited ("the Company") for the year ended 31 December 2022.

Board of directors

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

Michael Gatt (Chairman)
Kevin Valenzia
Tassos Anastasiou
Marcel Cassar
Julian Mamo
Joseph Said

Principal activities

The Company is authorised to carry on long-term business of insurance in terms of the Insurance Business Act (Chapter 403 of the Laws of Malta) and is regulated by the Malta Financial Services Authority. The principal activity of the Company is to carry on and transact long-term business of insurance Class I (Life and Annuity) and Class III (Linked Long-Term) in and from Malta.

Business review

The year ending 31 December 2022 is the Company's first full operational year, given it was granted regulatory approval to transact long term business of insurance on the 01 February 2021 and commenced operations on 01 March 2021.

It has been a year like no other. As we gradually came to the end of the pandemic, we have witnessed the war in Eastern Europe leading to a global energy crisis. Inflation, the rising interest rates and a cost of living crisis created a sense of apprehension. Inflation surged to a forty year high that led to an unprecedented series of interest-rate increases, adversely impacting the bond market and sending stocks into a bear market that continued into the end of the year.

Nonetheless, given this unprecedented lack of market stability, the insurance portfolio of IVALIFE retained a steady pace of growth, which is an affirmation of customers' trust in the Company.

The product offerings for the year under review were the IVAsecure level term, IVAprotect decreasing term, IVAsave with profits regular premium savings plan, IVAinvest with profits single premium savings plan and Group protection.

As to the performance for the year ended 2022, the Company registered a loss before tax of €2.53m compared to a prior year loss of €1.53m. The current year's results have been unfavourably impacted by the net unrealised / realised loss on investments which in total amounted to €1.37m equivalent to 54% of the reported loss before taxation, compared to a €15k gain as at end of the year 2021. Given that IVALIFE is in its initial years of operation, the reported loss for the year, other than the effect of the adverse impact of the market forces, is in line with the Company's board approved projections. The Company is expected to report positive performance as the insurance activity grows, given the emergence of profits for any long term business undertaking materialises over a number of years due to the long duration of the policies underwritten.

The tax expense for the year of €0.22m increased the deferred tax asset balance to €0.75m. The recognition of this asset is based on the directors' assessment of the Company's approved business plan and forecast. The taxable profits to emerge in the medium term are expected to be sufficient to absorb the losses underlying the deferred tax asset.

The gross premium written for 2022 amounted to €8.6m, €6.4m of which were single premium and the €2.2m comprised individual and group protection and regular savings plans. The claims incurred, net of reinsurance amounted to €76k. The reported loss on the technical account amounted to €1.1m.

The total assets increased by €6.9m, from €11.6m at end of year 2021 to €18.5m as at end of current reporting year. The increase includes the capital injection made by the shareholders totaling €2m. The gross technical provisions as at year end, including both insurance contracts and investment contracts with discretionary participation features totaled €11.8m. The Company's shareholders' funds at the close of 2022 amounted to €5.6m compared to €5.9m at the end of the prior reporting period.

Directors' Report (continued)

IVALIFE's investment activity is managed by its appointed Discretionary Portfolio Managers, managing both the Company's own funds and premium received. The investment strategy of IVALIFE is to hold a diversified range of quality assets including Equities, Bonds (corporate high yield, corporate investment grade and sovereign investment grade) and Cash. This asset diversification, the investment management process and the expertise of the appointed discretionary portfolio managers, positions the Company to capture opportunities in investment markets as these present themselves.

The life fund registered a net decrease of €1.22m which is equivalent to a negative time weighted return of 13.7% on total investments. As a consequence, the annual management charge applicable on the IVAinvest and IVAsave products was waived. Moreover, the Board of Directors declared a bonus rate of zero percent for investment contracts with discretionary participation features for the year ending 31 December 2022. Given the zero percent guarantee inbuilt in these with profits policies, the policyholders have been shielded from the market's negative performance preserving the amount invested net of product applicable charges. Past performance is no guarantee of the future and fair value movements and investment returns have a direct correlation on the bonus rate distributions declared by the Company. Given that the Company has been operative for lesser than two years wherein the investment performance was overall negative, it was unable to create a smoothing reserve, this being the proportion of profits earned during good years which are held back to be distributed in years of poor performance.

The Company opted for the standard formula under the Solvency II regime as the assumptions underlying the standard formula are considered to be a good fit for the Company's risk profile. 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.

Future developments

The past year saw the Company follow up and fulfill its commitment to act on people's needs by enhancing its digitalised service to customers and distributors alike.

We have also widened further our distributors' network to achieve our growth milestones. This will give the Company a good geographical spread offering current and prospective customers good touch points whilst also creating more corporate visibility to help improve brand awareness. In the year to come, the Company remains committed to introducing the individual and occupational retirement plans together with other protection offerings which will consolidate the product suite for IVALIFE.

The way we serve people has never been more important for us as a Company. Delivering on our promise to customers is our purpose to be with you today, for a better tomorrow.

Given the progression of the Company and the updated medium term growth plans, the Directors' have, following their review, held discussions with the Company's shareholders and the Board has expressed its willingness and commitment to raise additional capital before the end of 2024.

Risks and uncertainties

The Company's principal risks and uncertainties are disclosed in Note 4 Critical accounting estimates and judgements, Note 5 Management of insurance and financial risk and Note 17 Insurance and investment contracts with DPF liabilities and reinsurance assets.

The Company is exposed to financial risk through its financial assets, insurance liabilities and reinsurance assets. In particular, the key financial risk is that the proceeds from its financial assets are not sufficient to fund the obligations arising from its insurance and investment contracts, which can be driven by changes in the market value of assets or through changes to expectations on future yields, particularly as a result of prolonged uncertainty due to the ongoing Russian Ukraine conflict and the looming economic slowdown coupled with unprecedented inflationary pressures currently being sustained.

In light of the above, the Company keeps monitoring economic developments and the potential impact on the Company's ability to meet its insurance liabilities. The Company is actively monitoring developments, identifying potential risks, designing and implementing risk mitigation actions to ensure business continuity, limit damages and safeguard its solvency. Moreover, although Covid-19 is close to being declassified from being a pandemic, there may still be a longer term impact on mortality risk, which is as yet undetermined. Changes to assumptions can materially impact the Company's profit and solvency ratio.

The Russian – Ukraine conflict that started mid-February 2022 had magnified uncertainty in all economic sectors including financial services and insurance. The Company actively monitors the developments and assesses the impact of the sanctions currently being imposed. IVALIFE has an insignificant level of exposure to Russian policyholders while no asset exposures to Russia/Ukraine and thus we don't expect any direct impact on our business performance.

Directors' Report (continued)

Nonetheless, the conflict itself created instability within the global economy and continued to stimulate the increasing energy prices and inflation in general. The Company's investment strategy remains solid and has withstood these market perils. Notwithstanding, we continue to monitor closely the ongoing developments and remain vigilant to limiting our exposure to contagion risks arising from the specific sectorial default risk.

Dividends

The Company did not pay any dividend to shareholders during 2022 and the directors do not recommend the payment of a final dividend.

Statement of directors' responsibilities

The directors are required by the Maltese Insurance Business Act, (Chapter 403, Laws of Malta) and the Maltese Companies Act, (Chapter 386, Laws of Malta) to prepare financial statements which give a true and fair view of the state of affairs of the Company at the end of each financial year and of the profit or loss for that year.

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 controls relevant to the preparation and the fair presentation of financial statements that are free from material misstatement, whether due to fraud or error and that comply with the Maltese Companies Act, (Chapter 386, Laws of Malta). 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 IVALIFE Insurance Limited for the year ended 31 December 2022 are included in the Annual Report 2022, which is published in hard-copy printed form and is available on the Company's website. The directors are responsible for the maintenance and integrity of the Annual Report on the website in view of their responsibility for the controls over, and the security of, the website. Access to information published on the Company's website is available in other countries and jurisdictions, where legislation governing the preparation and dissemination of financial statements may differ from requirements or practice in Malta.

Approved by the Board of Directors on 5 April 2023 and signed on its behalf by:

Michael Gatt
Director

Kevin Valenzia
Director

Registered Office

Gaba Building, Level 2

Naxxar Road

Iklin IKL 9026

Malta

Independent auditor's report

To the Shareholders of IVALIFE Insurance Limited

Report on the audit of the financial statements

Our opinion

In our opinion:

- The financial statements give a true and fair view of the financial position of IVALIFE Insurance Limited (the Company) as at 31 December 2022, and of the company's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the EU; and
- The financial statements have been prepared in accordance with the requirements of the Maltese Companies Act (Cap. 386).

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

What we have audited

IVALIFE Insurance Limited's financial statements, set out on pages 14 to 58, comprise:

- the statement of financial position as at 31 December 2022;
- the statement of profit or loss and other comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

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

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

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Independent auditor's report - continued

To the Shareholders of IVALIFE Insurance Limited

Independence

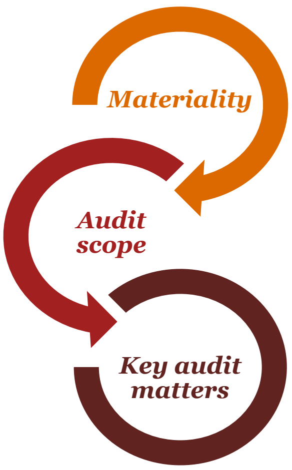
We are independent of the company in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code) together with the ethical requirements of the Accountancy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

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

The non-audit services that we have provided to the company, in the period from 1 January 2022 to 31 December 2022, are disclosed in note 10 to the financial statements.

Our audit approach

Overview



- Overall materiality: €84,300, which represents approximately 1% of gross premiums written.

- Measurement of the life insurance contract liabilities

Independent auditor's report *- continued*

To the Shareholders of IVALIFE Insurance Limited

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

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

Materiality

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

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

Overall materiality	€84,300
How we determined it	Approximately 1% of gross premiums written
Rationale for the materiality benchmark applied	We chose gross premiums written as reflected in the statement of profit or loss as the benchmark because, in our view, it is a key financial statement metric used in assessing the performance of the company and is not as volatile as other profit and loss measures. We selected 1% based on our professional judgement, noting that it is also within the range of commonly accepted revenue-related thresholds.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above €8,430 as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

pwc

Independent auditor's report - *continued*

To the Shareholders of IVALIFE Insurance Limited

Key audit matters

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

Key audit matter	How our audit addressed the Key audit matter
Measurement of the life insurance contract liabilities Management's calculation of the life insurance contract liabilities involves complex and subjective judgements about future events, both internal and external to the business, for which small changes in assumptions can result in material impacts to the valuation of these items. We focused on this area due to the materiality and subjectivity of the judgements made. Economic (reserving interest rate) and non-economic (mortality and expenses associated with servicing policies) assumptions, are the key inputs to which the carrying amounts of these long-term liabilities are highly sensitive. Changes to assumptions can materially impact the Company's estimates of these liabilities. Future estimation uncertainty is heightened as a result of the fact that the Company is only in its second year of operation, and is therefore yet to collate historical data. Relevant references in the financial statements are: • Significant accounting policies: Note 3.1 • Critical accounting estimates and judgements: Note 4.1; and • Note on insurance and investment contracts with DPF liabilities and reinsurance assets: Note 17.	Our audit procedures addressing the valuation and measurement of the company's life insurance contract liabilities included the following procedures using our actuarial expert team members: • we tested the accuracy of the underlying data utilised for the purposes of measurement by reference to its source; • we applied our industry knowledge and experience in comparing the methodology, models and assumptions used to recognised actuarial practices; and • we understood and evaluated the control environment in respect of the valuation and assumption setting processes, and we assessed management's key judgements throughout the processes. In respect of the assumptions underlying the measurement of life insurance contract liabilities, we performed the following procedures using our actuarial expert team members: • we assessed the economic assumptions for investment mix and projected investment returns by reference to company specific and market observable data; • we considered the appropriateness of the mortality assumptions by reference to its source; and we tested the future expense assumption by understanding and challenging the basis on which expenses are projected, and by reference to market observable data (inflation rate).

Independent auditor's report - continued

To the Shareholders of IVALIFE Insurance Limited

Key audit matter	How our audit addressed the Key audit matter
	In respect of all the assumptions referred to above, we have reviewed management's approach to setting the assumptions, assessed the assumptions' appropriateness based on internal and external data (where available), and tested management's governance and controls over the assumptions review process, including over the application of expert judgement. We also reviewed the modelled results by recalculating the liability for a sample of policies. Furthermore, we assessed the appropriateness of disclosures within the financial statements, including reference to related uncertainties brought about by the fact that the Company is in its initial years of operation, and is therefore yet to collate historical data, and sensitivity analysis around the key assumptions. Based on the work performed we found the valuation of the life insurance contract liabilities to be consistent with the explanations and evidence obtained.
Recoverability of deferred tax asset Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profit. As disclosed in Note 21 to the financial statements, the Company has recognised a deferred tax asset of €750,000 representing unutilised tax losses that management expects to recover against profits in the projected period. The respective tax losses do not expire. We focused on this area due to its magnitude and inherent subjectivity. Further disclosure on the recognition of deferred tax asset is included in Note 4.2.	Our audit procedures addressing the recoverability of the deferred tax asset considered the following: • we obtained the projections underlying the recognition of the deferred tax asset; • we challenged management on the basis for the projected profits and we understood the rationale for variations in projected profitability; and • we considered the extent of related disclosures to the financial statements. Based on the work performed, we found the basis for the recognition of the deferred tax asset to be consistent with the explanations and evidence obtained.

