Good Insurance (International) Limited

Illustrative consolidated financial statements for the year ended 31 December 2017

International GAAP®

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Abbreviations and key

The following styles of abbreviation are used in this set of International GAAP® illustrative financial statements:

IAS 33.41	International Accounting Standard No.33, paragraph 41
IAS 1.BC13	International Accounting Standard No.1, Basis for Conclusions, paragraph 13
IFRS 2.44	International Financial Reporting Standard No.2, paragraph 44
SIC 29.6	Standing Interpretations Committee Interpretation No.29, paragraph 6
IFRIC 4.6	IFRS Interpretations Committee (formerly IFRIC) Interpretation No.4, paragraph 6
IAS 39.IG.G.2	International Accounting Standard No. 39 – Guidance on Implementing IAS 39 Section G: Other, paragraph G.2
IAS 39.AG71	International Accounting Standard No. 39 – Appendix A – Application Guidance, paragraph AG71
Commentary	The commentary explains how the requirements of IFRS have been implemented in arriving at the illustrative disclosure
GAAP	Generally Accepted Accounting Principles/Practice
IASB	International Accounting Standards Board
Interpretations Committee	IFRS Interpretations Committee (formerly International Financial Reporting Interpretations Committee (IFRIC))
SIC	Standing Interpretations Committee

Introduction

This publication contains the consolidated financial statements of a fictitious company, Good Insurance (International) Limited, a limited liability insurance company with subsidiaries (the Group) incorporated and listed in Euroland, with a reporting date of 31 December 2017. Euroland is a fictitious country within Europe. The functional currency of the parent and presentation currency of the Group is the euro.

These illustrative financial statements have been produced in accordance with International Financial Reporting Standards (IFRS) for an insurance company that issues life and non-life insurance products (which comprise both general insurance and healthcare products) as well as some investment products. The Group also performs investment management services to holders of investment products that do not contain an insurance component.

Objective

This set of illustrative financial statements is one of many prepared by EY to assist you in preparing your own financial statements. These illustrative financial statements are intended to reflect transactions, events and circumstances that we consider to be most common to the insurance industry. Certain disclosures are included in these financial statements merely for illustrative purposes, even though they may be regarded as items or transactions that are not material for the Group.

How to use these illustrative financial statements to prepare entity-specific disclosures

Users of this publication are encouraged to prepare entity-specific disclosures, for which these illustrative financial statements may serve as a useful reference. Transactions and arrangements other than those applicable to the Group may require additional disclosures. It should be noted that the illustrative financial statements of the Group are not designed to satisfy any stock market or country-specific regulatory requirements, nor is this publication intended to reflect disclosure requirements that apply mainly to regulated or specialised industries.

Notations shown in the right-hand margin of each page are references to IFRS paragraphs that describe the specific disclosure requirements. Commentaries are provided to explain the basis for the disclosure or to address alternative disclosures not included in the illustrative financial statements. For a more comprehensive list of disclosure requirements, please refer to EY's Online International GAAP® Disclosure Checklist. If questions arise as to the IFRS requirements, it is essential to refer to the relevant source material and, where necessary, to seek appropriate professional advice.

Improving disclosure effectiveness

The IASB observed three main concerns about disclosures in the financial statements ('the disclosure problem'):

- Not enough relevant information is being provided in all circumstances – this can lead to inappropriate investing or lending decisions
- Irrelevant information is being disclosed – which can obscure relevant information, reduce understandability and add unnecessary costs to the preparation of financial statements
- Relevant information that is provided is not always effectively communicated – this can reduce understandability of financial statements

The IASB considers difficulty in applying judgement about which information to disclose in financial statements and determining the most effective way to organise and communicate the information to be the main causes of the disclosure problem.

Considering the purpose of the *Good Insurance (International) Limited – Illustrative consolidated financial statements for the year ended 31 December 2017*, the notes largely follow the order in which items are presented in the primary financial statements. Paragraph 113 of IAS 1 requires the notes to be presented in a systematic manner and paragraph 114 provides examples of different systematic orderings and groupings that preparers may consider. An alternative structure that some may find more effective in permitting the users to identify the relevant information more easily, involves reorganising the notes according to their nature and perceived importance. An illustrative ordering of the alternative structure that is based on seven different notes sections is as summarised in the table below:

Sections	For example, comprising:
Corporate and Group information	► Corporate and Group information
Basis of preparation and other significant accounting policies	► Basis of preparation ► Other significant accounting policies not covered in other sections (below) ► Changes in accounting policies and disclosures ► Significant accounting judgements, estimates and assumptions

Sections	For example, comprising:
	► Fair value measurement and related fair value disclosures ► Impact of standards issued but not yet effective
Group business, operations, and management	► Financial instruments risk management objectives and policies ► Hedge activities and derivatives ► Capital management ► Distributions made and proposed ► Segment information ► Basis of consolidation and Information on subsidiaries with material non-controlling interests ► Interest in joint ventures and investment in associates
Significant transactions and events	► Business combinations and acquisitions of non-controlling interests ► Discontinued operations ► Impairment of goodwill and intangible assets with indefinite lives ► Correction of an error ► Related party disclosures ► Events after the reporting period
Detailed information on statement of profit or loss and other comprehensive income items	► Premiums ► Benefits and claims ► Other operating income and expenses ► Investment income and costs ► Depreciation, amortisation, foreign exchange differences ► Breakdown of employee benefits and administrative expenses ► Components of other comprehensive income ► Earnings per share
Detailed information on statement of financial position items	► Insurance balances ► Income tax ► Property, plant & equipment, investment properties and intangible assets ► Financial assets and liabilities ► Trade and other receivables and payables ► Cash and short-term deposits ► Issued capital and reserves ► Provisions ► Government grants ► Deferred revenue ► Pensions and other post-employment benefits ► Share-based payments
Commitments and contingencies	► Leases ► Other commitments ► Legal claim contingency ► Guarantees ► Other contingent liabilities

By structuring the notes according to their nature and perceived importance, users may find it easier to extract the relevant information. In addition, the significant accounting policies, judgements, key estimates and assumptions could alternatively be placed within the same note as the related qualitative and quantitative disclosures to provide a more holistic discussion to users of the financial statements.

Entities may find that other structures are better for enhancing disclosure effectiveness; the approach summarised above is only intended to illustrate that IFRS allows for alternative notes structures. Entities should carefully assess their specific circumstances and the preferences of the primary users before deciding on notes' structure. Engagement of key stakeholders will be a critical part of any process to make significant changes to the financial statements.

Applying the concept of materiality requires judgement, in particular, in relation to matters of presentation and disclosure, and inappropriate application of the concept may lead to financial statements that do not contain enough relevant information and, indeed, may include irrelevant information, which have been identified by the IASB as two of the major sources of the so called 'disclosure problem'. IFRS sets out the minimum disclosure requirements which, in practice, too often are complied with without consideration of the information's relevance for the specific entity. That is, if the transaction or item is immaterial to the entity, then it is not relevant to users of financial statements, in which case, IFRS does not require the item to be disclosed. If immaterial information is included in the financial statements, the amount of information may potentially reduce the transparency and usefulness of the financial statements as the material and, thus, relevant, information loses prominence.

As explained above, the primary purpose of these financial statements is to illustrate how the most commonly applicable disclosure requirements can be met. Therefore, they include disclosures that may, in practice, be deemed not material. It is essential that entities consider their own specific circumstances when determining which disclosures to include. These financial statements are not intended to act as guidance for making the materiality assessments; they must always be tailored to ensure that an entity's financial statements reflect and portray its specific circumstances and its own materiality considerations. Only then will the financial statements provide decision-useful financial information.

For more guidance on how to improve disclosure effectiveness, please refer to our publication, *Applying IFRS: Enhancing communication effectiveness (February 2017)*

Other illustrative financial statements

We provide a number of industry-specific illustrative financial statements and illustrative financial statements addressing specific circumstances that you may consider. The entire series of illustrative financial statements comprises:

- Good Group (International) Limited
- Good Group (International) Limited – Alternative Format
- Good Group (International) Limited – Illustrative interim condensed consolidated financial statements
- Good First-time Adopter (International) Limited
- Good Bank (International) Limited
- Good Bank (International) Limited - Illustrative disclosures for IFRS 9 impairment and transition
- Good Real Estate Group (International) Limited
- Good Investment Fund Limited (Equity)
- Good Investment Fund Limited (Liability)
- Good Petroleum (International) Limited
- Good Mining (International) Limited

In Appendix C, we have included a summary table of the IFRSs that are applied in our various illustrative financial statements.

International Financial Reporting Standards

The abbreviation IFRS is defined in paragraph 5 of the *Preface to International Financial Reporting Standards* to include "standards and interpretations approved by the IASB, and International Accounting Standards (IASs) and Standing Interpretations Committee (SIC) interpretations issued under previous Constitutions". This is also noted in paragraph 7 of IAS 1 and paragraph 5 of IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*. Thus, when financial statements are described as complying with IFRS, it means that they comply with the entire body of pronouncements sanctioned by the IASB, including IAS, IFRS and Interpretations originated by the IFRS Interpretations committee (formerly the SIC).

International Accounting Standards Board (IASB)

The IASB is the independent standard-setting body of the IFRS Foundation (an independent, not-for-profit private sector organisation working in the public interest). The IASB members are responsible for the development and publication of IFRS, including *International Financial Reporting Standards for Small and Medium-sized Entities* (IFRS for SMEs), and for approving Interpretations of IFRS as developed by the IFRS Interpretations Committee. In fulfilling its standard-setting duties, the IASB

follows a due process, of which the publication of consultative documents, such as discussion papers and exposure drafts, for public comment is an important component.

The IFRS Interpretations Committee (Interpretations Committee)

The Interpretations Committee is a committee appointed by the IFRS Foundation Trustees that assists the IASB in establishing and improving standards in financial accounting and reporting for the benefit of users, preparers and auditors of financial statements.

The Interpretations Committee addresses issues of reasonably widespread importance, rather than issues of concern to only a small set of entities. These include any newly identified financial reporting issues not addressed in IFRS. The Interpretations Committee also advises the IASB on issues to be considered in the annual improvements to IFRS project.

IFRS as at 30 September 2017

As a general approach, these illustrative financial statements do not early adopt standards or amendments before their effective date.

The standards applied in these illustrative financial statements are those that were in issue at 30 September 2017 and effective for annual periods beginning on or after 1 January 2017. Standards issued, but not yet effective, as at 1 January 2017 have not been early adopted. It is important to note that these illustrative financial statements will require continual updating as standards are issued and/or revised.

Users of this publication are cautioned to check that there has been no change in the requirements of IFRS between 30 September 2017 and the date on which their financial statements are authorised for issue. In accordance with paragraph 30 of IAS 8, specific disclosure requirements apply for standards and interpretations issued but not yet effective (see Note 51 of these illustrative financial statements). Furthermore, if the financial year of an entity is other than the calendar year, new and revised standards applied in these illustrative financial statements may not be applicable. For example, the Group has applied *Amendments to IAS 7 Statement of Cash Flows: Disclosure Initiative* for the first time in its 2017 illustrative financial statements. An entity with a financial year that commences from, for example, 1 October 2016 and ends on 30 September 2017 would have to apply these amendments for the first time in the annual financial statements beginning on 1 October 2017. Therefore, the amendments would not have been applicable in the financial statements of an entity with a year-end of 30 September 2017, unless it voluntarily chose to early adopt the amendments.

Disclosures have not been illustrated for a number of IFRS which are either not relevant to the insurance industry or not applicable to the Group's circumstances.

Accounting policy choices

Accounting policies are broadly defined in IAS 8 and include not just the explicit elections provided for in some standards, but also other conventions and practices that are adopted in applying principle-based standards.

In some cases, IFRS permit more than one accounting treatment for a transaction or event. Preparers of financial statements should select the treatment that is most relevant to their business and circumstances as their accounting policy.

IAS 8 requires an entity to select and apply its accounting policies consistently for similar transactions, events and/or conditions, unless a standard specifically requires or permits categorisation of items for which different policies may be appropriate. Where a standard requires or permits such categorisation, an appropriate accounting policy is selected and applied consistently to each category. Therefore, once a choice of one of the alternative treatments has been made, it becomes an accounting policy and must be applied consistently. Changes in accounting policy should only be made if required by a standard or interpretation, or if the change results in the financial statements providing reliable and more relevant information.

In this publication, when a choice is permitted by IFRS, the Group has adopted one of the treatments, as appropriate to the circumstances of the Group. In such cases, the commentary provides details of which policy has been selected, the reasons for this policy selection, and summarises the difference in the disclosure requirements.

Financial review by management

Many entities present a financial review by management that is outside the financial statements. IFRS does not require the presentation of such information, although paragraph 13 of IAS 1 gives a brief outline of what may be included in an annual report. The IASB issued an *IFRS Practice Statement*, *Management Commentary,* in December 2010, which provides a broad, non-binding framework for the presentation of a management commentary that relates to the financial statements prepared in accordance with IFRS. If a company decides to follow the guidance in the *IFRS Practice Statement*, management is encouraged to explain the extent to which it has been followed. A statement of compliance with the *IFRS Practice Statement* is only permitted if it is followed in its entirety. Further, the content of a financial review by management is often determined by local market requirements or issues specific to a particular jurisdiction.

No financial review by management has been included for the Group.

Changes in the 2017 edition of Good Insurance (International) Limited Annual Financial Statements

The standards and interpretations listed below have become effective since 31 August 2016 for annual periods beginning on 1 January 2017. While the list of new standards is provided below, not all of these new standards will have an impact on these illustrative financial statements. To the extent these illustrative financial statements have changed since the 2016 edition due to changes in standards and interpretations, we have indicated what has changed in Note 2.4.

Other changes from the 2016 edition have been made in order to reflect practice developments and to improve the overall quality of the illustrative financial statements.

Changes to IFRS

The following new standards and amendments became effective as of 1 January 2017:

- Amendments to IAS 7 *Statement of Cash Flows: Disclosure Initiative*
- Amendments to IFRS 12 *Disclosure of Interests in Other Entities: Clarification of the scope of disclosure requirements in IFRS 12* from Annual Improvements Cycle - 2014-2016
- Amendments to IAS 12 *Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses*

Background facts

The following list highlights a series of important matters that have driven the presentation and disclosures illustrated in this publication.

Business environment

Stable economic and business environments and product offerings were assumed for both the 2017 and 2016 financial reporting periods. During the year, the Group acquired 80% of the common stock of Good American Life Co, but did not dispose of any businesses. The Group accounted for the 20% non-controlling interests based on the share of the total net assets (see Note 4).

Operations

Good Insurance (International) Limited is the parent company which operates in three principal areas of business, according to the nature of products and services offered. The Group provides life insurance, non-life insurance and investment management services to its customers through its subsidiaries: Good Life Insurance Limited, Good American Life Co (80% owned), Good Non-Life Insurance Limited and Good Investment Management Services Limited. The parent and the subsidiaries throughout this publication are collectively referred to as 'the Group'.

- The life insurance products offered include a wide range of whole life, term assurance, unitised pensions, guaranteed annuity pensions, pure endowment pensions and mortgage endowments
- The non-life general insurance products offered include motor, household, commercial and business interruption insurance
- The non-life healthcare products provide medical cover to policyholders
- Investment management services are provided solely to customers through an investment management services subsidiary

The Group also has a 20% interest in one non-life insurance entity, Windpower Insurance Limited, which is involved in the insurance of power stations in Euroland. The Group has no joint venture agreements with any external parties.

Operating segments

The Group has determined that three operating segments described above (i.e. life insurance, non-life insurance and investment management services) are those under IFRS 8 *Operating Segments.*

IFRS status

The Group is an existing preparer of IFRS consolidated financial statements and therefore the disclosures, as set out under IFRS 1 *First-time Adoption of International Financial Reporting Standards* are not provided. For illustrative disclosures of a first-time adopter of IFRS, refer to EY's publication, Good First-time Adopter (International) Limited 2015, which includes an illustration of the first-time adoption requirements had the Group been a first-time adopter.

Under IFRS 4 *Insurance Contracts*, an entity is allowed to 'grandfather' its existing local GAAP for its insurance contracts and investment contracts with discretionary participation features (DPF). The requirement will continue until the effective date of IFRS 17 *Insurance Contracts* that was issued in May 2017, a comprehensive new accounting standard for insurance contracts, i.e., annual reporting periods beginning on or after 1 January 2021. The Group, therefore, applies its pre-IFRS local GAAP for insurance contracts and for investment contracts with a DPF.

Product classification and related items

Under local GAAP, the same accounting treatment is applied to insurance contracts with and without DPF and to investment contracts with DPF. Deferred acquisition costs (DAC) and the present value of in-force business (PVIF), i.e., intangible assets relating to the above contracts are also accounted for under local GAAP.

Investment contracts without DPF, and the related acquisition costs and intangible assets, are accounted for under IAS 39 *Financial Instruments: Recognition and Measurement*, IAS 18 *Revenue* and IAS 38 *Intangible Assets,* respectively.

DPF provide the policyholder with a contractual right to receive, as a supplement to guaranteed benefits, additional benefits payable to the policyholder at the discretion of the insurance company and which are contractually based on the performance of a specified pool of contracts, realised and/or unrealised investment returns on a specified pool of assets held by the issuer or the profit or loss of the insurance company or other entity that issued the contracts. Under IFRS 4, DPF can be either treated as an element of equity or as a liability, or can be split between the two elements. The Group policy is to treat all DPF as a liability within insurance or investment contract liabilities as appropriate.

Risk management

As part of the Group's investment strategy to reduce both insurance and financial risk, the Group matches its investments' duration with the expected duration of liabilities arising from insurance and investment contracts, by reference to the type of benefits payable to contract holders. For each distinct category of liability, a separate portfolio of investments is maintained for policyholders and customers.

Taxation

Income tax on profit or loss for the year comprises current and deferred tax. Income tax is mainly determined in accordance with Euroland tax law and US tax law.

Financial statement presentation

The primary financial statements have been drawn up consistent with the requirements of IAS 1 and the following key presentation decisions have been made:

Consolidated statement of profit or loss and consolidated statement of comprehensive income

The Group has elected to present comprehensive income in two separate statements, being the consolidated statement of profit or loss and the consolidated statement of comprehensive income. Information about the individual components of other comprehensive income (OCI) as well as the tax effects have been disclosed in the notes to the financial statements.

Consolidated statement of changes in equity

The Group presents the consolidated statement of changes in equity as part of its primary financial statements showing the following items: (a) total comprehensive income for the period, showing separately the total amounts attributable to owners of the parent and to non-controlling interests; (b) the amounts of transactions with owners in their capacity as owners, showing separately contributions by and distributions to owners; and (c) for each component of equity, a reconciliation between the carrying amount at the beginning and the end of the period, separately disclosing each change.

Consolidated statement of financial position

The consolidated statement of financial position is presented in order of liquidity, with a distinction based on expectations regarding recovery or settlement within 12 months after the reporting date (no more than 12 months) and more than 12 months after the reporting date (more than 12 months), presented in the notes. A permissible alternative is to present the assets and liabilities in the consolidated statement of financial position in a current/non-current format.

Deferred acquisition costs relating to insurance contracts and deferred expenses relating to investment managements services are presented as a separate line item on the face of the consolidated statement of financial position by the Group.

As required by IFRS 4, reinsurance assets are presented as assets on the face of the consolidated statement of financial position and are not offset against the related insurance liabilities.

Consolidated statement of cash flows

The Group represents its operating cash flows based on the indirect method, rather than the direct method. For cash flow purposes, the Group classifies the cash flows for the acquisition and disposal of financial assets as operating cash flows, as the purchase of these investments is funded from the net cash flows associated with the origination of insurance and investment contracts. The payment of benefits and claims in relation to insurance and investment contracts is treated as cash flows used in operating activities accordingly.

Allowed alternative accounting treatments

In some cases, IFRS permits alternative accounting treatments for similar transactions and events. Preparers of financial statements may choose the treatment that is most relevant to their business.

In some accounting models, recognised realised gains or losses on an insurer's assets have a direct effect on the measurement of some or all of the insurance liabilities, related deferred acquisition costs and related intangible assets. An insurer is permitted, but not required, by IFRS 4, to change its accounting policies so that a recognised but unrealised gain or loss on an asset affects those measurements in the same way that a realised gain or loss does. The related adjustment to the insurance liability (or deferred acquisition costs) must be recognised in OCI if, and only if, the unrealised gains or losses are recognised in OCI. This practice is often described as 'shadow accounting'. The group does not apply 'shadow accounting' but additional disclosures have been provided in Appendix A, in case users would like to refer to the required treatment if it were applied.

IFRS 4 permits the use of alternative sensitivity analysis such as embedded value (EV) or economic capital (EC) instead of an IFRS basis for insurance and market risk sensitivity disclosures. This option is only allowed if insurance and market risk are managed on that alternative basis.

Good Insurance (International) Limited

Consolidated Financial Statements

31 December 2017

Commentary

Good Insurance (International) Limited is a limited company incorporated and domiciled in Euroland and whose shares are publicly traded. Financial statements of that category of entity are usually subject to mandatory audit either under International Standards on Auditing (ISA) or local audit standards and the auditor's report should be disclosed together with the annual financial statements. However, this publication is not intended to provide guidance on the application of ISA 700 (Revised) Forming an Opinion and Reporting on Financial Statements or the specific requirements of individual jurisdictions. Hence, an illustrative auditor's report on the consolidated financial statements of Good Insurance (International) Limited has not been included.

Consolidated statement of profit or loss

for the year ended 31 December 2017

	Notes	2017 €000	2016 €000	IAS 1.10(b) IAS 1.10A IAS 1.51(b), (c) IAS 1.51(d), (e)
Gross premiums	9(a)	74,146	73,451	IFRS 4.IG24
Premiums ceded to reinsurers	9(b)	(18,756)	(19,112)	IFRS 4.IG24
Net premiums		**55,390**	**54,339**	IAS 1.85
Fees and commission income	10	5,364	2,231	IFRS 7.20(c)(i)
Investment income	11	8,221	7,682	
Net realised gains and losses	12	213	93	
Fair value gains and losses	13	1,044	992	
Other operating income		91	85	
Other revenue		**14,933**	**11,083**	IAS 1.85
Total revenue		**70,323**	**65,422**	IAS 1.82(a)
Gross benefits and claims paid	14(a)	(38,418)	(39,410)	IFRS 4.IG24
Claims ceded to reinsurers	14(b)	10,273	10,546	IFRS 4.IG24
Gross change in contract liabilities	14(c)	(7,837)	(7,172)	IFRS 4.IG24
Change in contract liabilities ceded to reinsurers	14(d)	1,592	1,691	IFRS 4.IG24
Net benefits and claims		**(34,390)**	**(34,345)**	IAS 1.85
Finance costs	15	(1,403)	(1,361)	IAS 1.82(b) IFRS 7.20
Profit attributable to unit-holders	36	(267)	(111)	
Other operating and administrative expenses	16	(21,997)	(19,964)	IAS 1.99
Other expenses		**(23,667)**	**(21,436)**	IAS 1.85
Total benefits, claims and other expenses		**(58,057)**	**(55, 781)**	IAS 1.85
Profit before share of profit of an associate		**12,266**	**9,641**	
Share of profit of an associate	6	129	230	IAS 1.82(c)
Profit before tax		**12,395**	**9,871**	IAS 1.85
Income tax expense	18	(2,239)	(1,973)	IAS 1.82(d) IAS 12.77
Profit for the year		**10,156**	**7,898**	IAS 1.81A(a)
Profit attributable to:				
Equity holders of the parent		10,004	7,898	IAS 1.81B(a)(ii)
Non-controlling interests		152	–	IAS 1.81B(a)(i)
		10,156	**7,898**	
Earnings per share				
Basic, profit for the year attributable to ordinary equity holders of the parent (€)	20	1.22	1.07	IAS 33.66
Diluted, profit for the year attributable to ordinary equity holders of the parent (€)	20	1.21	1.06	IAS 33.66

H. Goodman, Chairman

T. Goodright, Group Chief Executive

28 February 2018

Commentary

IAS 1.10 suggests titles for the primary financial statements, such as 'statement of profit or loss and other comprehensive income' or 'statement of financial position'. Entities are, however, permitted to use other titles, such as 'income statement' or 'balance sheet'. The Group applies the titles suggested in IAS 1.

IAS 1.82(a) requires disclosure of total revenue as a line item on the face of the statement of profit or loss. The Group has elected to present the various types of revenues on the face of the statement of profit or loss. Note that this information could also be presented in the notes.

Premiums and claims on the face of the statement of profit or loss have been presented on a gross basis, with premiums ceded to reinsurers shown as negative revenue and claims ceded to reinsurers shown as negative benefits and claims. An alternative disclosure option is to present premiums ceded to reinsurers as expenses and claims ceded to reinsurers as revenue.

IAS 1.99 requires expenses to be analysed either by nature or by their function within the statement of profit or loss, whichever provides information that is reliable and more relevant. For an analysis of expenses by nature, refer to Appendix 2 of Good Group (International) Limited.

The group has no discontinued operations and all profit has been generated from continuing operations.

For further commentary on the presentation of the primary financial statements, refer to Good Group (International) Limited.

Consolidated statement of comprehensive income

for the year ended 31 December 2017

	Notes	2017 €000	2016 €000	
Profit for the year		**10,156**	**7,898**	*IAS 1.51(b), (c)* *IAS 1.51(d), (e)* *IAS 1.81A(a)*
Other comprehensive income (OCI)				*IAS 1.82A(b)*
OCI to be reclassified to profit or loss in subsequent periods:				
Exchange differences on retranslation of foreign operations	21	(67)	–	*IAS 21.32* *IAS 1.7(c)*
Net loss on cash flow hedges	21	(36)	(24)	*IFRS 7.23(c)* *IAS 1.7(e)*
Net gain on available-for-sale financial assets	21	6,184	3,297	*IFRS 7.20(a)(ii), IAS 1.7(d)*
Share of other comprehensive income of associate	21	43	90	
Income tax relating to items that may be reclassified	21	(1,867)	(1,072)	
Net OCI to be reclassified to profit or loss in subsequent periods		**4,257**	**2,291**	
OCI not to be reclassified to profit or loss in subsequent periods:				*IAS 1.82A(a)*
Remeasurement gains on defined benefit plan	21,37	115	58	*IAS 19.120(c), 122*
Net OCI not to be reclassified to profit or loss in subsequent periods		**115**	**58**	
OCI for the year, net of tax	21	**4,372**	**2,349**	*IAS 1.81A(b)*
Total comprehensive income for the year, net of tax		**14,528**	**10,247**	*IAS 1.81A(c)*
Total comprehensive income attributable to:				
Equity holders of the parent		14,340	10,247	*IAS 1.81B(b)(ii)*
Non-controlling interests		188	–	*IAS 1.81B(b)(i)*
		14,528	**10,247**	

Commentary

The Group has elected as an accounting policy to present two statements, a statement of profit or loss and a statement of comprehensive income, rather than a single statement of profit or loss and other comprehensive income combining the two elements. If a two-statement approach is adopted, the statement of profit or loss must be followed directly by the statement of comprehensive income.

The different components of other comprehensive income (OCI) are presented on a net basis in the statement above. Therefore, an additional note is required to present the amount of reclassification adjustments and current year gains or losses. Alternatively, the individual components could have been presented within the statement of comprehensive income.

The income tax effect has also been presented on an aggregated basis. Therefore, an additional note disclosure presents the income tax effect of each component. Alternatively, this information could have been presented within the statement of comprehensive income.

Re-measurement gains and losses on defined benefit plans are recognised in OCI and transferred immediately to retained earnings (see IAS 1.96 and IAS 19.122).

IAS 1.82A(b) requires that items that will be reclassified subsequently to profit or loss, when specific conditions are met, must be grouped on the face of the statement of comprehensive income. Similarly, items that will not be reclassified must also be grouped together. In order to make these disclosures, an entity must analyse whether its OCI items are eligible to be subsequently reclassified to profit or loss under IFRS.

Under the requirements of IAS 1.82A and the Implementation Guidance to IAS 1, entities must present the share of the OCI items of equity method investees (i.e., associates and joint ventures), in aggregate as single line items within the 'to be reclassified' and the 'not to be reclassified' groups.

Consolidated statement of financial position

as at 31 December 2017

	Notes	2017 €000	2016 €000	
				IAS 1.51 (b)(c) IAS 1.10 (a) IAS 1.51(d), (e)
Assets				IAS 1.60
Goodwill	23	9,445	2,924	IAS 1.54(c)
Intangible assets	24	39,138	444	IAS 1.54(c)
Deferred expenses	32	13,446	11,477	IFRS 4.37(b)
Property and equipment	25	4,066	3,750	IAS 1.54(a)
Investment properties	26	4,199	3,943	IAS 1.54(b)
Investment in an associate	6	2,120	1,991	IAS 1.54(e)
Financial assets				IAS 1.54(d), IFRS 7.8
Derivative financial instruments	28	2,182	1,240	
Held to maturity financial assets	27(a)	2,104	1,677	
Loans and receivables	27(b)	8,253	7,249	
Available-for-sale financial assets	27(c)	109,677	79,417	
Financial assets at fair value through profit or loss	27(d)	34,260	20,077	
Reinsurance assets	30	36,521	34,711	IFRS 4.37(b)
Income tax receivable	18(d)	2,995	2,812	IAS 1.54(n)
Insurance receivables	31	35,272	19,914	IFRS 4.37(b)
Accrued income		1,028	1,557	IAS 1.55
Cash and short-term deposits	33	22,617	27,785	IAS 1.54(i)
Total assets		**327,323**	**220,968**	
Equity and liabilities				
Equity attributable to equity holders of parent				IAS 1.54(r) IAS 1.78(e)
Issued share capital	44	8,638	7,385	
Share premium	44	27,415	1,045	
Other capital reserves	44	224	210	
Retained earnings		19,788	12,905	
Other components of equity		8,223	4,002	
Total ordinary shareholders' equity		**64,288**	**25,547**	
Non-controlling interests		**7,502**	**–**	IAS 1.54(q)
Total equity		**71,790**	**25,547**	
Liabilities				
Insurance contract liabilities	34	176,712	126,260	IFRS 4.37(b)
Investment contract liabilities	35	15,220	11,558	IAS 1.54(m), IFRS 4.37(b)
Pension benefit obligation	37	4,713	4,481	IAS 1.55 IAS 1.78(d)
Deferred revenue	42	4,365	4,334	IAS 1.55
Borrowings	39	19,372	21,834	IAS 1.54(m) IFRS 7.8(f)
Derivative financial instruments	28	1,782	1,758	IAS 1.54(m) IFRS 7.8 (e)
Other financial liabilities	40	7,743	7,272	IAS 1.54(m) IFRS 7.8 (f)
Deferred tax liability	18	5,452	1,848	IAS 1.54(o)
Net asset value attributable to unit-holders	36	520	367	
Insurance payables	41	5,157	4,841	IFRS 4.37(b)
Trade and other payables	43	14,497	10,868	IAS 1.54(k)
Total liabilities		**255,533**	**195,421**	
Total equity and liabilities		**327,323**	**220,968**	

Commentary

IAS 1.60 requires companies to present assets and liabilities either in order of their liquidity or by a separate classification on the face of the statement of financial position for current and non-current assets, and current and non-current liabilities, whichever provides information that is most reliable and relevant. The Group has presented its assets and liabilities in order of liquidity. Deferred acquisition costs are included within deferred expenses rather than within intangible assets or other assets, which are alternative classification options in insurance practice.

Under IAS 1.10(f), an entity must present an opening statement of financial position ('third balance sheet') when it changes its accounting policies, makes retrospective restatements or makes reclassifications, and that change has a material effect on the statement of financial position. However, the related notes to support the third balance sheet are not required, nor are additional statements of profit or loss and other comprehensive income, changes in equity or cash flows.

The Group has not presented three statements of financial position in these financial statements because it has not applied an accounting policy retrospectively, made a retrospective restatement of items in its financial statements, or reclassified items in its financial statements that affected the statement of financial position at the beginning of the earliest comparative period (IAS 1.10(f)).

There is no specific requirement to identify adjustments made retrospectively on the face of the financial statements, except for the effect of a retrospective application or restatement on each component of equity (IAS 1.106(b)). IAS 8 requires details to be given only in the notes. It should be noted that the fact that the comparative information is restated does not necessarily mean that there were errors or omissions in the previous financial statements. Restatements may arise for other reasons, such as retrospective application of a new accounting policy.

Consolidated statement of changes in equity

for the year ended 31 December 2017

IAS 1.10(c)
IAS 1.51 (b), (c)

	Notes	Issued share capital (Note 42)	Share premiums (Note 42)	Other capital reserves (Note 38)	Retained earnings	Available-for-sale reserve	Cash flow hedge reserve	Foreign currency translation reserve	Share of other comprehensive income of associate	Total ordinary share holders' equity	Non-controlling interests	Total equity	
		Attributable to equity holders of the parent											
		€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	IAS 1.51(d), (e)
At 1 January 2017		**7,385**	**1,045**	**210**	**12,905**	**3,934**	**(22)**	**–**	**90**	**25,547**	**–**	**25,547**	
Profit for the year		–	–	–	10,004	–	–	–	–	10,004	152	10,156	IAS 1.106(d)(i)
Other comprehensive income	21	–	–	–	115	4,241	(25)	(38)	43	4,336	36	4,372	IAS 1.106(d)(ii)
Total comprehensive income		**–**	**–**	–	**10,119**	**4,241**	**(25)**	**(38)**	**43**	**14,340**	**188**	**14,528**	IAS 1.106(a)
Issue of share capital	44	1,253	26,672	–	–	–	–	–	–	27,925	–	27,925	IAS 1.106(d)(iii)
Transaction costs for equity issue	44	–	(302)	–	–	–	–	–	–	(302)	–	(302)	IAS 32.39
Share-based payment transactions	38	–	–	14	–	–	–	–	–	14	–	14	IFRS 2.50
Dividends paid during the year	19	–	–	–	(3,236)	–	–	–	–	(3,236)	–	(3,236)	IAS 1.107
Non-controlling interests arising on business combination	4	–	–	–	–	–	–	–	–	–	7,314	7,314	IAS 1.106(d)(iii)
At 31 December 2017		**8,638**	**27,415**	**224**	**19,788**	**8,175**	**(47)**	**(38)**	**133**	**64,288**	**7,502**	**71,790**	

Consolidated statement of changes in equity

for the year ended 31 December 2016

IAS 1.10(c)

IAS 1.51(b),(c)

	Notes	Attributable to equity holders of the parent											
		Issued share capital (Note 42)	Share premiums (Note 42)	Other capital reserves (Note 38)	Retained earnings	Available-for-sale reserve	Cash flow hedge reserve	Foreign currency translation reserve	Share of other comprehensive income of associate	Total ordinary share-holders' equity	Non-controlling interests	Total equity	
		€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	*IAS 1.51(d),(e)*
At 1 January 2016		**7,382**	**1,000**	**200**	**7,036**	**1,716**	**(5)**	**–**	**–**	**17,329**	**–**	**17,329**	
Profit for the year		–	–	–	7,898	–	–	–	–	7,898	–	7,898	*IAS 1.106(d)(i)*
Other comprehensive income	21	–	–	–	58	2,218	(17)	–	90	2,349	–	2,349	*IAS 1.106(d)(ii)*
Total comprehensive income		**–**	**–**	–	**7,956**	**2,218**	**(17)**	**–**	**90**	**10,247**	–	**10,247**	*IAS 1.106(a)*
Issue of share capital	44	3	47	–	–	–	–	–	–	50	–	50	*IAS 1.106(d)(iii)*
Transaction costs for equity issue	44	–	(2)	–	–	–	–	–	–	(2)	–	(2)	*IAS 32.39*
Share-based payment transactions	38	–	–	10	–	–	–	–	–	10	–	10	*IFRS 2.50*
Dividends paid during the year	19	–	–	–	(2,087)	–	–	–	–	(2,087)	–	(2,087)	*IAS 1.107*
At 31 December 2016		**7,385**	**1,045**	**210**	**12,905**	**3,934**	**(22)**	**–**	**90**	**25,547**	**–**	**25,547**	

Commentary

For equity-settled share-based payment transactions, IFRS 2.7 requires entities to recognise an increase in equity when goods or services are received. However, IFRS 2 *Share-based Payment* does not specify where in equity this should be recognised. The Group has chosen to recognise the credit in other capital reserves. The Group did not provide treasury shares to employees exercising share options and elected to recognise cash received in issued share capital and share premiums. In some jurisdictions, it is common to transfer other capital reserves to share premiums or retained earnings when the share options are exercised or expire. Such transfer is also permitted by IFRS 2 (IFRS 2.23). However, the transfer to share premium is subject to legal restrictions that are in force in each jurisdiction. The Group has elected to continue to present other capital reserves separately.

The Group recognises re-measurement gains and losses arising on defined benefit pension plans in OCI in accordance with IAS 19 *Employee Benefits*. As they will never be reclassified into profit or loss, they are immediately recorded in retained earnings (refer to the statement of comprehensive income). IAS 19 does not require separate presentation of those components in the statement of changes in equity, but an entity may choose to present the remeasurement gains and losses in a separate reserve within the statement of changes in equity.

Consolidated statement of cash flows

for the year ended 31 December 2017

	Notes	2017 €000	2016 €000	*IAS 1.10(d) IAS 1.51(b),(c) IAS 7.10 IAS 1.51(d),(e)*
Operating activities				
Profit before tax		12,395	9,871	*IAS 7.18(b)*
Adjustment for:				
Change in operating assets	48	(6,406)	(3,519)	*IAS 7.20(a)*
Change in operating liabilities	48	5,575	16,757	*IAS 7.20(a)*
Non-cash items included in profit before tax				*IAS 7.20(b)*
Fair value gains and losses	13	(1,044)	(992)	
Impairment losses	16	145	108	
Share of profit of an associate	6	(129)	(230)	
Amortisation of intangible assets and deferred expenses	16	(1,297)	(1,065)	
Depreciation of property and equipment	16	335	379	
Other		41	21	
Income tax paid	18(d)	(1,564)	(1,444)	*IAS 7.35*
Net cash flows from operating activities		**8,051**	**19,886**	*IAS 7.10*
Investing activities				*IAS 7.10, IAS7.21*
Acquisition of subsidiaries, net of cash acquired	4	(6,219)	–	*IAS 7.39*
Interest income received on loans to related parties		21	18	*IAS 7.31*
Proceeds from sale of property and equipment		1,964	1,043	*IAS 7.16(b)*
Purchase of property and equipment	25	(1,414)	(1,683)	*IAS 7.16(a)*
Purchase of intangible assets	24	(116)	(318)	*IAS 7.16(a)*
Increase in loans to related parties		(65)	(50)	*IAS 7.16(e)*
Net cash flows used in investing activities		**(5,829)**	**(990)**	
Financing activities				*IAS 7.10,IAS 7.21*
Proceeds from exercise of share options	44	66	50	*IAS 7.17(a)*
Transaction costs for equity issue	44	(302)	(2)	*IAS 7.17(a)*
Repayment of bond borrowings	39	(1,500)	(1,500)	*IAS 7.17(d)*
Finance costs paid on borrowings		(1,375)	(1,329)	*IAS 7.31*
Dividends paid to equity holders of the parent	19	(3,236)	(2,087)	*IAS 7.31*
Net cash flows from/(used in) financing activities		**(6,347)**	**(4,868)**	
Net (decrease)/increase in cash and cash equivalents		(4,125)	14,028	
Cash and cash equivalents at 1 January		20,876	6,848	
Effects of exchange rate changes on cash and cash equivalents		(52)	–	*IAS 7.28*
Cash and cash equivalents at 31 December	33	**16,699**	**20,876**	*IAS 7.45*

	Notes	2017 €000	2016 €000	
Operational cash flows from interest and dividends				
Interest received		3,709	4,435	*IAS 7.31*
Dividend received		3,157	3,015	*IAS 7.31*

Commentary

IAS 7.18 allows entities to report cash flows from operating activities using either the direct method or the indirect method. The Group presents its cash flows using the indirect method.

The Group reconciled from profit before tax to net cash flow from operating activities. However, a reconciliation from profit after tax is also acceptable under IAS 7 *Statement of Cash Flows*.