Independent auditor's report *- continued*

To the Shareholders of IVALIFE Insurance Limited

Other information

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

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

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

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

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

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

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

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

Auditor's responsibilities for the audit of the financial statements

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

Independent auditor's report - continued

To the Shareholders of IVALIFE Insurance Limited

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

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

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

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

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

Independent auditor's report - continued

To the Shareholders of IVALIFE Insurance Limited

Report on other legal and regulatory requirements

The *Annual Report and Financial Statements 2022* contains other areas required by legislation or regulation on which we are required to report. The Directors are responsible for these other areas.

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

Area of the *Annual Report and Financial Statements 2022 and the related Directors'* responsibilities	Our responsibilities	Our reporting
Directors' report (on pages 1 to 3) The Maltese Companies Act (Cap. 386) requires the directors to prepare a Directors' report, which includes the contents required by Article 177 of the Act and the Sixth Schedule to the Act.	We are required to consider whether the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements. We are also required to express an opinion as to whether the Directors' report has been prepared in accordance with the applicable legal requirements. In addition, we are required to state whether, in the light of the knowledge and understanding of the Company and its environment obtained in the course of our audit, we have identified any material misstatements in the Directors' report, and if so to give an indication of the nature of any such misstatements.	In our opinion: • the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and • the Directors' report has been prepared in accordance with the Maltese Companies Act (Cap. 386). We have nothing to report to you in respect of the other responsibilities, as explicitly stated within the *Other information* section.

Independent auditor's report - continued

To the Shareholders of IVALIFE Insurance Limited

Area of the *Annual Report and Financial Statements 2022 and the related Directors'* responsibilities	Our responsibilities	Our reporting
	Other matters on which we are required to report by exception We also have responsibilities under the Maltese Companies Act (Cap. 386) to report to you if, in our opinion: • adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us. • the financial statements are not in agreement with the accounting records and returns. we have not received all the information and explanations which, to the best of our knowledge and belief, we require for our audit.	We have nothing to report to you in respect of these responsibilities.

Independent auditor's report *- continued*

To the Shareholders of IVALIFE Insurance Limited

Other matter – use of this report

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

Appointment

We were first appointed as auditors of the Company on 22 October 2020. Our appointment has been renewed annually by shareholder resolution representing a total period of uninterrupted engagement appointment of 3 years.

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

Simon Flynn
Partner

5 April 2023

Statement of Financial Position as at 31 December 2022

	Notes	2022 €	2021 €
Assets			
Tangible assets			
– Leasehold improvements	13	**575**	862
– Plant and equipment	13	**23,263**	30,212
– Right-of-use assets	15	**-**	7,288
Intangible assets	14	**2,781,138**	1,549,596
Financial investments:			
– Equities	16	**903,271**	496,030
– Debt securities	16	**7,235,225**	1,990,063
– Collective investment schemes	16	**5,090,085**	5,595,721
Reinsurance assets	17	**404,574**	316,261
Deferred taxation	21	**750,000**	534,399
Insurance and other receivables	18	**748,918**	911,246
Cash at bank	19	**622,573**	196,410
Total assets		**18,559,622**	11,628,088
Liabilities			
Insurance liabilities:			
– Claims outstanding	17	**85,368**	222,355
– Insurance Contracts	17	**690,662**	394,723
Investment Contracts with DPF	17	**11,127,755**	4,470,376
Insurance and other payables	20	**1,068,373**	642,373
Total liabilities		**12,972,158**	5,729,827
Net assets		**5,587,464**	5,898,261
Shareholders' equity			
Share capital	24	**9,500,000**	7,500,000
Retained earnings		**(3,912,536)**	(1,601,739)
Total shareholders' equity		**5,587,464**	5,898,261

The notes on pages 19 to 58 are an integral part of these financial statements. The financial statements on pages 14 to 58 were approved and authorised for issue by the Board of Directors on 5 April 2023 and signed on its behalf by:

Michael Gatt
Director

Kevin Valenzia
Director

Statement of Profit or Loss and Other Comprehensive Income for the year ended 31 December 2022

	Notes	2022 €	2021 €
Technical Statement			
Earned premiums, net of reinsurance			
Gross premiums written	6	**8,615,536**	5,214,310
Outward reinsurance premiums		**(549,784)**	(163,431)
Net earned premium		**8,065,752**	5,050,879
Other technical income	7	**14,185**	2,989
		8,079,937	5,053,868
Claims incurred and benefits accrued, net of reinsurance			
Claims paid:			
– Gross amount	17	**(499,010)**	-
– Reinsurers' share	17	**399,010**	-
		(100,000)	-
Change in provision for claims:			
– Gross amount	17	**136,987**	(222,355)
– Reinsurers' share	17	**(112,597)**	172,355
		24,390	(50,000)
Change in technical provisions, net of reinsurance			
Long term business:			
– Gross amount	17	**(295,939)**	(394,723)
– Reinsurers' share	17	**76,433**	70,476
Investment contracts with DPF – net	17	**(6,657,379)**	(4,470,376)
		(6,876,885)	(4,794,623)
Net operating expenses			
Net investment management charges	8	**-**	29,843
Acquisition costs	9	**(1,261,515)**	(1,086,569)
Administrative expenses	10	**(975,738)**	(620,345)
Balance on the Technical Statement		**(1,109,811)**	(1,467,826)

The notes on pages 19 to 58 are an integral part of these financial statements.

Statement of Profit or Loss and Other Comprehensive Income for the year ended 31 December 2022 - *continued*

	Notes	**2022** €	2021 €
Non-Technical Statement			
Balance on the Technical Statement		**(1,109,811)**	(1,467,826)
Administrative expenses	10	**(108,415)**	(68,927)
Net Investment (expense)/income	8	**(1,308,172)**	9,900
Loss before tax		**(2,526,398)**	(1,526,853)
Income tax	12	**215,601**	534,399
Loss for the year – Total Comprehensive Income		**(2,310,797)**	(992,454)

The notes on pages 19 to 58 are an integral part of these financial statements.

Statement of Changes in Equity for the year ended 31 December 2022

	Note	*Share capital*	*Retained earnings*	*Total equity*
		€	**€**	**€**
Balance at the beginning of the year		1,500,000	(609,285)	890,715
Comprehensive income for the year				
Loss for the year		–	(992,454)	(992,454)
Total comprehensive income for the year		–	(992,454)	(992,454)
Transactions with owners, recorded directly in equity				
Issue of share capital – total transactions with owners	24	6,000,000	–	6,000,000
Balance at 31 December 2021		7,500,000	(1,601,739)	5,898,261
Balance at 1 January 2022		**7,500,000**	**(1,601,739)**	**5,898,261**
Comprehensive income for the year				
Loss for the year		**–**	**(2,310,797)**	**(2,310,797)**
Total comprehensive income for the year		**–**	**(2,310,797)**	**(2,310,797)**
Transactions with owners, recorded directly in equity				
Issue of share capital – total transactions with owners	24	**2,000,000**	**–**	**2,000,000**
Balance at 31 December 2022		**9,500,000**	**(3,912,536)**	**5,587,464**

The notes on pages 19 to 58 are an integral part of these financial statements.

Statement of Cash Flows for the year ended 31 December 2022

	Notes	2022 €	2021 €
Cash flows from operating activities			
Cash generated from operating activities	23	**5,491,963**	2,463,850
Claims paid		**(499,010)**	–
Recoveries received		**399,010**	–
Tax paid		**–**	–
Net cash from operating activities		**5,391,963**	2,463,850
Cash flows from investing activities			
Acquisition of tangible assets	13	**(4,768)**	(17,212)
Acquisition of intangible assets	14	**(649,732)**	(571,624)
Acquisition of investments (net of disposals)		**(6,311,300)**	(8,050,376)
Net cash used in investing activities		**(6,965,800)**	(8,639,212)
Cash flows from financing activities			
Proceeds from issue of share capital	24	**2,000,000**	6,000,000
Payment of lease liabilities		**–**	(18,230)
Net cash from financing activities		**2,000,000**	5,981,770
Net increase/(decrease) in cash and cash equivalents		**426,163**	(193,592)
Cash and cash equivalents at 1 January		**196,410**	390,002
Cash and cash equivalents at 31 December	19	**622,573**	196,410

The notes on pages 19 to 58 are an integral part of these financial statements.

Notes to the Financial Statements

1 Reporting entity

IVALIFE Insurance Limited (also referred to as the "Company") is a limited liability Company incorporated and domiciled in Malta with registration number C94404. The Company was incorporated on 24 December 2019 as Vitae Life Limited and later changed its name to IVALIFE Limited. In January 2021, the Company's corporate name was changed from IVALIFE Limited to IVALIFE Insurance Limited.

On 1 February 2021, the Malta Financial Services Authority (MFSA) granted regulatory approval to the Company to carry on business of insurance under the Insurance Business Act (Cap. 403). Under the said regulatory approval, the Company is licensed to provide long-term insurance business in relation to Class I - Life and Annuity and Class III - Linked Long-Term.

The Company commenced operations on 1 March 2021.

2 Basis of preparation

2.1 Statement of compliance

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

The balance sheet 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.

2.2 Basis of measurement

The financial statements have been prepared on a historical cost basis except for the financial instruments which are measured at fair value through profit or loss.

2.3 Functional and presentation currency

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

2.4 Use of estimates and judgements

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

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any further periods affected.

In particular, information about significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in Note 4.

2.5 Standards, interpretations and amendments to published standards effective in 2022

In 2022, the Company adopted new standards, amendments and interpretations to existing standards that are mandatory for the Company's accounting period beginning on 1 January 2022. The adoption of these revisions to the requirements of IFRSs as adopted by the EU did not result in substantial changes to the Company's accounting policies and financial statements.

Notes to the Financial Statements

2 Basis of preparation - *continued*

2.6 New standards, interpretations and amendments to published standards not yet adopted

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2022, and have not been applied in preparing these financial statements. The Company is considering the implications of the below standard on the Company's financial results and position, and the timing of its adoption, taking cognisance of the endorsement process by the European Commission.

Minor amendments to IFRSs

The IASB has published a number of minor amendments to IFRSs which are effective after 1 January 2022, some of which have been endorsed for use in the EU. The company expects they will have an insignificant effect, when adopted, on the financial statements of the company. The company has not early adopted any of the amendments effective after 31 December 2022.

Standards issued but not yet effective

IFRS 17 replaces IFRS 4 "Insurance Contracts" and is effective for annual periods beginning on or after 1 January 2023, with early adoption permitted. The Company will apply IFRS 17 for the first time on 1 January 2023. This standard will bring significant changes to the accounting for insurance contracts, investment contracts with discretionary participation features ("DPF") and reinsurance contracts and is expected to have material impact on the Company's financial statements in the period of initial recognition.

The anticipated changes in the recognition and measurement of insurance contracts, investment contracts with DPF and reinsurance contracts held and, the changes in presentation and disclosures and the transition approach followed are described below.

1. Changes in accounting policies, presentation and disclosures

1.1. Definition and classification of insurance contracts

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, will be considered on a contract-by-contract basis at the contract issue date. The Company will use judgement to assess whether a contract transfers insurance risk (that is, if there is a scenario with commercial substance in which the Company has the possibility of a loss on a present value basis) and whether the accepted insurance risk is significant.

The Company will determine whether it has significant insurance risk by comparing benefits payable after an insured event occurs with benefits payable if the insured event did not occur. The Company issues contracts under which it accepts significant insurance risk from its policyholders, which are classified as insurance contracts.

Some investment contracts contain discretionary participation features ("DPF"), whereby the investor has the right and is expected to receive, as a supplement to the amount not subject to the Company's discretion, potentially significant additional benefits based on the return of specified pools of investment assets.

The Company issues investment contracts with DPF which are linked to the same pool of assets as insurance contracts and have economic characteristics similar to those of insurance contracts. The Company shall account for these contracts applying IFRS 17.

The Company expects to classify its contracts as direct participating contracts or contracts without direct participation features.

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

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

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

Notes to the Financial Statements

2 Basis of preparation - *continued*

2.6 New standards, interpretations and amendments to published standards not yet adopted - *continued*

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

In addition to issuing insurance contracts, the Company holds reinsurance contracts to mitigate certain risk exposures. A reinsurance contract is an insurance contract issued by a reinsurer to compensate the Company for claims arising from one or more insurance contracts issued by the Company. These are quota share reinsurance contracts. For reinsurance contracts held by the Company, even if they do not expose the issuer (the reinsurer) to the possibility of a significant loss they would still be deemed to transfer significant insurance risk if they transfer substantially all of the insurance risk relating to the reinsured portions of the underlying insurance contracts to the reinsurer.

1.2. Separating components from insurance contracts

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

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

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

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

The Company shall assess its insurance contracts to determine whether they contain any derivatives or investment components or promises to transfer to policyholders distinct goods or services other than insurance coverage and investment services which must be accounted for under a different IFRS than IFRS 17.

The Company shall apply IFRS 17 to all remaining components of the host insurance contract.

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

To determine whether a single legal contract does not reflect the substance of the transaction and its insurance components recognised and measured separately instead, the Company will consider whether there is an interdependency between the different risks covered, whether components can lapse independently of each other and whether the components can be priced and sold separately.

When the Company enters into one legal contract with different insurance components operating independently of each other, insurance components are recognised and measured separately applying IFRS 17.

Concerning the contracts with supplementary benefits (riders) the Company will determine if the legal contract reflects the substance of the transaction and if so the insurance components will not be separated.

Notes to the Financial Statements

2 Basis of preparation - *continued*

2.6 New standards, interpretations and amendments to published standards not yet adopted - *continued*

1.3. Aggregation level

The Company shall identify portfolios by aggregating insurance contracts that are subject to similar risks and managed together. The Company expects that all contracts within each product line, as defined for management purposes, have similar risks and, therefore, would represent a portfolio of contracts when they are managed together.

Reinsurance contracts held will be grouped into portfolios taking into consideration the nature of the risk and the type of reinsurance cover.

Each portfolio will be further subdivided into groups of contracts to which the recognition and measurement requirements of IFRS 17 will be applied. At initial recognition, the Company will segregate contracts into cohorts based on when they were issued. A cohort will contain all contracts that were issued within a 12-month period. Each annual cohort will be further disaggregated into three groups of contracts:

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

The Company will make an evaluation of whether a set of contracts can be treated together in making the profitability assessment based on reasonable and supportable information. In the absence of such information the Company will assess each contract individually. If insurance contracts within a portfolio would fall into different groups only because law or regulation specifically constrains the Company's practical ability to set a different price or level of benefits for policyholders with different characteristics, the Company may include those contracts in the same group.

The determination of whether a contract or a group of insurance contracts issued is onerous will be based on the expectations as at the date of initial recognition, with fulfilment cash flow expectations determined on a probability-weighted basis. The Company will determine the appropriate level at which reasonable and supportable information would be available to assess whether the contracts are onerous at initial recognition and whether the contracts not onerous at initial recognition have a significant possibility of becoming onerous subsequently.

A similar assessment will be performed for reinsurance contracts held to determine the contracts for which there is a net gain at initial recognition or whether contracts for which there is not a net gain at initial recognition have a significant possibility of a net gain subsequently.

The composition of groups established at initial recognition will not be subsequently reassessed.

1.4. Initial Recognition

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

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

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

The Company will recognise a group of reinsurance contracts held:

- if the reinsurance contracts provide proportionate coverage, at the later of the beginning of the coverage period of the group, or the initial recognition of any underlying contract;
- in all other cases, from the beginning of the coverage period of the first contract in the group.

Notes to the Financial Statements

2 Basis of preparation - *continued*

2.6 New standards, interpretations and amendments to published standards not yet adopted - *continued*

If the Company enters into the reinsurance contract held at or before the date when an onerous group of underlying contracts will be recognised prior to the beginning of the coverage period of the group of reinsurance contracts held, the reinsurance contract held will be recognised at the same time as the group of underlying insurance contracts is recognised. The Company shall add new contracts to the group when they meet the recognition criteria.

1.5. Contract Boundaries

Insurance contracts

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

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

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

A substantive obligation to provide services ends when:

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

Reinsurance contracts

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

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

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

Given that the company purchases reinsurance on a risks attaching basis, the boundary of a reinsurance contract held includes cash flows resulting from the underlying contracts covered by the reinsurance contract. This includes cash flows from insurance contracts that are expected to be issued by the Company in the future if these contracts are expected to be issued within the boundary of the reinsurance contract held.

1.6. Insurance acquisition cashflows

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

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

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

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

Notes to the Financial Statements

2 Basis of preparation - *continued*

2.6 New standards, interpretations and amendments to published standards not yet adopted - *continued*

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

Impairment

At each reporting date, if facts and circumstances indicate that an asset for insurance acquisition cash flows may be impaired, then the Company shall recognise an impairment loss in profit or loss so that the carrying amount of the asset does not exceed the expected net cash inflow for the related group and in case that the asset relates to future renewals, an impairment loss will be recognised in profit or loss to the extent that it expects those insurance acquisition cash flows to exceed the net cash inflow for the expected renewals and this excess has not already been recognised as an impairment loss as mentioned above.

The Company shall reverse any impairment losses in profit or loss and increase the carrying amount of the asset to the extent that the impairment conditions have improved.

1.7. Measurement of Insurance contracts issued

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

The liability for incurred claims (“LIC”) shall include the Company’s liability to pay valid claims for insured events that have already incurred, other incurred insurance expenses arising from past coverage service and it shall include the Company’s liability to pay amounts the Company is obliged to pay the policyholder under the contract, including repayment of investment components, when a contract is derecognised. The estimate of LIC shall comprise the fulfilment cash flows related to current and past service allocated to the group at the reporting date.

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

1.7.1. Measurement on initial recognition

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

Fulfilment Cashflows (“FCF”)

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

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

The Company shall estimate future cash flows considering a range of scenarios which have commercial substance and give a good representation of possible outcomes. The cash flows from each scenario are probability-weighted and discounted using current assumptions.

The Company shall estimate FCF at the group level.

Risk Adjustment (“RA”)

The risk adjustment for non-financial risk for a group of contracts, determined separately from the other estimates, is the compensation required for bearing uncertainty about the amount and timing of the cash flows that arises from non-financial risk. The risk adjustment shall also reflect the degree of diversification benefit the Company will include when determining the compensation, it will require for bearing that risk; and both favourable and unfavourable outcomes, in a way that will reflect the Company’s degree of risk aversion.

The Company will likely use the Value at risk method in estimating the risk adjustment.

Notes to the Financial Statements

2 Basis of preparation - *continued*

2.6 New standards, interpretations and amendments to published standards not yet adopted - *continued*

Time value of money and financial risks

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

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

In determining discount rates for the cash flows that do not vary based on the returns of underlying items, the Company will likely use the 'bottom-up approach' to estimate discount rates.

Contractual Service Margin ("CSM")

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

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

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

The Company will determine, at initial recognition, the group's coverage units. Subsequently, the group's CSM will be allocated based on the coverage units provided in the respective period.

1.7.2. Subsequent measurement of contracts

Changes in fulfilment cash flows

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

Experience adjustments would be the difference between:

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

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

Experience adjustments relating to future service will be included in the LRC by adjusting the CSM.

Adjustments to the CSM - Insurance contracts without direct participation features

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

- the effect of any new contracts added to the group in the reporting period
- interest accreted on the carrying amount of the CSM during the reporting period, measured at the discount rates at initial recognition
- the changes in fulfilment cash flows relating to future service, except to the extent that:
  - such increases in the fulfilment cash flows exceed the carrying amount of the CSM, giving rise to a loss; or
  - such decreases in the fulfilment cash flows are allocated to the loss component of the liability for remaining coverage

Notes to the Financial Statements

2 Basis of preparation - *continued*

2.6 New standards, interpretations and amendments to published standards not yet adopted - *continued*

- the effect of any currency exchange differences on the CSM
- the amount recognised as insurance revenue because of the transfer of services in the period, determined by the allocation of the CSM remaining at the end of the reporting period (before any allocation) over the current and remaining coverage period.

The locked-in discount rate is the weighted average of the rates applicable at the date of initial recognition of contracts that joined a group over a 12-month period.

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

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

Except for changes in the risk adjustment, adjustments to the CSM noted above will be measured at discount rates that reflect the characteristics of the cash flows of the group of insurance contracts at initial recognition.

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

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

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

Adjustments to the CSM – contracts with direct participation features

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

- the obligation to pay the policyholder an amount equal to the fair value of the underlying items; and
- a variable fee in exchange for future services provided by the contracts, being the amount of the Company's share of the fair value of the underlying items less fulfilment cash flows that do not vary based on the returns on underlying items.

Subject to the successful completion of the Variable Fee Approach ('VFA') eligibility exercise, when measuring a group of direct participating contracts, the Company intends to adopt the VFA and will therefore adjust the fulfilment cash flows for the whole of the changes in the obligation to pay policyholders an amount equal to the fair value of the underlying items. These changes do not relate to future services and will be recognised in profit or loss. The Company would then adjust 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.

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

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

Notes to the Financial Statements

2 Basis of preparation - *continued*

2.6 New standards, interpretations and amendments to published standards not yet adopted - *continued*

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

Reinsurance contracts that the company holds are not eligible for the VFA. Furthermore, any contracts that are not eligible for the VFA must be measured under the GMM.

Onerous Contracts

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

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

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

The Company will determine the systematic allocation of insurance service expenses incurred based on the percentage of loss component to the total outflows included in the LRC, excluding any investment component amount.

Any subsequent decreases relating to future service in fulfilment cash flows allocated to the group arising from changes in estimates of future cash flows and the risk adjustments for non-financial risk will be allocated first only to the loss component, until it is exhausted. Once it is exhausted, any further decreases in fulfilment cash flows relating to future service will create the group's CSM.

1.8. Measurement of reinsurance contracts held

The same accounting policies will be applied as for insurance contracts issued to measure a group of reinsurance contracts held, adapted where necessary to reflect features that differ from those of insurance contracts.

1.9. Insurance contracts – modification and derecognition

The Company will derecognise insurance contracts when:

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

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

On derecognition of a contract from within a group of contracts:

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

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

1.10. Investment contracts with discretionary participation features

Since the Company also issues insurance contracts, the Company will apply IFRS 17 to any issued investment contracts with discretionary participation features. Subject to finalisation of the VFA eligibility assessment, the Company intends to apply the VFA, although this assessment is still in progress.

Notes to the Financial Statements

2 Basis of preparation - *continued*

2.6 New standards, interpretations and amendments to published standards not yet adopted - *continued*

The Company shall recognise investment contracts with DPF at the date when the Company becomes a party to the contract. The investment contracts with DPF will be aggregated in the same manner as insurance contracts. The Company shall identify portfolios of such investment contracts with DPF. Within that portfolio, the Company will aggregate them based on three expected profitability levels (groups of onerous contracts, groups of contracts that have no significant possibility of becoming onerous subsequently, and groups that are neither onerous nor have no significant possibility of becoming onerous subsequently). Groups will only comprise of contracts issued not more than a year apart.

At initial recognition, similar to insurance contracts, the Company estimates the fulfilment cash flows based on the present value of expected future cash flows and a risk adjustment for non-financial risk. Any expected net inflows are accounted for as the initial CSM.

In estimating future cash flows, the Company will consider the contract boundary which shall only include cash flows if they result from a substantive obligation of the Company to deliver cash at a present or future date.

In estimating the risk adjustment for non-financial risk for investment contracts with DPF, the Company will consider other non-financial risks, such as the risks arising from the contract holder behaviour, e.g., lapse risk and expense risk.

The Company will discount cash flows using discount rates that reflect the characteristics of the fulfilment cash flows, including the extent of their dependency on the fair value of the underlying items.

The Company shall allocate the CSM over the group's whole duration period in a systematic way reflecting the transfer of investment services under a contract. The Company will measure investment contracts with DPF at initial recognition as detailed in 1.7.1 "Measurement on initial recognition" and at subsequent measurement in accordance with 1.7.2 "Subsequent measurement of contracts" "Adjustments to the CSM – Contracts with direct participation features".

1.11. Measurement - Significant judgements and estimates

IFRS 17 will entail a number of significant judgements and estimates, including inter alia in relation to the estimates of future cash flows, determination of discount rates, estimation of the risk adjustment and CSM.

1.12. Presentation

IFRS 17 will significantly change how insurance contracts and investment contracts with DPF issued and reinsurance contracts held are presented and disclosed in the Company's financial statements.

The Company shall present separately, in the statement of financial position, the carrying amount of portfolios of:

- insurance contracts and investment contracts with DPF issued that are assets,
- insurance contracts and investment contracts with DPF issued that are liabilities,
- reinsurance contracts held that are assets,
- reinsurance contracts held that are liabilities.

Any assets or liabilities for insurance acquisition cash flows recognised before the corresponding insurance contracts will be included in the carrying amount of the related portfolio of contracts.

The Company will disaggregate the total amount recognised in the statement of profit or loss and other comprehensive income into an insurance service result, comprising insurance revenue and insurance service expense, and insurance finance income or expenses.

The Company will not disaggregate the change in risk adjustment for non-financial risk between a financial and non-financial portion and will include the entire change as part of the insurance service result.