Cash flows representing the assets backing equity holders are classified as investment activities. The cash flows in the operating activities are all attributable to policyholders.

IAS 7.33 permits interest paid to be shown as operating or financing activities, and interest received to be shown as operating or investing activities, as deemed relevant for the entity. The Group has elected to classify interest and dividends received as cash flows from operating activities, and interest paid as cash flows from financing activities. For cash flow purposes, the Group classifies the cash flows for the acquisition and disposal of financial assets as operating cash flows, as the purchase of these investments is funded from the net cash flows associated with the origination of insurance and investment contracts and the payment of benefits and claims incurred for such insurance and investment contracts, which are respectively treated under operating activities.

For cash flow purposes, cash and cash equivalents consist of cash and cash equivalents as defined in IAS 7.6, net of outstanding bank overdrafts, as permitted by IAS 7.8.

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Notes to the consolidated financial statements

Section 1: Corporate information

1. Corporate information

The consolidated financial statements of Good Insurance (International) Limited for the year ended 31 December 2017 were authorised for issue in accordance with a resolution of the directors on 28 February 2018. Good Insurance (International) Limited (the Company or the parent) is a limited liability company incorporated and domiciled in Euroland, whose shares are publicly traded on the Euroland stock market. The registered office is Britannia House, 1 Holland Square, Goodville, Euroland.

IAS 1.10(e)
IAS 1.138
IAS 10.17
IAS 1.113

The principal activities of the Company and its subsidiaries (the Group) are described in Note 3. Information of the Group's structure is also provided in Note 3. Information on other related party relationships of the Group is provided in Note 50.

IAS 1.51

Section 2: Significant accounting policies, judgement and estimates

2. Significant accounting policies

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB).

IAS 1.16
IAS 1.112(a)

Commentary

Companies in certain jurisdictions may be required to comply with IFRS approved by local regulations, for example, listed companies in the European Union (EU) are required to comply with IFRS as endorsed by the EU. These financial statements only illustrate compliance with IFRS as issued by the IASB.

The consolidated financial statements have been prepared on an historical cost basis, except for investment properties and financial assets and derivative instruments that have been measured at fair value. The carrying values of recognised assets and liabilities that are designated as hedged items in fair value hedges and that are otherwise carried at amortised cost, are adjusted to record changes in the fair values attributable to the risks that are being hedged in effective hedge relationships. The consolidated financial statements are presented in euros (€) rounded to the nearest thousand (€000), unless otherwise indicated.

IAS 1.117(a)

The consolidated financial statements provide comparative information in respect of the previous period. In addition, the Group presents an additional statement of financial position at the beginning of the preceding period when there is a retrospective application of an accounting policy, a retrospective restatement, or a reclassification of items in financial statements.

IAS 1.51(d), (e)

As permitted by IFRS 4 *Insurance Contracts*, the Group continues to apply the existing accounting policies that were applied prior to the adoption of IFRS, with certain modifications allowed by the standard subsequent to adoption for its insurance contracts and investment contracts with a discretionary participation feature (DPF).

IAS 1.117(b)

Commentary

IFRS 4.13 permits an insurance company to grandfather its previous Generally Accepted Accounting Principles/Practice (Local GAAP). Local GAAP can be used for any insurance contracts and investment contracts with a Discretionary Participation Feature (DPF) that it issues (including related acquisition costs and intangible assets). Insurers may consider adopting changes to the Local GAAP which are effective subsequent to the date of transition to IFRS if these changes make the financial statements more relevant to the economic decision-making needs of users and no less reliable or more reliable and no less relevant to those needs.

The Group presents its statement of financial position broadly in order of liquidity. An analysis regarding recovery or settlement within twelve months after the reporting date (no more than 12 months) and more than 12 months after the reporting date (more than 12 months) is presented in the respective notes.

IAS 1.60, 61

2.2 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group and its investees that are considered subsidiaries as at 31 December 2017. Subsidiaries are investees that the Group has control over. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

IFRS 10.7

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns

2. Significant accounting policies (cont'd)

2.2 Basis of consolidation (cont'd)

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

IFRS 10.B38

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date when the Group ceases to control the subsidiary.

IFRS 10.B80
IFRS 10.B86
IFRS 10.B99

Profit or loss and each component of OCI are attributed to the owners of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

IFRS 10.B94
IFRS 10.B87
IFRS10.B86

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

IFRS 10.B96
IFRS 10.B98
IFRS 10.B99

The Group has invested in a number of specialised investment vehicles such as open-ended investment companies (OEICs) and unit trusts. The Group's percentage ownership in these vehicles can fluctuate from day to day according to the Group's (including policyholders') participation in them. Where the Group controls such vehicles, they are consolidated with the interest of third parties shown as net asset value attributable to unit-holders in the statement of financial position. Where the Group does not control such vehicles, these are designated as financial investments held at fair value through profit or loss (FVPL). The group reassesses its control each year, on an ongoing basis.

2.3 Summary of significant accounting policies

a. Product classification

Insurance contracts are those contracts where the Group (the insurer) has accepted significant insurance risk from another party (the policyholders) by agreeing to compensate the policyholders if a specified uncertain future event (the insured event) adversely affects the policyholders. As a general guideline, the Group determines whether it has significant insurance risk, by comparing benefits payable after an insured event with benefits payable if the insured event did not occur. Insurance contracts can also transfer financial risk.

IAS 1.112
IAS 1.10(e)
IAS 1.117
IFRS 4.37(a)

Investment contracts are those contracts that transfer significant financial risk, but not significant insurance risk. Financial risk is the risk of a possible future change in one or more of a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of price or rates, credit rating or credit index or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract.

IFRS 4 Appendix A

Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during this period, unless all rights and obligations are extinguished or expire. Investment contracts can, however, be reclassified as insurance contracts after inception if insurance risk becomes significant.

IFRS 4.B29, B30

Insurance and investment contracts are further classified as being either with or without DPF. DPF is a contractual right to receive, as a supplement to guaranteed benefits, additional benefits that meet the following conditions:

IFRS 4 Appendix A

- Likely to be a significant portion of the total contractual benefits
- The amount or timing of which is contractually at the discretion of the issuer

2. Significant accounting policies (cont'd)

2.3 Summary of significant accounting policies (cont'd)

- That are contractually based on:
  - The performance of a specified pool of contracts or a specified type of contract
  - Realised and/or unrealised investment returns on a specified pool of assets held by the issuer
  - The profit or loss of the company, fund or other entity that issues the contract

Commentary

IFRS 4.34 and IFRS 4.35 require the guaranteed element of an insurance or investment DPF contract to be recognised as a liability, but permit the discretionary element of a DPF to be treated as either an element of equity or as a liability, or to be split between the two categories. The Group's accounting policy is to treat all DPF features, both guaranteed and discretionary, as liabilities and to include them within insurance or investment contract liabilities as appropriate in the statement of financial position.

Derivatives embedded in an insurance contract or an investment contract with DPF are separated and fair valued through the statement of profit or loss unless the embedded derivative is itself an insurance contract or investment contract with DPF. The derivative is also not separated if the host insurance contract or investment contract with DPF is measured at FVPL.

IFRS 4.7, 8, 9

b. Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest (NCI) in the acquiree. For each business combination, the Group has an option to measure any NCIs in the acquiree at fair value or at the NCI's proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses. In respect of the acquisition of Good American Life Co. in 2017, the Group has measured the NCIs at its proportionate share of the net assets acquired.

IFRS 3.4
IFRS 3.18
IFRS 3.19
IFRS 3.53

When the Group acquires a business, it assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree. No reclassification of insurance contracts is required as part of the accounting for the business combination. Thus, insurance contracts are classified on the basis of the contractual terms and other factors at the inception of the contract or modification date.

IFRS 3.15
IFRS 3.16
IFRS 3.17

If the business combination is achieved in stages, any previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

IFRS 3.42

Any contingent consideration will be recognised at fair value at the acquisition date. Contingent consideration that is classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or liability within or outside the scope of IAS 39 is measured at FVPL.

IFRS 3.39
IFRS 3.58

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

IFRS 3.32
IFRS 3.36

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purposes of impairment testing, goodwill acquired in a business combination is allocated to an appropriate cash-generating unit (CGU) that is expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

IFRS 3.B63(a)
IAS 36.80

Where goodwill has been allocated to CGU and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

IAS 36.86

2. Significant accounting policies (cont'd)

2.3 Summary of significant accounting policies (cont'd)

Commentary

IFRS 3 *Business Combinations* confirms that there should be no reassessment of the classification of contracts previously classified as insurance contracts under IFRS 4 which are acquired as a part of a business combination.

IFRS 3.17(b) exempts insurance contracts from having to be reclassified on the acquisition of a business. Thus, the acquirer must classify insurance contracts on the basis of the contractual terms and other factors at the inception of the contract (or, if the terms of the contract have been modified in a manner that would change its classification, at the date of that modification, which might be the acquisition date).

c. Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangibles, excluding capitalised development costs, are not capitalised and the related expenditure is reflected in statement of profit or loss in the year in which the expenditure is incurred.

IAS 38.24
IAS 38.74
IAS 38.57

The useful lives of intangible assets are assessed to be either finite or indefinite.

IAS 38.88

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement of profit or loss (other operating and administrative expenses).

IAS 38.97
IAS 38.9
IAS 38.104
IAS 38.118(d)

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the CGU level. Such intangibles are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is made on a prospective basis.

IAS 38.107
IAS 38.108
IAS 38.109

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of profit or loss when the asset is derecognised.

IAS 38.113

Present value of acquired in-force business (PVIF)

IFRS 4.31(b)

When a portfolio of insurance contracts and/or investment contracts with DPF is acquired, whether directly from another insurance company, or as part of a business combination, the difference between the fair value of the insurance liability and the value of the insurance liabilities measured using the Group's existing accounting policies is recognised as a PVIF asset.

Subsequent to initial recognition, the intangible asset is carried at cost less accumulated amortisation and accumulated impairment losses. The intangible asset is amortised on a straight line basis over the useful life of the acquired policies. Amortisation is recorded in the statement of profit or loss.

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

The recoverability of PVIF is considered as part of the liability adequacy test performed at each reporting period.

PVIF is derecognised when the related contracts are settled or disposed of.

Future servicing rights

When a portfolio of investment contracts without DPF, under which the Group will render investment management services, is acquired, whether directly from another insurance company or as part of a business combination, the fair value of future servicing rights is recognised as an intangible asset.

IAS 18 IE14 (b)(iii)

2. Significant accounting policies (cont'd)

2.3 Summary of significant accounting policies (cont'd)

Subsequent to initial recognition, the intangible asset is carried at cost less accumulated amortisation and accumulated impairment losses. The intangible asset is amortised on a straight line basis over period of services to be rendered. Amortisation is recorded in the statement of profit or loss.

An impairment review is performed whenever there is an indication of impairment. When the recoverable amount is less than the carrying value, an impairment loss is recognised in the statement of profit or loss. Future servicing rights are also considered in establishing an onerous contract provision for each reporting period.

Future servicing rights are derecognised when the related contracts are settled or disposed of.

Other intangibles

Other intangibles consist of Good American Life Co.'s distribution channels. The economic lives of these assets are determined by consideration of relevant factors such as usage of the asset, typical product life cycles, maintenance costs, the stability of the industry, competitive position, and period of control over the assets. These assets are amortised over their useful lives, using the straight line method and recognised in the statement of profit or loss.

d. Impairment of non-financial assets

Disclosures relating to impairment of non-financial assets are summarised in the following notes:

- Disclosures for significant assumptions Note 2.5
- Goodwill Note 23

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

IAS 36.6
IAS 36.9
IAS 36.66
IAS 36.59

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

IAS 36.30
IAS 36.55

The Group bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Group's CGUs, to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year.

IAS 36.33

Impairment losses are recognised in the statement of profit or loss.

IAS 36.60

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group makes an estimate of the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of amortisation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of profit or loss.

IAS 36.110
IAS 36.114
IAS 36.117
IAS 36.119

The following criteria are also applied in assessing impairment of goodwill:

Goodwill

Goodwill is tested for impairment annually and when circumstances indicate that the carrying value may be impaired.

IAS 36.10(b)

2. Significant accounting policies (cont'd)

2.3 Summary of significant accounting policies (cont'd)

Impairment is determined for goodwill by assessing the recoverable amount of the cash-generating units, to which the goodwill relates. Where the recoverable amount of the cash-generating units is less than their carrying amount, an impairment loss is recognised. The Group performs its annual impairment test of goodwill as at 31 December. *IAS 36.90*

The recoverable amount for the life insurance business CGU has been determined based on a value in use calculation. This calculation is derived from embedded value (EV) principles together with the present value of expected profits from future new business. The EV represents the shareholder interests in the life insurance business and is the total of the net worth of the life insurance business and the value of the in-force business. The details of the assumptions are in Note 23.

The recoverable amount of the non-life insurance business CGU and investment management services business CGU have been determined based on a value in use calculation. The calculation requires the Group to make an estimate of the expected future cash flows from each of the CGUs and discount these amounts using a suitable rate which reflects the risk of those cash flows in order to calculate the present value of those cash flows.

Previously recorded impairment losses for goodwill are not reversed in future periods. *IAS 36.124*

Commentary

IAS 36.10 and IAS 36.96 permit the annual impairment test for goodwill and intangible assets with indefinite useful lives to be performed at any time during the year provided it is undertaken at the same time each year. Different goodwill and intangible assets may be tested at different times.

e. Deferred expenses

Deferred acquisition costs (DAC)

Those direct and indirect costs incurred during the financial period arising from acquiring or renewing of insurance contracts and/or investment contracts with DPF, are deferred to the extent that these costs are recoverable out of future premiums from insurance contract and over duration of investment contracts with DPF. All other acquisition costs are recognised as an expense when incurred. *IFRS 4.37(a)*

Subsequent to initial recognition, this DAC asset for life insurance and investment contracts with DPF is amortised over the expected life of the contracts as a constant percentage of expected premiums. DAC for general insurance and health products are amortised over the period in which the related revenues are earned. The deferred acquisition costs for reinsurers are amortised in the same manner as the underlying asset amortisation and is recorded in the statement of profit or loss. *IFRS 4.37(a)*

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

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

DACs are derecognised when the related contracts are either settled or disposed of.

Deferred expenses-Investment management services

Those incremental costs incurred during the financial period directly attributable to securing investment contracts without DPF (under which the Group will render investment management services), are deferred and recognised as an asset, to the extent that they can be identified separately, measured reliably and it is probable that they will be recovered from future margins. Incremental cost is a cost that would not have been incurred if the Group had not secured the investment contract without DPF. All other origination costs are recognised as an expense when incurred. *IAS 18 IE14 (b)(iii)*

For contracts involving both the origination of a financial liability and the provision of investment management services, only the transaction costs allocated to the servicing component are deferred. The other transaction costs are included in the financial liability.

2. Significant accounting policies (cont'd)

2.3 Summary of significant accounting policies (cont'd)

Subsequent to initial recognition, these costs are amortised on a straight line basis, which typically varies between 10 and 20 years. Amortisation is recorded in the statement of profit or loss.

An impairment review is performed at each reporting date or more frequently when an indication of impairment arises. When the recoverable amount is less than the carrying value, an impairment loss is recognised in the statement of profit or loss.

Investment management services are derecognised when the related contracts are settled or disposed of.

f. Property and equipment

Property and equipment, including owner-occupied property, is stated at cost, excluding the costs of day-to-day servicing, less accumulated depreciation and accumulated impairment losses. Replacement or major inspection costs are capitalised when incurred, if it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably.

IAS 16.73(a)
IAS 16.30
IAS 16.14-15

Depreciation is provided on a straight line basis over the estimated useful lives of the following classes of assets:

IAS 16.73(b), (c)

- Property: over 20 years
- Equipment: 5 to 15 years

The assets' residual values, and useful lives and method of depreciation are reviewed and adjusted, if appropriate, at each financial year end and adjusted prospectively.

IAS 16.51

An item of property and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss in the year the asset is derecognised.

IAS 16.67
IAS 16.68
IAS 16.71

Commentary

The Group has elected to carry property and equipment at historical cost less accumulated depreciation and impairment. IAS 16 also permits property and equipment to be carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent accumulated depreciation and impairment.

g. Investment properties

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in the statement of profit or loss in the year in which they arise, including the corresponding tax effect. Fair values are evaluated annually by an accredited external, independent valuer, applying a valuation model recommended by the International Valuation Standards Committee.

IAS 40.20
IAS 40.33
IAS 40.75(a)
IAS 40.35
IAS 40.75(e)

Investment properties are derecognised either when they have been disposed of, or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in the statement of profit or loss in the year of retirement or disposal.

IAS 40.66
IAS 40.69

Transfers are made to (or from) investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property and equipment up to the date of change in use.

IAS 40.57
IAS 40.60
IAS 40.61

Commentary

The Group has elected to carry investment property at fair value. Both IAS 16 and IAS 40 permit property, plant and equipment and investment properties to be carried at historical cost less accumulated depreciation and impairment. In these circumstances, disclosures about the cost basis and depreciation rates would be required. In addition, IAS 40 requires note disclosure about the fair value of any investment property recorded at cost. Therefore, companies would still need to determine the fair value.

Notes to the consolidated financial statements

2. Significant accounting policies (cont'd)

2.3 Summary of significant accounting policies (cont'd)

h. Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective assets. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

IAS 23.8

i. Investment in an associate

An associate is an entity over which the Group has significant influence and which is neither a subsidiary nor a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but it is not control or joint control over those policies.

IAS 28.3

The Group's investment in its associate is accounted for using the equity method.

IAS 28.16

Under the equity method, the investment in an associate is carried in the statement of financial position at cost plus post-acquisition changes in the Group's share of net assets of the associate. Goodwill relating to an associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

IAS 28.26

The statement of profit or loss reflects the share of the results of operations of the associate. Any change in OCI of the investee is presented as part of the Group's OCI. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes and discloses this, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

IAS 1.82(c)

The aggregate of the Group's share of profit of the associate is shown on the face of the statement of profit or loss. This is profit attributable to equity holders of the associate and, therefore, is profit after tax and non-controlling interests in the subsidiaries of the associates.

The financial statements of the associate are prepared for the same reporting period as the Group. Where necessary, adjustments are made to bring its accounting policies in line with the Group's.

IAS 28.33-35

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in associates. The Group determines at each reporting date, whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in the 'Share of profit of an associate' in the statement of profit or loss.

IAS 28.40-43

Upon loss of significant influence over the associate, the Group measures and recognises any remaining investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the remaining investment and proceeds from disposal is recognised in profit or loss.

IAS 28.22

j. Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at FVPL, loans and receivables, held to maturity (HTM) investments, available-for-sale (AFS) financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. Financial assets are recognised initially at fair value plus, in the case of investments not at FVPL, directly attributable transaction costs that are attributable to the acquisition of the financial asset.

IFRS 7.21
IAS 39.9
IAS 39.43

The classification depends on the purpose for which the investments were acquired or originated. Financial assets are classified as at FVPL where the Group's documented investment strategy is to manage financial investments on a fair value basis, because the related liabilities are also managed on this basis. The AFS and HTM categories are used when the relevant liability (including shareholders' funds) is passively managed and/or carried at amortised cost.

2. Significant accounting policies (cont'd)

2.3 Summary of significant accounting policies (cont'd)

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

IAS 39.9
IAS 39.38

The Group's financial assets include cash and short-term deposits, trade and other receivables, loan and other receivables, quoted and unquoted financial instruments, and derivative financial instruments.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at FVPL
- AFS financial assets
- Loans and receivables
- HTM investments

Financial assets at fair value through profit or loss

Financial assets at FVPL include financial assets held for trading and those designated upon initial recognition as at FVPL. Investments typically bought with the intention to sell in the near future are classified as held for trading. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments as defined by IAS 39. For investments to be designated as at FVPL, the following criteria must be met:

IAS 39.9
IAS 39.46

- The designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognising gains or losses on a different basis

  Or

- The assets and liabilities are part of a group of financial assets, financial liabilities, or both, which are managed and their performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy

Subsequent to initial recognition, they are remeasured at fair value. Changes in fair value are recorded in 'Fair value gains and losses'. Interest is accrued and presented in 'Investment income', using the effective interest rate (EIR). Dividend income is recorded in 'Investment income' when the right to the payment has been established.

IAS 39.55(a)
IAS 18.30(a)
IFRS 7.B5(e)

Available-for-sale financial assets

AFS financial assets include equity and debt securities. Equity investments classified as AFS are those that are neither classified as held for trading nor designated at FVPL. Debt securities in this category are those that are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in market conditions.

IAS 39.45(d)
IAS 39.9
IAS 39.46

After initial measurement, AFS financial assets are subsequently measured at fair value, with unrealised gains or losses recognised in OCI in the AFS reserve (equity). Where the insurer holds more than one investment in the same security, they are deemed to be disposed of on a first-in first-out basis. Interest earned whilst holding AFS investments is reported as interest income using the EIR. Dividends earned whilst holding AFS investments are recognised in the statement of profit or loss as 'Investment income' when the right of the payment has been established. When the asset is derecognised or determined to be impaired, the cumulative gain or loss is reclassified from AFS reserve to the statement of profit or loss.

IAS 39.55(b)
IAS 39.AG5-8

The Group evaluates whether the ability and intention to sell its AFS financial assets in the near term is still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets, the Group may elect to reclassify these financial assets if management has the ability and intention to hold the assets for the foreseeable future or until maturity. Reclassification to loans and receivables is permitted when the financial asset meets the definition of loans and receivables and management has the intention and ability to hold these assets for the foreseeable future or until maturity. The reclassification to HTM is permitted only when the entity has the ability and intention to hold the financial asset until maturity.

IAS 39.50E
IAS 39.50F

For a financial asset reclassified out of the available-for-sale category, the fair value at the date of reclassification becomes its new amortised cost and any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the EIR. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the EIR. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the statement of profit or loss.

2. Significant accounting policies (cont'd)

2.3 Summary of significant accounting policies (cont'd)

Loans and receivables — *IAS 39.45(c)*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, loans and receivables are measured at amortised cost, using the EIR method, less allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the EIR. The EIR amortisation is included in 'Investment income' in the statement of profit or loss. Gains and losses are recognised in the statement of profit or loss when the investments are derecognised or impaired, as well as through the amortisation process.

IAS 39.9
IAS 39.46(a)
IAS 39.56

Held to maturity financial assets — *IAS 39.45(b)*

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held to maturity when the Group has the positive intention and ability to hold until maturity. After initial measurement, held to maturity financial assets are measured at amortised cost, using the EIR, less impairment. The EIR amortisation is included in 'Investment income' in the statement of profit or loss. Gains and losses are recognised in the statement of profit or loss when the investments are derecognised or impaired, as well as through the amortisation process.

IAS 39.9
IAS 39.46(b)
IAS 39.56

Derecognition of financial assets

A financial asset (or, when applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- The rights to receive cash flows from the asset have expired *(IAS 39.17(a))*

  Or

- The Group has transferred its right to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either: (a) the Group has transferred substantially all the risks and rewards of the asset or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset. *(IAS 39.18, IAS 39.20)*

When the Group has transferred its right to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

IAS 39.20(c)
IAS 39.31

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

IAS 39.30(a)

Impairment of financial assets

Disclosures relating to impairment of financial assets are summarised in the following notes:

- Disclosures for significant assumptions — Note 2.5
- Financial assets — Note 27

The Group assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, there is objective evidence of impairment as a result of one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

IAS 39.58
IAS 39.59
IFRS 7.B5(f)

2. Significant accounting policies (cont'd)

2.3 Summary of significant accounting policies (cont'd)

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment. *IAS 39.64*

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. *IAS 39.63* *IAS 39.AG84*

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in the statement of profit or loss. Interest income (recorded as investment income in the statement of profit or loss) continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to finance costs in the statement of profit or loss. *IAS 39.AG93* *IAS 39.65*

Available-for-sale financial investments

For AFS financial investments, the Group assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired. *IAS 39.67*

In the case of equity investments classified as AFS, objective evidence would include a 'significant or prolonged' decline in the fair value of the investment below its cost. 'Significant' is evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of profit or loss – is removed from OCI and recognised in the statement of profit or loss. Impairment losses on equity investments are not reversed through profit or loss; increases in their fair value after impairment are recognised directly in OCI. *IAS 39.68* *IAS 39.69*

The determination of what is 'significant' or 'prolonged' requires judgement. In making this judgement, the Group evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its cost.

In the case of debt instruments classified as AFS, impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of profit or loss.

Future interest income continues to be accrued based on the reduced carrying amount of the asset and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of investment income. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the statement of profit or loss, the impairment loss is reversed through the statement of profit or loss. *IAS 39.AG93* *IAS 39.70*

2. Significant accounting policies (cont'd)

2.3 Summary of significant accounting policies (cont'd)

Financial liabilities

Initial recognition and measurement

IFRS 7.21

IAS 39.43

Financial liabilities are classified at initial recognition, as financial liabilities at FVPL, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Group's financial liabilities include investment contracts without DPF, net asset value attributable to unit-holders, trade and other payables, borrowings and derivative financial instruments.

Subsequent measurement

Subsequent measurement of financial liabilities depends on their classification, as follows:

Financial liabilities at FVPL

Financial liabilities at FVPL includes financial liabilities held for trading and financial liabilities designated upon initial recognition as at FVPL.

IAS 39.9

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IAS 39. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Financial liabilities are designated as at FVPL at the initial date of recognition, and only if the criteria in IAS 39 are satisfied. The Group has designated investment contracts without DPF (see section w.) and net asset value attributable to unit-holders (see section j.) as financial liabilities at FVPL upon initial recognition.

IAS 39.55(a)

Gains or losses on designated or held for trading liabilities are recognised in fair value gains and losses in the statement of profit or loss.

Interest bearing loans and borrowings, and issued notes

IAS 39.47
IAS 39.56

After initial recognition, interest bearing loans and borrowings, and issued notes are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

IAS 39.9

Amortised cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the EIR. The EIR amortisation is included in finance cost in the statement of profit or loss.

Net asset value attributable to unit-holders

Unit trusts or open-ended investment companies, over which the Group has control, have been consolidated. The units not owned by the Group are treated as a liability due to the puttable nature of the units. This liability is referred to as 'net asset value attributable to unit-holders'.

These liabilities are designated at fair value through profit or loss. Fair value is measured at quoted price in active market when available, or using current unit values, when the quoted price is not available, which reflect fair values of underlying assets and liabilities of the fund. The management has assessed the credit risk of these liabilities as immaterial.

Financial guarantee contracts

IAS 39.9
IAS 39.14
IAS 39.47(c)

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequently, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount recognised less cumulative amortisation.

2. Significant accounting policies (cont'd)

2.3 Summary of significant accounting policies (cont'd)

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the statement of profit or loss.

IAS 39.39
IAS 39.40
IAS 39.41

k. Offsetting of financial instruments

IAS 32.42

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

l. Derivative financial instruments and hedge accounting

Initial recognition and subsequent measurement

IAS 39.9

Derivative financial instruments are classified as held for trading unless they are designated as effective hedging instruments.

Derivative financial instruments held for trading are typically entered into with the intention to settle in the near future.

The Group uses derivative financial instruments such as forward currency contracts and interest rate swaps to hedge its foreign currency risks and interest rate risks, respectively.

IAS 39.43

Derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value.

All derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

IAS 39.10
IAS 39.11
IFRIC 9.7

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at FVPL. These embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of FVPL category. However, as an exception to above, a policyholder's option to surrender an insurance contract for a fixed amount (or for an amount based on a fixed amount and an interest rate) is not separated and measured at fair value even if the exercise price differs from the carrying amount of the host insurance liability. Embedded derivatives that meet the definition of insurance contracts are treated and measured as insurance contracts.

IAS 39.55(a)

Any gains or losses arising from changes in fair value on derivatives are taken directly to profit or loss, except for the effective portion of cash flow hedges, which are recognised in OCI and later reclassified to profit or loss when the hedged item affects profit or loss.

For the purpose of hedge accounting, hedges are classified as:

- Fair value hedges, when they hedge exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment, or an identified portion of such asset, liability or firm commitment, that is attributable to a particular risk and could affect profit or loss *IAS 39.86(a)*
- Cash flow hedges, when they hedge exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability, a highly probable forecast transaction or a foreign currency risk of a firm commitment and could affect profit or loss *IAS 39.86(b)*

IAS 39.88

The following criteria must be in place before the Group will use hedge accounting:

- Formal documentation of the hedging instrument, hedged item, hedging objective, strategy and relationship is prepared before hedge accounting is applied
- The hedge is documented at inception showing that it is expected to be highly effective in offsetting the risk in the hedged item throughout the reporting period and the hedge is effective on an ongoing basis. A hedge is expected to be highly effective if the changes in fair value or cash flow attributable to hedged risk during the period for which the hedge is designated are expected to offset in range of 80% to 125%
- For a cash flow hedge, a forecast transaction that is the subject of the hedge must be highly probable and must present an exposure to variations in cash flows that could ultimately affect profit or loss

2. Significant accounting policies (cont'd)

2.3 Summary of significant accounting policies (cont'd)

Hedges that meet the strict criteria for hedge accounting are accounted for, as follows:

IFRS 7.22(a)

Fair value hedges

The change in the fair value of a hedging derivative (hedge instrument) is recognised in the statement of profit or loss. The change in the fair value of the hedged item attributable to the risk hedged is recorded as part of the carrying value of the hedged item and is recognised in the statement of profit or loss. *IAS 39.89*

When an unrecognised firm commitment is designated as a hedged item, the subsequent cumulative change in the fair value of the firm commitment attributable to the hedged risk is recognised as an asset or liability with a corresponding gain or loss recognised in the statement of profit or loss. The change in the fair value of the hedging instrument is also recognised in the statement of profit or loss. *IAS 39.93*

For fair value hedges relating to items carried at amortised cost, any adjustment to carrying value is amortised through profit or loss over the remaining term of the hedge using the EIR method. EIR amortisation may begin as soon as an adjustment exists and no later than when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged. If the hedged item is derecognised, the unamortised fair value is recognised immediately in profit or loss. *IAS 39.92*

The Group hedges interest rate risk and exchange rate risk on certain fixed interest rate investments using swaps, exchange traded futures and other forward exchange contracts. See Note 28 for more details.

Cash flow hedges *IFRS 7.22(a)*

The effective portion of the gain or loss on the hedging instrument is recognised in OCI in the cash flow hedge reserve, while the ineffective portion is recognised immediately in the statement of profit or loss. *IAS 39.95*

Amounts taken to OCI are transferred to profit or loss when the hedged transaction effects profit or loss, such as when hedged financial income or financial expense is recognised or when the forecast sale or purchase occurs. When the hedged item is the cost of a non-financial asset or liability, the amounts recognised as OCI are transferred to the initial carrying amount of the non-financial asset or non-financial liability. *IAS 39.97-100*

If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover (as part of the hedging strategy), or if its designation as a hedge is revoked, or when the hedge no longer meets the criteria for hedge accounting, amounts previously recognised in OCI remain separately in equity until the forecast transaction occurs or the foreign currency firm commitment is met. *IAS 39.101*

The Group uses currency swaps as hedges of its exposure to foreign currency risk in forecast transactions and firm commitments. Refer to Note 28 for more details.

m. Fair value measurement

The Group measures financial instruments such as derivatives, and non-financial assets such as investment properties, at fair value at each reporting date.

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 measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

In the principal market for the asset or liability

Or

In the absence of a principal market, in the most advantageous market for the asset or liability

IFRS13.9
IFRS 13.16

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

IFRS 13.22

2. Significant accounting policies (cont'd)

2.3 Summary of significant accounting policies (cont'd)

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

IFRS 13.27

IFRS 13.61

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets, liabilities and equity items for which fair value is measured or disclosed in the consolidated financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole.

IFRS 13.72

- Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are measured at fair value in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

IFRS 13.95

The Group's valuation committee determines the policies and procedures both for recurring fair value measurement (such as, investment properties and unquoted AFS financial investments) and for non-recurring measurement (such as assets held for distribution). The valuation committee comprises the Chief Investment Officer, the head of the investment properties segment, the head of the Group's internal mergers, acquisition and demerger team, the head of the risk management department, and all the chief finance officers.

IFRS 13.93(g)

For all the significant assets such as properties and AFS, each year, the valuation committee decides, after approval from the audit committee, which external valuer to appoint to be responsible for the external valuations. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. Valuers are normally rotated every three years. The valuation committee decides, after discussions with the Group's external valuers, which valuation techniques and inputs to use for each case.

At each reporting date, the valuation committee analyses the movements in the values of assets and liabilities which are required to be remeasured or reassessed as per the Group's accounting policies. For this analysis, the valuation committee verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents.

The valuation committee, in conjunction with the Group's external valuers, also compares the changes in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable.

On an interim basis, the valuation committee and the Group's external valuers present the valuation results to the audit committee and the Group's independent auditors. This includes a discussion of the major assumptions used in the valuations.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

Fair value related disclosures for financial instruments and non-financial assets that are measured at fair value or where fair values are disclosed, are summarised in the following notes:

- Disclosures for significant accounting judgements, estimates and assumptions — Note 2.5
- Investment properties — Note 26
- Financial instruments (including those carried at amortised cost) — Note 27,28
- Quantitative disclosures of fair value measurement hierarchy — Note 29

Commentary

The Group has not elected to apply the portfolio exception under IFRS 13.48. If an entity makes an accounting policy decision to use the exception, this fact is required to be disclosed per IFRS 13.96.

Details have been provided in these illustrative disclosures. However, entities should consider tailoring the level of detail based on their specific facts and circumstances and materiality considerations.

2. Significant accounting policies (cont'd)

2.3 Summary of significant accounting policies (cont'd)

n. Reinsurance ceded to reinsurance counterparties

IFRS 4.37(a)

The Group cedes insurance risk in the normal course of business for all of its businesses. Reinsurance assets represent balances due from reinsurance companies. Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision or settled claims associated with the reinsurer's policies and are in accordance with the related reinsurance contract.

IFRS 4.20

Reinsurance assets are reviewed for impairment at each reporting date, or more frequently, when an indication of impairment arises during the reporting period. Impairment occurs when there is objective evidence as a result of an event that occurred after initial recognition of the reinsurance asset that the Group may not receive all outstanding amounts due under the terms of the contract and the event has a reliably measurable impact on the amounts that the Group will receive from the reinsurer. The impairment loss is recorded in the statement of profit or loss.

IFRS 4.37(b)(i)

Gains or losses on buying reinsurance are recognised in the statement of profit or loss immediately at the date of purchase and are not amortised.

Ceded reinsurance arrangements do not relieve the Group from its obligations to policyholders.

o. Reinsurance assumed

IFRS 4.37(a)

The Group also assumes reinsurance risk in the normal course of business for life insurance and non-life insurance contracts where applicable. Premiums and claims on assumed reinsurance are recognised as revenue or expenses in the same manner as they would be if the reinsurance were considered direct business, taking into account the product classification of the reinsured business. Reinsurance liabilities represent balances due to insurance companies. Amounts payable are estimated in a manner consistent with the related reinsurance contract.

Premiums and claims are presented on a gross basis for both ceded and assumed reinsurance.

IFRS 4.14(c)

Reinsurance assets or liabilities are derecognised when the contractual rights are extinguished or expire or when the contract is transferred to another party.

Reinsurance contracts that do not transfer significant insurance risk are accounted for directly through the statement of financial position. These are deposit assets or financial liabilities that are recognised based on the consideration paid or received less any explicit identified premiums or fees to be retained by the reinsured. Investment income on these contracts is accounted for using the EIR method when accrued.

p. Insurance receivables

IFRS 4.37(a)

Insurance receivables are recognised when due and measured on initial recognition at the fair value of the consideration receivable. Subsequent to initial recognition, insurance receivables are measured at amortised cost, using the EIR method. The carrying value of insurance receivables is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable, with the impairment loss recorded in the statement of profit or loss.

Insurance receivables are derecognised when the derecognition criteria for financial assets, as described in Note 2.3 (j), have been met.

q. Cash and short-term deposits

IAS 7.6
IAS 7.7

Cash and short-term deposits in the statement of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less, which are subject to an insignificant risk of changes in value.

IAS 7.8

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits, as defined above, net of outstanding bank overdrafts as they are considered an integral part of the Group's cash management.

2. Significant accounting policies (cont'd)

2.3 Summary of significant accounting policies (cont'd)

r. Taxes

Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in the countries where the Group operates and generates taxable income. *IAS 12.46*

Current income tax relating to items recognised directly in equity or OCI is recognised in equity or OCI and not in the statement of profit or loss. *IAS 12.61A*

Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions, where appropriate.

The income tax charge is analysed between tax in respect of policyholders' returns and the balance which represents the tax on equity holders' returns. The income tax charge in respect of policyholders' returns reflects the movement in current and deferred income tax recognised in respect of those items of income, gains and expenses, which are for the benefit of policyholders. *IAS 1.117*

Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss *IAS 12.22(c)*
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future *IAS 12.39*

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except: *IAS 12.34*

- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss *IAS 12.24*
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised *IAS 12.44*

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered. *IAS 12.56* *IAS 12.37*

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date. *IAS 12.47*

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity. *IAS 12.61A*

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority. *IAS 12.74*

2. Significant accounting policies (cont'd)

2.3 Summary of significant accounting policies (cont'd)

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, are recognised subsequently if new information about facts and circumstances change. The adjustment is either treated as a reduction in goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement period or recognised in profit or loss. *IAS 12.68*

Sales taxes and premium taxes *IAS 18.8*

Revenues, expenses and assets are recognised net of the amount of sales taxes and premium taxes except:

- Where the sales or premium tax incurred on the purchase of assets or services is not recoverable from the taxation authority, in which case, the sales and premium tax is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable
- Receivables and payables that are stated with the amount of sales or premium tax included

Outstanding net amounts of sales or premium tax recoverable from, or payable to, the taxation authority are included as part of receivables or payables in the statement of financial position.

s. Leases

The determination of whether an arrangement is a lease, or contains a lease, is based on the substance of the arrangement at the inception date and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset (or assets) and the arrangement conveys a right to use the asset (or assets), even if that asset is (or those assets are) not explicitly specified in an arrangement. *IFRIC 4.6*

Group as a lessee

A lease is classified at the inception date as a finance lease or an operating lease. Leases that do not transfer substantially all of the risks and rewards of ownership of an asset to the Group are classified as operating leases. *IAS 17.8*

Operating lease payments are recognised as an expense in the statement of profit or loss on a straight line basis over the lease term. *IAS 17.33*

Group as a lessor

Leases in which the Group does not transfer substantially all of the risks and rewards of ownership of an asset are classified as operating leases. *IAS 17.8*

Rental income is recognised as revenue in the statement of profit or loss on a straight line basis over the lease term. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income. Contingent rents are recognised as revenue in the period in which they are earned. *IAS 17.52*

t. Foreign currency translation

The Group's consolidated financial statements are presented in euros which is also the parent company's functional currency. Each company in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. The Group uses the direct method of consolidation and on disposal of a foreign operation, the gain or loss that is reclassified to profit or loss reflects the amount that arises from using this method. *IAS 1.51(d)* *IAS 21.9*

i. Transactions and balances

Transactions in foreign currencies are initially recorded by the Group's entities at their functional currency spot rate prevailing at the date the transaction first qualifies for recognition. *IAS 21.21*

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rate of exchange at the reporting date. *IAS 21.23(a)*

All differences arising on settlement or translation of monetary items are taken to the statement of profit or loss with the exception of differences on foreign monetary items that form part of a net investment in a foreign operation. These are recognised in OCI until the disposal of the net investment, at which time they are reclassified to profit or loss. Tax charges and credits attributable to exchange differences on these monetary items are also recorded in OCI. *IAS 21.28* *IAS 21.32*

2. Significant accounting policies (cont'd)

2.3 Summary of significant accounting policies (cont'd)

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction and are not subsequently restated. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of a gain or loss on change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in OCI or profit or loss are also recognised in OCI or profit or loss, respectively).

IAS 21.23(b)
IAS 21.23(c)
IAS 21.30

ii. Group companies

On consolidation, the assets and liabilities of foreign operations are translated into euros at the rate of exchange prevailing at the reporting date and their statement of profit or loss is translated at exchange rates prevailing at the date of the transactions. The exchange differences arising on the translation for consolidation are recognised in OCI. On disposal of a foreign operation, the component of OCI relating to that particular foreign operation is reclassified to profit or loss.

IAS 21.39(a)
IAS 21.39(b)
IAS 21.39(c)
IAS 21.48

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the rate of exchange at the reporting date.

IAS 21.47

u. Cash dividend to equity holders of the parent

The Company recognises a liability to make cash distributions to equity holders of the parent when the distribution is authorised and it is no longer at the discretion of the Company. As per the corporate laws in Euroland, a distribution is authorised when it is approved by the shareholders. A corresponding amount is recognised directly in equity. Interim dividends are deducted from equity when they are declared and paid.

Dividends for the year that are approved after the reporting date are not recognised as a liability at the reporting date.

IAS 10.12

v. Insurance contract liabilities

Life insurance contract liabilities

IFRS 4.37(a)

Life insurance liabilities are recognised when contracts are entered into and premiums are charged. These liabilities are measured using the net premium method. The liability is determined as the sum of the discounted value of the expected future benefits, claims handling and policy administration expenses, policyholder options and guarantees and investment income from assets backing such liabilities, which are directly related to the contract, less the discounted value of the expected premiums that would be required to meet the future cash outflows based on the valuation assumptions used. The liability is either based on current assumptions or calculated using the assumptions established at the time the contract was issued, in which case, a margin for risk and adverse deviation is generally included. A separate reserve for longevity may be established and included in the measurement of the liability. Furthermore, the liability for life insurance contracts comprises the provision for unearned premiums and premium deficiency, as well as for claims outstanding, which includes an estimate of the incurred claims that have not yet been reported to the Group. Adjustments to the liabilities at each reporting date are recorded in the statement of profit or loss in 'Gross change in contract liabilities'. Profits originated from margins for adverse deviations on run-off contracts are recognised in the statement of profit or loss over the life of the contract, whereas losses are fully recognised in the statement of profit or loss during the first year of run-off. The liability is derecognised when the contract expires, is discharged or cancelled.

At each reporting date, an assessment is made of whether the recognised life insurance liabilities, net of related PVIF and DAC, are adequate by using an existing liability adequacy test performed in accordance with Euroland GAAP. The liability value is adjusted to the extent that it is insufficient to meet expected future benefits and expenses. In performing the adequacy test, current best estimates of future contractual cash flows, including related cash flows such as claims handling and policy administration expenses, policyholder options and guarantees, as well as investment income from assets backing such liabilities, are used. A number of valuation methods are applied, including discounted cash flows, option pricing models and stochastic modelling. Aggregation levels and the level of prudence applied in the test are consistent with Euroland GAAP requirements. To the extent that the test involves discounting of cash flows, the interest rate applied may be prescribed by Euroland regulations or may be based on management's prudent expectation of current market interest rates. Any inadequacy is recorded in the statement of profit or loss, initially by impairing PVIF and DAC and, subsequently, by establishing an additional insurance liability for the remaining loss. In subsequent periods, the liability for a block of business that has failed the adequacy test is based on the assumptions that are established at the time of the loss recognition. The assumptions do not include a margin for adverse deviation. Impairment losses resulting from liability adequacy testing are reversed in future years if the impairment no longer exists, as required under Euroland GAAP.

2. Significant accounting policies (cont'd)

2.3 Summary of significant accounting policies (cont'd)

Non-life insurance (which comprises general insurance and healthcare) contract liabilities

IFRS 4.15-19

IFRS 4.37(a)

Non-life insurance contract liabilities include the outstanding claims provision, the provision for unearned premium and the provision for premium deficiency. The outstanding claims provision is based on the estimated ultimate cost of all claims incurred but not settled at the reporting date, whether reported or not, together with related claims handling costs and a reduction for the expected value of salvage and other recoveries. Delays can be experienced in the notification and settlement of certain types of claims. Therefore, the ultimate cost of these cannot be known with certainty at the reporting date. The liability is calculated at the reporting date using a range of standard actuarial claim projection techniques, based on empirical data and current assumptions that may include a margin for adverse deviation. The liability is not discounted for the time value of money. No provision for equalisation or catastrophe reserves is recognised. The liabilities are derecognised when the obligation to pay a claim expires, is discharged or is cancelled.

The provision for unearned premiums represents that portion of premiums received or receivable that relates to risks that have not yet expired at the reporting date. The provision is recognised when contracts are entered into and premiums are charged, and is brought to account as premium income over the term of the contract in accordance with the pattern of insurance service provided under the contract.

At each reporting date, the Group reviews its unexpired risk and a liability adequacy test is performed in accordance with Euroland GAAP to determine whether there is any overall excess of expected claims and deferred acquisition costs over unearned premiums. This calculation uses current estimates of future contractual cash flows after taking account of the investment return expected to arise on assets relating to the relevant non-life insurance technical provisions. If these estimates show that the carrying amount of the unearned premiums (less related deferred acquisition costs) is inadequate, the deficiency is recognised in the statement of profit or loss by setting up a provision for premium deficiency.

w. Investment contract liabilities

IFRS 4.15-19

IFRS 4.37(a)

Investment contracts are classified between contracts with and without DPF. The accounting policies for investment contract liabilities with DPF are the same as those for life insurance contract liabilities.

Investment contract liabilities without DPF are recognised when contracts are entered into and premiums are charged. These liabilities are initially recognised at fair value, this being the transaction price excluding any transaction costs directly attributable to the issue of the contract. Subsequent to initial recognition, the investment contract liabilities are measured at fair value through profit or loss.

IAS 39.43

Deposits and withdrawals are recorded directly as an adjustment to the liability in the statement of financial position and are not recognised as gross premium in the statement of profit or loss.

Fair values are determined at each reporting date and fair value adjustments are recognised in the statement of profit or loss in "Gross change in contract liabilities".

Non-unitised contracts are subsequently also carried at fair value.

The liability is derecognised when the contract expires, is discharged or is cancelled. For a contract that can be cancelled by the policyholder, the fair value of the contract cannot be less than the surrender value.

IFRS 4.10-12

When contracts contain both a financial risk component and a significant insurance risk component and the cash flows from the two components are distinct and can be measured reliably, the underlying amounts are unbundled. Any premiums relating to the insurance risk component are accounted for on the same basis as insurance contracts and the remaining element is accounted for as a deposit through the statement of financial position as described above.

x. Discretionary Participation Features (DPF)

IFRS 4.37(a)

A DPF gives holders of these contracts the right to receive, as a supplement to guaranteed benefits, significant additional benefits which are based on the performance of the assets held within the DPF portfolio. The amount or timing of the additional benefits is contractually at the discretion of the Group. Under the terms of the contracts, surpluses in the DPF funds can be distributed to policyholders and shareholders on a 90/10 basis. The Group has the discretion over the amount and timing of the distribution of these surpluses to policyholders. All DPF liabilities including unallocated surpluses at the end of the reporting period are held within insurance or investment contract liabilities, as appropriate.

2. Significant accounting policies (cont'd)

2.3 Summary of significant accounting policies (cont'd)

y. Insurance payables

Insurance payables are recognised when due and measured on initial recognition at fair value of the consideration received less directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the EIR method.

z. Pension

The Group operates a defined benefit pension plan, which requires contributions to be made to a separately administered fund. The cost of providing benefits under the defined benefit plan is determined using the projected unit credit valuation method.

IAS 19.135
IAS 19.67

Remeasurements, comprising actuarial gains and losses and the return on plan assets (excluding amounts included in net interest on the net defined benefit liability), are recognised immediately in the statement of financial position with a corresponding debit or credit to retained earnings through OCI in the period in which they occur. Remeasurements are not reclassified to profit or loss in subsequent periods.

IAS 19.120(c)
IAS 19.127
IAS 19.122

Past service costs are recognised in profit or loss on the earlier of the date of the plan amendment or curtailment or the date that the Group recognises related restructuring costs or termination benefits.

IAS 19.102
IAS 19.103

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Group recognises the following changes in the net defined benefit obligation under 'Other operating and administrative expenses' in the statement of profit or loss:

IAS 19.123
IAS 19.134

- Service costs comprising current service costs, past service costs, and non-routine settlements
- Net interest expense or income

The net defined benefit asset or liability comprises the present value of the defined benefit obligation (using a discount rate based on high quality corporate bonds) less the fair value of plan assets out of which the obligations are to be settled directly. Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to creditors of the Group nor can they be paid directly to the Group. Fair value is based on market price information and, in the case of quoted securities, it i s the published bid price. The value of any net defined benefit asset is restricted to the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

Commentary

Entities are required to state their policy for termination benefits, employee benefit reimbursements and benefit risk sharing. Since these are not applicable to the Group, the disclosures related to such benefits have not been made. Entities need to assess the nature of their employee benefits and make the relevant disclosures.

IAS 19 does not specify where in the statement of profit or loss service costs or net interest should be presented. IAS 1 allows, but does not require, disaggregation of the employee benefits costs in profit or loss. The net interest cost component is different from the unwinding of interest component and return on asset component in the previous version of IAS 19. Entities must apply the requirement in IAS 8.10 when developing a presentation policy for net interest cost.

aa. Deferred revenue

Initial and other front-end fees received for rendering future investment management services relating to investment contracts without DPF, are deferred and recognised as revenue when the related services are rendered.

IAS 18 IE14 (b)(iii)

bb. Provisions

General

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of profit or loss net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

IAS 37.14
IAS 37.53
IAS 37.54
IAS 37.45
IAS 37.47
IAS 37.60

2. **Significant accounting policies (cont'd)**

2.3 **Summary of significant accounting policies (cont'd)**

Onerous contracts

A provision is recognised for onerous contracts in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs reflect the least net cost of exiting the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it.

IAS 37.66

cc. Share-based payments

Employees (including senior executives) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments (equity-settled transactions). Employees working in the business development group are granted share appreciation rights, which are settled in cash (cash-settled transactions).

IFRS 2.44

Equity-settled transactions

The cost of equity-settled transactions with employees is measured by reference to the fair value of the equity instruments at the date on which they are granted. The fair value is determined by an external valuer using an appropriate pricing model, further details of which are given in Note 38.

IFRS 2.7
IFRS 2.10

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The expense or credit in the statement of profit or loss for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

IFRS 2.19
IFRS 2.20

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

IFRS 2.21
IFRS 2.21A

No expense is recognised for awards that do not ultimately vest because non-market performance and/or service conditions have not been met. Where awards include a market or non-vesting condition, the transactions are treated as vested irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

IFRS 2.19
IFRS 2.20
IFRS 2.21

When the terms of an equity-settled award are modified, the minimum expense to be recognised is the grant date fair value of the unmodified award, provided the original terms of the award are met. An additional expense measured as at the date of modification is recognised for any modification, which increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee.

IFRS 2.27

Where an award is cancelled by the Group or by the counterparty, any remaining element of the fair value of the award is expensed immediately through profit or loss.

IFRS 2.28

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share (further details are given in Note 20).

IAS 33.45

Cash-settled transactions

A liability is recognised for the fair value of cash-settled transactions. The fair value is measured initially and at each reporting date up to and including the settlement date, with changes in fair value recognised in employee benefits expense (see Note 17). The fair value is expensed over the period until the vesting date with recognition of a corresponding liability. The fair value is determined using a binomial model, further details of which are given in Note 38.

IFRS 2.30, 32, 33

dd. *Ordinary share capital*

The Group has issued ordinary shares that are classified as equity instruments. Incremental external costs that are directly attributable to the issue of these shares are recognised in equity, net of tax.

IAS 32.35

2. Significant accounting policies (cont'd)

2.3 Summary of significant accounting policies (cont'd)

ee. Revenue recognition

Gross premiums

IFRS 4.37(a), (e)

Gross recurring premiums on life and investment contracts with DPF are recognised as revenue when payable by the policyholder. For single premium business, revenue is recognised on the date on which the policy is effective.

Gross general insurance written premiums comprise the total premiums receivable for the whole period of cover provided by contracts entered into during the reporting period. They are recognised on the date on which the policy commences. Premiums include any adjustments arising in the reporting period for premiums receivable in respect of business written in prior accounting periods. Rebates that form part of the premium rate, such as no-claim rebates, are deducted from the gross premium; others are recognised as an expense. Premiums collected by intermediaries, but not yet received, are assessed based on estimates from underwriting or past experience and are included in premiums written.

Unearned premiums are those proportions of premiums written in a year that relate to periods of risk after the reporting date. Unearned premiums are calculated on a daily pro rata basis. The proportion attributable to subsequent periods is deferred as a provision for unearned premiums.

Reinsurance premiums

Gross outward reinsurance premiums on life and investment contracts are recognised as an expense on the earlier of the date when premiums are payable or when the policy becomes effective.

IFRS 4.37(a)

Gross general reinsurance premiums ceded comprise the total premiums payable for the whole cover provided by contracts entered into in the period and are recognised on the date on which the policy incepts. Premiums include any adjustments arising in the accounting period in respect of reinsurance contracts incepting in prior accounting periods.

Unearned reinsurance premiums are those proportions of premiums ceded in a year that relate to periods of risk after the reporting date. Unearned reinsurance premiums are deferred over the term of the underlying direct insurance policies for risks-attaching contracts and over the term of the reinsurance contract for losses-occurring contracts.

Reinsurance premiums and claims on the face of the statement of profit or loss have been presented as negative items within premiums and net benefits and claims, respectively, because this is consistent with how the business is managed.

Fees and commission income

IFRS 4.37(a), IAS 18 IE14 (b)(ii)

Insurance and investment contract policyholders are charged for policy administration services, investment management services, surrenders and other contract fees. These fees are recognised as revenue over the period in which the related services are performed. If the fees are for services provided in future periods, then they are deferred and recognised over those future periods.

Investment income

Interest income is recognised in the statement of profit or loss as it accrues and is calculated by using the EIR method. Fees and commissions that are an integral part of the effective yield of the financial asset are recognised as an adjustment to the EIR of the instrument.

IAS 18.30(a)

Investment income also includes dividends when the right to receive payment is established.

IAS 18.30(c)

Net realised gains and losses

Net realised gains and losses recorded in the statement of profit or loss include gains and losses on financial assets and properties. Gains and losses on the sale of investments are calculated as the difference between net sales proceeds and the original or amortised cost and are recorded on occurrence of the sale transaction.

IAS 39.55
IAS 39.56
IAS 40.69

2. Significant accounting policies (cont'd)

2.3 Summary of significant accounting policies (cont'd)

ff. Benefits, claims and expenses recognition

Gross benefits and claims

Gross benefits and claims for life insurance contracts and for investment contracts with DPF include the cost of all claims arising during the year, including: internal and external claims handling costs that are directly related to the processing and settlement of claims; and policyholder bonuses declared on DPF contracts. Death claims and surrenders are recorded on the basis of notifications received. Maturities and annuity payments are recorded when due.

IFRS 4.37(a)

General insurance and health claims include all claims occurring during the year, whether reported or not, related internal and external claims handling costs that are directly related to the processing and settlement of claims, a reduction for the value of salvage and other recoveries, and any adjustments to claims outstanding from previous years.

Reinsurance claims

Reinsurance claims are recognised when the related gross insurance claim is recognised according to the terms of the relevant contract.

Finance cost

Interest paid is recognised in the statement of profit or loss as it accrues and is calculated by using the EIR method. Accrued interest is included within the carrying value of the interest bearing financial liability.

IAS 39.47

2.4 Changes in accounting policy and disclosures

New and amended standards and interpretations

IAS 8.14

The Group applied for the first time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2017. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

IAS 8.28

The nature and the impact of each new standard and amendment is described below. Although these new standards and amendments applied for the first time in 2017, they did not have a material impact on the annual consolidated financial statements of the Group.

Amendments to IAS 7: Disclosure Initiative

The amendments require entities to provide disclosure of changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses). The Group has provided the disclosure in Note 39.

Amendments to IAS 12 Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses

The amendments clarify that an entity needs to consider whether the tax law restricts the sources of taxable profits against which it may make deductions on the reversal of deductible temporary difference related to unrealised losses. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profits may include the recovery of some assets for more than their carrying amount.

The Group applied amendments retrospectively. However, their application has no effect on the Group's financial position and performance as the Group's accounting policy has been consistent with the amendments.

Annual Improvements Cycle - 2014-2016: **Amendments to IFRS 12** ***Disclosure of Interests in Other Entities: Clarification of the scope of disclosure requirements in IFRS 12***

The amendments clarify that the disclosure requirements in IFRS 12, other than those in paragraphs B10–B16, apply to an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or associate) that is classified (or included in a disposal group that is classified) as held for sale. During 2017 and 2016, the Group had no interests classified as such, and therefore these amendments did not affect the Group's financial statements.

Commentary

For illustrative purposes, the Group has listed all the disclosures of new and amended standards and interpretations that are effective from 1 January 2017, regardless of whether these have any impact on the Group's financial statements. However, an alternative that entities should consider would be to only list and address those that have an impact on the Group's financial position, performance and/or disclosures.

In some jurisdictions, the adoption of IFRS for reporting purposes may be subject to a specific legal process (e.g., in the European Union or Australia). In those jurisdictions, the effective dates may therefore be different from the IASB's effective dates. Nevertheless, all new standards and interpretations must be considered for disclosure as standards issued but not yet effective, in accordance with IAS 8.30, when an entity provides a complete set of financial statements, irrespective of whether the legal process referred to above has been completed.

2. Significant accounting policies (cont'd)

2.5 Significant accounting judgements, estimates and assumptions

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future reporting periods.

Other disclosures relating to the Group's exposure to risks and uncertainties includes:

- Capital management Note 45
- Financial risk management and policies Note 47
- Sensitivity analyses disclosures Note 47

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the consolidated financial statements:

IAS 1.122

a. Consolidation of entities in which the Group holds less than majority of voting right (de facto control)

IFRS 10.B41, B42
IFRS 12.7(a)
IFRS 12.8
IFRS 12.9

Under IFRS 10, the Group assesses whether it has control over its investees, and therefore needs to consolidate them, and reassesses this at each reporting period.

The Group considers that it controls certain investment funds even though it owns less than 50% of the voting rights. This is because in these circumstances, the Group is determined to have de facto control over the funds, having more voting rights than others, where voting rights are widely dispersed. In making the assessment of control, judgment has been used based on the facts and circumstances of contractual arrangements with other investors, voting rights and any potential voting rights or delegation of control.

b. Open-ended investment companies and unit trusts

In the case of some other investment funds, despite the fact that the Group has a majority holding, the Group has used judgement to assess control, and has deemed that it does not have control. In the case of other certain funds, the Group determined that the assets and liabilities of certain sub-funds were ring fenced from the wider investee, and, therefore, only the sub-fund was consolidated. The remainder of the funds are not consolidated.

c. Operating lease commitments – Group as lessor

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, such as the lease term not constituting a major part of the economic life of the commercial property and the present value of the minimum lease payments not amounting to substantially all of the fair value of the asset, that it retains all the significant risks and rewards of ownership of these properties and accounts for the contracts as operating leases.

2. Significant accounting policies (cont'd)

2.5 Significant accounting judgements, estimates and assumptions (cont'd)

Commentary

IAS 1 requires an entity to disclose the judgements that management has made in the process of applying the entity's accounting policies and that have the most significant effect on the amounts recognised in the financial statements. IFRS 12 *Disclosure of Interests in Other Entities* adds to those general requirements by specifically requiring an entity to disclose all significant judgements and estimates made in determining the nature of its interest in another entity or arrangement, and in determining the type of joint arrangement in which it has an interest.

IFRS 12.7 requires that an entity disclose information about significant judgements and assumptions it has made (and changes to those judgements and assumptions) in determining:

- That it has control of another entity
- That is has joint control of an arrangement or significant influence over another entity
- The type of joint arrangement (i.e., joint operation or joint venture) when the arrangement has been structured through a separate vehicle

An entity must disclose, for example, significant judgements and assumptions made in determining that

- It does not control another entity even though it holds more than half of the voting rights of the other entity
- It controls another entity even though it holds less than half of the voting rights of the other entity
- It is an agent or principal as defined by IFRS 10
- It does not have significant influence even though it holds 20 per cent or more of the voting rights of another entity
- It has significant influence even though it holds less than 20 per cent of the voting rights of another entity

Estimates and assumptions

IAS 1.125

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

a. Valuation of insurance contract liabilities and investment contract liabilities with DPF

Life insurance contract liabilities and investment contract liabilities with DPF

The liability for life insurance contracts and investment contracts with DPF is either based on current assumptions or on assumptions established at the inception of the contract, reflecting the best estimate at the time together with a margin for risk and adverse deviation. All contracts are subject to a liability adequacy test, which reflect management's best current estimate of future cash flows.

Certain acquisition costs related to the sale of new policies are recorded as deferred acquisition costs (DAC) and are amortised to the consolidated statement of profit or loss over time. If the assumptions relating to future profitability of these policies are not realised, the amortisation of these costs could be accelerated and this may also require additional impairment write-offs to the consolidated statement of profit or loss.

The main assumptions used relate to mortality, morbidity, longevity, investment returns, expenses, lapse and surrender rates and discount rates. The Group bases mortality and morbidity on standard industry Euroland and American mortality tables which reflect historical experiences, adjusted when appropriate to reflect the Group's unique risk exposure, product characteristics, target markets and own claims severity and frequency experiences. For those contracts that insure risk related to longevity, prudent allowance is made for expected future mortality improvements, as well as wide ranging changes to life style, these could result in significant changes to the expected future mortality exposure.

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

Assumptions on future expenses are based on current expense levels, adjusted for expected expense inflation, if appropriate.

Lapse and surrender rates are based on the Group's historical experience of lapses and surrenders.

Discount rates are based on current market risk rates, adjusted for the Group's own risk exposure.

IAS 1.125(b)

The carrying value at the reporting date of life insurance contract liabilities is €126,048,000 (2016: €78,686,000) and of investment contract liabilities with DPF is €7,366,000 (2016: €4,281,000).

2. **Significant accounting policies (cont'd)**

2.5 **Significant accounting judgements, estimates and assumptions (cont'd)**

Non-life insurance (which comprises general insurance and healthcare) contract liabilities

For non-life insurance contracts, estimates have to be made both for the expected ultimate cost of claims reported at the reporting date and for the expected ultimate cost of claims incurred, but not yet reported, at the reporting date (IBNR). It can take a significant period of time before the ultimate claims cost can be established with certainty and for some type of policies, IBNR claims form the majority of the liability in the statement of financial position.

The ultimate cost of outstanding claims is estimated by using a range of standard actuarial claims projection techniques, such as Chain Ladder and Bornheutter-Ferguson methods.

The main assumption underlying these techniques is that a Group's past claims development experience can be used to project future claims development and hence ultimate claims costs. As such, these methods extrapolate the development of paid and incurred losses, average costs per claim and claim numbers based on the observed development of earlier years and expected loss ratios. Historical claims development is mainly analysed by accident years, but can also be further analysed by geographical area, as well as by significant business lines and claim types. Large claims are usually separately addressed, either by being reserved at the face value of loss adjuster estimates or separately projected in order to reflect their future development. In most cases, no explicit assumptions are made regarding future rates of claims inflation or loss ratios. Instead, the assumptions used are those implicit in the historical claims development data on which the projections are based. Additional qualitative judgement is used to assess the extent to which past trends may not apply in future, (e.g., to reflect one-off occurrences, changes in external or market factors such as public attitudes to claiming, economic conditions, levels of claims inflation, judicial decisions and legislation, as well as internal factors such as portfolio mix, policy features and claims handling procedures) in order to arrive at the estimated ultimate cost of claims that present the likely outcome from the range of possible outcomes, taking account of all the uncertainties involved.

Similar judgements, estimates and assumptions are employed in the assessment of adequacy of provisions for unearned premium. Judgement is also required in determining whether the pattern of insurance service provided by a contract requires amortisation of unearned premium on a basis other than time apportionment.

The carrying value at the reporting date of non-life insurance contract liabilities is €50,664,000 (2016: €47,574,000).

IAS 1.125(b)

b. Valuation of investment contract liabilities without DPF

Fair values of unitised investment contracts are determined by reference to the values of the assets backing the liabilities, which are based on the value of the unit-linked fund.

Fair values of non-unitised investment contract are determined by using valuation techniques, such as discounted cash flow methods and stochastic modelling. A variety of factors are considered in these valuation techniques, including time value of money, volatility, policyholder behaviour, servicing cost and fair value of similar instruments.

Certain incremental acquisition costs and incentives for personnel that are directly attributable to securing an investment management service are also deferred and recorded in deferred expenses. These deferred costs are amortised over the period in which the service is provided.

The carrying value at the reporting date of investment contracts liabilities without DPF is €7,854,000 (2016: €7,277,000).

IAS 1.125(b)

c. Fair value measurement of financial instruments

When the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the discounted cash flow (DCF) model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and model inputs such as volatility for longer dated derivatives and discount rates, prepayment rates and default rate assumptions for asset backed securities.

2. Significant accounting policies (cont'd)

2.5 Significant accounting judgements, estimates and assumptions (cont'd)

For discounted cash flow analysis, estimated future cash flows and discount rates are based on current market information and rates applicable to financial instruments with similar yields, credit quality and maturity characteristics. Estimated future cash flows are influenced by factors such as economic conditions (including country specific risks), concentrations in specific industries, types of instruments or currencies, market liquidity and financial conditions of counterparties. Discount rates are influenced by risk free interest rates and credit risk.

Changes in assumptions relating to these factors could affect the reported fair value of financial instruments. See Note 29 for further disclosures.

The carrying value at the reporting date of financial assets measured at fair value other than derivatives is €144,926,000 (2016: €100,606,000), of derivative financial assets is €2,182,000 (2016: €1,240,000) and of derivative financial liabilities is €1,782,000 (2016: €1,758,000).

IAS 1.125(b)

d. Goodwill impairment testing

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the recoverable amount of the CGU to which goodwill is allocated. Details of the key assumptions used in the estimation of the recoverable amounts are contained in Note 23.

The Group has allocated the goodwill to four CGUs equivalent to the three operating segments of the Group, as per the segment information in Note 8 and further analysing the life insurance cash-generating unit into Americas and Euroland Life insurance units. The carrying value at the reporting date of goodwill is €9,445,000 (2016: €2,924,000).

IAS 1.125(b)

e. Valuation of pension benefit obligation

The cost of defined benefit pension plan and the present value of the pension obligation are determined using actuarial valuations. The actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and inflation. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

The parameter most subject to change is the discount rate. In determining the appropriate discount rate, management considers the interest rates of corporate bonds in currencies consistent with the currencies of the post-employment benefit obligation with at least an 'AA' rating or above, as set by an internationally acknowledged rating agency, and extrapolated as needed along the yield curve to correspond with the expected term of the defined benefit obligation. The underlying bonds are further reviewed for quality. Those having excessive credit spreads are excluded from the analysis of bonds on which the discount rate is based, on the basis that they do not represent high quality corporate bonds.

The mortality rate is based on publicly available mortality tables for Euroland. Those mortality tables tend to change only at intervals in response to demographic changes. Future salary increases are based on expected future inflation rates for Euroland.

Details of the key assumptions used in the estimates are contained in Note 37.

f. Taxes

Deferred tax assets are recognised for all 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 on the likely timing and the level of future taxable profits together with future tax planning strategies. Further details on taxes are disclosed in Note 18.

2. Significant accounting policies (cont'd)

2.5 Significant accounting judgements, estimates and assumptions (cont'd)

g. Share-based payments

Estimating fair value for share-based payment transactions requires determination of the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determination of the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them. The Group initially measures the cost of cash-settled transactions with employees using a binomial model to determine the fair value of the liability incurred. For cash-settled share-based payment transactions, the liability needs to be remeasured at the end of each reporting period up to the date of settlement, with any changes in fair value recognised in profit or loss. This requires a reassessment of the estimates used at the end of each reporting period. For the measurement of the fair value of equity-settled transactions with employees at the grant date, the Group uses a binomial model for both Senior Executive Plan (SEP) and General Employee Share Option Plan (GESP). The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in Note 38.

Commentary

IAS 1.125 requires an entity to disclose significant judgements applied in preparing the financial statements and significant estimates that involve a high degree of estimation uncertainty. The disclosure requirements go beyond those requirements that already exist in other standards such as IAS 37.

These disclosures represent a very important source of information in the financial statements because they highlight those areas in the financial statements that are most prone to change in the foreseeable future. Therefore, any information given should be sufficiently detailed to help the reader of the financial statements understand the impact of possible significant changes.

The Group has, for illustrative purposes, included disclosures of significant judgements and estimates beyond what is normally required. That is, it is only those judgements that have the most significant effect on the amounts recognised in the financial statements and those estimates that have a significant risk of resulting in material adjustments in respect of assets and liabilities that should be addressed in this section. It is important that entities carefully assess which judgements and estimates are most significant in this context, and make disclosures accordingly, to allow the users of the financial statements to appreciate their impact. Disclosure of uncertainties that do not have a significant risk of resulting in material adjustments may clutter the financial statements in a way that reduces the users' ability to identify the major uncertainties.

Section 3: Group business and operations

3. Group information

The principal subsidiaries of Good Insurance (International) Limited in the consolidation are, as follows:

IAS 24.13
IFRS 12.10(a)
IFRS12.12(a)
IFRS12.12(b)
IFRS12.12(c)

Name	Country of incorporation	Primary business operation	% equity interest 2017	% equity interest 2016
Good Life Insurance Limited	Euroland	Life insurance	100	100
Good Non-Life Insurance Limited	Euroland	Non-life insurance (which comprises general insurance and healthcare)	100*	100
Good Investment Management Services Limited	Euroland	Investment management services	100	100
Good American Life Company	United States	Life Insurance	80	-

The holding company

IAS 1.138(c)
IAS 24.13

The next senior and the ultimate holding company of the Group is G.I. Holding Limited, which is based and listed in Euroland.

Associate

The Group has a 20% interest in its only associate, Windpower Insurance Limited, which is involved in the insurance of power stations in Euroland (2016:20%).

The Group does not have any investment in joint ventures.

3. Group information (cont'd)

Commentary

IFRS 12.10(a) requires entities to disclose information about the composition of the group. The list above discloses information about the Group's subsidiaries. Companies need to note that this disclosure is required for material subsidiaries only, rather than a full list of every subsidiary. The above illustrates one example as to how the requirements set out in IFRS 12 can be met. However, local legislation or listing requirements may require disclosure of a full list of all subsidiaries, whether material or not.

4. Business combinations

Acquisition in 2017

Acquisition of Good American Life Co.

On 30 April 2017, the Group acquired 80% of the common stock of Good American Life Co. for a combination of cash and new shares. Good American Life Co. is a leading life insurance provider of variable annuity products as well as equity-indexed life and savings products. The Group has acquired this company as an important step for the Group to expand its presence in the US life insurance market.

IFRS 3.59
IFRS 3.B64(a) (b), (c), (d)

The country of incorporation and operation is the USA.

Good American Life Co. is a private entity; therefore, no market information was available. €7,314,000 of non-controlling interest in Good American Life Co. was recognised at the acquisition date and is calculated as a 20% share of the total acquired net assets. The exchange rate at the date of the acquisition was US$1.09 to €1.

IFRS 3.B64(o) (iXii)

The fair value of the identifiable assets and liabilities of Good American Life Co. as at the date of acquisition were:

IFRS 3.B64(i)
IAS 7.40(d)

	Fair value recognised on acquisition €000
Present value of in-force business (Note 24)	25,143
Future servicing rights (Note 24)	9,000
Other intangible assets (Note 24)	5,122
Property and equipment (Note 25)	1,034
Investments	40,108
Cash and cash equivalents	1,698
Trade receivables	12,152
Total assets	**94,257**
Gross insurance contract liabilities (Note 34)	(42,018)
Gross investment contracts liabilities (Note 35)	(3,512)
Deferred income tax liability (Note 18(e))	(1,013)
Other liabilities	(11,145)
Total liabilities	**(57,688)**
Total Identifiable net assets	**36,569**
Non-controlling interest measured at share of net assets	(7,314)
Total net assets acquired	29,255
Goodwill arising on acquisition (Note 23)	6,521
Total consideration	**35,776**

IAS 7.40(c)
IFRS 3.B64(oXi)
IAS 7.40(a)

The Group has completed the initial accounting for the business combination.

The total acquisition-date fair value of the consideration was €35,776,000 and comprised of an issue of 1,250,000 equity instruments at the published price of the shares of Good Insurance (International) Limited at the acquisition date and a cash payment of €7,917,000. The fair value of shares issued is €27,859,000.

IFRS 3.B64(f)

4. Business combinations (cont'd)

Acquisition in 2017 (cont'd)

	€000	
Fair value of consideration		
Shares issued, at fair value	27,859	
Cash paid as part of consideration	7,917	IAS 7.40(b)
Total consideration	**35,776**	IAS 7.40(a)

	€000	
Cash outflow on acquisition		
Net cash acquired with the subsidiary (included in cash flows from investing activities)	1,698	IAS 7.40(c)
Cash paid as part of consideration	(7,917)	
Transaction costs of the acquisition (included in cash flows from operating activities)	(500)	
Transaction costs attributable to issuance of shares (included in cash flows from financing activities, net of tax)	(300)	
Net cash outflow	**(7,019)**	

Assets acquired and liabilities assumed

The residual goodwill of €6,521,000 represents future synergies expected to arise in the combined life operations, the value of new business from new distribution channels and customers going forward, and the value of the workforce and management and other future business not included in the intangibles and the PVIF.

IFRS 4.31(b)
IFRS 3.B64(e)
IFRS 4.BC150

None of the goodwill recognised is expected to be deductible for income tax purposes.

IFRS 3.B64(k)

The fair value of trade receivables amounts to €12,152,000. The gross amount of trade receivables is €12,170,000. None of the trade receivables have been impaired as they are expected to be fully recoverable.

IFRS 3.B64(h)

€500,000 acquisition-related costs are recognised in the statement of profit or loss as administrative expenses. €300,000 transaction costs related to the issuance of shares as consideration are recognised directly in equity as negative share premium.

IFRS 3.B64(m)

From the date of acquisition, Good American Life Co. has contributed €4,233,000 of total revenue and €761,000 to the profit for the year of the Group. If the combination had taken place at the beginning of the year, the total revenue for the Group would have been €72,450,000 and profit for the year would have been €10,537,000.

IFRS 3.B64(q) (i), (ii)

Commentary

IFRS 4.31 requires an insurer to measure the value of the insurance liabilities assumed and insurance assets acquired in a business combination at fair value in order to comply with IFRS 3. The insurer is permitted, but not required, to use an expanded presentation that splits the fair value of acquired insurance contracts into: (i) a liability measured in accordance with the insurer's accounting policies for insurance contracts that it issues; and (ii) an intangible asset, representing the difference between the fair value of the contractual insurance rights acquired and insurance obligations assumed and the amount described in (i). The Group has used the expanded presentation in respect of the Good American Life Co.

IFRS 3.23 requires recognition of contingent liabilities if the fair value can be measured reliably and if it is a present obligation that arises from past events. In the illustrative example given, the Group has assumed that no contingent liabilities are recognised.

IFRS 3 provides an option on a transaction-by-transaction basis on the recognition of non-controlling interest. The entity may choose the fair value of the NCI, or choose to recognise its respective share of the total net assets. The Group has elected to recognise the NCI at its respective share of the total net assets.

If the initial accounting for a business combination has been determined provisionally, IFRS 3.B67 requires entities to disclose this fact and provide further details.

5. Subsidiaries with material non-controlling interests

Financial information of Good American Life Co. that has material non-controlling interests is provided below:

	2017	
Proportion of ownership held by NCI	20%	*IFRS 12.12(c)*
Proportion of voting rights held by NCI	20%	*IFRS 12.12(d)*
Accumulated balances of material NCI (€000)	7,502	*IFRS 12.12(f)*
Profit/(loss) allocated to material NCI (€000)	152	*IFRS 12.12(e)*
Dividends paid to NCI in the year (€000)	-	*IFRS 12.B10 (a)*

Summarised financial information of the subsidiary is provided below:

IFRS 12.12(g)
IFRS 12.B10 (b)
IFRS 12.B11

	2017 €000
Total revenue	4,233
Profit for the year	761
OCI	177
Total comprehensive income	938

	2017 €000
Total assets	111,942
Total liabilities	81,749

Commentary

IFRS 12.12 requires the above information only in respect of subsidiaries that have NCIs that are material to the reporting entity (i.e., the Group). A subsidiary may have a significant NCI *per se* but disclosure is not required if that interest is not material at group level. Similarly, these disclosures do not apply to the NCIs that are material in aggregate but not individually. Also, it should be noted that the above information should be provided separately for each individual subsidiary with a material NCI. The Group has concluded that Good American Life Co. is the only subsidiary with NCIs that are material to the Group.

When there is a change in the ownership of a subsidiary, IFRS 12.18 requires disclosure of a schedule that shows the effects on equity of any changes in its ownership interest in the subsidiary that did not result in a loss of control. When there are significant restrictions on the Group's or its subsidiaries' ability to access or use the assets and settle the liabilities of the Group, IFRS 12.13 requires disclosure of the nature and extent of significant restrictions. The Group did not have any such changes in the ownership or restrictions.

IFRS 12.10(b)(iv) requires disclosure of information to enable the users to evaluate the consequences of losing control of a subsidiary during the period. The Group did not lose control over a subsidiary during the period.

6. Investment in associates

IFRS 12.20
IFRS 12.21(a)
IFRS 12.22

The Group has a 20% interest in Windpower Insurance Limited, which is involved in the insurance of power station in the North Sea. Windpower Insurance Limited is a private entity that is not listed on any public exchange and there are no published price quotations for the fair value of this investment. The Group's interest in the entity is accounted for using the equity method in the consolidated financial statements. The reporting date and reporting period of the entity is the same as the Group and both use uniform accounting policies. Windpower Insurance Limited is required to maintain a minimum solvency margin based on local directives. Such restrictions can affect the ability of the associate to transfer funds in the form of cash dividends. Therefore, there can be no assurance that these restrictions will not become a limitation in the future. There is no unrecognised share of losses in the associate.

6. Investment in associates (cont'd)

The following table illustrates the summarised financial information of the Group's investment in Windpower Insurance Limited:

IFRS 12.B12 (b)

	2017 €000	2016 €000
Current assets	11,955	11,745
Non-current assets	154,745	153,590
Current liabilities	(9,710)	(9,420)
Non-current liabilities	(146,390)	(145,960)
Equity	10,600	9,955
Proportion of the Group's ownership	20%	20%
Carrying amount of the investment	**2,120**	**1,991**
Revenue	6,625	12,775
Profit or loss for the year (continuing operations)	645	1,150
Other comprehensive income for the year (continuing operations)	216	452
Total comprehensive income for the year (continuing operations)	861	1,602
Group's share of profit or loss for the year	**129**	**230**
Group's share of other comprehensive income for the year	**43**	**90**
Group's share of total comprehensive income for the year	**172**	**320**

Dividends received from Windpower Insurance Limited amount to €363,000. *IFRS 12.B12 (a)*

Management considers the investment in Windpower Insurance Limited to be more than 12 months' investment. *IAS 1.61*

The associate had no contingent liabilities or capital commitments as at 31 December 2017 or 2016. And no guarantees or collaterals were provided to the associate. *IFRS 12.23*

Commentary

IFRS 12.21(c) and IFRS 12.B16 require disclosure of the aggregated information of associates and joint ventures that are accounted for using the equity method and are not individually material. The Group did not have any immaterial associates or joint ventures.

The Group has presented the summarised financial information of the associate based on their IFRS financial statements. IFRS 12.B15 allows this information to be provided using alternative bases if certain criteria are met.

7. Interests in unconsolidated structured entities

IFRS 12.24
IFRS 12.26-27

The Group holds several structured notes, which represent an interest in unconsolidated structured entities originated by third parties. These entities are securitisation vehicles which invest in a range of assets to provide investors with a variety of investment opportunities through managed investment strategies. The structured entities generally finance the purchase of assets by issuing debt and equity securities that are collateralised by and/or indexed to the assets held by the structured entities. The Group holds interests in these entities through the receipt of principal and interest.