The Company will separately present income or expenses from reinsurance contracts held from the expenses or income from insurance contracts and investment contracts with DPF issued.

1.13 Transition approach and impact

Changes in accounting policies resulting from the adoption of IFRS 17 will likely be applied using the full retrospective approach.

The Company will likely apply the full retrospective approach on transition for all groups of insurance contracts and investment contracts with DPF it issues and reinsurance contracts it holds as it concluded that the reasonable and supportable information that are necessary to apply the full retrospective approach are available.

Notes to the Financial Statements

2 Basis of preparation - *continued*

2.6 New standards, interpretations and amendments to published standards not yet adopted - *continued*

Applying the full retrospective approach, the Company will:

- identify, recognise and measure each group of insurance contracts as if IFRS 17 had always applied;
- identify, recognise and measure any assets for insurance acquisition cash flows as if IFRS 17 had always applied;
- derecognise previously reported balances that would not have existed if IFRS 17 had always been applied. These shall include deferred acquisition costs for insurance contracts and insurance receivables and payables. Under IFRS 17, they are included in the measurement of the insurance contracts;
- and recognise any resulting net difference in equity.

The Company has started a project to implement IFRS 17 and expects that the new standard will have an impact on the Company's results and financial position both upon transition and subsequent reporting periods. The impact however cannot be reliably quantified currently because the IFRS 17 implementation project is ongoing and has not been finalised yet.

3 Significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below.

3.1 Insurance and investment contracts

3.1.1 Classification

The Company issues contracts that transfer insurance risk and/or financial risk.

Insurance contracts are those contracts that transfer significant insurance risk. Such contracts may also transfer financial risk. As a general guideline, the Company defines significant insurance risk as the possibility of having to pay benefits on the occurrence of an insured event that are at least 10% more than the benefits payable if the insured event did not occur.

Investment contracts are those contracts that transfer financial risk with no significant insurance risk. Also refer to note 3.1.2.

Investment contracts contain a Discretionary Participation Feature (DPF). This feature entitles the holder to receive, as a supplement to guaranteed benefits, additional 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 contractually based on investment returns on a specified pool of assets held by the Company.

Board policy and the terms and conditions of these contracts set out the bases for the determination of the amounts on which the additional discretionary benefits are based and within which the Company may exercise its discretion as to the amount and timing of their payment to contract holders. At least 90% of the eligible investment return must be attributed to contract holders as a group while the amount and timing of the distribution to individual contract holders is at the discretion of the Company, subject to the advice of the Approved Actuary.

Notes to the Financial Statements

3 Significant accounting policies - *continued*

3.1 Insurance and investment contracts - *continued*

3.1.2 Recognition and measurement of contracts

A liability for contract benefits that is expected to be incurred in the future is recorded when the premiums are recognised. The liability is determined by a discounted cash flow approach incorporating margins for adverse deviations in the assumptions. The liability is based on assumptions as to mortality, maintenance expenses and investment income.

The liabilities are recalculated by the Company at each reporting date using the assumptions established at the measurement date.

Insurance contracts

Group insurance contracts insure human life events and are renewable annually. Individual insurance contracts are for a minimum duration of 5 years and these contracts insure human life events over a long duration. Premiums are accounted for on a receivable basis, in which case, insurance premiums are recognised in profit or loss and simultaneously within liabilities.

Death benefits are recorded as an expense when they are incurred.

Investment contracts with DPF

Savings with-profit contracts contain a DPF that entitles the holders to a credit of bonus declared by the Company from the DPF investment income (i.e. all interest and, realised and unrealised gains and losses arising from assets backing these contracts) accumulated to date. The Company has an obligation to eventually pay to contract holders up to 90% of the DPF eligible investment return. Any portion of this investment return that is not declared as a bonus and credited to the individual contract holders is reserved as a liability for the benefit of all contract holders until declared and credited to them individually in future periods.

Where the resulting liability is lower than the sum of the amortised cost of the guaranteed element of the contract and the intrinsic value of the surrender option embedded in the contract, it is adjusted and any shortfall is recognised immediately in the income statement.

Reinsurance

Contracts entered into by the Company with reinsurers under which the Company is compensated for losses on one or more contracts issued by the Company and that meet the classification requirements for insurance contracts as described above are classified as reinsurance contracts held.

The Company cedes reinsurance in the normal course of business for the purpose of limiting its net loss potential through the diversification of its risks. Reinsurance arrangements do not relieve the Company from its direct obligations to its policyholders.

Outward reinsurance premiums are accounted for in profit or loss on an accruals basis and consequently any portion of reinsurance premium pertaining to risk that is unexpired is deferred within reinsurance assets.

Premiums ceded and benefits reimbursed are presented in the primary statements on a gross basis. The company is only exposed to credit risk in this respect, and assets and liabilities are therefore not set off.

Only contracts that give rise to a significant transfer of insurance risk are accounted for as insurance. Amounts recoverable under such contracts are recognised in the same year as the related claim.

The benefits to which the Company is entitled under its reinsurance contracts held are recognised as reinsurance assets. These assets consist principally of longer term receivables (classified as reinsurance assets) that are dependent on expected claims and benefits arising under the related reinsured insurance contracts. Amounts recoverable from or due to reinsurers are measured consistently with the amounts associated with the reinsured insurance contracts and in accordance with the terms of each reinsurance contract. Reinsurance liabilities are primarily premiums payable for reinsurance contracts and are recognised as an expense when due.

Notes to the Financial Statements

3 Significant accounting policies - *continued*

3.1 Insurance and investment contracts - *continued*

3.1.2 Recognition and measurement of contract - *continued*

Reinsurance - continued

The Company assesses its reinsurance assets for impairment. If there is objective evidence that the reinsurance asset is impaired, the Company reduces the carrying amount of the reinsurance asset to its recoverable amount and recognises that impairment loss in the profit or loss. The Company gathers the objective evidence that a reinsurance asset is impaired using the same process adopted for financial assets held at amortised cost stipulated in IAS 39. The impairment loss is calculated using an incurred loss approach since these assets are within the scope of IFRS 4 and not IFRS 9. These processes are described in note 3.9.

Liability adequacy test

Contract liabilities are tested for adequacy by discounting current estimates of all future contractual cash flows and comparing this amount to the carrying value of the liability. Where a shortfall is identified, an additional provision is made and the Company recognises the deficiency in profit or loss for the year.

Receivables and payables related to insurance contracts and investment contracts with DPF

Receivables and payables are recognised when due. These include amounts due to and from tied insurance intermediaries, agents, brokers and insurance contract holders which primarily comprise insurance receivables. If there is objective evidence that the insurance receivable is impaired, the Company reduces the carrying amount of the insurance receivable accordingly and recognises that impairment loss in the income statement. The Company gathers the objective evidence that insurance receivables are impaired using the same process adopted for reinsurance assets. The impairment loss is calculated under the same method as described in note 3.9 since premium receivables arise from insurance contracts and fall within the scope of IFRS 4 and not IFRS 9.

3.2 Revenue

3.2.1 Insurance and investment contracts with DPF

The accounting policy in relation to revenue from insurance and investment contracts with DPF is disclosed in note 3.1.

3.2.2 Fees and commission income

Fees and commission income includes fees on investment management services contracts and are recognised in profit or loss as the services are provided.

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

- Front-end fees are charged to the client on inception. This approach is used particularly for single and regular premium contracts; and
- Regular fees are charged to the customer periodically (monthly, quarterly or annually) directly.

Fees, commission and customer charges other than front end fees vary depending on the net asset value of the assets. The income is calculated periodically as a percentage of these amounts and cannot be clawed back. These fees are therefore recognised in profit or loss when the fees are charged to the net asset value of the assets.

Surrender charges and policy administration charges are recognised in profit or loss when the service is provided.

3.2.3 Investment income

Interest income is recognised as it accrues in profit or loss, using the effective interest method. Dividend income is recognised in profit or loss on the date the Company's right to receive payment is established which, in the case of quoted securities is usually the ex-dividend date.

Policyholders' fund financial income and expenses are accounted for through the Technical Statement, while shareholders' fund financial income and expenses are accounted for through the non-Technical Statement of Profit or Loss.

Notes to the Financial Statements

3 Significant accounting policies – *continued*

3.3 Tax

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

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

Deferred tax is recognised, using the liability method, in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised for unused tax losses, 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 utilised. 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.

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 taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

3.4 Foreign currency transactions

Transactions in foreign currencies are translated to the Company's functional currency at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate ruling at that date. Foreign currency gains and losses arising on retranslation are recognised in profit or loss.

Translation differences on financial assets and liabilities held at fair value through profit or loss are reported as part of the fair value gain or loss.

3.5 Leases

<u>Company as a lessee</u>

Under IFRS 16, Leases, a contract is (or contains) a lease if the contract conveys the right to control the use of an identified asset for period of time in exchange for consideration. IFRS 16 requires lessees to recognise a right-of-use asset representing its right to use the underlying assets and a lease liability representing its obligation to make lease payments. Assets and liabilities arising from a lease are initially measured on a present value basis at the lease commencement date.

The right-of-use asset is initially measured at cost, which comprises the initial measurement of the lease liability, any lease payments made at or before the commencement date, any initial direct and restoration costs incurred less any lease incentive received (if any).

The lease liability is initially measured at the present value of the lease payments discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for the Company's lease arrangement, the Company's incremental borrowing rate being the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. To determine the incremental borrowing rate, the Company uses as a starting point third-party financing rate applicable had the Company received financing and makes adjustments specific to the lease such as the lease term. The incremental borrowing rate applied to the lease liabilities on the start of the lease contract was 5.50%.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date over the shorter of the asset's useful life and lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The Company leases an office space having an original lease period of 5 years until 14 June 2025. The term of the lease is not subject to any extension option. The Company exercised its option to exit by 14 June 2023 as operations are intended to move to different leased premises. The Company's right-of-use asset is depreciated over 2 years.

Notes to the Financial Statements

3 Significant accounting policies – *continued*

3.5 Leases - *continued*

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in rate or when the Company changes its assessment of whether it will exercise a purchase, extension, or termination option. Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

3.6 Property and equipment

3.6.1 Recognition and measurement

Items of property and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset.

When parts of an item of property and equipment have different useful lives, they are accounted for as separate components of property and equipment.

The gain or loss on disposal of an item of property and equipment are determined by comparing the proceeds from disposal with the carrying amount of property and equipment, and is recognised net within other income/other expense in profit or loss.

3.6.2 Subsequent costs

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

3.6.3 Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed and if a component has a useful life that is different from the remainder of that asset, that component is depreciated separately.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property and equipment.

The estimated useful lives for the current and comparative periods are as follows:

– Leasehold improvements	5 years
– Furniture and fittings	5 years
– Computer equipment	4 years
– Office equipment	5 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

3.7 Intangible assets

3.7.1 Deferred acquisition costs

Commissions and other acquisition costs that vary with and are related to securing new contracts and renewing existing contracts are capitalised as an intangible asset (DAC). All other costs are recognised as expenses when incurred. The DAC is subsequently amortised over the expected life of the contracts as follows:

For insurance contracts with fixed and guaranteed terms, DAC is amortised in line with premium revenue using assumptions consistent with those used in calculating future policy benefit liabilities. An assumption is also made for expected lapses.

For investment contracts with DPF, DAC is amortised using assumptions consistent with those used in calculating future policy benefit liabilities, including expected lapses. Deferred acquisition costs that are not deemed to be recoverable are charged to profit or loss when the test for recoverability is performed at a policy level.

Notes to the Financial Statements

3 Significant accounting policies – *continued*

3.7 Intangible assets – *continued*

3.7.2 Computer software and website cost

Acquired computer software licences are measured at cost less any accumulated amortisation and any accumulated impairment losses (note 3.9.2). 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. Development costs that are directly attributable to the design and testing of identifiable software controlled by the Company are recognised as intangible assets where the following criteria are met:

- it is technically feasible to complete the software so that it will be available for use;
- management intends to complete the software and use it and there is an ability to do so;
- it can be demonstrated how the software will generate probable future economic benefits; and
- adequate technical, financial and other resources to complete the development and to use the asset, and that the software is available.

Directly attributable costs that are capitalised as part of the software include employee costs. Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use.

Research expenditure and development expenditure that do not meet the criteria above are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

The Company also capitalises development costs relating to its website using the same criteria above. The Company's website has functionalities that aid the Company in generating business and servicing policies.

The assets' residual values (if any) and useful lives are reviewed and adjusted if appropriate at each financial year end. Impairment reviews are performed when there are indicators that the carrying value may not be recoverable. Impairment losses are recognised in profit or loss as an expense. Intangible assets are derecognised upon disposal or when no further future economic benefits are expected from their use or disposal. Any gain or loss on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognised.

3.8 Financial instruments

3.8.1 Non-derivative financial instruments

Non-derivative financial instruments are recognised initially at fair value and adjusted for any directly attributable costs except for financial instruments at fair value through profit or loss. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

3.8.2 Cash and cash equivalents

Cash and cash equivalents comprise cash balances and deposits with contractual maturity of less than three months. These assets are carried in the statement of financial position at face value.