The Group did not originate any securitisation vehicles.

The following table summarises the Group's maximum exposure to loss from its involvement with these structured entities and the carrying amounts recognised in the consolidated statement of financial position of the Group's interest in the structured entities, as of 31 December 2017 and 2016.

7. Interests in unconsolidated structured entities (cont'd)

31 December 2017	Maximum exposure to loss	Carrying amount		
	(€000)	Group's interests in the structured entities (€000)		Total assets of structured entity (€000)
Structured entity type	Structured notes	Assets	Liabilities	
CDO	475	475	-	10,384
Mortgage-backed securities	589	589	-	14,777
Asset-backed securities	861	861	-	21,749
Less amounts recorded as liabilities	-			
Total	1,925	1,925	-	46,910

IFRS 12.29(a)
IFRS 12.29(d)

The structured notes are recorded in 'Available-for-sale financial assets' in the consolidated statement of financial position.

IFRS 12.29(b)

31 December 2016	Maximum exposure to loss	Carrying amount		
	(€000)	Group's interests in the structured entities (€000)		Total assets of structured entity (€000)
Structured entity type	Structured notes	Assets	Liabilities	
CDO	458	458	-	10,004
Mortgage-backed securities	679	679	-	15,478
Asset-backed securities	899	899	-	22,021
Less amounts recorded as liabilities	-			
Total	2,036	2,036	-	47,503

IFRS 12.29(a)
IFRS 12.29(d)

The structured notes are recorded in 'Available-for-sale financial assets' in the consolidated statement of financial position.

IFRS 12.29(b)

The carrying amount of the notes is their fair value, which represents the maximum exposure to loss of the Group. The Group did not provide any guarantees or other commitments to the structured entities.

IFRS 12.29(c)
IFRS 12.30

Total assets of these structured entities are represented by the fair value of the notes at 31 December 2017 and 2016. The Group only holds notes from the most senior tranche.

The Group did not recognise losses in profit and loss and OCI from those interests in the years ended 31 December 2017 and 2016:

The following table presents the Group's interest income received from its interests in unconsolidated structured entities:

IFRS 12.B26 (c)

Structured entity type	31 December 2017 (€000)	31 December 2016 (€000)
CDO	123	102
Mortgage-backed securities	162	149
Asset-backed securities	201	189
Total	486	440

8. Segment information

For management purposes, the Group is organised into business units based on their products and services and has three reportable operating segments, as follows:

IAS 1.138(b)
IFRS 8.22(a)

IFRS 8.22(b)

- ***Life insurance*** - this segment offers savings, protection products and other long-term contracts (both with and without insurance risk and with and without discretionary participating features. It comprises a wide range of whole life, term assurance, unitised pensions, guaranteed pensions, pure endowment pensions and mortgage endowment products. Revenue from this segment is derived primarily from insurance premiums, fees and commission income, investment income and fair value gains and losses on investments.
- ***Non-life insurance*** –this segment comprises both general insurance and health insurance to individuals and businesses. General insurance products offered include motor, household, commercial and business interruption insurance. These products offer protection of policyholder's assets and indemnification of other parties that have suffered damage as a result of policyholder's accident, e.g., employee liability claims and asbestos. Non-life healthcare contracts provide medical cover to policyholders. Revenue in this segment is derived primarily from insurance premiums, fees and commission income, investment income and fair value gains and losses on investments.
- ***Investment management service*** – this segment provides investment management services to policyholders through the investment management services' subsidiaries and manages a range of retail investment products, including investment funds, unit trusts, OEICs and Individual Savings Accounts (ISAs).

No operating segments have been aggregated to form the above reportable operating segments.

Commentary

IFRS 8.22(a) requires entities to disclose factors used to identify the entity's reportable segments, including the basis of organisation, as well as factors considered in determining aggregation of operating segments. Operating segments often exhibit similar long-term financial performance if they have similar economic characteristics. For example, similar long-term average gross margins for two operating segments would be expected if their economic characteristics were similar. Two or more operating segments may be aggregated into a single reportable operating segment if the segments have similar economic characteristics, and they are similar in each of the following respects:

a. The nature of the products and services
b. The nature of the production processes
c. The type or class of customer for their products and services
d. The methods used to distribute their products or provide their services
e. If applicable, the nature of the regulatory environment, for example, banking, insurance or public utilities

This analysis requires significant judgement in the circumstances of the entity. The Group does not have any operating segments that are aggregated, but if it had, disclosures about the basis for aggregation must be made.

Segment performance is evaluated based on profit or loss and is measured consistently with profit or loss in the consolidated financial statements.

IFRS 8.27(b)

No inter-segment transactions occurred in 2017 and 2016.

IFRS 8.27(a)

8. Segment information (cont'd)

Profit or loss for each category for the year ended 31 December 2017

	Life insurance €000	Non-life insurance €000	Investment management services €000	Adjustments and eliminations €000	Total €000	
Gross premiums	50,245	23,901	–	–	74,146	
Premiums ceded to reinsurers	(12,781)	(5,975)	–	–	(18,756)	
Net premiums	**37,464**	**17,926**	**–**	**–**	**55,390**	
Fees and commission income	3,889	1,065	410	–	5,364	
Investment income	5,751	2,466	4	–	8,221	*IFRS 8.23(c)*
Gains and losses and other operating revenue	953	312	83	–	1,348	
Other revenue	**10,593**	**3,843**	**497**	**–**	**14,933**	
Total revenue	**48,057**	**21,769**	**497**	**–**	**70,323**	*IFRS 8.23(a)*
Gross benefits and claims paid	(22,977)	(15,441)	–	–	(38,418)	
Claims ceded to reinsurers	6,412	3,861	–	–	10,273	
Gross change in contract liabilities	(5,396)	(2,463)	22	–	(7,837)	
Change in contract liabilities ceded to reinsurers	993	612	(13)	–	1,592	
Net benefits and claims	**(20,968)**	**(13,431)**	**9**	**–**	**(34,390)**	*IFRS 8.23(f)*
Finance costs	(98)	(75)	(49)	(1,181)	(1,403)	*IFRS 8.23(d)*
Profit attributable to unit-holders	–	–	(267)	–	(267)	
Depreciation and amortisation	(827)	(112)	(23)	(45)	(1,007)	*IFRS 8.23(e)*
Other operating and administrative expenses	(16,399)	(1,696)	(130)	(2,765)	(20,990)	
Other expenses	**(17,324)**	**(1,883)**	**(469)**	**(3,991)**	**(23,667)**	
Total benefits, claims and other expenses	**(38,292)**	**(15,314)**	**(460)**	**(3,991)**	**(58,057)**	
Share of profit of an associate	–	129	–	–	129	*IFRS 8.23(g)*
Profit/(loss) before tax	**9,765**	**6,584**	**37**	**(3,991)**	**12,395**	*IFRS 8.23*

Profit or loss for each segment does not include finance costs on group borrowings or certain corporate expenses such as depreciation on buildings occupied by the group head office. Also, the Group's income taxes are managed on a group basis and are not allocated to individual operating segments. *IFRS 8.28*

No impairment losses in respect of goodwill, other intangibles and property and equipment have been recognised during the year. *IAS 36.129(a)*

8. Segment information (cont'd)

Profit or loss for each category for the year ended 31 December 2016

	Life insurance €000	Non-life insurance €000	Investment management services €000	Adjustments and eliminations €000	Total €000	
Gross premiums	49,440	24,011	–	–	73,451	
Premiums ceded to reinsurers	(13,109)	(6,003)	–	–	(19,112)	
Net premiums	**36,331**	**18,008**	**–**	**–**	**54,339**	
Fees and commission income	1,564	432	235	–	2,231	
Investment income	5,442	2,233	7	–	7,682	*IFRS 8.23(c)*
Gains and losses and other operating revenue	695	322	153	–	1,170	
Other revenue	**7,701**	**2,987**	**395**	**–**	**11,083**	
Total revenue	**44,032**	**20,995**	**395**	**–**	**65,422**	*IFRS 8.23(a)*
Gross benefits and claims paid	(23,889)	(15,521)	–	–	(39,410)	
Claims ceded to reinsurers	6,665	3,881	–	–	10,546	
Gross change in contract liabilities	(4,588)	(2,579)	(5)	–	(7,172)	
Change in contract liabilities ceded to reinsurers	1,041	643	7	–	1,691	
Net benefits and claims	**(20,771)**	**(13,576)**	**2**	**–**	**(34,345)**	*IFRS 8.23(f)*
Finance costs	(100)	(58)	(29)	(1,174)	(1,361)	*IFRS 8.23(d)*
Profit attributable to unit-holders	–	–	(111)	–	(111)	
Depreciation and amortisation	(300)	(70)	(9)	(48)	(427)	*IFRS 8.23(e)*
Other operating and administrative expenses	(15,943)	(1,393)	(57)	(2,144)	(19,537)	
Other expenses	**(16,343)**	**(1,521)**	**(206)**	**(3,366)**	**(21,436)**	
Total benefits, claims and other expenses	**(37,114)**	**(15,097)**	**(204)**	**(3,366)**	**(55,781)**	
Share of profit on an associate	-	230	-	–	230	*IFRS 8.23(g)*
Profit/(loss) before tax	**6,918**	**6,128**	**191**	**(3,366)**	**9,871**	*IFRS 8.23*

Profit or loss for each segment does not include finance costs on group borrowings or certain corporate expenses such as depreciation on buildings occupied by the group head office. Also, the Group's income taxes are managed on a group basis and are not allocated to individual operating segments. *IFRS 8.28*

No impairment losses in respect of goodwill, other intangibles and property and equipment have been recognised during the year. *IAS 36.129(a)*

8. Segment information (cont'd)

Assets and liabilities for each segment at 31 December 2017

	Life insurance €000	Non-life insurance €000	Investment management services €000	Adjustments and eliminations €000	Total €000	
Intangible assets (incl. goodwill)	46,830	1,023	730	–	48,583	
Investment in an associate	–	2,120	–	–	2,120	*IFRS 8.24(a)*
Financial instruments	87,142	40,993	28,341	–	156,476	
Reinsurance assets	23,555	12,666	300	–	36,521	
Insurance receivables	12,109	19,186	3,977	–	35,272	
Other assets	24,516	988	18,560	4,287	48,351	
Total assets	**194,152**	**76,976**	**51,908**	**4,287**	**327,323**	*IFRS 8.23*
Insurance contract liabilities	126,048	50,664	–	–	176,712	
Investment contract liabilities	13,672	–	1,548	–	15,220	
Net asset value attributable to unit-holders	–	–	520	–	520	
Other liabilities	30,879	7,645	3,742	20,815	63,081	
Total liabilities	**170,599**	**58,309**	**5,810**	**20,815**	**255,533**	*IFRS 8.23*

Segment assets do not include current tax (€2,995,000) or properties occupied by group head office (€1,292,000). *IFRS 8.28*

Segment liabilities do not include deferred tax (€5,452,000), borrowings (€17,598,000) or certain trade payables (€575,000).

Assets and liabilities for each segment at 31 December 2016

	Life insurance €000	Non-life insurance €000	Investment management services €000	Adjustments and eliminations €000	Total €000	
Intangible assets (incl. goodwill)	1,315	1,023	1,030	–	3,368	
Investment in an associate	–	1,991	–	–	1,991	*IFRS 8.24(a)*
Financial instruments	69,009	39,212	1,439	–	109,660	
Reinsurance assets	22,153	12,211	347	–	34,711	
Insurance receivables	10,254	8,251	1,409	–	19,914	
Other assets	19,581	56	27,528	4,159	51,324	
Total assets	**122,312**	**62,744**	**31,753**	**4,159**	**220,968**	*IFRS 8.23*
Insurance contract liabilities	78,686	47,574	–	–	126,260	
Investment contract liabilities	11,010	–	548	–	11,558	
Net asset value attributable to unit-holders	–	–	367	–	367	
Other liabilities	30,901	1,436	4,217	20,682	57,236	
Total liabilities	**120,597**	**49,010**	**5,132**	**20,682**	**195,421**	*IFRS 8.23*

Segment assets do not include current tax (€2,812,000) or properties occupied by group head office (€1,347,000). *IFRS 8.28*

Segment liabilities do not include deferred tax (€1,848,000), borrowings (€19,054,000) or certain trade payables (€550,000).

8. Segment information (cont'd)

Commentary

Disclosure of operating segment assets and liabilities is only required where such a measure is provided to the chief operating decision maker. The Group provides information to the chief operating decision maker about operating assets and liabilities. The remaining operations (e.g., treasury) which are amongst others reflected in 'Adjustments and eliminations', do not constitute an individual operating segment.

The Group's internal reporting is set up to report in accordance with IFRS. The segment disclosures could be significantly more extensive if internal reports had been prepared on a basis other than IFRS (e.g. national GAAP or tax basis). In this case, reconciliation between the internally reported items and the externally communicated items needs to be prepared.

An entity may combine information about operating segments that do not meet any of the quantitative thresholds with information about other operating segments that do not meet the quantitative thresholds to produce a reportable segment if the majority of the aggregation criteria in IFRS 8.12 are met.

If management judges that an operating segment identified as a reportable segment in the immediately preceding period is of continuing significance, information about that segment will continue to be reported separately in the current period, even if it no longer meets the criteria for reportability.

Geographic information

Year end 31 December 2017

	Euroland €000	UK €000	USA €000	Rest of World €000	Total €000	
Net premium	28,325	21,320	5,326	419	55,390	*IFRS 8.33(a)*
Non-current assets	17,025	4,818	50,491	80	72,414	*IFRS 8.33(b)*

Year end 31 December 2016

	Euroland €000	UK €000	USA €000	Rest of World €000	Total €000	
Net premium	29,014	23,041	1,820	464	54,339	*IFRS 8.33(a)*
Non-current assets	17,753	5,954	729	93	24,529	*IFRS 8.33(b)*

The revenue information is based on the location of the customer.

No revenue transactions with a single customer amount to more than 0.25% of total revenue. *IFRS 8.34*

Non-current assets for this purpose consist of goodwill, intangible assets, deferred expenses, investment in associates, property and equipment and investment properties.

IFRS 4.37(b)

Section 4: Detailed information on statement of profit or loss and OCI items

9. Net premiums

a. Gross premiums on insurance contracts and investment contracts with DPF

	Notes	2017 €000	2016 €000
Life insurance	34(a)	47,845	46,943
Non-life insurance	34(b)(ii)	24,511	24,626
Investment contracts with DPF	35(a)	2,400	2,497
Change in unearned premiums provision		(610)	(615)
Total gross premiums		**74,146**	**73,451**

9. Net premiums (cont'd)

b. Premiums ceded to reinsurers on insurance contracts and investment contracts with DPF

	Notes	2017 €000	2016 €000
Life insurance	34(a)	(11,461)	(11,736)
Non-life insurance	34(b)(ii)	(6,128)	(6,157)
Investment contracts with DPF	35(a)	(1,320)	(1,373)
Change in unearned premiums provision		153	154
Total premiums ceded to reinsurers		**(18,756)**	**(19,112)**
Total net premiums		**55,390**	**54,339**

10. Fees and commission income

IFRS 4.37(b)

IAS 18 IE14 (b)(iii)

	2017 €000	2016 €000
Policyholder administration and investment management services	2,573	1,010
Surrender charges and other contract fees	2,212	958
Reinsurance commission income	579	263
Total fees and commission income	**5,364**	**2,231**

11. Investment income

	Notes	2017 €000	2016 €000	
Rental income from investment properties	26	225	214	*IAS 40.75(f)(i)*
Financial assets at fair value through profit or loss (held for trading purposes)				
Interest income		516	487	
Dividend income		507	473	
Financial assets at fair value through profit or loss (designated as such upon initial recognition)				
Interest income		440	412	
Dividend income		433	397	
HTM financial assets				
Interest income		305	284	*IFRS 7.20(b)*
AFS financial assets				
Interest income		2,590	2,420	
Dividend income		2,284	2,145	
Loans and receivables				
Interest income		802	743	*IFRS 7.20(b)*
Interest income accrued on impaired loans and receivables		10	7	*IFRS 7.20(d)*
Loans to related parties				
Interest income		21	18	*IFRS 7.20(b)*
Cash and short-term deposits				
Interest income		88	82	*IFRS 7.20(b)*
Total investment income		**8,221**	**7,682**	

12. Net realised gains and losses

	2017 €000	2016 €000	
Property and equipment			
Realised gains	167	52	
AFS financial assets			*IFRS 7.20(a)(ii)*
Realised gains			
Equity securities	26	21	
Debt securities	33	29	
Realised losses			
Equity securities	(9)	(7)	
Debt securities	(4)	(2)	
Total net realised gains and losses for AFS financial assets	**46**	**41**	
Total net realised gains and losses	**213**	**93**	

13. Fair value gains and losses

	Notes	2017 €000	2016 €000	
Fair value gains on investment properties	26	**53**	**97**	*IAS 40.76(d)*
Fair value gains and losses on derivative financial instruments		**(67)**	**(41)**	*IFRS 7.20(a)(i)*
Fair value gains and losses on hedged items attributable to the hedged risk in fair value hedges	28	34	13	
Fair value gains and losses on hedging instruments in fair value hedges	28	(28)	(22)	
Total fair value gains and losses on fair value hedges		**6**	**(9)**	*IFRS 7.24(a)(i)*
Fair value gains and losses on financial assets at FVPL (held for trading purposes)		579	520	*IFRS 7.20(a)(i)*
Fair value gains and losses on financial assets at FVPL (designated as such upon initial recognition)		473	425	*IFRS 7.20(a)(i)*
Total fair value gains and losses on financial assets at FVPL other than derivatives	27(e)	**1,052**	**945**	
Total fair value gains and losses		**1,044**	**992**	

14. Net benefits and claims

IFRS 4.37(b)

	Notes	2017 €000	2016 €000
a. Gross benefits and claims paid			
Life insurance contracts	34(a)	(20,755)	(21,630)
Non-life insurance contracts	34(b)(i)	(15,441)	(15,521)
Investment contracts with DPF	35(a)	(2,222)	(2,259)
Total gross benefits and claims paid		**(38,418)**	**(39,410)**
b. Claims ceded to reinsurers			
Life insurance contracts	34(a)	5,188	5,407
Non-life insurance contracts	34(b)(i)	3,861	3,881
Investment contracts with DPF	35(a)	1,224	1,258
Total claims ceded to reinsurers		**10,273**	**10,546**
c. Gross change in contract liabilities			
Change in life insurance contract liabilities		(5,320)	(4,446)
Change in non-life insurance contract outstanding claims provision		(2,444)	(2,561)
Change in investment contract liabilities with DPF		(76)	(142)
Change in investment contract liabilities without DPF		22	(5)
Change in premium deficiency provision	34(b)(iii)	(19)	(18)
Total gross change in contract liabilities		**(7,837)**	**(7,172)**
d. Change in contract liabilities ceded to reinsurers			
Change in life insurance contract liabilities		951	963
Change in non-life insurance contract outstanding claims provision		608	639
Change in investment contract liabilities with DPF		42	78
Change in investment contract liabilities without DPF		(13)	7
Change in premium deficiency provision	34(b)(iii)	4	4
Total change in contract liabilities ceded to reinsurers		**1,592**	**1,691**
Net benefits and claims		**(34,390)**	**(34,345)**

15. Finance costs

IFRS 7.20(b)

	2017 €000	2016 €000
Borrowings (no more than 12 months)		
Interest expense on bank overdraft	(422)	(312)
Interest expense on issued floating notes	(455)	(471)
Interest expense on issued subordinated notes (€1,500 of annual instalment)	(106)	(106)
Borrowings (more than 12 months)		
Interest expense on issued subordinated notes	(421)	(526)
Total finance cost	**(1,403)**	**(1,361)**

16. Other operating and administrative expenses

	Notes	2017 €000	2016 €000	
Amortisation of intangible assets	24	(672)	(48)	*IAS 1.104*
Acquisition related transaction costs	4	(500)	–	
Impairment loss on reinsurance assets	30	(2)	(16)	
Impairment loss on loans and receivables	27(b)	(143)	(92)	*IFRS 7.20(e)*
Depreciation on property and equipment	25	(335)	(379)	*IAS 1.104*
Investment property related expenses	26	(54)	(46)	
Fees and commission expenses		(14,298)	(13,152)	
Deferred expenses	32	5,368	3,222	
Amortisation of deferred expenses	32	(3,399)	(2,109)	
Auditor's remuneration		(715)	(494)	
Employee benefits expense	17	(7,283)	(6,862)	
Net foreign exchange adjustments		75	72	
Other expenses		(39)	(60)	
Total other operating and administrative expenses		**(21,997)**	**(19,964)**	

17. Employee benefits expense

	Notes	2017 €000	2016 €000	
Wages and salaries		(6,000)	(6,047)	*IAS 1.104*
Social security costs		(532)	(393)	
Defined benefit pension costs	37	(733)	(408)	
Share-based payments expense	38	(18)	(14)	*IFRS 2.51(a)*
Total employee benefits expense		**(7,283)**	**(6,862)**	

18. Income tax

The major components of income tax expense for the years ended 31 December 2017 and 2016 are: *IAS 12.79*

a. Consolidated statement of profit or loss

	2017 €000	2016 €000	
Current tax			
Income tax	(1,440)	(1,409)	
Prior year adjustment	59	323	*IAS 12.80(b)*
Total current tax	**(1,381)**	**(1,086)**	*IAS 12.80(a)*
Deferred tax			
Relating to origination and reversal of temporary differences	(858)	(887)	
Total deferred tax	**(858)**	**(887)**	*IAS 12.80(c)*
Total income tax expense	**(2,239)**	**(1,973)**	
Income tax expense relating to policyholders	(1,680)	(1,480)	
Income tax expense relating to shareholders	(559)	(493)	

18. Income tax (cont'd)

b. Consolidated statement of comprehensive income (see Note 21)

	2017 €000	2016 €000
Current tax	–	–
Deferred tax	(1,867)	(1,072)
Total tax charge to OCI	**(1,867)**	**(1,072)**
Tax charge to OCI relating to policyholders	(1,840)	(894)
Tax charge to OCI relating to shareholders	(27)	(178)

c. Reconciliation of tax charge

IAS 12.81(c)(i)

	2017 €000	2016 €000
Profit before tax	**12,395**	**9,871**
Tax at Euroland's statutory income tax rate of 30%	(3,719)	(2,961)
Permanent differences arising from overseas operations	438	273
Other untaxed income	133	121
Disallowable expenses	(184)	(475)
Policyholder tax (i)	(1,680)	(1,480)
Relief for policyholder tax	458	444
Adjustment to tax charge in respect of prior years	59	323
Different tax rate on overseas operations	49	783
Write down of deferred tax assets	(87)	(23)
Utilisation of previously unrecognised tax losses	2,964	1,022
Total tax charge for the year	**(1,569)**	**(1,973)**

(i) The Group, as proxy for policyholders in Euroland and the United Kingdom, is required to record taxes on investment income and gains each year.

d. Tax receivable

	2017 €000	2016 €000
At 1 January	**2,812**	**2,454**
Amounts recorded in the statement of profit or loss	(1,381)	(1,086)
Payments made on-account during the year	1,564	1,444
At 31 December	**2,995**	**2,812**

18. Income tax (cont'd)

e. Deferred tax

IAS 12.81(g)(i)

IAS 12.81(g)(ii)

	Consolidated statement of profit or loss		Consolidated statement of financial position	
	2017	2016	2017	2016
	€000	€000	€000	€000
Losses carried forward	(25)	–	–	25
Provisions	(49)	9	128	177
Impairment of assets	(7)	6	67	73
Insurance related items	147	(161)	(1,210)	(1,357)
Pension scheme deficit	39	(36)	1,326	1,245
Net unrealised gains on investment securities	(315)	(283)	(3,442)	(1,272)
Deferred expenses	(3)	(9)	(128)	(131)
Accelerated capital allowances	(640)	(185)	(1,785)	(676)
Revaluation of cash flow hedges	–	–	14	6
Revaluation of fair value hedges	(2)	(1)	61	63
Other	(3)	(1)	(4)	(1)
Deferred tax (expense)/income	**(858)**	**(661)**	**(5,452)**	**(1,848)**
Total deferred tax liability				

f. Reconciliation of deferred tax liabilities, net

	2017	2016
	€000	€000
At 1 January	**(1,848)**	**(24)**
Amounts recorded in the statement of profit or loss	(858)	(887)
Amounts recorded in OCI	(1,867)	(1,072)
Acquisition of subsidiaries	(1,013)	–
Foreign exchange adjustments	134	135
At 31 December	**(5,452)**	**(1,848)**

A deferred tax asset has not been recognised in respect of a tax loss carry forward of €415,000 (2016: €4,728,000) and accelerated capital allowances of €68,000 (2016: €57,000) relating to a branch in Asia, as there is insufficient certainty as to the availability of future taxable profits arising from that tax jurisdiction. These amounts include tax losses of €222,000 (2016: €4,535,000) due to expire in 2020.

IAS 12.81(e)

In addition, the Group has an unrecognised deferred tax asset in respect of a capital loss of €178,000 (2016: €178,000) which can only be offset against future capital gains and has not been recognised in these financial statements. This tax loss has no expiry date.

IAS 12.81(e)

A deferred tax liability has not been recognised in respect of the investment in the associate. The Group has determined that the undistributed profits of its associate will not be distributed in the foreseeable future. The Group has an agreement with its associate that the profits of the associate will not be distributed until it obtains the consent of the Group. The Group does not anticipate giving such consent at the reporting date.

IAS 12.81(f)

There are no income tax consequences attached to the payment of dividends in either 2017 or 2016 by the Group to its shareholders.

IAS 12.82A

19. Dividends paid and proposed

	2017 €000	2016 €000	
Declared and paid during the year			*IAS 1.107*
Cash dividends on ordinary shares:			
Final dividend for 2016: 21.92 cents (2015 15.67 cents)	1,619	1,157	
Interim dividend for 2017: 18.72 cents (2016: 12.59 cents)	1,617	930	
Total dividends paid in the year	**3,236**	**2,087**	
Proposed for approval at AGM (not recognised as a liability as cash dividends on ordinary shares at 31 December):			*IAS 1.137(a)*
Final dividend for 2017: 3.35 cents (2016: 21.92 cents)	**289**	**1,619**	

20. Earnings per share

Basic earnings per share (EPS) amounts are calculated by dividing the profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

Diluted EPS amounts are calculated by dividing the profit attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year, plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

The following reflects the profit and share data used in the basic and diluted EPS computations: *IAS 33.70(c)*

	2017 €000	2016 €000	
Profit attributable to ordinary equity holders of the parent for basic and diluted earnings	10,004	7,898	*IAS 33.70(a)*

	2017 000	2016 000	
Weighted average number of ordinary shares for basic EPS	8,220	7,384	*IAS 33.70(b)*
Effect of dilution:			
Share options	40	45	
Weighted average number of ordinary shares adjusted for the effect of dilution	8,260	7,429	*IAS 33.70(b)*

	2017 €	2016 €	
Basic earnings per ordinary share	1.22	1.07	*IAS 33.66*
Diluted earnings per ordinary share	1.21	1.06	

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of authorisation of these financial statements. *IAS 33.70(d)*

21. Income tax effects relating to other comprehensive income

IAS 1.90
IAS 12.81(ab)

	2017			2016		
	Before tax amount €000	Tax (expense) benefit (Note 18) €000	Net of tax amount €000	Before tax amount €000	Tax (expense) benefit (Note 18) €000	Net of tax amount €000
Exchange differences on translation of foreign operations	(67)	20	(47)	–	–	–
Net movement on cash flow hedges	(36)	11	(25)	(24)	7	(17)
AFS financial assets	6,184	(1,898)	4,286	3,297	(1,079)	2,218
Share of other comprehensive income of associate	43	–	43	90	–	90
Remeasurement gains on defined benefit plan	115	–	115	58	–	58
Total OCI	**6,239**	**(1,867)**	**4,372**	**3,421**	**(1,072)**	**2,349**

22. Components of other comprehensive income

IAS 1.92

	2017 €000	2016 €000
AFS financial assets:		
Gains arising during the year	6,230	3,338
Less: Reclassification adjustments for gains included in the statement of profit or loss	(46)	(41)
	6,184	3,297

IFRS 7.23(d)

Commentary

The purpose of Note 22 is to provide an analysis of items presented net in the statement of comprehensive income which have been subject to reclassification. This analysis does not include the remaining items of OCI, as those are either never reclassified to profit or loss or reclassification adjustments did not occur.

Section 5: Detailed information on statement of financial position items

23. Goodwill

	Notes	2017 €000	2016 €000
Cost			
At 1 January		3,799	3,799
Acquisition of subsidiaries	4	6,521	–
At 31 December		**10,320**	**3,799**
Accumulated impairment			
At 1 January		(875)	(875)
Impairment loss		–	–
At 31 December		**(875)**	**(875)**
Carrying amount			
At 1 January		**2,924**	**2,924**
At 31 December		**9,445**	**2,924**

23. Goodwill (cont'd)

Goodwill has been allocated to four individual CGUs: Americas life insurance; Euroland life insurance; non-life insurance; and investment management services. The carrying amount of goodwill allocated to each of the CGUs is shown below and no impairment loss has been recognised in 2017 and 2016, as a result of the impairment reviews for each CGU.

	Americas Life Insurance	Euroland Life insurance	Non-life insurance	Investment management services	Total
	€000	€000	€000	€000	€000
2017	6,521	1,315	1,023	586	9,445
2016	–	1,315	1,023	586	2,924

IAS 36.134(a)

Life insurance CGU

The recoverable amounts for the life insurance business CGUs have been determined based on a value in use (VIU) calculation. The calculation is based on the VIU of the business, together with the present value of expected future profits from new business over a five year period.

IAS 36.134(c)
IAS 36.134 (dXiii)

The key assumptions used for the VIU impairment calculation for the Americas Life Insurance were:

IAS 36.134(d)

- The shareholder interest in the life insurance business is based on projected cash flows of the business including expected investment returns of 7% (2016: 7%).
- Risk-adjusted discount rates used for calculation of embedded value are calculated using a risk margin of 3% (2016: 3%), based on the operating segment's weighted average cost of capital.
- Future regular bonuses on contracts with DPF are projected in a manner consistent with current bonus rates and expected future returns on assets deemed to back the policies.
- Economic assumptions are based on market yields on risk-free fixed interest rates for the relevant currencies at the end of each reporting period.
- New business contribution represents the present value of projected future distributable profit generated from business written in a period. This is initially based on the most recent five-year business plans approved by senior management.
- Growth rate represents the rate used to extrapolate new business contributions beyond the business plan period, and is based on management's estimate of future growth of 3% (2016: 3%), which is in line with the average growth rate of life insurance industry.
- A pre-tax Group-specific risk-adjusted discount rate of 10% (2016: 10%) is used to discount expected profits from future new business.

The key assumptions used for the VIU impairment calculation for the Euroland Life Insurance were:

IAS 36.134(d)

- The shareholder interest in the life insurance business is based on projected cash flows of the business including expected investment returns of 7 % (2016: 7%).
- Risk-adjusted discount rates used for calculation of embedded value are calculated using a risk margin of 3.5% (2016: 3.5%) based on the operating segment's weighted average cost of capital.
- Future regular bonuses on contracts with DPF are projected in a manner consistent with current bonus rates and expected future returns on assets deemed to back the policies.
- Economic assumptions are based on market yields on risk-free fixed interest rates for the relevant currencies at the end of each reporting period.
- New business contribution represents the present value of projected future distributable profit generated from business written in a period. This is initially based on the most recent five-year business plans approved by senior management.
- Growth rate represents the rate used to extrapolate new business contributions beyond the business plan period, and is based on management's estimate of future growth of 3% (2016: 3%), which is in line with the average growth rate of life insurance industry.
- A pre-tax Group-specific risk-adjusted discount rate of 9.6% (2016: 9.6%) is used to discount expected profits from future new business.

23. Goodwill (cont'd)

Non-life insurance CGU

The recoverable amount of the non-life insurance business has been determined based on a VIU calculation using cash flow projections based on financial budgets approved by senior management covering a five-year period. A pre-tax Group-specific risk-adjusted discount rate of 10.9% (2016: 12.4%) is used. The projected cash flows beyond the five years excluding expenses have been extrapolated using a steady average growth rate of 3.5% (2016: 3.3%), not exceeding the long-term average growth rate for the market in which the units operate. The projected cash flows are determined by budgeted margins based on past performances and management expectations for market developments.

IAS 36.134(c)
IAS 36.134 (d)(iii)

The key assumptions used for the VIU impairment calculation are:

IAS 36.134(d)

- *Investment market conditions* – Investment market conditions are based on market research and published statistics. Management plans assume modest investment growth of 3% (2016: 3%), which is lower than the anticipated market growth forecast.
- *Policy lapses* – The Group has retained records of policy lapses since its inception and is, therefore, able to predict trends over the coming years. Management plans assume no change from recent experiences.
- *Premiums and margins* – Premium income is based on average values achieved in the three years preceding the start of the budget period. A growth rate of 2% (2016: 2%) per annum was applied for non-life insurance. Gross margins are based on average percentages for the last three years while taking into account anticipated efficiency improvements, known expected expenditures and inflation. A factor of 2% (2016: 2%) per annum was applied for non-life insurance.
- *Expenses* – Estimates are obtained from published indices of inflation and market research. The financial budget plans assume that expenses will broadly increase in line with inflation.

Investment management services CGU

The recoverable amount of the investment management services businesses has also been determined based on a VIU calculation using cash flow projections based on the budgeted fee income margin approved by senior management covering a three-year period. A pre-tax Group-specific risk-adjusted discount rate of 11% (2016: 12.4%) is used. The applied long-term growth rate is 2.4% (2016: 2.4%).

IAS 36.134(c)
IAS 36.134(d)

Sensitivity to changes in assumptions

With regard to the assessment of value in use for the life and non-life insurance CGUs, management does not believe a reasonably possible change in any of the above key assumptions would cause the carrying value of the units to exceed their recoverable amounts.

IAS 36.134(f)

For the investment management services CGU, a reasonably possible change in the investment market conditions assumption will cause the carrying amount to exceed the recoverable amount. The actual recoverable amount exceeds its carrying amount by €245,000 (2016: €211,000). Management recognised the fact that current investment market conditions reflect stable and profitable margins. Unfavourable conditions could materially affect the growth margins of these markets. A reduction by 1% in the investment growth rate would give a value in use equal to the carrying amount of the investment management services CGU.

23. Goodwill (cont'd)

Commentary

The Group has determined recoverable amounts of its CGUs based on value in use under IAS 36 *Impairment of Assets*. If the recoverable amounts are determined using fair value less costs of disposal, IAS 36.134(e) requires disclosure of the valuation technique(s) and other information including: the key assumptions used; a description of management's approach to each key assumption; the level of fair value hierarchy and the reason(s) for changing valuation techniques (if there is any change) in the financial statements. Furthermore, if fair value less cost of disposal is determined using discounted cash flow projections, additional information such as period of cash flow projections, growth rate used to extrapolate cash flow projections and the discount rate(s) applied to the cash flow projections are required to be disclosed. An entity is not required to provide disclosures required under IFRS 13, as these disclosures under IAS 36.134(e) are similar to those under IFRS 13.

IAS 36.134(d)(i) requires disclosure of key assumptions made for each CGU for which the carrying amount of goodwill or intangible assets with indefinite useful lives allocated is significant in comparison with the entity's total carrying amount of goodwill or intangible assets with indefinite useful lives. While the disclosures above have been provided for illustrative purposes, companies need to evaluate the significance of each assumption used for the purpose of this disclosure.

IAS 36.134(f) requires disclosures of sensitivity analysis for each CGU for which the carrying amount of goodwill or intangible assets with indefinite lives allocated to that CGU is significant in comparison with the entity's total carrying amount of goodwill or intangible assets with indefinite lives. These disclosures are made if a reasonably possible change in a key assumption used to determine the CGU's recoverable amount would cause the CGU's carrying amount to exceed its recoverable amount.

Entities need to take into account the consequential effect of a change in one assumption on other assumptions, as part of the sensitivity analyses when determining the point at which the recoverable amount equals the carrying amount (IAS 36.134(f)(iii)). The Group has considered this in the disclosures herein.

24. Intangible assets

	Notes	PVIF €000	Future servicing rights €000	Other intangibles €000	Total €000	IAS 38.118(c)(e)
Cost						
At 1 January 2016		588	248	–	836	
Additions from portfolio acquisitions		223	95	–	318	IFRS 4.37(b)
At 31 December 2016		**811**	**343**	**–**	**1,154**	
Additions from portfolio acquisitions		82	34	–	116	IFRS 4.37(b)
Acquisition of subsidiaries	4	25,143	9,000	5,122	39,265	
Foreign exchange adjustment		(13)	(7)	–	(20)	
At 31 December 2017		**26,023**	**9,370**	**5,122**	**40,515**	
Accumulated amortisation and impairment						
At 1 January 2016		464	198	–	662	
Amortisation	16	34	14		48	
Foreign exchange adjustment		–	–	–	–	
At 31 December 2016		**498**	**212**	**–**	**710**	
Amortisation	16	271	21	380	672	
Foreign exchange adjustment		(3)	(2)	–	(5)	
At 31 December 2017		**766**	**231**	**380**	**1,377**	
Carrying amount						
At 31 December 2016		**313**	**131**	**–**	**444**	
At 31 December 2017		**25,257**	**9,139**	**4,742**	**39,138**	

Amortisation period

PVIF: 5 to 50 years
Future servicing rights: 3 to 27 years
Other intangibles: 7 to 11 years

24. Intangible assets (cont'd)

Acquisition in 2017

PVIF, future servicing rights and other intangible assets were acquired as a result of the business combination of Good American Life Co. (Note 4). Other Intangible assets of €5,122,000 are represented by Good American Life Co.'s distribution channels and have been valued by an independent third party, using estimated post-tax cash flows and discount rates. As at 31 December 2017, these assets were tested for impairment, and management has determined no impairment is required in respect of these intangibles.

25. Property and equipment

IAS 1.78(a)

	Notes	Freehold land and buildings €000	IT Equipment €000	Total €000
Cost				
At 1 January 2016		3,315	2,915	6,230
Additions		1,160	523	1,683
Disposals		(807)	(1,026)	(1,833)
At 31 December 2016		**3,668**	**2,412**	**6,080**
Additions		962	452	1,414
Acquisition of subsidiaries	4	–	1,034	1,034
Disposals		(1,699)	(1,028)	(2,727)
At 31 December 2017		**2,931**	**2,870**	**5,801**
Accumulated depreciation				
At 1 January 2016		1,163	1630	2,793
Depreciation	16	194	185	379
Disposals		(4)	(838)	(842)
At 31 December 2016		**1,353**	**977**	**2,330**
Depreciation	16	186	149	335
Disposals		(4)	(926)	(930)
At 31 December 2017		**1,535**	**200**	**1,735**
Carrying amount				
At 31 December 2016		**2,315**	**1,435**	**3,750**
At 31 December 2017		**1,396**	**2,670**	**4,066**

IAS 16.73(d)(e)

Property additions include €50,000 (2016: €23,000) in respect of capitalised borrowing costs which were capitalised at a rate of 7%. *IAS 23.26*

Property with a carrying amount of €904,123 (2016: €1,448,100) is subject to a first charge to secure the bank overdraft, see Note 39. *IAS 16.74(a)*

26. Investment properties

	Notes	2017 €000	2016 €000
At 1 January		3,943	3,627
Additions (subsequent expenditure)		203	219
Fair value gains and losses	13	53	97
At 31 December		**4,199**	**3,943**

26. Investment properties (cont'd)

Management determined that the investment properties consist of two classes of assets – office and retail – based on the nature, characteristics and risks of each property. As at 31 December 2017 and 2016, the fair values of the properties are based on valuations performed by Chartered Surveyors & Co., an accredited independent valuer. Chartered Surveyors & Co. is a specialist in valuing these types of investment properties and has recent experience in the location and category of the investment properties being valued. A valuation model in accordance with that recommended by the International Valuation Standards Committee has been applied.

IAS 40.75 (e)
IFRS 13.93 (a)(b)

There were no transfers between Levels 1 and 2 or to Level 3 during the year. Investment properties are at Level 3. Refer to Note 29 for relevant fair value hierarchy disclosures.