3.8.3 Financial assets measured at amortised cost

The Company's other financial assets comprise insurance and other receivables which do not fall within an insurance contract, and it classifies these as financial assets at amortised cost. These assets are initially measured at fair value plus transaction costs that are directly attributable to the acquisition of the financial assets. These assets are held for collection of contractual cash flows and are measured at amortised cost.

3.8.4 Financial instruments at fair value through profit or loss

The Company classifies its investments based on each portfolio's business model for managing those financial assets and the contractual cash flow characteristics of the financial assets. The portfolios of financial assets are managed and performance is evaluated on a fair value basis. The Company is primarily focused on fair value information and uses that information to assess the assets' performance and to make decisions.

Notes to the Financial Statements

3 Significant accounting policies – *continued*

3.8 Financial Instruments - *continued*

3.8.4 Financial instruments at fair value through profit or loss - *continued*

3.8.4.1 Recognition and valuation of financial instruments - *continued*

The Company has not taken the option to irrevocably designate any equity securities as fair value through other comprehensive income. The contractual cash flows of the debt securities are solely principal and interest, however, these securities are neither held for the purpose of collecting contractual cash flows nor held both for collecting contractual cash flows and for sale. The collection of contractual cash flows is only incidental to achieving the business model's objective. Consequently, all investments are mandatorily measured at fair value through profit or loss.

Regular purchases and sales of investments are recognised on trade date – the date on which the company commits to purchase or sell the investment. All financial instruments are recognised initially at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value of a financial instrument on initial recognition is generally its transaction price (that is, the fair value of the consideration given or received).

However, sometimes the fair value will be based on other observable current market transactions in the same instrument, without modification or repackaging, or on a valuation technique whose variables include only data from observable markets, such as interest rate yield curves, option volatilities and currency rates. When such evidence exists, the Company recognises a trading gain or loss on day 1, being the difference between the transaction price and the fair value. When significant unobservable parameters are used, the entire day 1 gain or loss is deferred and is recognised in profit or loss over the life of the transaction until the transaction matures, is closed out, the valuation inputs become observable, or when the Company enters into an offsetting transaction.

The fair value of financial instruments is generally measured on an individual basis. However, in cases where the Company manages a group of financial assets and liabilities according to its net market or credit risk exposure, the Company measures the fair value of the group of financial instruments on a net basis but presents the underlying financial assets and liabilities separately in the financial statements, unless they satisfy the IFRSs offsetting criteria.

The best evidence of fair value is a quoted price in an actively traded principal market. In the event that the market for a financial instrument is not active, and the valuation technique uses only observable market data, the reliability of the fair value measurement is high. However, when valuation techniques include one or more significant unobservable inputs, they rely to a greater extent on management judgement and the fair value derived becomes less reliable. In the absence of observable valuation inputs, due to lack of or a reduced volume of similar transactions, management judgement is required to assess the price at which an arm's length transaction would occur under normal business conditions, in which case management may rely on historical prices for that particular financial instrument or on recent prices for similar instruments.

The main assumptions and estimates which management consider when applying a model with valuation techniques are:

– the likelihood and expected timing of future cash flows on the instrument; judgement may be required to assess the counterparty's ability to service the instrument in accordance with its contractual terms. Future cash flows may be sensitive to changes in market rates;

– judgement to determine what model to use to calculate fair value in areas where the choice of valuation model is particularly subjective, for example, when valuing complex derivative products.

Notes to the Financial Statements

3 Significant accounting policies - *continued*

3.8 Financial Instruments - *continued*

3.8.4 Financial instruments at fair value through profit or loss – *continued*

3.8.4.2 Recognition and valuation of financial instruments – continued

When applying a model with unobservable inputs, estimates are made to reflect uncertainties in fair values resulting from a lack of market data inputs, for example, as a result of illiquidity in the market. For these instruments, the fair value measurement is less reliable. Inputs into valuations based on unobservable data are inherently uncertain because there is little or no current market data available from which to determine the level at which an arm's length transaction would occur under normal business conditions.

However, in most cases there is some market data available on which to base a determination of fair value, for example historical data, and the fair values of most financial instruments are based on some market observable inputs even when unobservable inputs are significant.

Fair values are subject to a control framework designed to ensure that they are either determined, or validated, by a function independent of the risk-taker.

For all financial instruments where fair values are determined by reference to externally quoted prices or observable pricing inputs to models, independent price determination or validation is utilised. In inactive markets, direct observation of a traded price may not be possible. In these circumstances, the Company will source alternative market information to validate the financial instrument's fair value, with greater weight given to information that is considered to be more relevant and reliable. The factors that are considered in this regard are, inter alia:

– the extent to which prices may be expected to represent genuine traded or tradable prices;

– the degree of similarity between financial instruments;

– the degree of consistency between different sources;

– the process followed by the pricing provider to derive the data;

– the elapsed time between the date to which the market data relates and the reporting date; and

– the manner in which the data was sourced.

3.8.4.3 Determination of fair value

Fair values are determined according to the following hierarchy:

– Level 1 – quoted market price: financial instruments with quoted prices for identical instruments in active markets.

– Level 2 – valuation technique using observable inputs: financial instruments with quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in inactive markets and financial instruments valued using models where all significant inputs are observable.

– Level 3 – valuation technique with significant unobservable inputs: financial instruments valued using models where one or more significant inputs are unobservable.

The best evidence of fair value is a quoted price in an actively traded market. The fair values of financial instruments that are quoted in active markets are based on bid prices for assets held and offer prices for liabilities issued. Where a financial instrument has a quoted price in an active market, the fair value of the total holding of the financial instrument is calculated as the product of the number of units and quoted price. In the event that the market for a financial instrument is not active, a valuation technique is used.

Notes to the Financial Statements

3 Significant accounting policies - *continued*

3.8 Financial Instruments - *continued*

3.8.4 Financial instruments at fair value through profit or loss – *continued*

3.8.4.4 Basis of valuing assets and liabilities measured at fair value

The judgement as to whether a market is active may include, but is not restricted to, the consideration of factors such as the magnitude and frequency of trading activity, the availability of prices and the size of bid/offer spreads. The bid/offer spread represents the difference in prices at which a market participant would be willing to buy compared with the price at which they would be willing to sell. In inactive markets, obtaining assurance that the transaction price provides evidence of fair value or determining the adjustments to transaction prices that are necessary to measure the fair value of the instrument requires additional work during the valuation process. Transfers between levels of the fair value hierarchy are deemed to have occurred at the end of the reporting period.

For all financial instruments where fair values are determined by reference to externally quoted prices or observable pricing inputs to models, independent price determination or validation is utilised. In inactive markets, direct observation of a traded price may not be possible. In these circumstances, the Company will source alternative market information to validate the financial instrument's fair value, with greater weight given to information that is considered to be more relevant and reliable.

The fair value of investments in other funds that are not quoted in an active market is determined primarily by reference to the latest available redemption price of such units of each investment fund, as determined by the administrator of such fund. The company may make adjustments to the reporting net asset value of various investment funds based on considerations such as:

– liquidity of the investment fund or its underlying funds;

– the value date of the net asset value provided;

– any restrictions on redemptions; and

– the basis of accounting and, in instances where the basis of accounting is other than fair value, fair valuation information provided by the investee fund's advisors.

3.8.5 Financial liabilities at Fair value through profit or loss

The Company recognises a financial liability in its statement of financial position when it becomes a party to the contractual provisions of the instrument. The Company's other financial liabilities are classified as financial liabilities which are not at fair value through profit or loss under IFRS 9. Financial liabilities not at fair value through profit or loss are recognised initially at fair value, being the fair value of consideration received net of transaction costs that are directly attributable to the acquisition or the issue of the financial liability. These liabilities are subsequently measured at amortised cost.

3.8.6 Derecognition of financial assets and liabilities

Financial assets are derecognised when the right to receive cash flows from the assets has expired or when the Company has transferred its contractual right to receive the cash flows of the financial assets, and either:

– substantially all the risks and rewards of ownership have been transferred; or

– substantially all the risks and rewards have neither been retained nor transferred but control is not retained.

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

Notes to the Financial Statements

3 Significant accounting policies – *continued*

3.8 Financial Instruments - *continued*

3.8.7 Offsetting of financial assets and liabilities

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

3.9 Impairment

3.9.1 Non-derivative financial assets

A financial asset not carried at fair value through profit or loss is assessed for impairment at initial recognition. At this stage an impairment allowance is required for expected credit losses resulting from default events that are possible within the next twelve months. The general principle of IFRS 9's expected credit loss accounting requires that the credit risk of financial instruments within the scope of impairment is to be assessed for significant increase since initial recognition at each balance sheet date.

The principle of significant increase in credit risk can be achieved by performing an assessment to compare the risk of default occurring at the reporting date with the risk of default occurring at the date of initial recognition.

Instruments within the scope of these requirements at period-end include the assets measured at amortised cost, which include cash at bank and deposit in the statement of financial position.

The Company considers a broad range of information when assessing credit risk and measuring credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

• financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ('Stage 1') and;

• financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ('Stage 2').

'Stage 3' would cover financial assets that have objective evidence of impairment at the reporting date.

'12-month ECL' is recognised for the first category while 'lifetime ECL' is recognised for the second category. The Company considers a financial asset to have low credit risk when the credit rating of the counterparty is equivalent to the globally understood definition of 'investment grade' (i.e., typically, at least 'BBB-' rating under S&P's) and when the credit risk has not increased significantly. Any impairment is recognised directly in statement of comprehensive income. If in a subsequent period, the amount of the impairment loss decreased, the previously recognised ECL is reversed by adjusting the allowance account. The amount of the reversal is recognised in statement of comprehensive income. While cash at bank is subject to the above impairment requirements, the identified ECL was wholly insignificant.

3.9.2 Non-financial assets

The carrying amounts of the Company's non-financial assets, other than deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

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

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

Notes to the Financial Statements

3 Significant accounting policies – *continued*

3.9 Impairment – *continued*

3.9.3 Reinsurance assets and premium receivable

Impairment on these assets fall within the scope of IFRS 4 and not IFRS 9, and hence it is calculated using an incurred loss approach as described below.

These assets are assessed at each reporting date to determine whether there is objective evidence that they are impaired. An asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that these assets are impaired can include default or delinquency by a reinsurer or counterparty and restructuring of an amount due to the Company on terms that the Company would not consider otherwise and indications that a reinsurer or counterparty will enter bankruptcy.

The Company considers evidence of impairment for these assets at a specific asset level. All individually significant receivables are assessed for specific impairment.

An impairment loss in respect of these assets is calculated as the difference between the carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against these assets. Interest on the impaired asset continues to be recognised. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

3.10 Provision for liabilities and charges

A provision for contingent liabilities and charges is recognised when it is probable that an outflow of economic benefits will be required to settle a present legal or constructive obligation that has arisen as a result of past events and for which a reliable estimate can be made.

3.11 Share capital

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

3.12 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Company's financial statements in the period in which the dividends are approved by the Company's shareholders.

4 Critical accounting estimates and judgements

The Company makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are frequently re-evaluated and based on product assessment of historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

4.1 Policyholder claims and benefits and related deferred acquisition costs

The estimation of future benefit payments (including expenses) and premiums arising from insurance contracts are the Company's most critical accounting estimate. The determination of the liabilities and DAC are dependent on estimates made by the Company.

Estimates are made as to the expected number of deaths for each of the years in which the Company is exposed to risk. Given the Company is in its initial years of operation, the Company bases these estimates on the mortality tables provided by its reinsurer. The estimated number of deaths determines the value of future benefit payments. The main source of uncertainty is that epidemics could result in future mortality being significantly worse than in the past for the age groups in which the Company has significant exposure to mortality risk or that the Company's own exposure differs from that of its reinsurer.

Estimates are also made as to the expected costs to service policies. Given that the Company is in its initial years of operation, the per policy expenses are derived on the basis of budgeted expenses to be incurred including consideration of future, more stable, level of in-force policy volumes in the short to medium term. The volumes were derived from the Company's approved business plan and forecast. Note 17.2.2 includes sensitivity to this respect.

Notes to the Financial Statements

4 Critical accounting estimates and judgements - *continued*

4.1 Policyholder claims and benefits and related deferred acquisition costs - *continued*

The Company is also exposed to the volatility of the economic assumptions used. In addition to changes in mortality rates, the Company's DAC estimate is further dependent on whether actual lapse rates will differ as compared to the current expectation. The lapse assumptions were based on pricing assumptions which were in turn based on market data available to the Company and its appointed actuaries. These risks are heightened when considering that the economy is still recovering from the aftermath of the Covid-19 pandemic, coupled with the inflationary pressures triggered from the Ukrainian crisis and the fact that the Company is in its initial years of operation. New estimates are made each subsequent year to reflect the current long term outlook.