The Group enters into operating leases for all of its investment properties. The rental income arising during the year amounted to €225,000 (2016: €214,000), which is included in investment income - see Note 11. Direct operating expenses generating rental income (included within operating and administrative expenses) arising in respect of such properties during the year were €54,000 (2016: €46,000) - see Note 16. Future lease receivables are disclosed in Note 49(b).

IAS 40.75(f)

There are no restrictions on the realisability of investment properties or the remittance of income and proceeds of disposal. The Group has no contractual obligations to purchase, construct or develop investment properties or for repairs, maintenance or enhancements.

IAS 40.75(g)
IAS 40.75(h)

Reconciliation of fair value:

	Investment properties		
	Office properties	Retail properties	
	€000	€000	
As at 1 January 2016	**1,549**	**2,078**	
Additions	101	118	*IFRS 13.93(e) (i),(f)*
Remeasurement recognised in profit or loss	44	53	*IFRS 13.93(e) (iii)*
As at 31 December 2016	**1,694**	**2,249**	
Additions	84	119	*IFRS 13.93(e) (i),(f)*
Remeasurement recognised in profit or loss	28	25	
As at 31 December 2017	**1,806**	**2,393**	

Description of valuation techniques used and key inputs to valuation of investment properties:

IFRS 13.93(d)

	Valuation technique	Significant unobservable inputs	Range (weighted average)	
			2017	2016
Office properties	DCF method (refer below)	Estimated rental value per sqm per month	€10 - €25 (€20)	€9 - €23 (€16)
		Rent growth p.a.	1.75%	1.76%
		Long-term vacancy rate	3% - 10% (5%)	3% - 9% (4%)
		Discount rate	6.5%	6.3%
Retail properties	DCF method (refer below)	Estimated rental value per sqm per month	€15 - €35 (€22)	€14 - €33 (€21)
		Rent growth p.a.	1%	1.2%
		Long-term vacancy rate	4% - 12% (7%)	4% - 13% (8.5%)
		Discount rate	6.5%	6.3%

Using the DCF method, fair value is estimated using assumptions regarding the benefits and liabilities of ownership over the asset's life including an exit or terminal value. This method involves the projection of a series of cash flows on a real property interest. To this projected cash flow series, a market-derived discount rate is applied to establish the present value of the income stream associated with the asset. The exit yield is normally separately determined and differs from the discount rate.

IFRS 13.93(h)(i)

26. Investment properties (cont'd)

The duration of the cash flows and the specific timing of inflows and outflows are determined by events such as rent reviews, lease renewal and related re-letting, redevelopment, or refurbishment. The appropriate duration is typically driven by market behaviour that is a characteristic of the class of real property. Periodic cash flow is typically estimated as gross income less vacancy, non-recoverable expenses, collection losses, lease incentives, maintenance cost, agent and commission costs and other operating and management expenses. The series of periodic net operating income, along with an estimate of the terminal value anticipated at the end of the projection period, is then discounted.

Significant increases (decreases) in estimated rental value and rent growth per annum in isolation would result in a significantly higher (lower) fair value of the properties. Significant increases (decreases) in the long-term vacancy rate and discount rate (and exit yield) in isolation would result in a significantly lower (higher) fair value.

Generally, a change in the assumption made for the estimated rental value is accompanied by a directionally similar change in the rent growth per annum and discount rate (and exit yield), and an opposite change in the long term vacancy rate.

Commentary

The Group has elected to value investment properties at fair value in accordance with IFRS 13.

If, for recurring and non-recurring fair value measurements, the highest and best use of a non-financial asset differs from its current use, an entity must disclose that fact and the reason why the asset is being used in a manner that differs from its highest and best use (IFRS 13.93(i)). The Group has assessed that the highest and best use of its properties does not differ from their current use. An example of what might be disclosed if the highest and best use is determined to be other than its current use is, as follows:

> *The Group has determined that the highest and best use of the property used for office space is its current use. The highest and best use of the retail property at the measurement date would be to convert the property for residential use. For strategic reasons, the property is not being used in this manner.*

In addition to the disclosure requirements in IFRS 13, IAS 1 requires disclosure of the significant judgements management has made about the future and sources of estimation uncertainty. IAS 1.129(b) includes, as an example of such a disclosure, the sensitivity of carrying amounts to the methods, assumptions and estimates underlying their calculation, including the reasons for the sensitivity. As such, information beyond that required by IFRS 13.93(h) may be needed in some circumstances.

IAS 40 permits investment properties to be carried at historical cost less accumulated depreciation and impairment losses. If the Group accounted for investment properties at cost, information about the cost basis and depreciation rates (similar to the requirement under IAS 16 for property, plant and equipment) would be required. IAS 40.79(e) requires disclosure of fair value of the properties. For the purpose of this disclosure, the fair value is required to be determined in accordance with IFRS 13. Also, in addition to the disclosures under IAS 40, IFRS 13.97 requires disclosure of:

- The level at which fair value measurement is categorised, i.e., Level 1, 2 or 3
- A description of valuation technique and inputs, for Level 2 or Level 3 fair value measurement
- If the highest and best use differs from the current use of the asset, the fact and the reason

IFRS 13.99 requires an entity to present the quantitative disclosures of IFRS 13 in a tabular format, unless another format is more appropriate. The Group included the quantitative disclosures in tabular format, above.

27. Financial assets other than derivative financial instruments and fair values of financial assets

The following tables compare the fair values of the financial instruments to their carrying values:

a. Held to maturity financial assets

IFRS 7.25,26

	2017 €000	2016 €000
Amortised cost		
Debt securities	2,104	1,677
Total held to maturity financial assets at amortised cost	**2,104**	**1,677**
Fair value		
Debt securities	2,428	2,246
Total held to maturity financial assets at fair value	**2,428**	**2,246**

27. Financial assets other than derivative financial instruments and fair values of financial assets (cont'd)

b. Loans and receivables

IFRS 7.25,26

	Notes	2017 €000	2016 €000
Amortised cost			
Loans to related parties	50(b)	336	271
Receivables from related parties	50(b)	382	357
Deposits with credit institutions		989	1,112
Other loans		7,158	5,996
Allowance for impairment losses		(612)	(487)
Total loans and receivables at amortised cost		**8,253**	**7,249**
Fair value			
Other loans		6,883	5,628
Impairment allowance			
At 1 January		(487)	(427)
Impairment charge for the year (Note 16)		(143)	(92)
Recoveries		12	5
Amounts written off		16	34
Interest accrued on impaired loans and receivables (Note 11)		(10)	(7)
At 31 December		**(612)**	**(487)**

IFRS 7.16

IFRS 7.20(d)

The related party receivables are no more than 12 months and carrying value approximates fair value. *IFRS 7.29(a)*

The related party loans are at a variable interest rate and carrying value approximates fair value. *IFRS 7.29(a)*

The carrying value of the deposits with credit institutions approximates fair value. *IFRS 7.29(a)*

c. AFS financial assets

IFRS 7.25,26

	2017 €000	2016 €000
Equity securities	71,070	55,466
Debt securities	38,607	23,951
Total AFS financial assets at fair value	**109,677**	**79,417**

d. Financial assets at FVPL

IFRS 7.25,26

	2017 €000	2016 €000
Fair value (held for trading purpose)		
Equity securities	8,395	7,244
Debt securities	5,919	2,525
Mutual funds	4,172	1,133
Fair value (designated as such upon initial recognition)		
Equity securities	7,169	6,080
Debt securities	5,047	2,137
Mutual funds	3,558	958
Total financial assets at FVPL	**34,260**	**20,077**

27. Financial assets other than derivative financial instruments and fair values of financial assets (cont'd)

Commentary

IFRS 7 requires disclosure of certain information per class of financial instruments. Category disclosures are made for main asset lines on the face of the statement of financial position and class disclosures in the notes have been based on the characteristics of the financial assets.

e. Carrying values of financial instruments other than derivative financial instruments

	Notes	Held to maturity €000	Loans and receivables (net of impairments) €000	Available-for-sale €000	Fair value through profit or loss €000	Total €000	
At 1 January 2016		**1,047**	**6,240**	**76,784**	**18,132**	**102,203**	
Purchases		531	2,314	5,000	4,000	11,845	
Maturities		(85)	(1,245)	(65)	–	(1,395)	
Disposals		–	–	(6,523)	(3,000)	(9,523)	
Fair value gains recorded in the statement of profit or loss	13	–	–	–	945	945	*IFRS 7.20(a)*
Fair value gains recorded in OCI	22	–	–	3,338	–	3,338	*IFRS 7.20(a)*
Movement in impairment allowance		–	(60)	–	–	(60)	
Amortisation adjustment		184	-	848	–	1,032	
Foreign exchange adjustments		–	–	35	–	35	
At 31 December 2016		**1,677**	**7,249**	**79,417**	**20,077**	**108,420**	
Purchases		333	2,433	8,000	5,123	15,889	
Acquisition of subsidiaries	4			25,100	15,008	40,108	
Maturities		(100)	(1,304)	(87)	–	(1,491)	
Disposals		–	–	(9,844)	(7,000)	(16,844)	
Fair value gains recorded in the statement of profit or loss	13	–	–	–	1,052	1,052	*IFRS 7.20(a)*
Fair value gains recorded in OCI	22	–	–	6,230	–	6,230	*IFRS 7.20(a)*
Movement in impairment allowance		–	(125)	–	–	(125)	
Amortisation adjustment		194	–	821	–	1,015	
Foreign exchange adjustments		–	–	40	–	40	
At 31 December 2017		**2,104**	**8,253**	**109,677**	**34,260**	**154,294**	

27. Financial assets other than derivative financial instruments and fair values of financial assets (cont'd)

f. Fair values

The management assessed that cash and short-term deposits, receivables from related parties, loans to related parties, trade and other payables, bank overdrafts, variable rate loans and other financial liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

The following methods and assumptions were used to estimate the fair values of financial instruments, which are categorised within Level 2 or Level 3 in the fair value hierarchy. These incorporate the Group's estimate of assumptions that a market participant would make when valuing the instruments.

IFRS 13.93(d)

Financial assets at FVPL categorised within Level 2

Financial assets at FVPL valued using valuation techniques or pricing models primarily consist of unquoted equities and debt securities. These assets are valued using models that use both observable and unobservable data. The non-observable inputs to the models include assumptions regarding the future financial performance of the investee, its risk profile, and economic assumptions regarding the industry and geographical jurisdiction in which the investee operates.

AFS financial investments categorised within Level 2

AFS financial assets valued using valuation techniques or pricing models consists of certain unquoted equities, debt securities and asset-backed securities. The group values the securities using discounted cash flow valuation models which incorporate market observable and unobservable data. Unobservable inputs include assumptions regarding expected future default rates, prepayment rates and market liquidity discounts.

Financial assets at FVPL and AFS financial investments categorised within Level 3

- Structured bond-type products held by the life insurance businesses in Good Life Insurance Limited amounting to €6.2 million (2016: €6.6 million) (AFS financial investments – debt securities), for which there is no active market. The Group values the securities using valuation models which use discounted cash flow analysis which incorporates both observable and non-observable data. Observable inputs include assumptions regarding current rates of interest and real estate prices; unobservable inputs include assumptions regarding expected future default rates, prepayment rates and market liquidity premium. These bonds have been classified as Level 3 because either: (i) the third party models included a significant unobservable liquidity adjustment; or (ii) differences between the valuation provided by the counterparty and broker quotes and the validation model were sufficiently significant to result in a Level 3 classification. At 31 December 2017, the counterparty and broker quotes used to value these products were less than the modelled valuations.
- Private equity investment funds held by Euroland life insurance business amounting to €11.4 million (2016: €10.8 million) (Financial assets at fair value through profit or loss – equity securities and AFS financial investments – equity securities). These assets are valued using models which use both observable and non-observable data. The non-observable inputs to the models include assumptions regarding the future financial performance of the investee, its risk profile, and economic assumptions regarding the industry and geographical jurisdiction in which the investee operates.

Other Level 3 investments amount to €0.7 million (2016: €0.5 million) and relate to a diverse range of different types of securities held by a number of businesses throughout the Group.

Other loans and HTM debt securities

The fair values of the other loans and HTM debt securities were estimated by comparing current market interest rates for similar loans to the rates offered when the loans were first recognised together with appropriate market credit adjustments.

Commentary

IFRS 13.72 requires an entity to provide a quantitative analysis of fair values based on a three-level hierarchy in tabular format. This information must be given by class of financial instrument, which is a level lower than categories such as held for trading or available for sale. The level within which the fair value measurement is categorised must be based on the lowest level of input to the instrument's valuation that is significant to the fair value measurement in its entirety. For instance, if the credit valuation adjustment made to a derivative value is based on non-observable inputs and the effect of this is significant to the instrument's value, then the whole instrument is to be shown in Level 3. The same principle also applies to unit-linked liabilities. Therefore, it is possible to have all three levels of unit-linked liabilities depending on the characteristics of the underlying assets backing liabilities.

28. Derivative financial instruments

The Group utilises derivative financial instruments as part of its asset/liability risk management practice. It enters into derivative contracts to match the liabilities arising on insurance contracts and unit-linked investment contracts that it issues, and to designate them as hedged instruments in certain cash flow and fair value hedges.

The following table shows the fair value of derivative financial instruments, recorded as assets or liabilities, together with their notional amounts. The notional amount, recorded gross, is the amount of a derivative's underlying assets, reference rate or index and is the basis upon which changes in the value of derivatives are measured. The notional amounts indicate the volume of transactions outstanding at the year-end and are indicative of neither the market risk nor the credit risk.

IFRS 7.25,26

	2017			2016		
	Assets	Liabilities	Notional amount	Assets	Liabilities	Notional amount
	€000	€000	€000	€000	€000	€000
Derivatives held for trading:						
Interest rate swaps	387	(244)	3,642	135	(815)	2,617
Exchange traded equity options	290	(150)	4,656	52	(22)	1,197
	677	**(394)**	**8,298**	**187**	**(837)**	**3,814**
Derivatives held as fair value hedges:						
Interest rate swaps	220	(347)	4,568	160	(287)	2,346
Forward foreign exchange contracts	155	(113)	1,206	102	(63)	2,982
Foreign exchange traded futures	263	(383)	6,532	198	(321)	2,943
	638	**(843)**	**12,306**	**460**	**(671)**	**8,271**
Derivatives held as cash flow hedges:						
Currency swaps	867	(545)	3,412	593	(250)	2,876
	867	**(545)**	**3,412**	**593**	**(250)**	**2,876**
Total derivatives	**2,182**	**(1,782)**	**24,016**	**1,240**	**(1,758)**	**14,961**

IFRS 7.22(b)

IFRS 7.22(b)

At their inception, derivatives often involve only a mutual exchange of promises, with little or no transfer of consideration. However, these instruments frequently involve a high degree of leverage and are very volatile.

IFRS 7.33

A relatively small movement in the value of the asset, rate or index underlying a derivative contract may have a significant impact on the profit or loss of the Group.

Over-the-counter derivatives may expose the Group to the risks associated with the absence of an exchange market on which to close out an open position.

The Group's exposure under derivative contracts is closely monitored as part of the overall management of the Group's market risk (see also Note 45). As of 31 December 2017, the Group had positions in the following types of derivatives:

28. Derivative financial instruments (cont'd)

Forward and futures

Forwards and futures contracts are contractual agreements to buy or sell a specified financial instrument at a specific price and date in the future. Forwards are customised contracts traded in the over-the-counter market. Futures contracts are transacted in standardised amounts on regulated exchanges and are subject to daily cash margin requirements.

The main differences in the risk associated with forward and futures contracts are credit risk and liquidity risk. The Group has credit exposure to the counterparties of forward contracts. The credit risk related to future contracts is considered minimal because the cash margin requirements of the exchange help ensure that these contracts are always honoured. Forward contracts are settled gross and are, therefore, considered to bear a higher liquidity risk than the futures contracts which are settled on a net basis. Both types of contracts result in market risk exposure.

Interest rate swaps

Swaps are contractual agreements between two parties to exchange movements in interest or foreign currency rates. Typically, for an interest rate swap, a floating rate interest stream will be exchanged for a fixed rate or vice versa. The payment flows are usually netted against each other, with the difference being paid by one party to the other.

Currency swaps

In a currency swap, the Group pays a specified amount in one currency and receives a specified amount in another currency. Currency swaps are mostly gross–settled.

Options

Options are contractual agreements that convey the right, but not the obligation, for the purchaser either to buy or sell a specific amount of a financial instrument at a fixed price, either at a fixed future date or at any time within a specified period.

The Group purchases and sells options through regulated exchanges and in the over-the-counter markets. Options purchased by the Group provide the Group with the opportunity to purchase (call options) or sell (put options) the underlying asset at an agreed-upon value either on or before the expiration of the option. Options written by the Group provide the purchaser with the opportunity to purchase from or sell to the Group the underlying asset at an agreed-upon value either on or before the expiration of the option.

The Group is exposed to credit risk on purchased options only to the extent of their carrying amount, which is their fair value.

Derivative financial instruments held for trading purposes

A variety of equity options are part of the portfolio matching insurance liabilities and unit-linked investment liabilities with corresponding assets.

The Group has also purchased interest rate swap contracts to match the expected liability duration of fixed and guaranteed insurance and investment contracts, to swap floating rates of the backing assets, to fixed rates required to match the interest cash flows over the main duration of the related insurance and investment contracts. These are economic hedges, but do not meet the hedge accounting criteria.

Derivative financial instruments held for hedging purposes

As part of its asset and liability management, the Group uses derivatives for hedging purposes in order to reduce its exposure to market risks.

Fair value hedges

Fair value hedges are used by the Group to protect it against changes in the fair value of financial assets and financial liabilities due to movements in exchange rates and interest rates.

IFRS 7.22(a)

The Group hedges interest rate risk and exchange rate risk on certain fixed interest rate investments using swaps, exchange traded futures and other forward exchange contracts. The terms of the hedging items exactly match the terms of the underlying hedged items.

IFRS 7.22(b)
IFRS 7.22(c)

For the year ended 31 December 2017, the Group recognised a net loss of €28,000 (2016: net loss of €22,000) attributable to the hedging instruments. The total gain on hedged items attributable to the hedged risk amounted to €34,000 (2016: net gain of €13,000).

IFRS 7.24(a)(i)
IFRS 7.24(a)(ii)

28. Derivative financial instruments (cont'd)

Cash flow hedges

As a result of highly probable forecast transactions in foreign currencies, the Group is exposed to foreign exchange risks which are hedged with currency swaps. A schedule indicating as at 31 December 2017 and 2016 the periods when the hedged cash flows are expected to occur and when they are expected to affect the statement of profit or loss is, as follows:

IFRS 7.22 (a),(b),(c)

IFRS 7.23(a)

	2017			2016		
	Cash inflows	Cash outflows	Net cash inflows	Cash inflows	Cash outflows	Net cash inflows
Cash inflows/outflows	€000	€000	€000	€000	€000	€000
Within one year	1,567	(1,489)	78	968	(950)	18
Within 1–3 years	1,360	(1,127)	233	1,865	(1,660)	205
Within 3–8 years	973	(926)	47	1,000	(950)	50

IFRS 7.23(a)

	2017	2016
Statement of profit or loss	€000	€000
Within one year	20	17
Within 1-3 years	26	29
Within 3-8 years	13	12

There were no cash flow hedges reclassified to the statement of profit or loss in 2017 or 2016. *IFRS 7.23(d)*

There was no cash flow hedge ineffectiveness during 2017 or 2016. *IFRS 7.24(b)*

Derivative products valued using a valuation technique with market observable inputs (Level 2) are mainly interest rate swaps, currency swaps and forward foreign exchange contracts. The most frequently applied valuation techniques include forward pricing and swap models, using present value calculations. The models incorporate various inputs including the credit quality of counterparties, foreign exchange spot and forward rates and interest rate curves. *IFRS 13.93 (d)*

A Credit Valuation Adjustment (CVA) is applied to the Group's interest rate swap over-the-counter (OTC) derivative exposures to take into account the counterparty's risk default when measuring the fair value of the derivative. CVA is the mark-to-market cost of protection required to hedge credit risk from counterparties in the Group's OTC derivatives portfolio. CVA is calculated by multiplying the probability of default (PD), the loss given default (LGD) and the expected exposure (EE) at the time of default.

The Group calculates EE using a Monte Carlo simulation at a counter-party level. The model inputs include market values from current market data and model parameters implied from quoted market prices. These are updated at each measurement date. Collateral and netting arrangements are taken into account where applicable. PDs and LGDs are derived from a credit spread simulation based on a deterministic model that incorporates rating migration and market observable data where available.

In the current year, the Group has applied CVA to derivatives with highly rated sovereign or government counterparties.

A Debit Valuation Adjustment (DVA) is applied to incorporate the Group's own credit risk in the fair value of derivatives – i.e., the risk that the Group might default on its contractual obligations – using the same methodology as for CVA.

The following table summarises the total CVA and DVA adjustment applied to derivative instruments:

	2017	2016
	€000	€000
CVA Derivative counterparties	130	220
DVA	220	340

29. Fair value measurement

The following tables provide the fair value measurement hierarchy of the Group's assets and liabilities.

Fair value measurement hierarchy for assets as at 31 December 2017

IFRS 13.91 (a)
IFRS 13.93 (a)
IFRS 13.93 (b)
IFRS 13.97

			Fair value measurement using		
	Date of valuation	Total	Quoted prices in active markets (Level 1) €000	Significant observable inputs (Level 2) €000	Significant unobservabl e inputs (Level 3) €000
Assets measured at fair value:					
Investment properties (Note 26):					
Office properties	31 December 2017	1,806	–	–	1,806
Retail properties	31 December 2017	2,393	–	–	2,393
	Total	**4,199**	**–**	**–**	**4,199**
Derivative financial assets (Note 28):					
Interest rate swaps	31 December 2017	607	–	607	–
Exchange traded equity options	31 December 2017	290	290	–	–
Forward foreign exchange contracts	31 December 2017	155	–	155	–
Foreign exchange traded futures	31 December 2017	263	263	–	–
Currency swaps	31 December 2017	867	343	524	–
	Total	**2,182**	**896**	**1,286**	**–**
Financial assets at FVPL other than derivative (Note 27 (d)):					
Equity securities	31 December 2017	15,564	6,788	7,007	1,769
Debt securities	31 December 2017	10,966	5,531	5,083	352
Mutual funds	31 December 2017	7,730	4,559	2,801	370
	Total	**34,260**	**16,878**	**14,891**	**2,491**
AFS financial investments (Note 27 (c)):					
Equity securities	31 December 2017	71,070	45,422	15,992	9,656
Debt securities	31 December 2017	38,607	25,879	6,515	6,213
	Total	**109,677**	**71,301**	**22,507**	**15,869**
Assets for which fair values are disclosed: (Note 27):					
HTM Financial Assets					
Debt securities	31 December 2017	2,428	428	2,000	–
Loans and Receivables					
Other loans	31 December 2017	6,883	–	6,080	803

29. Fair value measurement (cont'd)

Fair value measurement hierarchy for liabilities as at 31 December 2017

			Fair value measurement using		
			Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
	Date of valuation	Total	€000	€000	€000
Liabilities measured at fair value:					
Derivative financial liabilities (Note 28):					
Interest rate swaps	31 December 2017	591	–	300	–
Exchange traded equity options	31 December 2017	150	45	–	–
Forward foreign exchange contracts	31 December 2017	113	–	113	–
Foreign exchange traded futures	31 December 2017	383	383	–	–
Currency swaps	31 December 2017	545	298	247	–
	Total	**1,782**	**726**	**660**	**–**
Investment contract liabilities without DPF (Note 35):	31 December 2017	7,854	3,000	3,653	1,201
Net asset value attributable to unit holders (Note 36)	31 December 2017	520	220	300	–
Liabilities for which fair values are disclosed: (Note 39):					
Borrowings	31 December 2017	6,362	–	6,362	–

29. Fair value measurement (cont'd)

Fair value measurement hierarchy for assets as at 31 December 2016

	Date of valuation	Total	Fair value measurement using Quoted prices in active markets (Level 1) €000	Significant observable inputs (Level 2) €000	Significant unobservable inputs (Level 3) €000
Assets measured at fair value:					
Investment properties (Note 26):					
Office properties	31 December 2016	1,694	–	–	1,694
Retail properties	31 December 2016	2,249	–	–	2,249
	Total	**3,943**	–	–	3,943
Derivative financial assets (Note 28):					
Interest rate swaps	31 December 2016	295	–	295	–
Exchange traded equity options	31 December 2016	52	52	–	–
Forward foreign exchange contracts	31 December 2016	102	–	102	–
Foreign exchange traded futures	31 December 2016	198	198	–	–
Currency swaps	31 December 2016	593	294	299	–
	Total	**1,240**	**544**	**696**	–
Financial assets at FVPL other than derivative (Note 27 (d)):					
Equity securities	31 December 2016	13,324	6,884	5,000	1,440
Debt securities	31 December 2016	4,662	2,005	2,439	218
Mutual funds	31 December 2016	2,091	1,008	721	362
	Total	**20,077**	**9,897**	**8,160**	**2,020**
AFS financial investments (Note 27 (c)):					
Equity securities	31 December 2016	55,466	31,022	14,992	9,452
Debt securities	31 December 2016	23,951	16,515	779	6,657
	Total	**79,417**	**47,537**	**15,771**	**16,109**
Assets for which fair values are disclosed: (Note 27):					
HTM financial assets					
Debt securities	31 December 2016	2,246	358	1,888	–
Loans and receivables					
Other loans	31 December 2016	5,628	–	4,830	798

IFRS 13.91 (a)
IFRS 13.93 (a)
IFRS 13.93 (b)
IFRS 13.97

29. Fair value measurement (cont'd)

Fair value measurement hierarchy for liabilities as at 31 December 2016

	Date of valuation	Total	Fair value measurement using Quoted prices in active markets (Level 1) €000	Significant observable inputs (Level 2) €000	Significant unobservable inputs (Level 3) €000
Liabilities measured at fair value:					
Derivative financial liabilities (Note 28):					
Interest rate swaps	31 December 2016	1,102	–	1,102	–
Exchange traded equity options	31 December 2016	22	22	–	–
Forward foreign exchange contracts	31 December 2016	63	–	63	–
Foreign exchange traded futures	31 December 2016	321	321	–	–
Currency swaps	31 December 2016	250	100	150	–
	Total	**1,758**	**443**	**1,315**	–
Investment contract liabilities without DPF (Note 35):	31 December 2016	7,277	2,789	4,011	477
Net asset value attributable to unit holders (Note 36)	31 December 2016	367	92	276	–
Liabilities for which fair values are disclosed: (Note 39):					
Borrowings	31 December 2016	7,565	–	7,565	–

Transfers between Levels 1 and 2

IFRS 13.93(c)

The Group has transferred certain financial assets from Level 1 to Level 2 which is shown in the following table as there is no longer an active market for the same instrument. The fair value for these products is calculated by applying other valuation techniques for which all significant inputs are based on observable market data. There have been no significant transfers from Level 2 to Level 1 in 2017 and 2016.

	Transfers from Level 1 to Level 2 2017 €000	2016 €000
AFS financial investments		
Equity securities	524	470
Debt securities	544	401

29. Fair value measurement (cont'd)

Movement into Level 3 in the fair value hierarchy

During the year, the Group transferred certain financial instruments from Level 2 to Level 3 of the fair value hierarchy. The recorded amount of the total assets transferred was €688,000 (2016: €555,000). The reason for the change in level is that the market for the securities had become inactive, which has led to a change in the method used to determine fair value. Prior to transfer, fair value for Level 2 securities was determined using observable market transactions or broker quotes for the same or similar instruments. Since transfer, all such assets have been valued using valuation models incorporating significant non market observable inputs. A description of the models and assumptions used is provided in Note 27.

IFRS 13.93 (e)(iv)

The significant unobservable inputs used in the fair value measurements categorised within Level 3 of the fair value hierarchy, together with a quantitative sensitivity analysis as at December 2017 and 2016 are as shown below:

IFRS 13.93(d)
IFRS 13.93(h) (i)(ii)

Financial Assets/ liabilities	Valuation techniques	Significant Unobservable Inputs	Range (weighted average)	Sensitivity of the input to fair value
Structured bond-type products (held by the life insurance businesses in Good Life Insurance Limited)	DCF method	Expected future default rate	2017: 1.3% – 1.5% 2016: 1.2% – 1.4%	5% (2016: 5%) increase (decrease) in the expected future default rate would result in a decrease (increase) in fair value by €10,000 (2016: €8,000)
		Prepayment rate	2017: 2.1% – 3.2% 2016: 2.0% – 3.0%	3% (2016: 3%) increase (decrease) in the prepayment rate would result in a decrease (increase) in fair value by €8,000 (2016: €7,000)
		Market liquidity premium	2017: 4.1% - 4.3% 2016: 4.2% - 4.4%	4.5% (2016: 4.5%) increase (decrease) in the market liquidity premium would result in a decrease (increase) in fair value by €7,500 (2016: €6,500)
Private equity investment funds (held by Euroland life insurance business)	DCF method	Price earnings ratio	2017: 1.25 – 1.30 2016: 1.21 – 1.25	2% (2016: 2.2%) increase (decrease) in the price earnings ratio would result in an increase (decrease) in fair value by €9,000 (2016: €9,100)
Investment contract liabilities without DPF	Expense reserve	Future expense assumptions	2017: 1.5% - 1.8% 2016: 1.4% - 1.7%	1% (2016: 1.2%) increase (decrease) in the future expense assumptions would result in an increase (decrease) in fair value by €4,000 (2016: €4,100)

There are no interrelationships between unobservable inputs and other unobservable inputs used in the fair value measurement.

Commentary

IFRS 13.94 requires appropriate determination of classes of assets and liabilities on the basis of:

- The nature, characteristics and risks of the asset or liability
- The level of the fair value hierarchy within which the fair value measurement is categorised

The Group has applied the factors and disclosed the quantitative information under IFRS 13 based on the classes of assets and liabilities determined as per IFRS 13.94. As judgement is required to determine the classes of properties, other criteria and aggregation levels for classes of assets may also be appropriate, provided they are based on the risk profile of the assets (e.g., the risk profile of properties in an emerging market may differ from that of properties in a mature market).

Inputs used in a valuation technique may fall into different levels of the fair value hierarchy. However, for disclosure purposes, the fair value measurement must be categorised in its entirety (i.e., depending on the unit of account) within the hierarchy. That categorisation may not be so obvious when there are multiple inputs used. IFRS 13.73 clarifies that the hierarchy categorisation of a fair value measurement, in its entirety, is determined based on the lowest level input that is significant to the entire measurement. Assessing the significance of a particular input to the entire measurement requires judgement and consideration of factors specific to the asset or liability (or group of assets and/or liabilities) being measured and any adjustments made to the significant inputs in arriving at the fair value. These considerations have a follow-on impact on the disclosures of valuation techniques, processes and significant inputs and entities should tailor their disclosures to the specific facts and circumstances.

For assets and liabilities held at the end of the reporting period that are measured at fair value on a recurring basis, IFRS 13.93(c) requires disclosure of the amounts of transfers between Level 1 and Level 2 of the hierarchy, the reasons for those transfers and the entity's policy for determining when the transfers are deemed to have occurred. Transfers into each level must be disclosed and discussed separately from transfers out of each level.

29. Fair value measurement (cont'd)

Reconciliation of movements in Level 3 assets and liabilities

The following table shows a reconciliation of the opening and closing recorded amount of Level 3 assets and liabilities:

	At 1 Jan 2017	Total gains/ (loss) in the statement of profit or loss	Total gains/(loss) recorded in OCI	Business combination	Purchases	Sales	Settlements	Transfers from level 1 and level 2	At 31 Dec 2017	Total unrealised gains or losses for the period included in profit or loss for assets held at 31 Dec 2017
	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000
Financial assets										
Financial assets at FVPL:										
Equity securities	1,440	27	–	–	256	(146)	–	192	1,769	20
Debt securities	218	18	–	–	205	(80)	(60)	51	352	11
Mutual funds	362	11	–	–	10	(42)	–	29	370	7
Total	**2,020**	**56**	–	–	**471**	**(268)**	**(60)**	**272**	**2,491**	**38**
AFS financial assets:										
Equity securities	9,452	21	233	256	678	(1,231)	–	247	9,656	–
Debt securities	6,657	(46)	(77)	183	–	(673)	–	169	6,213	–
Total	**16,109**	**(25)**	**156**	**439**	**678**	**(1,904)**	**–**	**416**	**15,869**	**–**
Financial liabilities										
Investment contract liabilities without DPF	(477)	(45)	–	–	(700)	21	–	–	(1,201)	(5)

IFRS 13.93 (e)(f)

29. Fair value measurement (cont'd)

	At 1 Jan 2016 €000	Total gains/ (loss) in the statement of profit or loss €000	Total gains/(loss) recorded in OCI €000	Purchases €000	Sales €000	Settlements €000	Transfers from Level 1 and Level 2 €000	At 31 Dec 2016 €000	Total unrealised gains or losses for the period included in profit or loss for assets held at 31 Dec 2016 €000
Financial assets									
Financial assets at FVPL:									
Equity securities	1,134	41	–	1,068	(1,026)	–	223	1,440	21
Debt securities	265	(45)	–	27	(39)	–	10	218	(26)
Mutual funds	364	(38)	–	19	–	–	17	362	(38)
Total	**1,763**	**(42)**	**–**	**1,114**	**(1,065)**	**–**	**250**	**2,020**	**(43)**
AFS financial assets:									
Equity securities	9,244	4	345	600	(841)	–	100	9,452	–
Debt securities	6,554	(19)	(218)	3,030	(2,028)	(867)	205	6,657	–
Total	**15,798**	**(15)**	**127**	**3,630**	**(2,869)**	**(867)**	**305**	**16,109**	**–**
Financial liabilities									
Investment contract liabilities without DPF	(402)	(79)	–	(8)	12	–	–	(477)	(70)

IFRS 13.93 (eXf)

Total gains or losses for period recognised in profit or loss are presented in 'Net realised gains and losses' and 'Fair value gains and losses' and unrealised gains and losses of them are presented in 'Fair value gains and losses' in the consolidated statement of profit or loss.

IFRS 13.93 (e)(f)

Total gains or losses for period recognised in OCI are presented in 'Net gain on available-for-sale financial assets' in the consolidated statement of comprehensive income.

29 Fair value measurement (cont'd)

Commentary

For assets and liabilities that are measured at fair value in the statement of financial position on a recurring basis and that are categorised within Level 3 in the fair value hierarchy, IFRS 13 requires a reconciliation from the beginning balances to the ending balances. The reconciliation should include total gains and losses for the period split between those recognised in the profit or loss and those recognised in OCI, purchases, sales, issues, settlements and transfers into/out of Level 3. It also requires separate disclosure of the total amount of unrealised gains or losses included in the profit or loss for assets and liabilities held at the year end. The movement analysis should also provide a description of where the total gains or losses and unrealised gains or losses are presented in the consolidated statement of profit or loss and OCI.

30. Reinsurance assets

IFRS 4.37(b)

	Notes	2017 €000	2016 €000
Reinsurance of insurance contracts	34	30,100	28,370
Reinsurance of investment contracts	35	6,421	6,341
Total reinsurance assets		**36,521**	**34,711**

IFRS 7.25, 29

At 31 December 2017, the Group conducted an impairment review of the reinsurance assets and recognised an impairment loss of €2,000 (2016 €16,000) in other operating and administrative expenses. The carrying amounts disclosed above in respect of the reinsurance of investment contracts approximate fair value at the reporting date.

IFRS 4.37(b)(i)

During the year, the Group entered into reinsurance arrangements that resulted in profits on inception of €42,000 (2016: €38,000). This profit has been reflected in the statement of profit or loss.

31. Insurance receivables

IFRS 4.37(b)

	2017 €000	2016 €000
Due from policyholders	11,328	9,262
Due from reinsurers	8,892	8,351
Due from agents, brokers and intermediaries	15,052	2,301
Total insurance receivables	**35,272**	**19,914**

32. Deferred expenses

IFRS 4.37(b), (e)
IAS 18 IE14 (bXiii)

		Deferred acquisition costs (DAC)		Investment management services	
	Notes	Insurance contracts €000	Investment contracts with DPF €000	Investment contracts without DPF €000	Total €000
At 1 January 2016		**6,042**	**4,027**	**295**	**10,364**
Expenses deferred	16	1,626	1,076	520	3,222
Amortisation	16	(1,224)	(808)	(77)	(2,109)
At 31 December 2016		**6,444**	**4,295**	**738**	**11,477**
Expenses deferred	16	2,749	1,826	793	5,368
Amortisation	16	(1,978)	(1,311)	(110)	(3,399)
At 31 December 2017		**7,215**	**4,810**	**1,421**	**13,446**

33. Cash and short-term deposits

	2017 €000	2016 €000
Cash at Group	17,766	24,140
Short-term deposits (including demand and time deposits)	4,851	3,645
Total cash and short-term deposits	**22,617**	**27,785**

Short-term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Group. All deposits are subject to an average variable interest rate of 3.8% (2016: 4.3%).

The carrying amounts disclosed above reasonably approximate fair value at the reporting date. *IFRS 7.25, 29*

For the purpose of the consolidated statement of cash flows, the cash and cash equivalents position, net of the Group overdraft, as per Note 39, is €16,699,000 (2016: €20,876,000). *IAS 7.8* *IAS 7.45*

34. Insurance contract liabilities

IFRS 4.37(b)

		2017			2016		
	Notes	Insurance contract liabilities €000	Reinsurance of liabilities €000	Net €000	Insurance contract liabilities €000	Reinsurance of liabilities €000	Net €000
Life insurance contracts	34(a)	126,048	(17,434)	108,614	78,686	(16,477)	62,209
Non-life insurance contracts	34(b)	50,664	(12,666)	37,998	47,574	(11,893)	35,681
Total insurance contract liabilities		**176,712**	**(30,100)**	**146,612**	**126,260**	**(28,370)**	**97,890**

Commentary

The Group enters into reinsurance agreements in order to mitigate insurance risk. Although positions are managed on a net basis by management, insurance disclosures have been made on both a gross and net basis in order to provide a comprehensive set of disclosures.

In some accounting models, recognised realised gains or losses on investments have a direct effect on the measurement of some or all of the insurance liabilities, related deferred acquisition costs and related intangible assets. An insurer is permitted to change its accounting policies so that a recognised but unrealised gain or loss on an asset affects these measurements in the same way that a realised gain or loss does. This practice is often described as "shadow accounting". The Group does not apply shadow accounting, but additional disclosures have been provided in Appendix A should readers wish to refer to the required disclosures if shadow accounting is adopted.

34. Insurance contract liabilities (cont'd)

a. Life insurance contract liabilities

		2017			2016		
	Notes	Insurance contract liabilities €000	Reinsurance of liabilities €000	Net €000	Insurance contract liabilities €000	Reinsurance of liabilities €000	Net €000
Provision for unearned premiums		124,237	(17,085)	107,152	77,516	(16,232)	61,284
Outstanding claims provision		1,811	(349)	1,462	1,170	(245)	925
Total life insurance contract liabilities		**126,048**	**(17,434)**	**108,614**	**78,686**	**(16,477)**	**62,209**

		Gross			Reinsurance				
	Notes	Insurance contract liabilities with DPF €000	Insurance contract liabilities without DPF €000	Total gross insurance contract liabilities €000	Insurance contract liabilities with DPF €000	Insurance contract liabilities without DPF €000	Total reinsurance of insurance contract liabilities €000	Net €000	*IFRS 4.37(e)*
At 1 January 2017		**25,180**	**53,506**	**78,686**	**(5,274)**	**(11,203)**	**(16,477)**	**62,209**	
Premiums received	9(a) & 9(b)	15,670	32,175	47,845	(3,668)	(7,793)	(11,461)	36,384	
Liabilities paid for death, maturities, surrenders, benefits and claims	14(a)&14(b)	(6,642)	(14,113)	(20,755)	1,660	3,528	5,188	(15,567)	
Benefits and claims experience variation		(6,859)	(14,014)	(20,873)	1,632	3,468	5,100	(15,773)	
Fees deducted		(850)	(1,807)	(2,657)	212	452	664	(1,993)	
Credit of interest or change in unit-prices		83	200	283	(34)	(71)	(105)	178	
Acquisitions of subsidiaries	4	22,509	19,509	42,018	–	–	–	42,018	
Additions from portfolio acquisitions		51	86	137	–	–	–	137	
Adjustments due to changes in assumptions:									*IFRS 4.37(d)*
Mortality/morbidity		245	522	767	(61)	(130)	(191)	576	
Longevity		192	408	600	(49)	(103)	(152)	448	
Investment return		(162)	(344)	(506)	40	86	126	(380)	
Expenses		113	239	352	(28)	(60)	(88)	264	
Lapse and surrender rates		73	156	229	(18)	(39)	(57)	172	
Discount rate		(33)	(69)	(102)	8	17	25	(77)	
Foreign exchange adjustment		8	16	24	(2)	(4)	(6)	18	
At 31 December 2017		**49,578**	**76,470**	**126,048**	**(5,582)**	**(11,852)**	**(17,434)**	**108,614**	

34. Insurance contract liabilities (cont'd)

a. Life insurance contract liabilities (cont'd)

		Gross			Reinsurance				
		Insurance contract liabilities with DPF	Insurance contract liabilities without DPF	Total gross insurance contract liabilities	Insurance contract liabilities with DPF	Insurance contract liabilities without DPF	Total reinsurance of insurance contract liabilities	Net	
	Notes	€000	€000	€000	€000	€000	€000	€000	*IFRS 4.37(e)*
At 1 January 2016		23,748	50,466	74,214	(4,962)	(10,545)	(15,507)	58,707	
Premiums received	9(a) & 9(b)	15,022	31,921	46,943	(3,756)	(7,980)	(11,736)	35,207	
Liabilities paid for death, maturities, surrenders, benefits and claims	14(a)& 14(b)	(6,922)	(14,708)	(21,630)	1,730	3,677	5,407	(16,223)	
Benefits and claims experience variation		(6,386)	(13,569)	(19,955)	1,644	3,495	5,139	(14,816)	
Fees deducted		(879)	(1,867)	(2,746)	220	467	687	(2,059)	
Credit of interest or change in unit-prices		100	210	310	(36)	(77)	(113)	197	
Additions from portfolio acquisitions		46	95	141	–	–	–	141	
Adjustments due to changes in assumptions:									*IFRS 4.37(d)*
Mortality/ morbidity		248	526	774	(62)	(131)	(193)	581	
Longevity		200	425	625	(50)	(106)	(156)	469	
Investment return		(168)	(357)	(525)	42	89	131	(394)	
Expenses		119	254	373	(30)	(63)	(93)	280	
Lapse and surrender rates		81	171	252	(21)	(44)	(65)	187	
Discount rate		(37)	(79)	(116)	9	20	29	(87)	
Foreign exchange adjustment		8	18	26	(2)	(5)	(7)	19	
At 31 December 2016		**25,180**	**53,506**	**78,686**	**(5,274)**	**(11,203)**	**(16,477)**	**62,209**	

Changes in some of the previously mentioned assumptions will largely be offset by corresponding changes in the assets backing the liabilities. For reinsurance assets, see Note 30.

b. Non-life insurance contract liabilities

		2017			2016		
		Insurance contract liabilities	Reinsurance of liabilities	Net	Insurance contract liabilities	Reinsurance of liabilities	Net
	Notes	€000	€000	€000	€000	€000	€000
Provision for reported claims by policyholders		12,339	(3,084)	9,255	11,586	(2,896)	8,690
Provision for claims IBNR		27,872	(6,969)	20,903	26,165	(6,541)	19,624
Outstanding claims provision	(i) below	40,211	(10,053)	30,158	37,751	(9,437)	28,314
Provision for unearned premiums	(ii) below	10,019	(2,505)	7,514	9,409	(2,352)	7,057
Provision for premium deficiency	(iii) below	434	(108)	326	414	(104)	310
Total non-life insurance contract liabilities		**50,664**	**(12,666)**	**37,998**	**47,574**	**(11,893)**	**35,681**

For reinsurance assets, see Note 30.

34. Insurance contract liabilities (cont'd)

b. Non-life insurance contract liabilities (cont'd)

i. Outstanding claims provision

		2017			2016			
	Notes	Insurance contract liabilities €000	Reinsurance of liabilities €000	Net €000	Insurance contract liabilities €000	Reinsurance of liabilities €000	Net €000	*IFRS 4.37(e)*
At 1 January		**37,751**	**(9,437)**	**28,314**	**35,175**	**(8,791)**	**26,384**	
Claims incurred in the current accident year		14,495	(3,626)	10,869	15,094	(3,778)	11,316	
Adjustment to claims incurred in prior accident years due to changes in assumptions:								*IFRS 4.37(d)*
Average claim cost		800	(200)	600	825	(206)	619	
Average number of claims		685	(171)	514	693	(173)	520	
Average claim settlement period		540	(131)	409	568	(138)	430	
Other movements in claims incurred in prior accident years		1,365	(341)	1,024	902	(225)	677	
Claims paid during the year	14(a)& 14(b)	(15,441)	3,861	(11,580)	(15,521)	3,881	(11,640)	
Foreign exchange adjustment		16	(8)	8	15	(7)	8	
At 31 December		**40,211**	**(10,053)**	**30,158**	**37,751**	**(9,437)**	**28,314**	

ii. Provision for unearned premiums

		2017			2016			
	Notes	Insurance contract liabilities €000	Reinsurance of liabilities €000	Net €000	Insurance contract liabilities €000	Reinsurance of liabilities €000	Net €000	*IFRS 4.37(e)*
At 1 January		**9,409**	**(2,352)**	**7,057**	**8,794**	**(2,198)**	**6,596**	
Premiums written during the year	9(a) & 9(b)	24,511	(6,128)	18,383	24,626	(6,157)	18,469	
Premiums earned during the year		(23,901)	5,975	(17,926)	(24,011)	6,003	(18,008)	
At 31 December		**10,019**	**(2,505)**	**7,514**	**9,409**	**(2,352)**	**7,057**	

iii. Provision for premium deficiency

		2017			2016			
	Notes	Insurance contract liabilities €000	Reinsurance of liabilities €000	Net €000	Insurance contract liabilities €000	Reinsurance of liabilities €000	Net €000	*IFRS 4.37(e)*
At 1 January		**414**	**(104)**	**310**	**394**	**(99)**	**295**	
Incurred during the year	14	161	(40)	121	172	(43)	129	
Utilised during the year	14	(142)	36	(106)	(154)	39	(115)	
Foreign exchange adjustment		1	–	1	2	(1)	1	
At 31 December		**434**	**(108)**	**326**	**414**	**(104)**	**310**	

35. Investment contract liabilities

	Notes	2017 Investment contract liabilities €000	2017 Reinsurance of liabilities €000	2017 Net €000	2016 Investment contract liabilities €000	2016 Reinsurance of liabilities €000	2016 Net €000
Investment contract liabilities with DPF	(a) below	7,366	(2,382)	4,984	4,281	(2,338)	1,943
Investment contract liabilities without DPF	(b) below	7,854	(4,039)	3,815	7,277	(4,003)	3,274
Total investment contract liabilities		15,220	(6,421)	8,799	11,558	(6,341)	5,217

IFRS 4.37(b)

For reinsurance assets, see Note 30.

a. Investment contract liabilities with DPF

	Notes	2017 Investment contract liabilities €000	2017 Reinsurance of liabilities €000	2017 Net €000	2016 Investment contract liabilities €000	2016 Reinsurance of liabilities €000	2016 Net €000
At 1 January		**4,281**	**(2,338)**	**1,943**	**4,131**	**(2,272)**	**1,859**
Premiums received	9(a)& 9(b)	2,400	(1,320)	1,080	2,497	(1,373)	1,124
Liability assumed for benefits	14(a)& 14(b)	(2,222)	1,224	(998)	(2,259)	1,258	(1,001)
Fees deducted		(213)	117	(96)	(234)	129	(105)
Credit of investment return		65	(36)	29	72	(40)	32
Acquisitions of subsidiaries	4	3,002	–	3,002	–	–	–
Adjustment due to changes in assumptions:							
Mortality/ morbidity		25	(14)	11	35	(19)	16
Longevity		21	(11)	10	30	(17)	13
Investment return		(8)	4	(4)	(11)	6	(5)
Expenses		6	(3)	3	9	(5)	4
Lapse and surrender rates		4	(2)	2	7	(4)	3
Discount rate		(2)	1	(1)	(4)	3	(1)
Foreign exchange adjustment		7	(4)	3	8	(4)	4
At 31 December		**7,366**	**(2,382)**	**4,984**	**4,281**	**(2,338)**	**1,943**

IFRS 4.37(e)

IFRS 4.37(d)

Investment contract liabilities with DPF above represent the guaranteed and discretionary benefits attributable to these policyholders.

As permitted by IFRS 7, the Group has not disclosed fair values for investment contract liabilities with DPF as fair values or fair value ranges for the DPF cannot be reliably estimated. There is no active market for these instruments, which will be settled with policyholders in the normal course of business.

IFRS 7.29(c)
IFRS 7.30

Commentary

Fair value disclosures for investment contract liabilities with DPF are not required if the fair value of that feature cannot be reliably estimated (IFRS 7.29(c)). This concession does not exist for investment contract liabilities without DPF.

35. Investment contract liabilities (cont'd)

b. Investment contract liabilities without DPF

Investment contract liabilities without DPF are stated at fair value.

IFRS 7.25

The investment contracts measured at fair value are mainly unit linked in structure and the fair value of the liability is equal to the unit reserve plus additional non-unit reserves, if required, on a fair value basis. These contracts are classified as Level 1 in the fair value hierarchy when the unit reserve is calculated as the publicly quoted unit price multiplied by the number of units in issue and any non-unit reserve is insignificant. Where the unit price is not publicly-available these contracts are classified as Level 2 in the fair value hierarchy provided the additional non-unit reserve is an insignificant input to the valuation. Where the non-unit reserve is a significant input in the valuation, the contracts are classified at Level 3 in the fair value hierarchy. The Group takes credit risk into account in assessing the fair value of the liabilities.

Investment contract liabilities without DPF are further analysed, as follows:

	2017			2016		
	Investment contract liabilities	Reinsurance of liabilities	Net	Investment contract liabilities	Reinsurance of liabilities	Net
	€000	€000	€000	€000	€000	€000
At 1 January	7,277	(4,003)	3,274	7,169	(3,943)	3,226
Acquisition of subsidiaries	510	–	510	–	–	–
Deposits	463	(255)	208	525	(289)	236
Withdrawals	(380)	209	(171)	(429)	240	(189)
Fees deducted	(90)	50	(40)	(95)	52	(43)
Credit of interest	42	(25)	17	61	(36)	25
Investments fair value adjustment	26	(12)	14	39	(23)	16
Foreign exchange adjustment	6	(3)	3	7	(4)	3
At 31 December	7,854	(4,039)	3,815	7,277	(4,003)	3,274

36. Net asset value attributable to unit–holders

Fair value was measured at quoted price in active market when available, or using current unit values, when the quoted price was not available, which reflected fair values of underlying assets and liabilities of the fund. The management has assessed the credit risk of these liabilities as immaterial.

Unit–trusts in which the Group has a controlling interest are consolidated. The units not owned by the Group are treated as a liability and amount to €520,000 (2016: €367,000). Profit attributable to unit–holders amounts to €267,000 (2016: €111,000).

37. Pension benefit obligation

The Group has an average salary defined benefit pension scheme covering all of its employees in Euroland.

IAS 19.135

The plan is governed by the employment laws of Euroland, which require average salary payments to be adjusted for the consumer price index once in payment during retirement. The level of benefits provided depends on the member's length of service and average salary over the period they are an active scheme member. The defined benefit pension plan requires contributions to be made to a separately administered fund. The fund has the legal form of a foundation and it is governed by the Board of Trustees, which consists of an equal number of employer's and employees' representatives. The Board of Trustees is responsible for the administration of the plan assets and for the definition of the investment strategy.

IAS 19.139

Each year, the Board of Trustees reviews the level of funding in the Euroland pension plan as required by Euroland's employment legislation. Such a review includes the asset-liability matching strategy and investment risk management policy. The Board of Trustees decides its contribution based on the results of this annual review. Generally, it aims to have a portfolio mix of a combined 30% in equity and 70% in debt instruments and property. Euroland's employment legislation requires the Group to clear any plan deficit (based on valuation performance in accordance with the regulations in Euroland) over a period of no more than five years after the period in which the deficit arises. The Board of Trustees aims to keep annual contributions relatively stable at a level such that no plan deficits (based on valuation performed in accordance with the regulations in Euroland) will arise.

IAS 19.146
IAS 19.147 (a)
IAS 19.139

Since the pension liability is adjusted to the consumer price index, the pension plan is exposed to Euroland's inflation, interest rate risks and changes in life expectancy for pensioners. As the plan assets include significant investments in quoted equity shares of entities in manufacturing and consumer products sector, the Group is also exposed to equity market risk arising in the manufacturing and consumer products sector.

IAS 19.139

37. Pension benefit obligation (cont'd)

The following tables summarise the components of net benefit expense recognised in the statement of profit or loss and the funded status and amounts recognised in the statement of financial position for the plan.

2017 changes in the defined benefit obligation and fair value of plan assets

IAS 19.140
IAS 19.141

		Pension cost charged to profit or loss				Remeasurement gains/(losses) in OCI						
	1 January 2017	Service cost	Net interest expense	Sub-total included in profit or loss	Benefits paid	Return on plan assets (excluding amounts included in net interest expense)	Actuarial changes arising from changes in demographic assumptions	Actuarial changes arising from changes in financial assumptions	Experience adjustments	Sub-total included in OCI	Contributions by employer	31 December 2017
	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000
Defined benefit obligation	(9,805)	(441)	(638)	(1,079)	397	–	61	(19)	(4)	38	–	(10,449)
Fair value of plan assets	5,324	–	346	346	(397)	77	–	–	–	77	386	5,736
Benefit liability	**(4,481)**	**(441)**	**(292)**	**(733)**	–	**77**	**61**	**(19)**	**(4)**	**115**	**684**	**(4,713)**

2016 changes in the defined benefit obligation and fair value of plan assets

		Pension cost charged to profit or loss				Remeasurement gains/(losses) in OCI						
	1 January 2016	Service cost	Net interest expense	Sub-total included in profit or loss	Benefits paid	Return on plan assets (excluding amounts included in net interest expense)	Actuarial changes arising from changes in demographic assumptions	Actuarial changes arising from changes in financial assumptions	Experience adjustments	Sub-total included in OCI	Contributions by employer	31 December 2016
	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000
Defined benefit obligation	(9,346)	(122)	(598)	(720)	256	–	40	(30)	(5)	5	–	(9,805)
Fair value of plan assets	4,873	–	312	312	(256)	53	–	–	–	53	342	5,324
Benefit liability	**(4,473)**	**(122)**	**(286)**	**(408)**	**–**	**53**	**40**	**(30)**	**(5)**	**58**	**342**	**(4,481)**

37. Pension benefit obligation (cont'd)

Commentary

An entity must assess whether all or some disclosures should be disaggregated to distinguish plans or groups of plans with materially different risks under the requirements of IAS 19.138.

For example, an entity may disaggregate disclosure about plans showing one or more of the following features: different geographical locations, characteristics such as flat salary pension plans, final salary pension plans or post-employment medical plans, regulatory environments, reporting segments and/or funding arrangements (e.g., wholly unfunded, wholly or partly funded).

Entities must exercise judgement and assess the grouping criteria according to their specific facts and circumstances. In this case, the Group has only one defined benefit pension plan in Euroland, hence, there is no further disaggregation shown.

Additional disclosures may also be provided to meet the objectives in IAS 19.135. For example, an entity may present an analysis of the present value of the defined benefit obligation that distinguishes the nature, characteristics and risks of the obligation. Such a disclosure could distinguish:

a. Between amounts owing to active members, deferred members, and pensioners
b. Between vested benefits and accrued, but not vested, benefits
c. Between conditional benefits, amounts attributable to future salary increases and other benefits

The acquisitions of Good American Life Co. did not affect plan assets or the defined benefit obligation, as the entity does not have a defined benefit plan.

The classes and fair values of the plan assets, based on the nature and risks of those assets and whether they are quoted in an active market, are as follows:

	Euroland plan	
	2017	2016
	€000	€000
Investments quoted in active markets:		
Quoted equity investments		
Manufacturing and consumer products sector	830	655
Telecom sector	145	133
Bonds issued by Euroland Government	1,670	1,615
Cash and cash equivalents	1,493	1,462
Unquoted investments:		
Debt instruments issued by Good Bank International Limited	1,428	1,304
Property	170	155
Total	**5,736**	**5,324**

IAS 19.142

The plan assets include property occupied by the Group with a fair value of €52,000 (2016: €48,000).

IAS 19.143

Commentary

The fair value of the plan assets is provided in this disclosure. Even though the fair value is determined using IFRS 13, the fair value disclosures required by IFRS 13 do not apply to employee benefits within the scope of IAS 19. However, if there was an impact on the plan assets from the measurement using IFRS 13 that would need to be disclosed.

Under IAS 19.142, the Group has separated the plan assets within different classes. The Group has a class 'property' which has not been further classified into categories. The amount is not determined to be material to the consolidated financial statements.

37. Pension benefit obligation (cont'd)

The principal actuarial assumptions used in determining the pension benefit obligation for the Group's plan are, as follows:

IAS 19.144

	2017	2016
	%	%
Future salary increases	5.5	4.0
Consumer price index increases	2.9	2.8
Discount rate	6.5	6.4

Post retirement mortality for pensioners at 65:	Years	Years
Male	20.0	20.0
Female	23.0	23.0

IAS 19.145

	Impact on defined benefit obligation	
	2017	2016
Assumptions:	€000	€000
Discount rate:		
0.5% increase	(90)	(100)
0.5% decrease	80	70
Future salary increases:		
0.5% increase	120	110
0.5% decrease	(110)	(130)
Consumer price index increases:		
0.5% increase	100	95
0.5% decrease	(105)	(115)
Life expectancy of male pensioners:		
Increase by 1 year	110	100
Decrease by 1 year	(120)	(130)
Life expectancy of female pensioners:		
Increase by 1 year	70	60
Decrease by 1 year	(60)	(70)

The sensitivity analyses above have been determined based on a method that extrapolates the impact on the defined benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting period. The sensitivity analyses are based on a change in a significant assumption, keeping all other assumptions constant. The sensitivity analyses may not be representative of an actual change in the defined benefit obligation as it is unlikely that changes in assumptions would occur in isolation of one another.

IAS 19.145 (b)

37. Pension benefit obligation (cont'd)

The following payments are expected contributions to the defined benefit plan in future years:

	2017 €000	2016 €000
Within the next 12 months	1,000	1,050
Between 2 and 5 years	1,150	1,050
Between 5 and 10 years	1,160	1,140
Beyond 10 years	1,000	1,100
Total expected payments	**4,310**	**4,340**

IAS 19.147 (b)(c)

The average duration of the defined benefit plan obligation at the end of the reporting period is 26.5 years (2016: 25.3 years).

Commentary

IAS 19.145(c) also requires disclosure of changes from the previous period in the methods and assumptions used in preparing the sensitivity analyses, and the reasons for such changes. The Group did not have such changes.

IAS 19.145(a) requires disclosure of sensitivity analyses showing how the defined benefit obligation would be affected by reasonably possible changes in actuarial assumptions. The purpose of this publication is to illustrate the disclosures required and the changes in the assumption provided in the sensitivity analyses above are not necessarily reflective of those in current markets.

The standard includes some overriding disclosure objectives and considerations that provide a framework to identify the overall tone and extent of disclosures that should be included in the financial statement notes. For example, IAS 19.136 states that entities should consider the following when providing defined benefit plan disclosures:

- The level of detail necessary to satisfy the disclosure requirements
- How much emphasis to place on each of the various requirements
- How much aggregation or disaggregation to undertake
- Whether users of financial statements need additional information to evaluate the quantitative information disclosed

These considerations were meant to assist entities in reconciling the overriding disclosure objective along with the fact that an extensive list of required disclosures still remains in the standard. The Basis for Conclusions accompanying IAS 19 emphasises that information that is deemed immaterial is not required to be disclosed as set out in IAS 1.31.

The addition of clear disclosure objectives provides entities with an opportunity to take a fresh look at their defined benefit plan disclosures. Eliminating immaterial disclosures would enhance the financial statement users' ability to focus on those transactions and details that truly matter.

38. Share-based payments

The expense recognised for employee services received during the year is shown in the following table:

	Notes	2017 €000	2016 €000
Expense arising from equity-settled share-based payment transactions (Senior Executive Plan and General Employee Share-option Plan)		14	10
Expense arising from cash-settled share-based payment transactions (Share Appreciation Rights)		4	4
Total expense arising from share-based payment transactions	17	**18**	**14**

IFRS 2.51(a)

The share-based payment plans are described below. There have been no cancellations or modifications to any of the plans during 2017 or 2016.

IFRS 2.45(a)

Under the Senior Executive Plan (SEP), share options of the parent are granted to senior executives of the parent with more than 12 months' service. The exercise price of the share options is equal to the market price of the underlying shares on the date of grant. The share options vest if and when the Group's earnings per share (EPS) increases by 8% within three years from the date of grant and the senior executive remains employed on such date. The share options granted will not vest if the EPS performance condition is not met.

IFRS 2.46

The fair value of the share options is estimated at the grant date using a binomial option pricing model, taking into account the terms and conditions upon which the share options were granted. However, the above performance condition is only considered in determining the number of instruments that will ultimately vest.

38. Share-based payments (cont'd)

The share options can be exercised up to three years after the three-year vesting period. Therefore, the contractual term of each option granted is six years. There are no cash settlement alternatives. The Group does not have a past practice of cash settlement for these share options.

General Employee Share-option Plan

All other employees are entitled to a grant of options once they have been in service for two years. The options will vest if the employee remains in service for a period of three years from the date of grant, and the share price attains an average increase of 3% per year during the three-year period from the date of grant. The exercise price of the options is equal to the market price of the shares on the date of grant. The contractual life of the options is five years and there are no cash settlement alternatives. The Group does not have a past practice of cash settlement for these options.

IFRS 2.45(a)

The fair value of the options is estimated at the grant date using a binomial pricing model, taking into account the terms and conditions upon which the instruments were granted.

IFRS 2.46

Share Appreciation Rights

Employees working in the business development group are granted share appreciation rights (SARs), settled in cash. These will vest when a specified new contracts number is realised within three years from the date of grant and employees must remain in service at the vesting date. The rights can be exercised up to three years after the three-year vesting period and therefore, the contractual term of the SARs is six years.

IFRS 2.45(a)

The fair value of the SARs is estimated at the grant date using a binomial pricing model, taking into account the terms and conditions upon which the instruments were granted and the current likelihood of achieving the specified target. The carrying amount of the liability relating to the SARs at 31 December 2017 is €114,000 (2016: €184,000) and is included within trade and other payables (Note 43). No SARs had vested at 31 December 2017 and 31 December 2016, respectively.

IFRS 2.46
IFRS 2.51(b)

Movements during the year

The following table illustrates the number (No.) and weighted average exercise prices (WAEP) of, and movements in, share options during the year:

IFRS 2.45(b)

	2017 No.	2017 WAEP	2016 No.	2016 WAEP
Outstanding at 1 January	295,000	28.42	303,000	27.72
Granted during the year	50,000	31.25	35,000	29.75
Forfeited during the year	–	–	(25,000)	27.00
Exercised during the year (Note 44)	[2](3,000)	22.00	[1](3,000)	16.67
Expired during the year	(20,000)	29.25	(15,000)	26.50
Outstanding at 31 December	322,000	27.88	295,000	28.42
Exercisable at 31 December	218,000	26.72	185,000	26.75

1. The weighted average share price at the date of exercise for the options is €4.09.
2. The weighted average share price at the date of exercise for the options is €3.13.

IFRS 2.45(c)

The weighted average remaining contractual life for the share options outstanding as at 31 December 2017 is 2.60 years (2016: 2.30 years).

IFRS 2.45(d)

The range of exercise prices for options outstanding at the end of the year was €2.33 to €3.88 (2016: €2.13 to €3.13).

IFRS 2.45(d)

The weighted average fair value of options granted during the year was €1.32 (2016: €1.18).

IFRS 2.47(a)

38. Share-based payments (cont'd)

The following table lists the inputs to the model used for the three plans for the years ended 31 December 2017 and 2016, respectively:

IFRS 2.47 (a)(i)

	2017 SEP	2017 GESP	2017 SAR
Dividend yield (%)	3.13	3.13	3.13
Expected volatility (%)	15.00	16.30	18.00
Risk-free interest rate (%)	5.10	5.10	5.10
Expected life of share options/SARs (years)	3.00	4.25	6.00
Weighted average share price (€)	3.10	3.10	3.12

	2016 SEP	2016 GESP	2016 SAR
Dividend yield (%)	3.01	3.01	3.01
Expected volatility (%)	16.30	17.50	18.10
Risk-free interest rate (%)	5.00	5.00	5.00
Expected life of share option/SARs (years)	3.00	4.25	6.00
Weighted average share price (€)	2.86	2.86	2.88

The expected life of the share options and SARs is based on historical data and current expectations and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility over a period similar to the life of the share options and SARs is indicative of future trends, which may not necessarily be the actual outcome.

IFRS 2.47 (a)(ii)

39. Borrowings

	2017 €000	2016 €000
5.8% Bank overdrafts	5,918	6,909
€7,500,000 – Floating note	7,490	7,478
€12,000,000 – 6.8% Subordinated note	5,964	7,447
Total borrowings	**19,372**	**21,834**

IFRS 7.8(f)

All borrowings are stated at amortised cost.

The bank overdrafts are subject to an average variable interest rate of 5.8% (2016: 5.3%). The bank overdrafts have an average current maturity of 35 days (2016: 30 days). The bank overdraft is secured by a charge over certain of the Group's assets. As at the reporting date, the aggregate unused bank overdraft facility amounted to €2,410,000 (2016: €2,630,000).

The €7,500,000 note is referenced to Euribor plus 2%, which resulted in an average interest rate of 5.9% for the year (2016: 5.4%). The note is unsecured and is scheduled to be redeemed on 1 November 2018.

It is assumed that the carrying value of these bank overdrafts and floating notes approximates fair value.

IFRS 7.29(a)

The €12,000,000 subordinated loan is unsecured and is repayable in fixed annual instalments of €1,500,000 through 31 December 2021 at a stated interest rate of 6.8%.

The Group's borrowings arising from financing activities include the floating note and subordinated note (2017: €13,454,000, 2016: €14,925,000, respectively). The net decrease of €1,471,000 in the carrying amount during 2017 consists of €1,500,000 of repayment, by cash and cash equivalents, of the subordinated note, and €29,000 of non-cash increase due to amortisation using the effective interest rate method. In the consolidated statement of cash flows, the carrying amount of bank overdrafts are included in cash and cash equivalents.

IAS 7.44A

40. Other financial liabilities

	Deposits received from reinsurers €000	Outstanding purchase of investment securities €000	Financial guarantee contracts €000	Total €000
At 1 January 2016	1,804	4,927	60	6,791
Arising during the year	1,927	5,270	8	7,205
Utilised	(1,804)	(4,927)	-	(6,731)
Foreign exchange adjustment	5	2	-	7
At 31 December 2016	**1,932**	**5,272**	**68**	**7,272**
Arising during the year	2,052	5,605	9	7,666
Utilised	(1,932)	(5,272)	-	(7,204)
Foreign exchange adjustment	6	3	-	9
At 31 December 2017	**2,058**	**5,608**	**77**	**7,743**

IFRS 7.8(f)

The carrying amounts of deposits received from reinsurers and outstanding purchase of investment securities disclosed above approximate fair value at the reporting date.

IFRS 7.25
IFRS 7.29

All amounts of deposits received from reinsurers and outstanding purchase of investment securities are payable within one year.

IAS 1.61

41. Insurance payables

	Amounts payable on direct insurance business €000	Amounts payable on assumed reinsurance business €000	Total €000
At 1 January 2016	2,909	1,578	4,487
Arising during the year	3,124	1,707	4,831
Utilised	(2,909)	(1,578)	(4,487)
Foreign exchange adjustment	6	4	10
At 31 December 2016	**3,130**	**1,711**	**4,841**
Arising during the year	3,327	1,818	5,145
Utilised	(3,130)	(1,711)	(4,841)
Foreign exchange adjustment	7	5	12
At 31 December 2017	**3,334**	**1,823**	**5,157**

IFRS 4.37(b)

The carrying amounts disclosed above approximate fair value at the reporting date.

IFRS 7.25
IFRS 7.29

All amounts payable on direct insurance business and assumed reinsurance business are payable within one year.

IAS 1.61

42. Deferred revenue

	2017 €000	2016 €000
At 1 January	4,334	4,298
Fees deferred	332	335
Fees released to the statement of profit or loss	(303)	(300)
Foreign exchange adjustment	2	1
Total deferred revenue	**4,365**	**4,334**

IFRS 4.37(b)
IAS 18 IE14 (b)(iii)

42. Deferred revenue (cont'd)

The expected realisation of the deferred revenue is as follows:

IAS 1.61

	2017 €000	2016 €000
No more than 12 months	311	303
More than 12 months	4,054	4,031
Total deferred revenue	**4,365**	**4,334**

43. Trade and other payables

	Note	2017 €000	2016 €000
Payables to related parties	50(b)	1,191	1,144
Trade payables		10,191	5,517
Accrued expenses		2,418	2,857
Social security and other taxes		524	591
Other		173	759
Total trade and other payables		**14,497**	**10,868**

The carrying amounts disclosed above reasonably approximate fair value at the reporting date.

IFRS 7.25
IFRS 7.29

All amounts, excluding cash-settled share-based payments, are payable within one year.

IAS 1.61

44. Issued share capital and reserves

Authorised and issued share capital

IAS 1.78(e)

IAS 1.79 (a)(i)
IAS 1.79 (a)(iii)

Authorised shares	2017 Thousands	2016 Thousands
Ordinary shares of €1 each	10,000	10,000

IAS 1.79 (a)(ii)
IAS 1.79 (a)(iv)

Ordinary shares issued and fully paid	Thousands	€000
At 1 January 2016	**7,382**	**7,382**
Issued on 1 July 2016 for cash on exercise of share options (Note 38)	3	3
At 31 December 2016	**7,385**	**7,385**
Issued on 30 April 2017 in exchange for issued share capital of Good American Life Co. (Note 4)	1,250	1,250
Issued on 1 July 2017 for cash on exercise of share options (Note 38)	3	3
At 31 December 2017	**8,638**	**8,638**

44. Issued share capital and reserves (cont'd)

Share premium	€000
At 1 January 2016	**1,000**
Increase on 1 July 2016 for cash on exercise of share options (Note 38)	47
Decrease due to transaction costs	(2)
At 31 December 2016	**1,045**
Issuance of share capital for the acquisition of Good American Life Co (Note 4)	26,609
Increase on 1 July 2017 for cash on exercise of share options (Note 38)	63
Decrease due to transaction costs	(302)
At 31 December 2017	**27,415**

Nature and purpose of reserves

IAS 1.79(b)

Other capital reserves

Share-based payments

The share-based payments reserve is used to recognise the value of equity-settled share-based payments provided to employees, including key management personnel, as part of their remuneration. Refer to Note 38 for further details of these plans.

IAS 1.106A

All other reserves are as stated in the consolidated statement of changes in equity.

OCI items, net of tax:

The disaggregation of changes of OCI by each type of reserve in equity is shown below:

As at 31 December 2017	Cash flow hedge reserve €000	Available-for-sale reserve €000	Foreign currency translation reserve €000	Retained earnings €000	Total €000
Currency swap	(25)	-	-	-	(25)
Foreign exchange translation differences	-	-	(38)	-	(38)
Gain/(loss) on available-for-sale financial assets	-	4,320	-	-	4,320
Re-measurement on defined benefit plan	-	-	-	115	115
Total	**(25)**	**4,320**	**(38)**	**115**	**4,372**

As at 31 December 2016	Cash flow hedge reserve €000	Available-for-sale reserve €000	Foreign currency translation reserve €000	Retained earnings €000	Total €000
Currency swap	(17)	-	-	-	(17)
Gain/(loss) on available-for-sale financial assets	-	2,308	-	-	2,308
Re-measurement on defined benefit plan	-	-	-	58	58
Total	**(17)**	**2,308**	-	**58**	**2,349**

Section 6: Insurance and financial risk and others

45. Risk management framework

a. Governance framework

The primary objective of the Group's risk and financial management framework is to protect the Group's shareholders from events that hinder the sustainable achievement of financial performance objectives, including failing to exploit opportunities. Key management recognises the critical importance of having efficient and effective risk management systems in place. *IFRS 7.33(b)*

The Group has established a risk management function with clear terms of reference from the board of directors, its committees and the associated executive management committees. This is supplemented with a clear organisational structure with documented delegated authorities and responsibilities from the board of directors to executive management committees and senior managers. Lastly, a Group policy framework which sets out the risk profiles for the Group, risk management, control and business conduct standards for the Group's operations has been put in place. Each policy has a member of senior management charged with overseeing compliance with the policy throughout the Group. *IFRS 7.33(b)*

The board of directors approves the Group's risk management policies and meets regularly to approve any commercial, regulatory and organisational requirements of such policies. These policies define the Group's identification of risk and its interpretation, limit its structure to ensure the appropriate quality and diversification of assets, align underwriting and reinsurance strategy to the corporate goals, and specify reporting requirements. For example, following the regulatory changes brought about by the Euroland Financial Services Commission, which came into effect on 1 January 2017, the Group has placed a greater emphasis on the assessment and documentation of risks and controls, including the development of an articulation of 'risk appetite'. *IFRS 7.33(b)*

b. Capital management objectives, policies and approach

The Group has established the following capital management objectives, policies and approach to managing the risks that affect its capital position: *IAS 1.135(a)*

- To maintain the required level of stability of the Group thereby providing a degree of security to policyholders *IAS 1.135(a)*
- To allocate capital efficiently and support the development of business by ensuring that returns on capital employed meet the requirements of its capital providers and shareholders
- To retain financial flexibility by maintaining strong liquidity and access to a range of capital markets
- To align the profile of assets and liabilities taking account of risks inherent in the business
- To maintain financial strength to support new business growth and to satisfy the requirements of the policyholders, regulators and stakeholders
- To maintain strong credit ratings and healthy capital ratios in order to support its business objectives and maximise shareholders value

The operations of the Group are also subject to regulatory requirements within the jurisdictions in which it operates. Such regulations not only prescribe approval and monitoring of activities, but also impose certain restrictive provisions (e.g., capital adequacy) to minimise the risk of default and insolvency on the part of the insurance companies to meet unforeseeable liabilities as they arise. *IAS 1.135(a)*

The Group and regulated entities within it have met all of these requirements throughout the financial year. *IAS 1.135(d)*

In reporting financial strength, capital and solvency are measured using the rules prescribed by the Euroland Financial Services Authority (EFSA). These regulatory capital tests are based upon required levels of solvency, capital and a series of prudent assumptions in respect of the type of business written.

The Group's capital management policy for its insurance and non-insurance business is to hold sufficient capital to cover the statutory requirements based on the EFSA directives, including any additional amounts required by the regulator.

Approach to capital management

The Group seeks to optimise the structure and sources of capital to ensure that it consistently maximises returns to the shareholders and policyholders. *IAS 1.135(a)(iii)*

The Group's approach to managing capital involves managing assets, liabilities and risks in a coordinated way, assessing shortfalls between reported and required capital levels (by each regulated entity) on a regular basis and taking appropriate actions to influence the capital position of the Group in the light of changes in economic conditions and risk characteristics. An important aspect of the Group's overall capital management process is the setting of target risk adjusted rates of return, which are aligned to performance objectives and ensure that the Group is focused on the creation of value for shareholders.

45. Risk management framework (cont'd)

b. Capital management objectives, policies and approach (cont'd)

The primary source of capital used by the Group is total equity and borrowings. The Group also utilises, where it is efficient to do so, sources of capital such as reinsurance and securitisation, in addition to more traditional sources of funding.

IAS 1.135(b)

The capital requirements are routinely forecast on a periodic basis and assessed against both the forecast available capital and the expected internal rate of return, including risk and sensitivity analyses. The process is ultimately subject to approval by the Board.

The Group has developed an Individual Capital Assessment (ICA) framework to identify the risks and quantify their impact on the economic capital. The ICA estimates how much capital is required to reduce the risk of insolvency to a remote degree of probability. The ICA has also been considered in assessing the capital requirement.

The Group has made no significant changes, from previous years, to its policies and processes for its capital structure.

IAS 1.135(c)

Commentary

IAS 1.134 and IAS 1.135 require entities to make qualitative and quantitative disclosures regarding their objectives, policies and processes for managing capital. IAS 1.135(e) requires that if an entity has not complied with its externally imposed capital requirements, the consequence of such non-compliance must be disclosed.

Available capital resources at 31 December 2017

IAS 1.135(b)

	Life insurance €000	Non-life insurance €000	Investment management services €000	Other €000	Total €000
Total equity	23,553	18,667	46,098	(16,528)	71,790
Borrowings	374	599	801	17,598	19,372
Total shareholders' funds per financial statements	23,927	19,266	46,899	(1,070)	71,790
Adjustments onto a regulatory basis	(4,025)	(5,000)	(300)	(8,368)	(17,693)
Available capital resources	**19,902**	**14,266**	**46,599**	**(7,298)**	**54,097**

Available capital resources at 31 December 2016

IAS 1.135(b)

	Life insurance €000	Non-life insurance €000	Investment management services €000	Other €000	Total €000
Total equity	1,715	13,734	26,621	(16,523)	25,547
Borrowings	179	961	1,640	19,054	21,834
Total shareholders' funds per financial statements	1,894	14,695	28,261	2,531	47,381
Adjustments onto a regulatory basis	(935)	(4,765)	(35)	–	(5,735)
Available capital resources	**959**	**9,930**	**28,226**	**2,531**	**41,646**

Of the available life insurance capital resources, €206,000 (2016: €305,000) are restricted and may not be transferred to the other segments.

The adjustments onto a regulatory basis represent assets inadmissible for regulatory reporting purposes.

45. Risk management framework (cont'd)

c. Regulatory framework

Regulators are primarily interested in protecting the rights of policyholders and monitor them closely to ensure that the Group is satisfactorily managing affairs for their benefit. At the same time, regulators are also interested in ensuring that the Group maintains an appropriate solvency position to meet unforeseeable liabilities arising from economic shocks or natural disasters.

IFRS 7.33(a), (b)

The operations of the Group are subject to regulatory requirements within the jurisdictions in which it operates (see b. Capital management objectives, policies and approach).

IFRS 7.33 (b)

d. Asset liability management (ALM) framework

Financial risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements. The main risk that the Group faces, due to the nature of its investments and liabilities, is interest rate risk. The Group manages these positions within an ALM framework that has been developed to achieve long–term investment returns in excess of its obligations under insurance and investment contracts. The principal technique of the Group's ALM is to match assets to the liabilities arising from insurance and investment contracts by reference to the type of benefits payable to contract holders. For each distinct category of liabilities, a separate portfolio of assets is maintained.

IFRS 7.33(a), (b)

The Group's ALM is:

IFRS 7.33(b)

- Integrated with the management of the financial risks associated with the Group's other financial assets and liabilities not directly associated with insurance and investment liabilities
- As an integral part of the insurance risk management policy, to ensure in each period sufficient cash flow is available to meet liabilities arising from insurance and investment contracts

Commentary

IFRS 7.B6 permits entities to disclose the information required by IFRS 7.31 to IFRS 7.42 on the nature and extent of risks arising from financial instruments either in the financial statements or incorporate by cross–reference from the financial statements to some other statement, such as a management commentary, that is available to users of the financial statements on the same terms as the financial statements and at the same time. The Group has elected to disclose this information in the financial statements.