Estimates are also made as to future investment income arising from the assets backing long-term insurance. These estimates are based on current market returns as well as expectations about future economic and financial developments. Interest rate assumptions for the purposes of valuing liabilities at reporting date are based on an allocation of the assets backing the total liabilities whereby for each asset, the Company estimates an assumed yield.

Appropriate margins were taken for bond portfolio and equities. If the average future investment returns differ by +/-1% from management's estimates, the insurance liability would decrease by €135,515 (2021: €74,423) or increase by €176,260 (2021: €55,810). In this case there is no relief arising from reinsurance contracts held.

Further information is disclosed in Note 5.1 and 17 to these financial statements.

4.2 Deferred tax assets

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. The estimation of deferred tax assets amounting to €750,000 as at 31 December 2022 (2021: € 534,399) against which it is probable that future taxable profit will be available for it to be utilised is a critical accounting estimate. The company has incurred losses over the initial years of operation and the directors have concluded that it is reasonable to recognise a deferred tax asset. In making their assessment, the directors have considered the estimated future taxable income based on the company's approved business plan and forecast; and that in terms of the tax laws in Malta, the losses can be carried forward indefinitely. The directors expect that the company will generate taxable profits in the medium term to be able to absorb the losses underlying the deferred tax asset. Should the projected profits before tax be 20% worse than expected, this would impact net assets negatively by €420,680.

5 Management of insurance and financial risk

The Company issues contracts that transfer insurance risk or financial risk or both. This section summarises these risks and the way the Company manages these contracts.

5.1 Insurance and Investment risk

The risk under any 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 random and therefore unpredictable.

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 and benefits are greater than estimated. Insurance events are random and the actual number and amount of claims and benefits will vary from year to year and 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. The Company uses reinsurance appropriately to reduce variability of the expected outcome. Factors that aggravate insurance risk include lack of risk diversification in terms of type and amount of risk and geographical location.

Frequency and severity of claims

For contracts where death or morbidity 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.

Notes to the Financial Statements

5 Management of insurance and financial risk - *continued*

5.1 Insurance and Investment 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.

Investment contracts with DPF carry negligible insurance risk.

The Company manages its insurance risk through strict underwriting limits and claims management; approval procedures for new products and pricing reviews; close monitoring of reinsurance arrangements and monitoring of emerging issues.

The Company's underwriting strategy is intended to ensure that the risks underwritten are well diversified in terms of type of risk and the level of insured benefits. For example, the Company balances death risk across its portfolio. Medical selection is also included in the Company's underwriting procedures, with premium varied to reflect the health condition and family medical history of the applicants.

Sources of uncertainty in the estimation of future benefit payments and premium receipts

Uncertainty in the estimation of future benefit payments and premium receipts for insurance contracts arises from the unpredictability of long term changes in overall levels of mortality, and the variability in contract holder behavior. The Company uses appropriate base tables of standard mortality obtained from its reinsurer according to the type of contract being written. The Company does not take credit for future lapses in determining the liability of long term contracts. Further details on the process for estimation and other key assumptions, is provided in note 17.2 to these financial statements.

The following table provides an analysis of the insurance and investment risk exposures by type of business on a gross of reinsurance basis:

	2022	2021
	€	€
Investment contracts with discretionary participation feature	**11,127,755**	4,470,376
Insurance contracts	**690,662**	394,723
Liabilities under insurance contracts and investment contracts with DPF	**11,818,417**	4,865,099

5.2 Financial risk

The Company is exposed to financial risk through its financial assets, financial liabilities (investment contracts), reinsurance assets and insurance liabilities. In particular, the key financial risk is that the proceeds from its financial assets are not sufficient to fund the obligations arising from its insurance and investment contracts, this can be driven by changes in the market value of assets or through changes to expectations on future yields impacting the value of liabilities. The most important components of this financial risk are market risk, credit risk and liquidity risk. This risk is heightened through the period of market volatility that has been brought about because of the Covid-19 outbreak followed by the war in Ukraine.

5.2.1 General nature of participation feature

The Company offers savings with-profit policies which participate in the investment returns of the with-profit funds. Up to 90% of the eligible investment return is attributed to the contract holders. Policyholders receive an annual bonus. The annual bonus is paid once every end of year and is guaranteed to be greater than or equal to zero. Premiums paid and the accumulated bonus will be protected as long as the investment is held to maturity or to death. The annual bonuses are set by the Board of Directors on the recommendation of the Appointed Actuary. The Company is exposed to adverse market conditions which could lead to the value of assets backing the liabilities to fall below the guaranteed benefit at policy maturity, which would lead to a loss to the shareholders.

5.2.2 Market risk

Market risk can be described as the risk of change in cash flows or fair value of a financial instrument due to changes in interest rates, exchange rates or equity prices.

Interest rate risk

Changes in investment values attributable to interest rate changes are mitigated by partially offsetting changes in the economic value of insurance provisions. The Company monitors this exposure through periodic reviews of its asset and liability positions. Estimates of future cash flows, as well as the impact of interest rate fluctuations on its investment portfolio and insurance liabilities, are modelled and reviewed quarterly. The Company minimises interest rate risks primarily by matching estimated future cash outflows to be paid to policyholders by expected cash flows from assets. The pool of investments backing liabilities is managed to duration targets that aim to make the net effect of interest rate changes on assets and liabilities manageable.

Notes to the Financial Statements

5 Management of insurance and financial risk - *continued*

5.2 Financial risk – *continued*

5.2.2 Market risk - *continued*

Exchange risk

The Company is exposed to currency risk on the shareholder's investment portfolio, to 10% of the investments backing contracts with DPF and to the life insurance portfolio. The exposure for the Company amounts to €1,558,683 (2021: €1,121,726) and a sensitivity analysis is presented below.

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

	2022	2021
	€	€
Exchange of exposure		
CHF	**62,576**	38,670
USD	**573,049**	440,650
GBP	**364,206**	210,409
NOK	**130,036**	24,418
PLN	**-**	75,661
MXN	**133,593**	218,283
RUB	**-**	113,635
NZD	**115,853**	-
JPY	**34,985**	-
SEK	**144,385**	-

Equity price risk

The Company manages the equity risk arising from its holdings of equity securities by setting limits on the maximum market value of equities that it holds. Equity risk is also monitored by estimating the effect of predetermined movements in equity prices on the profit and total net assets of the insurance underwriting business.

Sensitivity analysis

The Company performs various sensitivity analyses as summarised below. An immediate and permanent movement in interest yield curves, equity prices or currency exchange at the reporting date would have the following impact on the profit for the year and net assets at that date:

	Impact on profits and net assets for the year	
	2022	2021
	€	€
+100 basis points shift in yield curves	**152,947**	129,381
-100 basis points shift in yield curves	**(398,644)**	(302,244)
+10 per cent increase in equity prices	**15,932**	14,326
-10 per cent decrease in equity prices	**(159,323)**	(14,326)

In relation to the currency risk, the following sensitivity displays effect on assets.

	Exposure as a % of NAV	**Currency exchange movement**	**+/- impact as a % of NAV**
CHF			
31 December 2022	**0.46%**	**+/- 10%**	**+/- 0.05%**
31 December 2021	0.48%	+/- 10%	+/- 0.05%
USD			
31 December 2022	**4.25%**	**+/- 10%**	**+/- 0.42%**
31 December 2021	5.45%	+/- 10%	+/- 0.55%
GBP			
31 December 2022	**2.70%**	**+/- 10%**	**+/- 0.27%**
31 December 2021	2.60%	+/- 10%	+/- 0.26%
NOK			
31 December 2022	**0.96%**	**+/- 10%**	**+/- 0.10%**
31 December 2021	0.30%	+/- 10%	+/- 0.03%

Notes to the Financial Statements

5 Management of insurance and financial risk - *continued*

5.2 Financial risk - *continued*

5.2.2 Market risk - *continued*

PLN			
31 December 2022	**–**	**+/- 10%**	**–**
31 December 2021	0.94%	+/- 10%	+/- 0.09%
MXN			
31 December 2022	**0.99%**	**+/- 10%**	**+/- 0.10%**
31 December 2021	–	+/- 10%	–
RUB			
31 December 2022	**–**	**+/- 10%**	**–**
31 December 2021	1.41%	+/- 10%	+/- 0.14%
NZD			
31 December 2022	**0.86%**	**+/- 10%**	**+/- 0.09%**
31 December 2021	–	+/- 10%	–
JPY			
31 December 2022	**0.26%**	**+/- 10%**	**+/- 0.03%**
31 December 2021	–	+/- 10%	–
SEK			
31 December 2022	**1.07%**	**+/- 10%**	**+/- 0.11%**
31 December 2021	–	+/- 10%	–

5.2.3 Credit risk

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

– reinsurers' share of insurance liabilities;

– amounts due from reinsurers in respect of claims already paid;

– investment portfolios of debt securities;

– insurance and other receivables; and

– cash at bank (call deposits).

Investments in bonds are made within the credit limits permitted within the investment credit risk mandate conferred by the Asset Liability Investment Advisory Committee and approved by the Board of Directors.

The Company structures the levels of credit risk it accepts by placing limits on its exposure to investment grade single counterparty, or groups of counterparties, and to geographical and industry segments. Investment credit exposures positions are reviewed on a quarterly basis by the Company's Asset Liability Investment Advisory Committee.

The selection of reinsurers also includes restrictions designed to minimise the risk of credit exposure.

The Company currently manages the majority of reinsurance risk by using reinsurers with a minimum rating of AA+. The creditworthiness of reinsurers is confirmed from public rating information and considered as a part of any tender activity prior to finalisation of any contract for new business.

Insurance and other receivables amount to €748,918 (2021: €911,246). This balance includes cash held with discretionary portfolio managers amounting to €262,260 (2021: €651,779) for investing activities. Accrued interest amounting to €60,462 (2021: €21,218) follows a similar rating profile to debt securities below.

Cash and cash equivalents held with third party banks amount to €622,573 (2021: €196,410). The balance is held with unrated local banks of good standing. As from 2020, in line with IFRS 9, the company measures credit risk and expected credit losses using probability of default, exposure at default and loss given default. Management consider both historical analysis and forward looking information in determining any expected credit loss. At 31 December 2022 and 2021 cash deposits were held with reputable counterparties and were due on demand. Management consider the probability of default to be close to zero as the counterparties have a strong capacity to meet their contractual obligations in the near term. As a result, no loss allowance was recognised based on 12-month expected credit losses as any such impairment would be wholly insignificant to the company.

Notes to the Financial Statements

5 Management of insurance and financial risk - *continued*

5.2 Financial risk - *continued*

5.2.3 Credit risk - *continued*

The following table presents the analysis of debt securities and collective investment schemes that only invest in debt securities by rating agency (Standard and Poor's Rating Agency):

Financial Investments

	2022	2021
	€	€
AAA	**2,078,143**	352,540
AA+ to AA-	**1,714,273**	1,147,581
A+ to A-	**2,245,259**	1,801,113
BBB+ to BBB-	**4,242,869**	2,254,892
BB+ to B-	**1,238,005**	948,889
Unrated	**116,800**	82,360
Total	**11,635,349**	6,587,375

5.2.4 Liquidity risk

It is an inherent characteristic of almost all insurance contracts that there is uncertainty over the amount and the timing of settlement of claims liabilities that may arise, and this leads to liquidity risk. As part of the management of this exposure, estimates are prepared for most lines of insurance business of cash flows expected to arise from insurance funds at the reporting date.

The Company actively manages its assets in such a manner as to achieve a competitive rate of return within the prevailing risk objectives delineated by asset liquidity and credit quality, and asset-liability matching.

The following table shows the cash flows expected to arise pertaining to insurance and investment liabilities as well as the contractual maturity of financial assets as at reporting date.