46. Financial assets and liabilities subject to offsetting

The Group enters into netting arrangements with counterparties to manage the credit risks associated with over-the-counter (OTC) and exchange traded derivatives. These netting agreements and other similar arrangements enable the counterparties to set-off liabilities against available assets received, in the ordinary course of business and/or in the event that the counterparty is unable to fulfil its contractual obligations. The right of offset is a legal right to settle or otherwise eliminate a portion of an amount due by applying an amount receivable from the same counterparty against it, reducing credit exposure.

Netting arrangements are usually constituted by a master netting agreement, under which multiple individual transactions are subsumed.

For derivative contracts, balance sheet offsetting is generally only permitted where a market settlement mechanism exists which accomplishes net settlement through a daily cash margining process.

46. Financial assets and liabilities subject to offsetting (cont'd)

The following table summarises the effect or potential effect of offsetting of recognised financial assets and liabilities subject to enforceable master netting arrangement and similar agreements.

31 December 2017

				Amounts under a master netting agreement but not offset under IAS 32		
€000	Gross amounts recognised	Amounts offset in accordance with offsetting criteria in IAS 32	Net amount presented in the statement of financial position	Financial Instruments	Cash Collateral received (excluding surplus collateral)	Net amount
Derivative financial assets	2,202	(20)	2,182	(1,847)	(177)	158
Derivative financial liabilities	(1,802)	20	(1,782)	1,545	124	(113)

IFRS 7.13C
IFRS 7.13*E*

31 December 2016

				Amounts under a master netting agreement but not offset under IAS 32		
€000	Gross amounts recognised	Amounts offset in accordance with offsetting criteria in IAS 32	Net amount presented in the statement of financial position	Financial Instruments	Cash Collateral pledged (excluding surplus collateral)	Net amount
Derivative financial assets	1,245	5	1,240	(993)	(157)	90
Derivative financial liabilities	(1,763)	5	(1,758)	1,575	97	(86)

47. Insurance and financial risk

a. Insurance risk

IFRS 4.38

IFRS 4.39(a)

The principal risk the Group faces under insurance contracts is that the actual claims and benefit payments or the timing thereof, differ from expectations. This is influenced by the frequency of claims, severity of claims, actual benefits paid and subsequent development of long-term claims. Therefore, the objective of the Group is to ensure that sufficient reserves are available to cover these liabilities.

IFRS 4.39(a)

The risk exposure is mitigated by diversification across a large portfolio of insurance contracts and geographical areas. The variability of risks is also improved by careful selection and implementation of underwriting strategy guidelines, as well as the use of reinsurance arrangements.

IFRS 4.39(a)

The Group purchases reinsurance as part of its risks mitigation programme. Reinsurance ceded is placed on both a proportional and non-proportional basis. The majority of proportional reinsurance is quota-share reinsurance which is taken out to reduce the overall exposure of the Group to certain classes of business. Non-proportional reinsurance is primarily excess-of-loss reinsurance designed to mitigate the Group's net exposure to catastrophe losses. Retention limits for the excess-of-loss reinsurance vary by product line and territory.

Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision and are in accordance with the reinsurance contracts. Although the Group has reinsurance arrangements, it is not relieved of its direct obligations to its policyholders and thus a credit exposure exists with respect to ceded insurance, to the extent that any reinsurer is unable to meet its obligations assumed under such reinsurance agreements. The Group's placement of reinsurance is diversified such that it is neither dependent on a single reinsurer nor are the operations of the Group substantially dependent upon any single reinsurance contract. There is no single counterparty exposure that exceeds 5% of total reinsurance assets at the reporting date.

47. Insurance and financial risk (cont'd)

a. Insurance risk (cont'd)

1. Life insurance contracts and investment contracts with DPF

Life insurance contracts offered by the Group include: whole life, term assurance, unitised pensions, guaranteed annuity pensions, pure endowment pensions and mortgage endowments. Investment contracts with DPF offered by the Group are unitised pensions. *IFRS 4.38*

Whole life and term assurance are conventional regular premium products when lump sum benefits are payable on death or permanent disability. Few contracts have a surrender value. *IFRS 4.38*

Pensions are contracts where retirement benefits are expressed in the form of an annuity payable at retirement age. If death occurs before retirement, contracts generally return the value of the fund accumulated or premiums. Most contracts give the policyholder the option at retirement to take a cash sum at guaranteed conversion rates allowing the policyholders the option of taking the more valuable of the two. Under unitised pensions, a percentage of the premium is applied towards the purchase of accumulation units in one or more of the internal linked funds. Provision of additional death benefits may be provided by cancellation of units or through supplementary term assurance contracts. Certain personal pension plans also include contribution protection benefits that provide for payment of contributions on behalf of policyholders in periods of total disability. For contracts with DPF, changes in the level of pensions are based on the rate of return declared annually by the insurer which is not guaranteed. *IFRS 4.38*

Guaranteed annuities are single premium products which pay a specified payment to the policyholder whilst they and/or their spouse are still alive. Payments are generally either fixed or increased each year at a specified rate or in line with the rate of inflation. Most contracts guarantee an income for a minimum period, usually of five years, irrespective of death. *IFRS 4.38*

Death benefits of endowment products are subject to a guaranteed minimum amount. The maturity value usually depends on the investment performance of the underlying assets. For contracts with DPF the guaranteed minimum may be increased by the addition of bonuses. These are set at a level that takes account of expected market fluctuations, such that the cost of the guarantee is generally met by the investment performance of the assets backing the liability. However, in circumstances where there has been a significant fall in investment markets, the guaranteed maturity benefits may exceed investment performance and these guarantees become valuable to the policyholder. Certain pure endowment pensions contain the option to apply the proceeds towards the purchase of an annuity earlier than the date shown on the contract or to convert the contract to 'paid up' on guaranteed terms. The majority of the mortgage endowment contracts offered by the Group have minimum maturity values subject to certain conditions being satisfied. *IFRS 4.38* *IFRS 4.39(a)*

The main risks that the Group is exposed to are as follows:

- Mortality risk – risk of loss arising due to policyholder death experience being different than expected
- Morbidity risk – risk of loss arising due to policyholder health experience being different than expected
- Longevity risk – risk of loss arising due to the annuitant living longer than expected
- Investment return risk – risk of loss arising from actual returns being different than expected
- Expense risk – risk of loss arising from expense experience being different than expected
- Policyholder decision risk – risk of loss arising due to policyholder experiences (lapses and surrenders) being different than expected

These risks do not vary significantly in relation to the location of the risk insured by the Group, type of risk insured or by industry. *IFRS 4.39(c)(ii)*

The Group's underwriting strategy is designed to ensure that risks are well diversified in terms of type of risk and level of insured benefits. This is largely achieved through diversification across industry sectors and geography, the use of medical screening in order to ensure that pricing takes account of current health conditions and family medical history, regular review of actual claims experience and product pricing, as well as detailed claims' handling procedures. Underwriting limits are in place to enforce appropriate risk selection criteria. For example, the Group has the right not to renew individual policies, it can impose deductibles and it has the right to reject the payment of fraudulent claims. Insurance contracts also entitle the Group to pursue third parties for payment of some or all costs. The Group further enforces a policy of actively managing and promptly pursuing claims, in order to reduce its exposure to unpredictable future developments that can negatively impact the Group. *IFRS 4.39(a)*

For contracts for which death or disability is the insured risk, the significant factors that could increase the overall frequency of claims are epidemics, widespread changes in lifestyle and natural disasters, resulting in earlier or more claims than expected. Groupwide reinsurance limits of €1,000,000 on any single life insured and €500,000 on all high risk individuals insured are in place. *IFRS 4.39(a)*

For annuity contracts, the most significant factor is continued improvement in medical science and social conditions that would increase longevity. The Group reinsures its annuity contracts on a quota share basis to mitigate its risk. *IFRS 4.39(a)*

47. Insurance and financial risk (cont'd)

a. Insurance risk (cont'd)

For contracts with DPF, the participating nature of these contracts results in a significant portion of the insurance risk being shared with the insured party. For contracts without DPF, the Group charges for death and disability risks on a quarterly basis. Under these contracts the Group has the right to alter these charges to take account of death and disability experience, thereby mitigating the risks to the Group.

IFRS 4.39(a)

The insurance risk described above is also affected by the contract holder's right to pay reduced premiums or no future premiums, to terminate the contract completely or to exercise guaranteed annuity options. As a result, the amount of insurance risk is also subject to contract holder behaviour.

IFRS 4.39(a)

The following tables show the concentration of life insurance contract liabilities and investment contract liabilities with DPF by type of contract.

IFRS 4.39(c)(ii)

31 December 2017

	Gross			Reinsurance			
	Insurance contract and investment contract liabilities with DPF	Insurance contract liabilities without DPF	Total gross insurance contract liabilities and investment contract liabilities with DPF	Insurance contract and investment contract liabilities with DPF	Insurance contract liabilities without DPF	Total reinsurance of insurance contract liabilities and investment contract liabilities with DPF	Net
	€000	€000	€000	€000	€000	€000	€000
Whole life	14,459	22,974	37,433	(1,531)	(3,253)	(4,784)	32,649
Term assurance	12,721	19,282	32,003	(1,200)	(2,550)	(3,750)	28,253
Guaranteed annuity pensions	10,252	14,037	24,289	(1,031)	(2,191)	(3,222)	21,067
Pure endowment pensions	9,864	13,210	23,074	(966)	(2,052)	(3,018)	20,056
Mortgage endowments	2,282	6,967	9,249	(854)	(1,806)	(2,660)	6,589
Total life insurance	**49,578**	**76,470**	**126,048**	**(5,582)**	**(11,852)**	**(17,434)**	**108,614**
Unitised pensions	7,366	–	7,366	(2,382)	–	(2,382)	4,984
Total investment contracts with DPF	**7,366**	**–**	**7,366**	**(2,382)**	**–**	**(2,382)**	**4,984**
Total	**56,944**	**76,470**	**133,414**	**(7,964)**	**(11,852)**	**(19,816)**	**113,598**

47. Insurance and financial risk (cont'd)

a. Insurance risk (cont'd)

31 December 2016

	Gross			Reinsurance			
	Insurance contract and investment contract liabilities with DPF	Insurance contract liabilities without DPF	Total gross insurance contract liabilities and investment contract liabilities with DPF	Insurance contract and investment contract liabilities with DPF	Insurance contract liabilities without DPF	Total reinsurance of insurance contract liabilities and investment contract liabilities with DPF	Net
	€000	€000	€000	€000	€000	€000	€000
Whole life	7,909	16,807	24,716	(1,435)	(3,048)	(4,483)	20,233
Term assurance	6,496	13,803	20,299	(1,144)	(2,430)	(3,574)	16,725
Guaranteed annuity pensions	4,151	8,820	12,971	(1,037)	(2,205)	(3,242)	9,729
Pure endowment pensions	3,725	7,917	11,642	(931)	(1,979)	(2,910)	8,732
Mortgage endowments	2,899	6,159	9,058	(727)	(1,541)	(2,268)	6,790
Total life insurance	**25,180**	**53,506**	**78,686**	**(5,274)**	**(11,203)**	**(16,477)**	**62,209**
Unitised pensions	4,281	–	4,281	(2,338)	–	(2,338)	1,943
Total investment contracts with DPF	**4,281**	**–**	**4,281**	**(2,338)**	**–**	**(2,338)**	**1,943**
Total	**29,461**	**53,506**	**82,967**	**(7,612)**	**(11,203)**	**(18,815)**	**64,152**

The geographical concentration of the Group's life insurance contract liabilities and investment contract liabilities with DPF is shown below. The disclosure is based on the countries where the business is written. The analysis would not be materially different if based on the countries in which the counterparties are situated.

IFRS 4.39(c)(ii)

31 December 2017

	Gross			Reinsurance			
	Insurance contract and investment contract liabilities with DPF	Insurance contract liabilities without DPF	Total gross insurance contract liabilities and investment contract liabilities with DPF	Insurance contract and investment contract liabilities with DPF	Insurance contract liabilities without DPF	Total reinsurance of insurance contract liabilities and investment contract liabilities with DPF	Net
	€000	€000	€000	€000	€000	€000	€000
Euroland	14,263	30,309	44,572	(2,502)	(5,317)	(7,819)	36,753
United Kingdom	27,280	29,086	56,366	(1,071)	(2,266)	(3,337)	53,029
United States	8,035	17,075	25,110	(2,009)	(4,269)	(6,278)	18,832
Total life insurance	**49,578**	**76,470**	**126,048**	**(5,582)**	**(11,852)**	**(17,434)**	**108,614**
Euroland	1,628	–	1,628	(895)	–	(895)	733
United Kingdom	1,741	–	1,741	(957)	–	(957)	784
United States	3,997	–	3,997	(530)	–	(530)	3,467
Total investment contracts with DPF	**7,366**	**–**	**7,366**	**(2,382)**	**–**	**(2,382)**	**4,984**
Total	**56,944**	**76,470**	**133,414**	**(7,964)**	**(11,852)**	**(19,816)**	**113,598**

47. Insurance and financial risk (cont'd)

a. Insurance risk (cont'd)

31 December 2016

	Gross			Reinsurance			
	Insurance contract and investment contract liabilities with DPF	Insurance contract liabilities without DPF	Total gross insurance contract liabilities and investment contract liabilities	Insurance contract and investment contract liabilities with DPF	Insurance contract liabilities without DPF	Total reinsurance of insurance contract liabilities and investment contract liabilities with DPF	Net
	€000	€000	€000	€000	€000	€000	€000
Euroland	13,489	28,663	42,152	(2,350)	(4,993)	(7,343)	34,809
United Kingdom	7,440	15,809	23,249	(1,860)	(3,953)	(5,813)	17,436
United States	4,251	9,034	13,285	(1,064)	(2,257)	(3,321)	9,964
Total life insurance	**25,180**	**53,506**	**78,686**	**(5,274)**	**(11,203)**	**(16,477)**	**62,209**
Euroland	1,754	–	1,754	(964)	–	(964)	790
United Kingdom	1,608	–	1,608	(884)	–	(884)	724
United States	919	–	919	(490)	–	(490)	429
Total investment contracts with DPF	**4,281**	**–**	**4,281**	**(2,338)**	**–**	**(2,338)**	**1,943**
Total	**29,461**	**53,506**	**82,967**	**(7,612)**	**(11,203)**	**(18,815)**	**64,152**

Key assumptions

Material judgement is required in determining the liabilities and in the choice of assumptions. Assumptions in use are based on past experience, current internal data, external market indices and benchmarks which reflect current observable market prices and other published information. Assumptions and prudent estimates are determined at the date of valuation and no credit is taken for possible beneficial effects of voluntary withdrawals. Assumptions are further evaluated on a continuous basis in order to ensure realistic and reasonable valuations.

IFRS 4.37(c)

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

- *Mortality and morbidity rates*

  Assumptions are based on standard industry and national tables, according to the type of contract written and the territory in which the insured person resides. They reflect recent historical experience and are adjusted when appropriate to reflect the Group's own experiences. An appropriate, but not excessive, prudent allowance is made for expected future improvements. Assumptions are differentiated by sex, underwriting class and contract type.

  An increase in rates will lead to a larger number of claims (and claims could occur sooner than anticipated), which will increase the expenditure and reduce profits for the shareholders.

- *Longevity*

  Assumptions are based on standard industry and national tables, adjusted when appropriate to reflect the Group's own risk experience. An appropriate, but not excessive, prudent allowance is made for expected future improvements. Assumptions are differentiated by sex, underwriting class and contract type.

  An increase in longevity rates will lead to an increase in the number of annuity payments to be made, which will increase the expenditure and reduce profits for the shareholders.

- *Investment return*

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

  An increase in investment return would lead to an increase in profits for the shareholders.

- *Expenses*

  Operating expenses assumptions reflect the projected costs of maintaining and servicing in-force policies and associated overhead expenses. The current level of expenses is taken as an appropriate expense base, adjusted for expected expense inflation if appropriate.

  An increase in the level of expenses would result in an increase in expenditure, thereby reducing profits for the shareholders.

47. Insurance and financial risk (cont'd)

a. Insurance risk (cont'd)

- ***Lapse and surrender rates***

  Lapses relate to the termination of policies due to non-payment of premiums. Surrenders relate to the voluntary termination of policies by policyholders. Policy termination assumptions are determined using statistical measures based on the Group's experience and vary by product type, policy duration and sales trends.

  An increase in lapse rates early in the life of the policy would tend to reduce profits for shareholders, but later increases are broadly neutral in effect.

- ***Discount rate***

  Life insurance liabilities are determined as the sum of the discounted value of the expected benefits and future administration expenses directly related to the contract, less the discounted value of the expected theoretical premiums that would be required to meet these future cash outflows. Discount rates are based on current industry risk rates, adjusted for the Group's own risk exposure.

  A decrease in the discount rate will increase the value of the insurance liability and therefore reduce profits for the shareholders.

The assumptions that have the greatest effect on the statement of financial position and statement of profit or loss of the Group are listed below:

Portfolio assumptions by type of business impacting net liabilities	Mortality and morbidity rates		Investment return		Lapse and surrender rates		Discount rates	
	2017	2016	2017	2016	2017	2016	2017	2016
With fixed and guaranteed terms and with DPF contracts								
Life insurance	[1]80-100% AM/F92	[1]70-100% AM/F92	3.5% - 4%	3% - 3.5%	3.5% - 4 %	3% - 3.5%	4.5%	4%
Pensions	[1]80-100% AM/F92	[1]70-100% AM/F92	4%	33.5%	4%	3.5%	4.5%	4%
Without DPF contracts								
Term assurance								
Males	[2]43-145% TM92	[2]40-142% TM92	3.5% - 4%	3% - 3.5%	4.5%	4%	4.5%	4%
Females	[2]55-160% TF92	[2]50-150% TF92	4%	3.5%	4.5%	4%	4.5%	4%
Pension annuities								
Males	[3]95% PMA92	[3]90% PMA92	4%	3.5%	4.5%	4%	4.5%	4%
Females	[3]85% PFA92	[3]80% PFA92	4%	3.5%	4.5%	4%	4.5%	4%

[1] Industry mortality and morbidity experience tables for endowment assurance policies that were observed in Euroland, UK and America between 2011 and 2016.

[2] Industry mortality and morbidity experience tables for term assurance policies that were observed in Euroland, UK and America between 2011 and 2016.

[3] Industry mortality and morbidity experience tables for annuity policies that were observed in Euroland, UK and America between 2011 and 2016.

47. Insurance and financial risk (cont'd)

a. Insurance risk (cont'd)

Sensitivities

The following analysis is performed for reasonably possible movements in key assumptions with all other assumptions held constant, showing the impact on gross and net liabilities, profit before tax and equity. The correlation of assumptions will have a significant effect in determining the ultimate claims liabilities, but to demonstrate the impact due to changes in assumptions, assumptions had to be changed on an individual basis. It should be noted that movements in these assumptions are non–linear. Sensitivity information will also vary according to the current economic assumptions, mainly due to the impact of changes to both the intrinsic cost and time value of options and guarantees. When options and guarantees exist, they are the main reason for the asymmetry of sensitivities. The method used for deriving sensitivity information and significant assumptions made did not change from the previous period.

IFRS 4.39(c)(i)
IFRS 4.39A(a)

Life insurance contracts

31 December 2017	Change in assumptions	Increase/ (decrease) on gross liabilities €000	Increase/ (decrease) on net liabilities €000	Increase/ (decrease) on profit before tax €000	Increase/ (decrease) on equity[4] €000
Mortality/morbidity rate	+ 10 %	3,183	2,387	(597)	(449)
Longevity	+ 10 %	(2,945)	(2,209)	552	428
Investment return	+ 1 %	(3,112)	(2,334)	584	448
Expenses	+ 10 %	2,971	2,228	(557)	(438)
Lapse and surrenders rate	+ 10 %	2,900	2,175	(544)	(426)
Discount rate	+ 1 %	(2,745)	(2,059)	515	397
Mortality/morbidity rate	- 10 %	(3,153)	(2,380)	590	440
Longevity	- 10 %	2,938	2,201	(545)	(420)
Investment return	- 1 %	3,099	2,323	(576)	(439)
Expenses	- 10 %	(2,965)	(2,221)	550	430
Lapse and surrenders rate	- 10 %	(2,899)	(2,170)	540	420
Discount rate	- 1 %	2,739	2,049	(507)	(389)

[4] Impact on equity reflects adjustments for tax, when applicable.

47. Insurance and financial risk (cont'd)

a. Insurance risk (cont'd)

31 December 2016	Change in assumptions	Increase/ (decrease) on gross liabilities €000	Increase/ (decrease) on net liabilities €000	Increase/ (decrease) on profit before tax €000	Increase/ (decrease) on equity [5] €000
Mortality/morbidity rate	+ 10 %	2,951	2,213	(553)	(427)
Longevity	+ 10 %	(2,700)	(2,025)	506	386
Investment return	+ 1 %	(2,901)	(2,176)	544	409
Expenses	+ 10 %	2,765	2,074	(518)	(399)
Lapse and surrenders rate	+ 10 %	2,700	2,205	(506)	(387)
Discount rate	+ 1 %	(2,551)	(1,913)	478	363
Mortality/morbidity rate	- 10 %	(2,921)	(2,198)	540	410
Longevity	- 10 %	2,685	2,000	(499)	(379)
Investment return	- 1 %	2,888	2,126	(540)	(399)
Expenses	- 10 %	(2,725)	(2,054)	501	390
Lapse and surrenders rate	- 10 %	(2,688)	(2,195)	499	379
Discount rate	- 1 %	2,511	1,900	(468)	(355)

Investment contracts with DPF

31 December 2017	Change in assumptions	Increase/ (decrease) on gross liabilities €000	Increase/ (decrease) on net liabilities €000	Increase/ (decrease) on profit before tax €000	Increase/ (decrease) on equity[5] €000
Mortality/morbidity rate	+ 10 %	457	206	(51)	(39)
Longevity	+ 10 %	(356)	(160)	40	31
Investment return	+ 1 %	(446)	(201)	50	38
Expenses	+ 10 %	335	151	(38)	(29)
Lapse and surrenders rate	+ 10 %	290	131	(33)	(25)
Discount rate	+ 1 %	(245)	(110)	28	21
Mortality/morbidity rate	- 10 %	(449)	(200)	45	30
Longevity	- 10 %	349	150	(35)	(29)
Investment return	- 1 %	434	197	(46)	(37)
Expenses	- 10 %	(330)	(148)	35	27
Lapse and surrenders rate	- 10 %	(288)	(129)	32	24
Discount rate	- 1 %	240	108	(25)	(20)

[5] Impact on equity reflects adjustments for tax, when applicable.

47. Insurance and financial risk (cont'd)

a. Insurance risk (cont'd)

31 December 2016	Change in assumptions	Increase/ (decrease) on gross liabilities €000	Increase/ (decrease) on net liabilities €000	Increase/ (decrease) on profit before tax €000	Increase/ (decrease) on equity[6] €000
Mortality/morbidity rate	+ 10 %	387	174	(44)	(33)
Longevity	+ 10 %	(311)	(140)	35	27
Investment return	+ 1 %	(365)	(164)	41	31
Expenses	+ 10 %	221	99	(25)	(19)
Lapse and surrenders rate	+ 10 %	212	95	(24)	(18)
Discount rate	+ 1 %	(167)	(75)	19	14
Mortality/morbidity rate	- 10 %	(381)	(170)	41	30
Longevity	- 10 %	300	135	(33)	(26)
Investment return	- 1 %	361	160	(39)	(30)
Expenses	- 10 %	(219)	(98)	39	31
Lapse and surrenders rate	- 10 %	(209)	(93)	23	17
Discount rate	- 1 %	166	73	(18)	(14)

Commentary

IFRS 4.39(d)(ii) and IFRS 4.39A(a) permit an entity to disclose the sensitivity analysis using the alternative methods including Embedded Value (EV) or Economic Capital (EC) measures instead of the IFRS 7 sensitivity disclosures for insurance and market risk sensitivities. The disclosure option using EV or EC is only permitted if insurance and market risk sensitivities are actually managed on that basis.

2. Non-life insurance contracts

The Group principally issues the following types of general insurance contracts: motor, household, commercial and business interruption. Healthcare contracts provide medical expense coverage to policyholders and are not guaranteed as renewable. Risks under non-life insurance policies usually cover twelve months duration.

IFRS 4.38

For general insurance contracts, the most significant risks arise from climate changes, natural disasters and terrorist activities. For longer tail claims that take some years to settle, there is also inflation risk. For healthcare contracts, the most significant risks arise from lifestyle changes, epidemics and medical science and technology improvements.

IFRS 4.39(a)

These risks do not vary significantly in relation to the location of the risk insured by the Group, type of risk insured and by industry.

IFRS 4.39(c)(ii)

The above risk exposure is mitigated by diversification across a large portfolio of insurance contracts and geographical areas. The variability of risks is improved by careful selection and implementation of underwriting strategies, which are designed to ensure that risks are diversified in terms of type of risk and level of insured benefits. This is largely achieved through diversification across industry sectors and geography. Furthermore, strict claim review policies to assess all new and ongoing claims, regular detailed review of claims handling procedures and frequent investigation of possible fraudulent claims are established to reduce the risk exposure of the Group. The Group further enforces a policy of actively managing and promptly pursuing claims, in order to reduce its exposure to unpredictable future developments that can negatively impact the business. Inflation risk is mitigated by taking expected inflation into account when estimating insurance contract liabilities.

IFRS 4.39(a)

[6] Impact on equity reflects adjustments for tax, when applicable.

47. Insurance and financial risk (cont'd)

a. Insurance risk (cont'd)

The Group has also limited its exposure by imposing maximum claim amounts on certain contracts as well as the use of reinsurance arrangements in order to limit exposure to catastrophic events (e.g., hurricanes, earthquakes and flood damage). *IFRS 4.39(a)*

The purpose of these underwriting and reinsurance strategies is to limit exposure to catastrophes based on the Group's risk appetite as decided by management. The overall aim is currently to restrict the impact of a single catastrophic event to approximately 50% of shareholders' equity on a gross basis and 10% on a net basis. In the event of such a catastrophe, counterparty exposure to a single reinsurer is estimated not to exceed 2% of shareholders' equity. The Board may decide to increase or decrease the maximum tolerances based on market conditions and other factors. *IFRS 4.39(a)*

The Group uses both its own and commercially available proprietary risk management software to assess catastrophe exposure. However, there is always a risk that the assumptions and techniques used in these models are unreliable or that claims arising from an unmodelled event are greater than those arising from a modelled event.

As a further guide to the level of catastrophe exposure written by the Group, the following table shows hypothetical claims arising for various realistic disaster scenarios based on the Group's average risk exposures during 2017.

	Modelled industry claims €000	Estimated gross claims €000	Estimated net claims €000
Euroland windstorm	50,000,000	10,000	2,000
California earthquake	70,000,000	8,000	1,500
Euroland earthquake	40,000,000	7,000	1,200

The table below sets out the concentration of non-life insurance contract liabilities by type of contract: *IFRS 4.39(c)(ii)*

	31 December 2017			31 December 2016		
	Gross liabilities €000	Reinsurance of liabilities €000	Net liabilities €000	Gross liabilities €000	Reinsurance of liabilities €000	Net liabilities €000
Motor	11,134	(2,784)	8,350	10,956	(2,739)	8,217
Household	10,659	(2,665)	7,994	10,232	(2,558)	7,674
Commercial	8,457	(2,114)	6,343	7,988	(1,997)	5,991
Business interruption	7,890	(1,973)	5,917	6,411	(1,603)	4,808
Healthcare	12,524	(3,130)	9,394	11,987	(2,996)	8,991
Total	**50,664**	**(12,666)**	**37,998**	**47,574**	**(11,893)**	**35,681**

The geographical concentration of the Group's non-life insurance contract liabilities is noted below. The disclosure is based on the countries where the business is written. The analysis would not be materially different if based on the countries in which the counterparties are situated. *IFRS 4.39(c)(ii)*

	31 December 2017			31 December 2016		
	Gross liabilities €000	Reinsurance of liabilities €000	Net liabilities €000	Gross liabilities €000	Reinsurance of liabilities €000	Net liabilities €000
Euroland	27,298	(6,840)	20,458	25,408	(6,237)	19,171
United Kingdom	22,232	(5,573)	16,659	20,651	(5,329)	15,322
Other	1,134	(253)	881	1,515	(327)	1,188
Total	**50,664**	**(12,666)**	**37,998**	**47,574**	**(11,893)**	**35,681**

47. Insurance and financial risk (cont'd)

a. Insurance risk (cont'd)

Key assumptions

The principal assumption underlying the liability estimates is that the Group's future claims development will follow a similar pattern to past claims development experience. This includes assumptions in respect of average claim costs, claim handling costs, claim inflation factors and claim numbers for each accident year. Additional qualitative judgements are used to assess the extent to which past trends may not apply in the future, for example: one-off occurrence; changes in market factors such as public attitude to claiming: economic conditions: as well as internal factors such as portfolio mix, policy conditions and claims handling procedures. Judgement is further used to assess the extent to which external factors such as judicial decisions and government legislation affect the estimates.

IFRS 4.37(c)

Other key circumstances affecting the reliability of assumptions include variation in interest rates, delays in settlement and changes in foreign currency rates.

Sensitivities

The non-life insurance claim liabilities are sensitive to the key assumptions in the table below. It has not been possible to quantify the sensitivity of certain assumptions such as legislative changes or uncertainty in the estimation process.

IFRS 4.39(c)(i)
IFRS 4.39A(a)

The following analysis is performed for reasonably possible movements in key assumptions with all other assumptions held constant, showing the impact on gross and net liabilities, profit before tax and equity. The correlation of assumptions will have a significant effect in determining the ultimate claims liabilities, but to demonstrate the impact due to changes in assumptions, assumptions had to be changed on an individual basis. It should be noted that movements in these assumptions are non-linear. The method used for deriving sensitivity information and significant assumptions did not change from the previous period.

31 December 2017	Change in assumptions	Increase/ (decrease) on gross liabilities €000	Increase/ (decrease) on net liabilities €000	Increase/ (decrease) on profit before tax €000	Increase/ (decrease) on equity[7] €000
Average claim cost	+ 10 %	1,798	1,349	(337)	(263)
Average number of claims	+ 10 %	1,641	1,231	(308)	(235)
Average claim cost	- 10 %	(1,702)	(1,302)	330	259
Average number of claims	- 10 %	(1,599)	(1,201)	300	227

31 December 2017	Change in assumptions	Increase/ (decrease) on gross liabilities €000	Increase/ (decrease) on net liabilities €000	Increase/ (decrease) on profit before tax €000	Increase/ (decrease) on equity[8] €000
Average claim cost	+ 10 %	1,658	1,244	(311)	(244)
Average number of claims	+ 10 %	1,522	1,142	(285)	(223)
Average claim cost	- 10 %	(1,601)	(1,200)	299	238
Average number of claims	- 10 %	(1,489)	(1,120)	278	220

[7] Impact on equity reflects adjustments for tax, when applicable.

[8] Impact on equity reflects adjustments for tax, when applicable.

47. Insurance and financial risk (cont'd)

a. Insurance risk (cont'd)

Claims development table

The following tables show the estimates of cumulative incurred claims, including both claims notified and IBNR for each successive accident year at each reporting date, together with cumulative payments to date. The cumulative claims estimates and cumulative payments are translated to euros at the rate of exchange that applied at the end of the accident year. The impact of exchange differences is shown at the bottom of the table.

IFRS 4.39(c)(iii)

As required by Euroland GAAP, in setting claims provisions the Group gives consideration to the probability and magnitude of future experience being more adverse than assumed and exercises a degree of caution in setting reserves where there is considerable uncertainty. In general, the uncertainty associated with the ultimate claims experience in an accident year is greatest when the accident year is at an early stage of development and the margin necessary to provide the necessary confidence in the provisions adequacy is relatively at its highest. As claims develop, and the ultimate cost of claims becomes more certain, the relative level of margin maintained should decrease. However, due to the uncertainty inherited in the estimation process, the actual overall claim provision may not always be in surplus. In 2017, there has been an overall deficit of €2,547,000 (2016: deficit of €2,246,000) due primarily to additional business interruption claims on the 2012 accident year (2016: motor liability claims arising from unfavourable court rulings on the 2015 accident year).

47. Insurance and financial risk (cont'd)

a. Insurance risk (cont'd)

Gross non-life insurance contract outstanding claims provision for 2017:

IFRS 4.39(c)(iii)

Accident year	Note	Before 2009 €000	2009 €000	2010 €000	2011 €000	2012 €000	2013 €000	2014 €000	2015 €000	2016 €000	2017 €000	Total €000
At end of accident year			12,254	12,235	15,320	14,078	15,967	16,660	15,093	14,493	14,495	
One year later			12,587	12,436	15,486	14,103	16,138	16,733	17,587	15,543		
Two years later			12,752	12,517	15,522	14,285	16,250	16,607	18,281			
Three years later			12,623	12,634	15,615	14,635	16,526	17,754				
Four years later			12,258	12,587	15,373	15,832	16,012					
Five years later			12,325	13,584	15,687	15,907						
Six years later			13,258	13,598	15,990							
Seven years later			13,427	13,612								
Eight years later			13,443									
Current estimate of cumulative claims incurred			**13,443**	**13,612**	**15,990**	**15,907**	**16,012**	**17,754**	**18,281**	**15,543**	**14,495**	**141,037**
At end of accident year			(9,500)	(9,235)	(8,904)	(7,134)	(6,939)	(7,549)	(7,750)	(6,851)	(5,681)	
One year later			(9,541)	(9,452)	(9,211)	(7,267)	(8,054)	(9,949)	(9,395)	(8,106)		
Two years later			(10,554)	(10,152)	(10,434)	(7,825)	(8,209)	(10,233)	(10,311)			
Three years later			(10,821)	(10,631)	(11,072)	(10,349)	(10,602)	(11,899)				
Four years later			(12,125)	(11,492)	(12,099)	(11,847)	(11,792)					
Five years later			(12,754)	(12,562)	(13,442)	(12,597)						
Six years later			(12,854)	(12,662)	(13,995)							
Seven years later			(13,024)	(13,390)								
Eight years later			(13,275)									
Cumulative payments to date			**(13,275)**	**(13,390)**	**(13,995)**	**(12,597)**	**(11,792)**	**(11,899)**	**(10,311)**	**(8,106)**	**(5,681)**	**(101,046)**
Gross non-life insurance contract outstanding claims provision at 31 December 2017 at original exchange rates		203	168	222	1,995	3,310	4,220	5,855	7,970	7,437	8,814	40,194
Foreign exchange adjustment		–	1	3	2	1	2	2	1	2	3	17
Total gross non-life insurance outstanding claims provision per the statement of financial position	34(b)(i)	**203**	**169**	**225**	**1,997**	**3,311**	**4,222**	**5,857**	**7,971**	**7,439**	**8,817**	**40,211**
Current estimate of surplus/(deficiency)			(1,189)	(1,377)	(670)	(1,829)	(45)	(1,094)	(3,188)	(1,050)		
% Surplus/(deficiency) of initial gross reserve			(9%)	(10%)	(4%)	(11%)	(0%)	(6%)	(17%)	(7%)		

47. Insurance and financial risk (cont'd)

a. Insurance risk (cont'd)

Net non-life insurance contract outstanding claims provision for 2017:

IFRS 4.39(c)(iii)

Accident year	Note	Before 2009 €000	2009 €000	2010 €000	2011 €000	2012 €000	2013 €000	2014 €000	2015 €000	2016 €000	2017 €000	Total €000
At end of accident year			10,003	8,288	10,690	11,159	11,475	13,228	11,315	10,868	11,209	
One year later			10,070	8,388	10,495	11,177	11,604	13,627	12,493	11,830		
Two years later			10,002	8,372	10,442	11,262	11,688	13,204	12,920			
Three years later			9,898	8,619	10,211	11,576	11,895	13,529				
Four years later			9,406	8,588	10,780	11,724	11,921					
Five years later			9,860	9,067	11,015	12,780						
Six years later			10,606	9,170	11,035							
Seven years later			10,802	9,520								
Eight years later			10,835									
Current estimate of cumulative claims incurred			**10,835**	**9,520**	**11,035**	**12,780**	**11,921**	**13,529**	**12,920**	**11,830**	**11,209**	**105,579**
At end of accident year			(7,600)	(7,388)	(6,678)	(5,351)	(5,354)	(5,239)	(6,254)	(4,988)	(3,398)	
One year later			(7,633)	(7,562)	(6,908)	(5,450)	(5,291)	(6,359)	(7,356)	(5,083)		
Two years later			(8,443)	(8,122)	(7,076)	(5,494)	(7,157)	(7,986)	(7,472)			
Three years later			(8,657)	(8,505)	(7,179)	(6,262)	(8,002)	(8,867)				
Four years later			(8,900)	(8,627)	(7,949)	(9,175)	(9,901)					
Five years later			(10,403)	(8,683)	(8,755)	(10,630)						
Six years later			(10,483)	(8,563)	(9,930)							
Seven years later			(10,619)	(9,410)								
Eight years later			(10,823)									
Cumulative payments to date			**(10,823)**	**(9,410)**	**(9,930)**	**(10,630)**	**(9,901)**	**(8,867)**	**(7,472)**	**(5,083)**	**(3,398)**	**(75,514)**
Net non-life insurance contract outstanding claims provision at 31 December 2017 at original exchange rates		89	12	110	1,105	2,150	2,020	4,662	5,448	6,747	7,811	30,154
Foreign exchange adjustment		(2)	1	1	–	1	–	1	1	1	–	4
Total net non-life insurance outstanding claims provision per the statement of financial position	34(b)(i)	**87**	**13**	**111**	**1,105**	**2,151**	**2,020**	**4,663**	**5,449**	**6,748**	**7,811**	**30,158**
Current estimate of surplus/(deficiency)			(832)	(1,232)	(345)	(1,621)	(446)	(301)	(1,605)	(962)		
% Surplus/(deficiency) of initial gross reserve			(8%)	(13%)	(3%)	(13%)	(4%)	(2%)	(12%)	(8%)		

47. Insurance and financial risk (cont'd)

a. Insurance risk (cont'd)

Commentary

The Group has elected to present its claims development on an accident year basis as this is consistent with how the business is managed. IFRS 4 does not prescribe the format of the disclosure of claims development and the presentation of this information by underwriting year is also permissible. Additionally, IFRS 4 does not explain how entities should present exchange differences or business combinations in the claims development disclosure. The Group has elected to translate estimated claims and claims payments at the rate of exchange applicable at the end of each accident year. Alternatively, entities could translate claim estimates or payments at the rate of exchange applying at the reporting date or by some other method.

b. Financial risks

1. Credit risk

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

IFRS 7.33(a)

The following policies and procedures are in place to mitigate the Group's exposure to credit risk:

IFRS 7.33(b)

- A Group credit risk policy which sets out the assessment and determination of what constitutes credit risk for the Group. Compliance with the policy is monitored and exposures and breaches are reported to the Group's risk committee. The policy is regularly reviewed for pertinence and for changes in the risk environment.
- Net exposure limits are set for each counterparty or group of counterparties, geographical and industry segment (i.e., limits are set for investments and cash deposits, foreign exchange trade exposures and minimum credit ratings for investments that may be held).
- The Group further restricts its credit risk exposure by entering into master netting arrangements with counterparties with which it enters into significant volumes of transactions. However, such arrangements do not generally result in offsetting assets and liabilities in the statement of financial position, as transactions are usually settled on a gross basis. However, the credit risk associated with such balances is reduced in the event of a default, when such balances are settled on a net basis (Please refer to Note 46 for more information).
- Guidelines determine when to obtain collateral and guarantees (i.e., certain derivative transactions are covered by collateral and derivatives are only taken out with counterparties with a suitable credit rating). The Group maintains strict control limits by amount and terms on net open derivative positions. The amounts subject to credit risk are limited to the fair value of "in the money" financial assets against which the Group either obtains collateral from counterparties or requires margin deposits. Collateral may be sold or repledged by the Group and is repayable if the contract terminates or the contract's fair value falls.
- Reinsurance is placed with counterparties that have a good credit rating and concentration of risk is avoided by following policy guidelines in respect of counterparties' limits that are set each year by the board of directors and are subject to regular reviews. At each reporting date, management performs an assessment of creditworthiness of reinsurers and updates the reinsurance purchase strategy, ascertaining suitable allowance for impairment.
- The Group sets the maximum amounts and limits that may be advanced to corporate counterparties by reference to their long-term credit ratings.
- The credit risk in respect of customer balances incurred on non-payment of premiums or contributions will only persist during the grace period specified in the policy document or trust deed until expiry, when the policy is either paid up or terminated. Commission paid to intermediaries is netted off against amounts receivable from them to reduce the risk of doubtful debts.