	No fixed maturity	*Due within 3 months*	*Due between 3 and 12 months*	*Due between 1 and 5 years*	*Due after 5 years*	*Total*
	€	**€**	**€**	**€**	**€**	**€**
At 31 December 2022						
Financial investments	**5,993,355**	**1,131,186**	**681,119**	**4,001,228**	**1,421,693**	**13,228,581**
Reinsurance assets	**—**	**67,147**	**337,427**	**—**	**—**	**404,574**
Cash held with discretionary portfolio managers	**262,260**	**—**	**—**	**—**	**—**	**262,260**
Cash	**622,573**	**—**	**—**	**—**	**—**	**622,573**
	6,878,188	**1,198,333**	**1,018,546**	**4,001,228**	**1,421,693**	**14,517,988**

	On demand	*Due within 3 months*	*Due between 3 and 12 months*	*Due between 1 and 5 years*	*Due after 5 years*	*Total*
	€	**€**	**€**	**€**	**€**	**€**
At 31 December 2022						
Liabilities to customers:						
– insurance contracts	**—**	**—**	**245,357**	**4,232**	**441,073**	**690,662**
– investment contracts	**—**	**—**	**—**	**—**	**11,127,755**	**11,127,755**
– claims outstanding	**—**	**85,368**	**—**	**—**	**—**	**85,368**
	—	**85,368**	**245,357**	**4,232**	**11,568,828**	**11,903,785**

Notes to the Financial Statements

5 Management of insurance and financial risk - *continued*

5.2 Financial risk - *continued*

5.2.4 Liquidity risk - *continued*

	No fixed maturity	*Due within 3 months*	*Due between 3 and 12 months*	*Due between 1 and 5 years*	*Due after 5 years*	*Total*
	€	€	€	€	€	€
At 31 December 2021						
Financial investments	6,091,751	–	–	675,483	1,314,580	8,081,814
Reinsurance assets	–	172,355	13,183	433	56,860	242,831
Cash held with discretionary portfolio managers	651,779	–	–	–	–	651,779
Cash	196,410	–	–	–	–	196,410
	6,939,940	172,355	13,183	675,916	1,371,440	9,172,834

	On demand	*Due within 3 months*	*Due between 3 and 12 months*	*Due between 1 and 5 years*	*Due after 5 years*	*Total*
	€	€	€	€	€	€
At 31 December 2021						
Liabilities to customers:						
– insurance contracts	–	–	132,761	2,047	259,915	394,723
– investment contracts	–	–	–	–	4,470,376	4,470,376
– claims outstanding	–	222,355	–	–	–	222,355
	–	222,355	132,761	2,047	4,730,291	5,087,454

The methodology used for estimating cash outflows on liabilities to customers can be found below:

- Unit reserves on investment contracts with DPF have been established for the interest sensitive policies as the face value of the Company’s liability at the valuation date (100% of account value).
- Non-unit reserves have been established on a policy-by-policy basis and projects the expected fund deductions on a monthly basis and compares these with costs expected on the assumptions made by the actuary. These reserves also include an allowance for the time value of the guarantees inherent in this portfolio. Group Life non-unit reserves represents the unearned premium reserve plus an allowance for claims incurred but not reported.

Notes to the Financial Statements

5 Management of insurance and financial risk - *continued*

5.2 Financial risk - *continued*

5.2.5 Capital management and allocation

It is the Company's policy to maintain a strong capital base to support the development of its business and to meet regulatory capital requirements imposed by the MFSA at all times.

The annual budget and planning process takes into account projected capital demands with the objective of ensuring regulatory solvency and maintaining capital adequacy at all times. The Company regularly monitors its capital requirements and applies limits to asset balances with respect to asset types and counterparty exposures.

The Company defines its capital as the excess of assets over liabilities as valued in accordance with the respective regulatory requirements. In order to maintain or adjust the capital structure, the Company may issue new shares or capitalise contributions received from its shareholders.

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

The Company opted for the standard formula under the Solvency II regime. The assumptions underlying the standard formula are considered to be a good fit for the Company's risk profile. The Company's MCR 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.

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. At 31 December 2022, the Company's eligible own funds amounting to €7,561,292 (2021: €6,089,170) adequately covered the required SCR.

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

6 Premiums

Insurance premiums written by the Company arise from direct business received from contracts written in Malta. Insurance premiums are analysed below:

	2022	2021
	€	€
Gross premiums written in Malta		
Individual business	**8,077,838**	4,979,379
Group business	**537,698**	234,931
	8,615,536	5,214,310
Premium:		
Single	**6,378,438**	4,351,372
Periodic	**2,237,098**	862,938
	8,615,536	5,214,310
Arising from:		
Non-participating insurance contracts	**2,193,219**	850,426
Investment contacts with DPF	**6,422,317**	4,363,884
	8,615,536	5,214,310

Outward reinsurance premiums relate to non-participating insurance contracts and is taken to profit or loss, net of the movement in deferred reinsurance premium (Note 17).

Notes to the Financial Statements

7 Other technical income

	2022	2021
	€	€
Fixed fees	**14,185**	2,989
	14,185	2,989

8 Investment (loss)/income

	2022	2021
	€	€
Technical Statement		
Investment income	**-**	41,878
Investment charges	**-**	(23,396)
Loss on disposal of Investments	**-**	(12,246)
Unrealised gain on Investments	**-**	23,607
	-	29,843
Non-technical Statement		
Investment income	**151,390**	13,892
Investment charges	**(88,631)**	(7,761)
Loss on disposal of Investments	**(206,398)**	(4,062)
Unrealised (loss)/gain on Investments	**(1,164,533)**	7,831
	(1,308,172)	9,900

9 Acquisition costs

Acquisition costs comprise:

	2022	2021
	€	€
Commissions, stamp duty and medical costs	**1,546,845**	626,650
Deferred acquisition costs – Investment and insurance contracts	**(1,316,579)**	(534,240)
	230,266	92,410
Allocated administrative expenses (Note 10)	**1,031,249**	994,159
	1,261,515	1,086,569

Notes 3.7.1 and 4.1 describe the assumptions used by the Company to estimate deferred acquisition costs.

Notes to the Financial Statements

10 Administrative expenses

10.1 Administrative expenses include auditors' remuneration pertaining to the annual statutory audit amounting to €60,000 (2021: €50,000) exclusive of VAT.

Other fees, exclusive of VAT, charged by the appointed independent auditors, comprise:

	2022	2021
	€	€
Tax compliance fees	**2,000**	1,200
Other assurance services	**20,000**	15,000
	22,000	16,200

10.2 *Profit before tax is stated after charging:*

	2022	2021
	€	€
Salaries and related costs	**658,807**	518,855
Directors' fees	**114,000**	82,500
Depreciation of tangible assets and amortisation of software (Notes 13 and 14)	**212,533**	183,667
Investment management expenses	**88,631**	31,157
Actuarial services	**53,100**	53,100

A portion of the above expenses are considered to be acquisition costs and are therefore included in Note 9.

11 Staff costs

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

	2022	2021
	€	€
Salaries and related costs	**676,098**	522,171
Social security costs	**51,893**	35,008
Capitalised salary costs (Note 14)	**(69,184)**	(38,324)
	658,807	518,855

11.2 The average number of persons employed by the Company during the year is analysed as follows:

	2022	2021
	No.	No.
Management and administration	**11**	7

Notes to the Financial Statements

12 Income tax

Current income taxes amounted to nil for the year ended 31 December 2022. The tax on the Company's profit before tax differs from the theoretical amount that would arise using the basic tax rate as follows:

	2022	2021
	€	€
Loss before tax	**(2,526,398)**	(1,526,853)
Tax at the applicable rate of 35%	**(884,239)**	(534,399)
Tax effect:		
– Disallowed expenses	**438**	-
– Tax effect of prior year differences	**(84,587)**	-
– Tax effect of temporary differences not recognised	**753,161**	-
– Other differences	**(374)**	-
Tax credit for the year – deferred tax	**215,601**	534,399

Tax payments amounted to nil for the year ended 31 December 2022 (2021: nil).

13 Tangible Assets

	Leasehold improvements	***Plant and equipment***	***Total***
	€	€	€
Cost			
Balance at 1 January 2021	1,436	30,316	31,752
Additions for the year	-	17,212	17,212
Balance at 31 December 2021	1,436	47,528	48,964
Balance at 1 January 2022	1,436	47,528	48,964
Additions for the year	-	4,768	4,768
Balance at 31 December 2022	1,436	52,296	53,732
Depreciation			
Balance at 1 January 2021	287	6,614	6,901
Depreciation charge for the year	287	10,702	10,989
Balance at 31 December 2021	574	17,316	17,890
Balance at 1 January 2022	574	17,316	17,890
Depreciation charge for the year	287	11,717	12,004
Balance at 31 December 2022	861	29,033	29,894
Carrying amounts			
At 31 December 2021	862	30,212	31,074
At 31 December 2022	575	23,263	23,838

Notes to the Financial Statements

14 Intangible assets including intangible insurance assets

	Deferred acquisition costs	*Computer software*	*Website*	*Total*
	€	€	€	€
Carrying amount				
Balance at 1 January 2021	-	605,253	11,157	616,410
Additions	-	529,760	3,540	533,300
Movements/amortisation through profit or loss:				
– Addition from new business	626,650	-	-	626,650
– Amortisation and impairment	(92,410)	(165,330)	(7,348)	(265,088)
Capitalised salary costs (Note 11)	-	38,324	-	38,324
Balance at 31 December 2021	**534,240**	**1,008,007**	**7,349**	**1,549,596**
Balance at 1 January 2022	534,240	1,008,007	7,349	1,549,596
Additions	-	580,548	-	580,548
Movements/amortisation through profit or loss:				
– Addition from new business	1,012,605	-	-	1,012,605
– Amortisation and impairment	(230,266)	(193,180)	(7,349)	(430,795)
Capitalised salary costs (Note 11)	-	69,184	-	69,184
Balance at 31 December 2022	**1,316,579**	**1,464,559**	**-**	**2,781,138**
Cost				
Balance at 31 December 2021	626,650	1,173,337	14,697	1,814,684
Balance at 31 December 2022	**1,639,255**	**1,823,069**	**14,697**	**3,477,021**
Accumulated amortisation and impairment				
Balance at 31 December 2021	(92,410)	(165,330)	(7,348)	(265,088)
Balance at 31 December 2022	**(322,676)**	**(358,510)**	**(14,697)**	**(695,883)**

Deferred acquisition costs - Sensitivity analysis

The impact of a 10 percentage point increase in the amortisation of the carrying amount of deferred acquisition costs would result in a decrease in profit before taxation of €131,658 (2021:€53,424), whilst the impact of a 10 percentage point decrease in the amortisation of the carrying amount of deferred acquisition costs would result in an increase in profit before taxation of €131,658 (2021:€53,424).

Notes to the Financial Statements

15 Leases

The Company leases an office space having an original lease period of 5 years until 14 June 2025. The term of the lease is not subject to any extension option. The Company exercised its option to exit by 14 June 2023 as operations are intended to move to different leased premises. This note provides information for leases where the Company is a lessee.

	2022	2021
	€	€
Right-of-use assets		
Opening balance	**7,288**	74,555
Reassessment of lease term	**-**	(53,813)
Amortisation charge	**(7,288)**	(13,454)
Closing net book value	**-**	7,288
Lease liabilities		
Opening balance	**-**	68,842
Reassessment of lease term	**-**	(53,813)
Lease payments	**-**	(18,230)
Interest expense	**-**	3,201
Closing net book value	**-**	-

16 Financial investments

All assets within this note are carried at fair value through profit or loss. Under IFRS 9, the designation of fair value through profit and loss was mandatory.

Financial investments include:

	2022	2021
	€	€
Equity securities – listed	**903,271**	496,030
Debt securities – fixed interest:		
– Government bonds – listed	**3,970,502**	1,099,066
– Other listed	**3,264,723**	890,997
	7,235,225	1,990,063
Collective investment schemes:		
– Bond funds listed	**4,400,124**	4,597,312
– Equity funds listed	**689,961**	998,409
	5,090,085	5,595,721
Total	**13,228,581**	8,081,814
Current	**1,812,305**	-
Non-current	**11,416,276**	8,081,814
	13,228,581	8,081,814

Investments with a fixed maturity date (i.e. debt securities) are classified as non-current unless they are expected to mature within twelve months or be realised within twelve months. All other investments without a fixed maturity date are considered to be substantially non-current in nature.

Notes to the Financial Statements

17 Insurance and investment contracts with DPF liabilities and reinsurance assets

17.1 Analysis of insurance liabilities, investment contracts with DPF and reinsurance assets

	2022	2021
	€	€
Gross		
Claims outstanding	**85,368**	222,355
Total claims outstanding – gross	**85,368**	222,355
Insurance contracts - gross	**690,662**	394,723
Investment contracts with DPF – gross	**11,127,755**	4,470,376
Total insurance and investment contracts with DPF liabilities – gross	**11,903,785**	5,087,454
Reinsurance assets		
Claims recoverable	**59,758**	172,355
Insurance contracts	**146,909**	70,476
Reinsurance premium deferral	**197,907**	73,430
Total reinsurance assets	**404,574**	316,261

	2022	2021
	€	€
Net		
Claims outstanding	**25,610**	50,000
Total claims outstanding – net	**25,610**	50,000
Insurance contracts	**543,753**	324,247
Investment contracts with DPF	**11,127,755**	4,470,376
Reinsurance premium deferral	**(197,907)**	(73,430)
Total insurance and investment contracts with DPF liabilities – net	**11,499,211**	4,771,193

17.2 Life insurance contracts and investment contracts with DPF – assumptions, change in assumptions and sensitivity

The technical provisions in respect of life insurance contracts are subject to quarterly valuations by the Appointed Actuary based on data and information provided by the Company.

Notes to the Financial Statements

17 Insurance and investment contracts with DPF liabilities and reinsurance assets – *continued*

17.2 Life insurance contracts and investment contracts with DPF – assumptions, change in assumptions and sensitivity – *continued*

17.2.1 Process used for assumptions

For the Protection business, the reserves are calculated on a prospective gross premium valuation method. The method consists of the calculation of the present value of future benefits and expenses less the present value of future gross premiums. No allowance of negative reserves is permitted under this methodology. All policies are projected until their maturity date taking into consideration the decrements that are expected based on the assumptions used. To avoid future valuation strains, a reserve is established for any future years where, on the assumptions made, the expected costs for that year exceed the expected margins to the extent that the impact of negative reserves does not off set the shortfall .

The principal assumptions underlying the calculation of the long-term business provision are the following:

Mortality

A base mortality table is selected which is most appropriate for each type of contract. Given the Company is in its initial years of operation, the Company has made use of standard mortality tables provided by its reinsurer. As the Company gathers experience, the mortality rates will be adjusted by the expected mortality based on a statistical investigation into the Company's mortality experience.

Discount rates

The assumption for the valuation interest rate used for discounting of the non-unit reserves was derived based on an allocation of the assets backing the total liabilities. For each asset class, the assumed yield is estimated and the interest rate is calculated as the weighted average yield of the hypothecated assets.

Reserving interest rates

Reserving interest rates for the current year were determined based on the weighted average rate of investment return of the Company's underlying assets, adjusted by a margin of contingency. For each asset class an assumed yield is estimated and the growth rate is calculated as the weighted average yield of these assets. The procedure is the same as that described above for the discount rate with the removal of adjustments for default, and allowance for expected gains on equity. The assumption for capital gains on equities is based on the 10-year average capital gains of the European index STOXX Europe 600 Price Index EUR (SXXP).

Expenses and inflation

Expense assumptions used in the valuation process were estimated on the basis of the Company's expected costs to maintain policies in the long term and consequently the Company adopted a longer term view in deriving its expected policy expenses.

The inflation rate assumption used in the projection of all fixed expenses of the Company is driven from the 10-year inflation swap rate extracted from Bloomberg as at the valuation date. A percentage margin is included to allow for the expectation of higher inflation on salary related expenses.

Taxation

The Company has assumed that current tax legislation and rates will not change.

Notes to the Financial Statements

17 Insurance and investment contracts with DPF liabilities and reinsurance assets – *continued*

17.2 Life insurance contracts and investment contracts with DPF – assumptions, change in assumptions and sensitivity – *continued*

17.2.2 Sensitivity analysis

As explained in note 4, the Company is exposed to uncertainty and a sensitivity analysis around various scenarios provides an indication of the adequacy of the Company's estimation process in respect of its life insurance contracts and investment contracts with DPF. The table presented below demonstrates the sensitivity of insured liability estimates to particular movements in assumptions used in the estimation process. Certain variables can be expected to impact life insurance liabilities more than others, and consequently a greater degree of sensitivity to these variables may be expected.

At 31 December 2022	Movement	*Reported value of net non-unit insurance liabilities*
	€	€
Base stress	**-**	**1,019,351**
Interest rates increasing 100 basis points	**(152,947)**	**866,405**
Interest rates reducing 100 basis points	**398,644**	**1,417,995**
All mortality rates increasing by 10%	**30,873**	**1,050,224**
All mortality rates reducing by 10%	**(26,209)**	**993,143**
All expenses increase by 10%	**68,150**	**1,087,501**
All expenses reduce by 10%	**(48,542)**	**970,809**

At 31 December 2021	Movement	*Reported value of net non-linked insurance liabilities*
	€	€
Base stress	-	505,115
Interest rates increasing 100 basis points	(129,381)	375,734
Interest rates reducing 100 basis points	302,244	807,359
All mortality rates increasing by 10%	23,090	528,205
All mortality rates reducing by 10%	(18,913)	486,202
All expenses increase by 10%	34,756	539,871
All expenses reduce by 10%	(25,326)	479,789

The analysis above has been prepared for a change in variable with all other assumptions remaining constant and ignores changes in the value of any related assets.

17.3 Movements in insurance liabilities

	2022	2021
	€	€
Claims outstanding		
At the beginning of the year	**222,355**	-
Movement for the year taken to profit or loss	**362,023**	222,355
Claims paid during the year	**(499,010)**	-
At 31 December	**85,368**	222,355
Insurance contracts		
At the beginning of the year	**394,723**	-
Movement for the year	**295,939**	394,723
At 31 December	**690,662**	394,723
Investment contracts with DPF		
At the beginning of the year	**4,470,376**	-
Movement for the year (excluding bonus allocation)	**6,657,379**	4,440,533
Bonus allocation	**-**	29,843
At 31 December	**11,127,755**	4,470,376

Notes to the Financial Statements

17 Insurance liabilities and reinsurance assets – *continued*

17.4 Movements in reinsurance assets

	2022	2021
	€	€
Claims outstanding		
At the beginning of the year	**172,355**	-
Movement for the year taken to profit or loss	**286,413**	172,355
Claims recoveries	**(399,010)**	-
At 31 December	**59,758**	172,355
Insurance contracts		
At the beginning of the year	**70,476**	-
Movement for the year taken to profit or loss	**76,433**	70,476
At 31 December	**146,909**	70,476
Reinsurance premium deferred		
At the beginning of the year	**73,430**	-
Movement for the year taken to profit or loss	**124,477**	73,430
At 31 December	**197,907**	73,430

18 Insurance and other receivables

	2022	2021
	€	€
Current portion		
Receivables arising from insurance	**261,825**	105,243
Accrued income and prepayments	**223,584**	153,190
Receivables from discretionary portfolio managers	**262,260**	651,779
Other receivables	**1,249**	1,034
	748,918	911,246

19 Cash and cash equivalents

Balances of cash and cash equivalents are analysed below:

	2022	2021
	€	€
Current portion		
Cash at bank (held at call)	**622,573**	196,410

20 Insurance and other payables

	2022	2021
	€	€
Current Portion		
Direct insurance contract payables	**9,136**	13,154
Reinsurance payables	**189,421**	82,101
Amounts due to related parties	**105,123**	60,879
Other payables	**338,676**	238,754
Accrued expenses	**426,017**	247,485
	1,068,373	642,373

Amounts due to related parties are unsecured, interest free and payable on demand.

Notes to the Financial Statements

21 Deferred tax assets and liabilities

21.1 Recognised deferred tax assets and liabilities

Deferred tax assets are attributable to the following temporary differences:

	2022	2021
	€	€
Property plant and equipment	**1,777**	-
Intangible fixed assets	**(235,984)**	-
Unabsorbed tax losses	**984,207**	534,399
	750,000	534,399

21.2 Movement in temporary differences during the year

	2022	2021
	€	€
At the beginning of the year	**534,399**	-
Recognised in profit or loss (Note 12)	**215,601**	534,399
At 31 December	**750,000**	534,399

22 Financial assets and liabilities – basis of valuation

Fair value valuation

For all financial instruments where fair values are determined by reference to externally quoted prices or observable pricing inputs to models, independent price determination or validation is utilised. In inactive markets, direct observation of a traded price may not be possible. In these circumstances, the Company sources alternative market information to validate the financial instrument's fair value, with greater weight given to information that is considered to be more relevant and reliable.

The table below analyses financial instruments carried at fair value, by valuation method.

	Level 1	Level 2	Level 3	Total
	€000	**€000**	**€000**	**€000**
At 31 December 2022				
Assets				
Equity securities	**903,271**	—	—	**903,271**
Debt securities	**7,235,225**	—	—	**7,235,225**
Collective investment schemes	**5,090,085**	—	—	**5,090,085**
Liabilities				
Investment contracts at fair value through profit or loss	**11,127,755**	—	—	**11,127,755**
At 31 December 2021				
Assets				
Equity securities	496,030	—	—	496,030
Debt securities	1,990,063	—	—	1,990,063
Collective investment schemes	5,595,721	—	—	5,595,721
Liabilities				
Investment contracts at fair value through profit or loss	4,470,376	—	—	4,470,376

Notes to the Financial Statements

23 Cash used in operating activities

	2022	2021
	€	€
Loss before tax	**(2,526,398)**	(1,526,853)
Adjustment for:		
Insurance contract and investment contract with DPF liabilities	**6,953,318**	4,865,099
Reinsurance share of technical provisions	**(76,433)**	(70,476)
Reinsurance assets	**(124,477)**	(73,430)
Change in provision for claims - net	**75,610**	50,000
Unrealised fair value movement on investments	**1,164,533**	(31,438)
Depreciation of tangible assets (Note 13)	**12,004**	10,989
Amortisation and impairment of intangible assets (Note 14)	**430,795**	265,088
Deferred acquisition costs	**(1,012,605)**	(626,650)
Amortisation of right-of-use asset	**7,288**	13,454
Interest expense on lease liability (Note 15)	**-**	3,201
Operating cash flows before movements in working capital	**4,903,636**	2,878,984
Movements in working capital:		
Insurance and other receivables	**162,327**	(877,470)
Insurance and other payables	**426,000**	462,336
Cash generated from/ (used in) operating activities	**5,491,963**	2,463,850

24 Share Capital

	2022	2021
	€	€
Authorised ordinary shares		
500,000 (2021: 2,500,000) Ordinary shares of €1 each	**500,000**	2,500,000
2,375,000 (2021: 1,875,000) Ordinary A shares of €1 each	**2,375,000**	1,875,000
2,375,000 (2021: 1,875,000) Ordinary B shares of €1 each	**2,375,000**	1,875,000
2,375,000 (2021: 1,875,000) Ordinary C shares of €1 each	**2,375,000**	1,875,000
2,375,000 (2021: 1,875,000) Ordinary D shares of €1 each	**2,375,000**	1,875,000
	10,000,000	10,000,000
Issued ordinary shares		
2,375,000 (2021: 1,875,000) Ordinary A shares of €1 each	**2,375,000**	1,875,000
2,375,000 (2021: 1,875,000) Ordinary B shares of €1 each	**2,375,000**	1,875,000
2,375,000 (2021: 1,875,000) Ordinary C shares of €1 each	**2,375,000**	1,875,000
2,375,000 (2021: 1,875,000) Ordinary D shares of €1 each	**2,375,000**	1,875,000
	9,500,000	7,500,000

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

In January 2021, a call was made by the Company's Board of Directors to all the shareholders for the payment of all the unpaid subscriptions amounting to €6,000,000. In December 2022 the shareholders injected an additional €2,000,000 worth of capital contributed to equally by all the shareholders increasing all the classes of Ordinary shares by €500,000.

During the year ended 31 December 2022, no dividends were distributed. No final dividends are proposed by the directors as the Company reported a loss for the year ended 31 December 2022.

As at 31 December 2022, the issued ordinary shares were 100% (2021: 100%) paid up.

Notes to the Financial Statements

25 Related party disclosures

25.1 Transactions with related parties

All shareholders are considered by the directors to be related parties as these companies have significant influence over the Company. In the normal course of business, the Company enters into various transactions with related parties. Transactions with related parties during the year include transactions with the shareholders as listed hereunder.

Details of significant transactions carried out during the year with the shareholding entities are as follows:

	2022	2021
	€	€
Income		
Insurance related activities	**274,113**	118,539
Expenses		
Rental payment	**18,779**	18,231
Purchase of insurance covers	**117,733**	108,327
Fees and commissions expense	**407,176**	229,100
Investment management expenses	**84,305**	15,479
Net bank charges	**1,557**	804
Other expenses	**5,321**	4,621

The remuneration paid to directors for the year ended 31 December 2022 amounted to €114,000 (2021: €82,500). Capital injections made by shareholders are disclosed in Note 24.

25.2 Balances with related parties

Balances with related parties as at 31 December 2022 pertain to cash at bank (see Note 19) and insurance and other payables (see Note 20).

26 Statutory information

IVALIFE Insurance Limited is a private limited liability company and is incorporated in Malta. The Company's registered office address is at Gaba Building, Level 2, Naxxar Road, Iklin IKL 9026, Malta.

The Company's shareholders are listed below:

Name	**Registered address**
APS Bank p.l.c.	APS Centre, Tower Street, Birkirkara BKR4012, Malta
Atlas Insurance PCC Limited	48-50, Ta' Xbiex Seafront, Ta' Xbiex, XBX 1021, Malta
GasanMamo Insurance Limited	Head Office, Msida Road, Gzira, GZR 1405, Malta
Maltapost p.l.c.	305, Qormi Road, Marsa, MTP 1001, Malta

27 Subsequent events

The Russian – Ukraine conflict that started mid-February 2022 had magnified uncertainty in all economic sectors including financial services and insurance. The Company actively monitors the developments and assesses the impact of the sanctions currently being imposed. IVALIFE has an insignificant level of exposure to Russian policyholders while no asset exposures to Russia/Ukraine and thus we don't expect any direct impact on our business performance.

Nonetheless, the conflict itself created instability within the global economy and continued to stimulate the increasing energy prices and inflation in general. The Company's investment strategy remains solid and has withstood these market perils. Notwithstanding, we continue to monitor closely the ongoing developments and remain vigilant to limiting our exposure to contagion risks arising from the specific sectorial default risk.

IVALIFE Insurance Limited
Registered in Malta: C94404
Registered Office and Head Office:
Gaba Building, Level 2
Naxxar Road
Iklin IKL 9026 Malta
Telephone: 356 2226 9500
www.iva.life