The Group issues unit-linked investment policies in a number of its operations. In the unit-linked business, the policyholder bears the investment risk on the assets held in the unit-linked funds, as the policy benefits are directly linked to the value of the assets in the fund. Therefore, the Group has no material credit risk on unit-linked financial assets.

47. Insurance and financial risk (cont'd)

b. Financial risks (cont'd)

Credit exposure

The maximum exposure is shown gross, before the effect of mitigation through the use of master netting or collateral agreements and the use of credit derivatives. The Group's maximum exposure to credit risk for the components of the statement of financial position at 31 December 2017 and 2016 is the carrying amounts as presented in Note 27 and 28 except for financial guarantees. The Group's maximum exposure for financial guarantees (2017: €740,000, 2016: €730,000) is equal to the maximum amount the entity could have to pay if the guarantee is called on. The maximum risk exposure presented below does not include the exposure that arises in the future as a result of the changes in values.

IFRS 7.36(a)

The credit risk analysis below is presented in line with how the Group manages the risk. The Group manages its credit risk exposure based on the carrying value of the financial instruments.

IFRS 7.34(a)

Commentary

IFRS 7. 34(a) states that the quantitative data on risk exposures must be based on information provided internally to key management personnel.

The quantitative data in the risk management disclosure as at the reporting date is assumed to be representative of the Group's exposure to risk during the period. Therefore, IFRS 7.35 is not applicable for these illustrative financial statements. Reinsurance assets exclude the reinsurers' share of unearned premiums.

Industry analysis

31 December 2017	Financial Services €000	Government €000	Consumers €000	Retail and Wholesale[9] €000	Construction and Materials[10] €000	Manufacturing and Petroleum €000	Services[11] €000	Total €000
Financial instruments								
Derivative financial assets								
Derivatives held for trading	677	–	–	–	–	–	–	677
Cash flow hedges	867	–	–	–	–	–	–	867
Fair value hedges	542				96			638
HTM financial assets								
Debt securities	436	1,166		156	346			2,104
Loans and receivables	**3,927**	**–**	**4,326**	**–**	**–**	**–**	**–**	**8,253**
AFS financial assets								
Debt securities	9,364	23,456	2,345	1,789	–	1,653	–	38,607
Financial assets at FVPL								
Debt securities	2,116	7,865	985	–	–	–	–	10,966
Reinsurance assets	36,521	–	–	–	–	–	–	36,521
Insurance receivables	4,088	–	23,479	5,895	1,232	–	578	35,272
Cash and short-term deposits	22,617	–	–	–	–	–	–	22,617
Total credit risk exposure	**81,155**	**32,487**	**31,135**	**7,840**	**1,674**	**1,653**	**578**	**156,522**

IFRS 7.34(a)

[9] Retail and wholesale includes Beverages.

[10] Construction and Materials includes Aerospace and Defence.

[11] Services include Telecommunication, Media, Electricity, Consumers, IT, Health Care and Other.

47. Insurance and financial risk (cont'd)

b. Financial risks (cont'd)

31 December 2016	Financial Services €000	Government €000	Consumers €000	Retail and Wholesale[12] €000	Construction and Materials[13] €000	Manufacturing and Petroleum €000	Services[14] €000	Total €000
Financial instruments								
Derivative financial assets								
Derivatives held for trading	187	–	–	–	–	–	–	187
Cash flow hedges	593	–	–	–	–	–	–	593
Fair value hedges	224	–		236	–	–	–	460
HTM financial assets								
Debt securities	446	829	–	86	316	–	–	1,677
Loans and receivables	4,923	–	2,326					7,249
AFS financial assets								
Debt securities	1,443	19,521	2,045	189		753		23,951
Financial assets at FVPL								
Debt securities	1,812	1,865	985	–	–	–	–	4,662
Reinsurance assets	34,711	–						34,711
Insurance receivables	3,738	–	8,479	5,895	–	1,235	567	19,914
Cash and short-term deposits	27,785	–	–	–	–	–	–	27,785
Total credit risk exposure	**75,862**	**22,215**	**13,835**	**6,406**	**316**	**1,988**	**567**	**121,189**

IFRS 7.34(a)

Credit exposure by credit rating

The table below provides information regarding the credit risk exposure of the Group by classifying assets according to the Group's credit ratings of counterparties:

IFRS 7.36(a)

IFRS 7.36(c)

	Neither past-due nor impaired					
31 December 2017	Investment grade €000	Non-investment grade: satisfactory €000	Non-investment grade: unsatisfactory €000	Unit-linked €000	Past-due but not impaired €000	Total €000
Financial instruments						
Derivative financial assets						
Derivatives held for trading	677	–	–	–	–	677
Cash flow hedges	867	–	–	–	–	867
Fair value hedges	638	–	–	–	–	638
HTM financial assets						
Debt securities	2,104	–	–	–	–	2,104
Loans and receivables	–	6,659	491	989	114	8,253
AFS financial assets						
Debt securities	25,457	13,150	–	–	–	38,607
Financial assets at FVPL						
Debt securities	5,607	–	–	5,359	–	10,966
Reinsurance assets	35,985	20	–	–	516	36,521
Insurance receivables	24,077	9,560	820	–	815	35,272
Cash and short-term deposits	22,617	–	–	–	–	22,617
Total credit risk exposure	**118,029**	**29,389**	**1,311**	**6,348**	**1,445**	**156,522**

[12] Retail and wholesale includes Beverages.

[13] Construction and Materials includes Aerospace and Defence.

[14] Services include Telecommunication, Media, Electricity, Consumers, IT, Health Care and Other.

47. Insurance and financial risk (cont'd)

b. Financial risks (cont'd)

	Neither past-due nor impaired					
31 December 2016	Investment grade €000	Non-investment grade: satisfactory €000	Non-investment grade: unsatisfactory €000	Unit-linked €000	Past-due but not impaired €000	Total €000
Financial instruments						
Derivative financial assets						
Derivatives held for trading	187	–	–	–	–	187
Cash flow hedges	593	–	–	–	–	593
Fair value hedges	460	–	–	–	–	460
HTM financial assets						
Debt securities	1,677	–	–	–	–	1,677
Loans and receivables	–	5,789	201	1,112	147	7,249
AFS financial assets						
Debt securities	16,440	7,511	–	–	–	23,951
Financial assets at FVPL						
Debt securities	341	–	–	4,321	–	4,662
Reinsurance assets	34,281	2	–	–	428	34,711
Insurance receivables	3,912	14,758	600	–	644	19,914
Cash and short-term deposits	27,785	–	–	–	–	27,785
Total credit risk exposure	85,676	28,060	801	5,433	1,219	121,189

IFRS 7.36(c)

47. Insurance and financial risk (cont'd)

b. Financial risks (cont'd)

The table below provides information regarding the credit risk exposure of the Group by classifying assets according to the Euroland Credit Agency's credit ratings of the counterparties. AAA is the highest possible rating. Assets that fall outside the range of AAA to BBB are classified as speculative grade.

IFRS 7.36(a)

31 December 2017	AAA €000	AA €000	BBB €000	BB €000	Not rated €000	Unit-linked €000	Total €000
Financial instruments							
Derivative financial assets							
Derivative held for trading	71	606	–	–	–	–	677
Cash flow hedges	867	–	–	–	–	–	867
Fair value hedges	407	231	–	–	–	–	638
HTM financial assets							
Debt securities	1,610	494	–	–	–	–	2,104
Loans and receivables	–	–	–	–	7,264	989	8,253
AFS financial assets							
Debt securities	9,559	15,898	–	–	13,150	–	38,607
Financial assets at FVPL							
Debt securities	5,607	–	–	–	–	5,359	10,966
Reinsurance assets	33,141	1,241	1,603	536	–	–	36,521
Insurance receivables	772	1,717	21,588	1,204	9,991	–	35,272
Cash and short-term deposits	20,112	2,505	–	–	–	–	22,617
Total credit risk exposure	**72,146**	**22,692**	**23,191**	**1,740**	**30,405**	**6,348**	**156,522**

31 December 2016	AAA €000	AA €000	BBB €000	BB €000	Not rated €000	Unit-linked €000	Total €000
Financial instruments							
Derivative financial assets							
Derivative held for trading	92	95	–	–	–	–	187
Cash flow hedges	593	–	–	–	–	–	593
Fair value hedges	264	196	–	–	–	–	460
HTM financial assets							
Debt securities	1,540	137	–	–	–	–	1,677
Loans and receivables	–	–	–	–	6,137	1,112	7,249
AFS financial assets							
Debt securities	9,357	7,083	–	–	7,511	–	23,951
Financial assets at FVPL							
Debt securities	341	–	–	–	–	4,321	4,662
Reinsurance assets	31,576	1,167	1,538	430	–	–	34,711
Insurance receivables	1,242	1,439	1,231	1,065	14,937	–	19,914
Cash and short-term deposits	27,225	560	–	–	–	–	27,785
Total credit risk exposure	**72,230**	**10,677**	**2,769**	**1,495**	**28,585**	**5,433**	**121,189**

Commentary

If the credit quality analysis is based on external credit grading systems, the entity might disclose the credit exposure for each external credit grade the rating agencies used, the value of the entity's rated and unrated credit exposures and the relationship between internal and external ratings (IFRS 7.IG24).

47. Insurance and financial risk (cont'd)

b. Financial risks (cont'd)

It is the Group's policy to maintain accurate and consistent risk ratings across its credit portfolio. This enables management to focus on the applicable risks and the comparison of credit exposures across all lines of business, geographic regions and products. The rating system is supported by a variety of financial analytics combined with processed market information to provide the main inputs for the measurement of counterparty risk. All internal risk ratings are tailored to the various categories and are derived in accordance with the Group's rating policy. The attributable risk ratings are assessed and updated regularly.

The Group has not provided the credit risk analysis for the financial assets of the unit-linked business. This is due to the fact that, in unit-linked business, the liability to policyholders is linked to the performance and value of the assets that back those liabilities and the shareholders have no direct exposure to any credit risk in those assets.

During the year, no credit exposure limits were exceeded.

The Group actively manages its product mix to ensure that there is no significant concentration of credit risk.

IFRS 7.34(c)

Age analysis of financial assets past due but not impaired

IFRS 7.37(a)

31 December 2017	< 30 days €000	31 to 60 days €000	61 to 90 days €000	Total past-due but not impaired €000
Loans and receivables	114	–	–	114
Reinsurance assets	395	121	–	516
Insurance receivables	525	278	12	815
Total	**1,034**	**399**	**12**	**1,445**

IFRS 7.37(a)

31 December 2016	< 30 days €000	31 to 60 days €000	61 to 90 days €000	Total past-due but not impaired €000
Loans and receivables	147	–	–	147
Reinsurance assets	343	85	–	428
Insurance receivables	417	218	9	644
Total	907	303	9	1,219

Commentary

IFRS 7.BC54 states that, "The Board noted that information about credit quality gives a greater insight into the credit risk of assets and helps users assess whether such assets are more or less likely to become impaired in the future. Because this information will vary between entities, the Board decided not to specify a particular method for giving this information, but rather to allow each entity to devise a method that is appropriate to its circumstances."

IFRS 7.36(c) and IFRS 7.37(a) require the disclosure of the quality of financial assets that are neither impaired nor past due and an analysis of the age of financial assets that are past due as at the reporting date, but not yet impaired. This is required by the standard, although disclosure of the fact that many financial assets could be past due by only a few days is arguably of limited value and potentially misleading.

Impaired financial assets

At 31 December 2017, there are impaired reinsurance assets of €84,000 (2016: €82,000) and impaired loans and receivables of €612,000 (2016: €487,000).

IFRS 7.37(b)

For assets to be classified as "past-due and impaired", contractual payments must be in arrears for more than 90 days. No collateral is held as security for any past due or impaired assets.

IFRS 7.36(b)

47. Insurance and financial risk (cont'd)

b. Financial risks (cont'd)

The Group records impairment allowances for loans and receivables in a separate impairment allowance account. A reconciliation of the allowance for impairment losses for loans and receivables is, as follows: *IFRS 7.16*

	2017 €000	2016 €000
At 1 January	487	427
Charge for the year	143	92
Recoveries	(12)	(5)
Amounts written off	(16)	(34)
Interest accrued on impaired loans	10	7
At 31 December	**612**	**487**

Collateral *IFRS 7.36(b)*

The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Guidelines are implemented regarding the acceptability of types of collateral and the valuation parameters. Collateral is mainly obtained for securities lending and for cash purposes. Credit risk is also mitigated by entering into collateral agreements. Management monitors the market value of the collateral, requests additional collateral when needed and performs an impairment valuation when applicable.

For derivative transactions undertaken by the Group, collateral is received from the counterparty and repayable if the contract terminates or the contract's fair value decreases.

2. Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. In respect of catastrophic events there is also a liquidity risk associated with the timing differences between gross cash out-flows and expected reinsurance recoveries. *IFRS 7.33(a)*

The following policies and procedures are in place to mitigate the Group's exposure to liquidity risk: *IFRS 7.33 (b)* *IFRS 7.39(c)*

- A Group liquidity risk policy which sets out the assessment and determination of what constitutes liquidity risk for the Group. Compliance with the policy is monitored and exposures and breaches are reported to the Group risk committee. The policy is regularly reviewed for pertinence and for changes in the risk environment.
- Guidelines are set for asset allocations, portfolio limit structures and maturity profiles of assets, in order to ensure sufficient funding available to meet insurance and investment contracts obligations.
- Contingency funding plans are in place, which specify minimum proportions of funds to meet emergency calls as well as specifying events that would trigger such plans.
- The Group's catastrophe excess-of-loss reinsurance contracts contain clauses permitting the immediate draw down of funds to meet claim payments should claim events exceed a certain size.

Maturity profiles

The following table summarises the maturity profile of the financial assets, financial liabilities and insurance contract liabilities of the Group based on remaining undiscounted contractual obligations, including interest payable and receivable. *IFRS 7.39(a), (b)*

For insurance contracts liabilities and reinsurance assets, maturity profiles are determined based on estimated timing of net cash outflows from the recognised insurance liabilities. Unearned premiums have been excluded from the analysis as they are not contractual obligations. Unit-linked liabilities are repayable or transferable on demand and are included in the up-to-a-year column. Repayments which are subject to notice are treated as if notice were to be given immediately. *IFRS 4.39(d)(i)*

The Group maintains a portfolio of highly marketable and diverse assets that can be easily liquidated in the event of an unforeseeable interruption of cash flow. The Group also has committed lines of credit that it can access to meet liquidity needs. *IFRS 7.39(c)* *IFRS 7.B11E*

47. Insurance and financial risk (cont'd)

b. Financial risks (cont'd)

Maturity analysis (contractual undiscounted cash flow basis)

31 December 2017	Carrying Amount €000	Up to 1 year €000	1-3 years €000	3-5 years €000	5-15 years €000	Over 15 years €000	No maturity date €000	Total €000
Assets								
Derivative financial assets	2,182	1,458	1,098	216	–	–	–	2,772
HTM financial assets	2,104	586	425	1,157	–	–	–	2,168
Loans and receivables	7,264	735	1,078	2,046	3,821	–	–	7,680
AFS financial assets	109,677	18,467	10,756	2,866	7,234	3,801	71,070	114,194
Financial assets at FVPL	35,249	9,959	3,114	547	–	–	23,294	36,914
Cash and cash equivalents	22,617	22,617	–	–	–	–	–	22,617
Reinsurance assets	36,521	12,144	4,660	4,601	11,750	3,502	–	36,657
Insurance receivables	35,272	35,272	–	–	–	–	–	35,272
Total	**250,886**	**101,238**	**21,131**	**11,433**	**22,805**	**7,303**	**94,364**	**258,274**
Liabilities								
Insurance contract liabilities								
With DPF	49,578	6,085	12,080	11,430	14,903	6,620	–	51,118
Without DPF	127,134	42,517	18,090	11,501	50,010	6,236	–	128,354
Investment contract liabilities								
With DPF	7,366	4,826	523	975	643	554	–	7,521
Without DPF	7,854	7,145	160	180	273	152	–	7,910
Net asset value attributable to unit-holders	520	520	–	–	–	–	–	520
Derivative financial liabilities	1,782	1,260	1,130	208	–	–	–	2,598
Borrowings	19,372	15,765	3,510	1,602				20,877
Other financial liabilities*	7,743	8,406	–	–	–	–	–	8,406
Trade and other payables	14,497	14,497	–	–	–	–	–	14,497
Insurance payables	5,157	5,157	–	–	–	–	–	5,157
Total	**241,003**	**106,178**	**35,493**	**25,896**	**65,829**	**13,562**	**–**	**246,958**
Total liquidity gap	**9,883**	**(4,940)**	**(14,362)**	**(14,463)**	**(43,024)**	**(6,259)**	**94,364**	**11,316**

IFRS 7.B11C

* Based on the maximum amount that can be called for under the financial guarantee contract.

47. Insurance and financial risk (cont'd)

b. Financial risks (cont'd)

The disclosed derivative financial instruments in the above table are the gross undiscounted cash flows. However, future contracts, most of interest rate swaps and some options are settled net. The following table shows the corresponding reconciliation of those amounts to their carrying amounts:

31 December 2017	Up to 1 year €000	1–3 years €000	3–5 years €000	5–15 years €000	Over 15 years €000	Total €000
Derivative financial assets						
Inflows	818	520	114	–	–	1,452
Outflows	(323)	(205)	(46)	–	–	(574)
Net	495	315	68	–	–	878
Discounted at the applicable interbank rates	493	313	67	–	–	873
Derivative financial liabilities						
Inflows	392	355	45	–	–	792
Outflows	(855)	(750)	(131)	–	–	(1,736)
Net	(463)	(395)	(86)	–	–	(944)
Discounted at the applicable interbank rates	(461)	(393)	(85)	–	–	(939)

47. Insurance and financial risk (cont'd)

b. Financial risks (cont'd)

31 December 2016	Carrying Amount €000	Up to 1 year €000	1–3 years €000	3–5 years €000	5–15 years €000	Over 15 years €000	No maturity date €000	Total €000
Assets								
Derivative financial assets	1,240	833	735	122	–	–	–	1,690
HTM financial assets	1,677	455	321	951	–	–	–	1,727
Loans and receivables	6,137	735	771	1,888	3,123	–	–	6,517
AFS financial assets	79,417	5,601	4,942	3,520	6,533	4,545	55,466	80,607
Financial assets at FVPL	21,189	2,455	3,588	46	–	–	15,415	21,504
Cash and cash equivalents	27,785	27,785	–	–	–	–	–	27,785
Reinsurance assets	34,711	7,999	4,710	6,636	13,521	3,322	–	36,188
Insurance receivables	19,914	19,914	–	–	–	–	–	19,914
Total	**192,070**	**65,777**	**15,067**	**13,163**	**23,177**	**7,867**	**70,881**	**195,932**
Liabilities								
Insurance contract liabilities								
With DPF	25,180	5,792	6,454	5,153	7,981	1,325	–	26,705
Without DPF	101,080	34,834	9,769	13,741	34,916	10,920	–	104,180
Investment contract liabilities								
With DPF	4,281	900	1,655	825	805	550	–	4,735
Without DPF	7,277	6,950	125	140	160	120	–	7,495
Net asset value attributable to unit-holders	367	367	–	–	–	–	–	367
Derivative financial liabilities	1,758	1,480	1,217	224	–	–	–	2,921
Borrowings	21,834	9,392	11,620	3,306	–	–	–	24,317
Other financial liabilities*	7,272	7,934	–	–	–	–	–	7,934
Trade and other payables	10,868	10,868	–	–	–	–	–	10,868
Insurance payables	4,841	4,841	–	–	–	–	–	4,841
Total	**184,758**	**83,358**	**30,840**	**23,389**	**43,862**	**12,915**	**–**	**194,363**
Total liquidity gap	**7,312**	**(17,581)**	**(15,773)**	**(10,226)**	**(20,685)**	**(5,048)**	**70,881**	**1,569**

IFRS 7.B11C

* Based on the maximum amount that can be called for under the financial guarantee contract.

47. Insurance and financial risk (cont'd)

b. Financial risks (cont'd)

The disclosed derivative financial instruments in the above table are the gross undiscounted cash flows. However, future contracts, most of interest rate swaps and some options are settled net. The following table shows the corresponding reconciliation of those amounts to their carrying amounts:

31 December 2016	Up to 1 year €000	1–3 years €000	3–5 years €000	5–15 years €000	Over 15 years €000	Total €000
Derivative financial assets						
Inflows	458	393	62	–	–	913
Outflows	(218)	(193)	(23)	–	–	(434)
Net	240	200	39	–	–	479
Discounted at the applicable interbank rates	238	199	38	–	–	475
Derivative financial liabilities						
Inflows	627	446	70	–	–	1,143
Outflows	(1,265)	(1,034)	(184)	–	–	(2,483)
Net	(638)	(588)	(114)	–	–	(1,340)
Discounted at the applicable interbank rates	(635)	(586)	(113)	–	–	(1,334)

Commentary

IFRS 7 requires a maturity analysis for derivative financial liabilities that is based on how the entity manages the liquidity risk associated with such instruments. In addition, for those derivative financial liabilities for which contractual liabilities are essential to understanding the timing of the cash flows, for example, interest rate swaps with remaining maturity of five years in a cash flow hedge or loan commitments, a contractual maturity analysis is required.

A contractual maturity analysis for non-derivative financial liabilities (including issued financial guarantee contracts) which include the remaining contractual maturities is required. These are the contractual undiscounted cash flows.

The standard also requires an entity to disclose a maturity analysis of financial assets that it holds for managing liquidity risk (e.g., financial assets that are readily saleable or expected to generate cash inflows to meet cash outflows on financial liabilities) if that information is necessary to enable users of its financial statements to evaluate the nature and extent of liquidity risk. It is anticipated that this will apply to most insurers as most insurers hold financial assets to manage liquidity risk. The Group has made these maturity disclosures for its financial assets.

For recognised insurance liabilities, IFRS 4. 39(d)(i) permits the maturity analysis to be based on expected net cash outflows resulting from recognised insurance liabilities. The Group has not elected to use this alternative presentation for the maturity analysis of its insurance liabilities. Unearned premiums are excluded from this analysis as these are not contractual liabilities.

47. Insurance and financial risk (cont'd)

b. Financial risks (cont'd)

The table below summarises the expected utilisation or settlement of assets and liabilities. *IAS 1.61*

Maturity analysis on expected maturity bases

31 December 2017	No more than 12 months[15] €000	More than 12 months €000	Unit-linked €000	Total €000
Deferred expenses	4,158	9,288	–	13,446
Financial assets				
Derivative financial assets	1,126	1,056	–	2,182
HTM financial assets	586	1,518	–	2,104
Loans and receivables	735	6,529	–	7,264
AFS financial assets	43,471	66,206	–	109,677
Financial assets at FVPL	4,858	11,517	18,874	35,249
Reinsurance assets	26,301	10,220	–	36,521
Insurance contract liabilities				
With DPF	6,080	43,498	–	49,578
Without DPF	23,411	93,963	9,760	127,134
Investment contract liabilities				
With DPF	3,576	2,540	1,250	7,366
Without DPF	–	510	7,344	7,854
Pension benefit obligation	198	4,515	–	4,713
Deferred revenue	28	4,337	–	4,365
Borrowings	14,894	4,478	–	19,372
Derivative financial liabilities	860	922	–	1,782
Other financial liabilities	7,666	77	–	7,743
Net asset value attributable to unit-holders	–	–	520	520
Trade and other payables	14,402	95	–	14,497

[15] IAS 1.61 requires disclosure of the two sub totals (no more than and more than 12 months) of expected maturities for each asset and liability line item that combines amounts expected to be recovered or settled no more than and more than 12 months after the reporting period.

47. Insurance and financial risk (cont'd)

b. Financial risks (cont'd)

31 December 2016	No more than 12 months[16] €000	More than 12 months €000	Unit-linked €000	Total €000
Deferred expenses	3,228	8,249	–	11,477
Financial assets				
Derivative financial assets	607	633	–	1,240
HTM financial assets	455	1,222	–	1,677
Loans and receivables	735	5,402	–	6,137
AFS financial assets	29,599	49,818	–	79,417
Financial assets at FVPL	7,029	222	13,938	21,189
Reinsurance assets	23,785	10,926	–	34,711
Insurance contract liabilities				
With DPF	4,970	20,210	–	25,180
Without DPF	21,345	74,878	4,857	101,080
Investment contract liabilities				
With DPF	–	2,844	1,437	4,281
Without DPF	–	–	7,277	7,277
Pension benefit obligation	224	4,257	–	4,481
Deferred revenue	26	4,308	–	4,334
Borrowings	8,392	13,442	–	21,834
Derivative financial liabilities	843	915	–	1,758
Other financial liabilities	7,204	68	–	7,272
Net asset value attributable to unit-holders	–	–	367	367
Trade and other payables	10,696	172	–	10,868

3. Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: foreign exchange rates (currency risk), market interest rates (interest rate risk) and market prices (price risk).

IFRS 7.33(a)

- The Group's market risk policy sets out the assessment and determination of what constitutes market risk for the Group. Compliance with the policy is monitored and exposures and breaches are reported to the Group risk committee. The policy is reviewed regularly for pertinence and for changes in the risk environment.
- Guidelines are set for asset allocation and portfolio limit structure, to ensure that assets back specific policyholders' liabilities and that assets are held to deliver income and gains for policyholders which are in line with their expectations.
- The Group stipulates diversification benchmarks by type of instrument and geographical area, as the Group is exposed to guaranteed bonuses, cash and annuity options when interest rates fall.
- There is strict control over hedging activities (e.g., equity derivatives are only permitted to be held to facilitate portfolio management or to reduce investment risk).

[16] IAS 1.61 requires disclosure of the two sub totals (no more than and more than 12 months) of expected maturities for each asset and liability line item that combines amounts expected to be recovered or settled no more than and more than 12 months after the reporting period.

47. Insurance and financial risk (cont'd)

b. Financial risks (cont'd)

The Group issues unit-linked investment policies in a number of its operations. In the unit-linked business, the policyholder bears the investment risk on the assets held in the unit-linked funds as the policy benefits are directly linked to the value of the assets in the fund. The Group's exposure to market risk on this business is limited to the extent that income arising from asset management charges is based on the value of assets in the fund.

i. Currency risk

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

IFRS 7.33(a)

The Group's principal transactions are carried out in euros and its exposure to foreign exchange risk arise primarily with respect to British sterling and the US dollar.

The Group's financial assets are primarily denominated in the same currencies as its insurance and investment contract liabilities. This mitigates the foreign currency exchange rate risk for the overseas operations. Thus, the main foreign exchange risk arises from recognised assets and liabilities denominated in currencies other than those in which insurance and investment contract liabilities are expected to be settled. The currency risk is effectively managed by the Group through derivative financial instruments. Forward and future currency contracts are in place to eliminate the currency exposure on individual foreign transactions. They must be in the same currency and under the same terms as the hedged item to maximise effective hedging. The Group will not enter into these forward contracts until a firm commitment is in place. In addition, currency risk exposure exists for the net investment in the US.

IFRS 7.33(b)

47. Insurance and financial risk (cont'd)

b. Financial risks (cont'd)

The table below summarises the Group's assets and liabilities by major currencies: *IFRS 7.34(a)*

31 December 2017	Euro €000	Pound Sterling €000	US Dollar €000	Other €000	Total €000
Goodwill	2,924	–	6,521	–	9,445
Intangible assets	545	–	38,593	–	39,138
Deferred expenses	13,446	–	–	–	13,446
Property and equipment	3,041	–	1,025	–	4,066
Investment properties	4,199	–	–	–	4,199
Investment in an associate	2,120	–	–	–	2,120
Financial instruments					
Derivative financial assets	1,091	558	533	–	2,182
HTM financial assets	947	586	421	150	2,104
Loans and receivables	4,808	–	2,456	–	7,264
AFS financial assets	63,160	14,602	26,915	5,000	109,677
Financial assets at FVPL	16,766	5,035	13,448	–	35,249
Reinsurance assets	16,101	11,995	7,425	1,000	36,521
Income tax receivable	2,995	–	–	–	2,995
Insurance receivables	12,931	12,217	8,124	2,000	35,272
Accrued income	1,028	–	–	–	1,028
Cash and short-term deposits	22,617	–	–	–	22,617
Total assets	**168,719**	**44,993**	**105,461**	**8,150**	**327,323**
Insurance contract liabilities					
With DPF	7,884	15,998	18,071	7,625	49,578
Without DPF	52,078	35,434	30,747	8,875	127,134
Investment contract liabilities					
With DPF	1,357	1,741	4,268	–	7,366
Without DPF	.4,955	2,071	328	500	7,854
Pension benefit obligation	4,713	–	–	–	4,713
Deferred income	4,365	–	–	–	4,365
Borrowings	19,372	–	–	–	19,372
Derivative financial liabilities	552	874	356	–	1,782
Other financial liabilities	7,743	–	–	–	7,743
Deferred tax liability	4,385	–	1,067	–	5,452
Net asset value attributable to unit-holders	234	182	104	–	520
Insurance payables	2,329	1,305	1,023	500	5,157
Trade and other payables	7,325	–	7,172	–	14,497
Total liabilities	**117,292**	**57,605**	**63,136**	**17,500**	**255,533**

IFRS 7.34(a)

IFRS 7.34(a)

47. Insurance and financial risk (cont'd)

b. Financial risks (cont'd)

31 December 2016	Euro €000	Pound Sterling €000	US Dollar €000	Other €000	Total €000	
Goodwill	2,924	–	–	–	2,924	
Intangible assets	444	–	–	–	444	
Deferred expenses	11,477	–	–	–	11,477	
Property and equipment	3,750	–	–	–	3,750	
Investment properties	3,943	–	–	–	3,943	
Investment in an associate	1,991	–	–	–	1,991	
Financial instruments						
Derivative financial assets	658	334	248	–	1,240	
HTM financial assets	754	586	337	–	1,677	
Loans and receivables	6,137	–	–	–	6,137	
AFS financial assets	35,737	22,295	15,885	5,500	79,417	
Financial assets at FVPL	12,285	5,666	3,238	–	21,189	
Reinsurance assets	15,444	11,260	7,007	1,000	34,711	
Income tax receivable	2,812	–	–	–	2,812	
Insurance receivables	9,664	5,626	3,502	1,122	19,914	
Accrued income	1,557	–	–	–	1,557	
Cash and short-term deposits	27,785	–	–	–	27,785	
Total assets	**137,362**	**45,767**	**30,217**	**7,622**	**220,968**	*IFRS 7.34(a)*
Insurance contract liabilities						
With DPF	9,504	8,475	5,701	1,500	25,180	
Without DPF	47,947	29,311	19,322	4,500	101,080	
Investment contract liabilities						
With DPF	1,753	1,608	920	–	4,281	
Without DPF	3,275	2,147	1,455	400	7,277	
Pension benefit obligation	4,481	–	–	–	4,481	
Deferred income	4,334	–	–	–	4,334	
Borrowings	21,834	–	–	–	21,834	
Derivative financial liabilities	1,091	515	152	–	1,758	
Other financial liabilities	7,272	–	–	–	7,272	
Deferred tax liability	1,848	–	–	–	1,848	
Net asset value attributable to unit-holders	165	128	74	–	367	
Insurance payables	2,178	1,094	969	600	4,841	
Trade and other payables	10,868	–	–	–	10,868	
Total liabilities	**116,550**	**43,278**	**28,593**	**7,000**	**195,421**	*IFRS 7.34(a)*

47. Insurance and financial risk (cont'd)

b. Financial risks (cont'd)

The Group has no significant concentration of currency risk. *IFRS 7.34(c)*

The following analysis is performed for reasonably possible movements in key variables with all other variables held constant, showing the impact on profit before tax and equity due to changes in the fair value of currency sensitive monetary assets and liabilities including insurance contract claim liabilities and the net investment in Good American Life Co. The correlation of variables will have a significant effect in determining the ultimate impact of currency risk, but to demonstrate the impact due to changes in variables, variables had to be changed on an individual basis. It should be noted that movements in these variables are non-linear. The method used for deriving sensitivity information and significant variables did not change from the previous period. *IFRS 7.40(a), (b),(c)*

		31 December 2017		31 December 2016	
Currency	Change in variables €000	Impact on profit before tax €000	Impact on equity[17] €000	Impact on profit before tax €000	Impact on equity[17] €000
GBP	+ 10 %	378	295	364	278
USD	+ 10 %	264	204	247	188
GBP	- 10 %	(414)	(316)	(387)	(294)
USD	- 10 %	(308)	(235)	(289)	(223)

Commentary

In disclosing currency risk sensitivities, companies will need to aggregate information to display the overall picture. However, aggregation should not result in disclosures which combine information from significantly different economic environments with different risk characteristics.

For each relevant risk variable, the entity should determine the reasonably possible changes based on the economic environment in which the entity operates over the period to the next reporting date. The reasonably possible changes should not include remote scenarios (IFRS 7.B19).

IFRS 4.39(d)(ii) and IFRS 4.39A(a) permit the use of embedded value (EV) sensitivity disclosures instead of IFRS 7 sensitivity disclosures for insurance and market risk sensitivities. This disclosure option is only allowed if insurance and market risk sensitivities are managed on an EV basis. Another permitted alternative is to base sensitivity disclosures on Economic Capital measures. This is also only allowed if insurance and market risk sensitivities are actually managed on that basis.

ii. Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. *IFRS 7.33(a)*

Floating rate instruments expose the Group to cash flow interest risk, whereas fixed interest rate instruments expose the Group to fair value interest risk.

The Group's interest risk policy requires it to manage interest rate risk by maintaining an appropriate mix of fixed and variable rate instruments. The policy also requires it to manage the maturities of interest bearing financial assets and interest bearing financial liabilities. Any gap between fixed and variable rate instruments and their maturities are effectively managed by the Group through derivative financial instruments. Interest on floating rate instruments is re-priced at intervals of less than one year. Interest on fixed interest rate instruments is priced at inception of the financial instrument and is fixed until maturity. *IFRS 7.33(b)*

The Group has no significant concentration of interest rate risk. *IFRS 7.34(c)*

The following analysis is performed for reasonably possible movements in key variables with all other variables held constant, showing the impact on profit before tax and equity. The correlation of variables will have a significant effect in determining the ultimate impact of interest rate risk, but to demonstrate the impact due to changes in variables, variables had to be changed on an individual basis. It should be noted that movements in these variables are non-linear. The method used for deriving sensitivity information and significant variables has not changed from the previous period. *IFRS 7.40(a), (b),(c)*

[17] Impact on equity reflects adjustments for tax, when applicable.

47. Insurance and financial risk (cont'd)

b. Financial risks (cont'd)

		31 December 2017		31 December 2016	
	Change in variables	Impact on profit before tax €000	Impact on equity[18] €000	Impact on profit before tax €000	Impact on equity[18] €000
EURO	+ 100 basis points	(211)	(283)	(189)	(265)
GBP	+ 100 basis points	(197)	(248)	(163)	(245)
EURO	– 100 basis points	168	214	155	211
GBP	– 100 basis points	125	181	147	201

iii. Equity price risk

Equity price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in equity prices (other than those arising from interest rate or foreign exchange rate risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or by factors affecting all similar financial instruments traded in the market. *IFRS 7.33(a)*

The Group's equity price risk exposure relates to financial assets and financial liabilities whose values will fluctuate as a result of changes in market prices, principally investment securities not held for the account of unit-linked business. *IFRS 7.33(b)*

The Group's price risk policy requires it to manage such risks by setting and monitoring objectives and constraints on investments, diversification plans, limits on investments in each country, sector and market and careful and planned use of derivative financial instruments. *IFRS 7.33(b)*

The Group has no significant concentration of equity price risk. *IFRS 7.34(c)*

The analysis below is performed for reasonably possible movements in market indices with all other variables held constant, showing the impact on profit before tax (due to changes in fair value of financial assets and liabilities whose fair values are recorded in the statement of profit or loss) and equity (that reflects changes in fair value of AFS financial assets). The correlation of variables will have a significant effect in determining the ultimate impact on price risk, but to demonstrate the impact due to changes in variables, variables had to be changed on an individual basis. It should be noted that movements in these variables are non-linear. The method used for deriving sensitivity information and significant variables did not change from the previous period. *IFRS 7.40(a),(b),(c)*

		31 December 2017		31 December 2016	
Market indices	Change in variables	Impact on profit before tax €000	Impact on equity[19] €000	Impact on profit before tax €000	Impact on equity[19] €000
Euronext 100	+ 15%	374	285	351	268
FTSE 100	+ 10%	352	272	339	257
NYSE	+ 10%	331	254	318	241
Euronext 100	– 15 %	(319)	(242)	(297)	(229)
FTSE 100	– 10 %	(288)	(220)	(276)	(213)
NYSE	– 10 %	(254)	(201)	(243)	(188)

[18] Impact on equity reflects adjustments for tax, when applicable.

[19] Impact on equity reflects adjustments for tax, when applicable.

47. Insurance and financial risk (cont'd)

b. Financial risks (cont'd)

iv. Operational risks

Operational risk is the risk of loss arising from system failure, human error, fraud or external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications or can lead to financial loss. The Group cannot expect to eliminate all operational risks, but by initiating a rigorous control framework and by monitoring and responding to potential risks, the Group is able to manage the risks. Controls include effective segregation of duties, access controls, authorisation and reconciliation procedures, staff education and assessment processes, including the use of internal audit. Business risks such as changes in environment, technology and the industry are monitored through the Group's strategic planning and budgeting process.

Commentary

IFRS 7 does not require disclosure of operational risk because it is not necessarily related to financial instruments. The above narrative on operational risk is included for illustrative purposes only and does not cover all the possible operational risks for an insurer.

48. Cash generated from operating activities

		2017 €000	2016 €000
Net change in operational assets			
Net change in reinsurance assets		(1,810)	(1,371)
Net change in insurance receivables		(3,206)	(1,823)
Net change in loans and receivables		(1,066)	(955)
Net change in other assets		(324)	630
	Total	**(6,406)**	**(3,519)**
Net change in operational liabilities			
Net change in life insurance contract liabilities		5,344	5,072
Net change in non-life insurance contract liabilities		3,090	3,663
Net change in investment contract liabilities		150	258
Net change in other liabilities		(3,009)	(7,764)
	Total	**5,575**	**16,757**

The Group classifies the cash flows from the acquisition and disposal of financial assets as operating cash flows, as the purchases are funded from the net cash flows associated with the origination of insurance and investment contracts and the payment of benefits and claims incurred for insurance and investment contracts, which are respectively treated under operating activities.

Commentary

Purchases and sales of HTM and AFS financial assets may also be presented as investing cash flows.

49. Contingencies and commitments

a. Legal proceedings and regulations

IAS 37.86

The Group operates in the insurance industry and is subject to legal proceedings in the normal course of business. While it is not practicable to forecast or determine the final results of all pending or threatened legal proceedings, management does not believe that such proceedings (including litigation) will have a material effect on its results and financial position.

The Group is also subject to insurance solvency regulations in all the territories where it operates and has complied with all the solvency regulations. There are no contingencies associated with the Group's compliance or lack of compliance with such regulations.

b. Capital commitments and operating leases

The Group has no capital commitments at the reporting date. *IAS 16.74(c)*

The Group has entered into commercial property leases on its investment property portfolio. These non-cancellable leases have remaining terms of between five and twenty years. All leases include a clause to enable upward revision of the rental charge on an annual basis according to prevailing market conditions. *IAS 17.56(c)*

Future minimum lease rentals receivable under non-cancellable operating leases as at 31 December are, as follows: *IAS 17.56(a)*

	2017	2016
	€000	€000
Within one year	234	219
After one year but not more than five years	1,170	1,090
More than five years	2,106	2,095
Total operating lease rentals receivable	**3,510**	**3,404**

The Group has entered into commercial leases on certain property and equipment. These leases have an average life of between three and five years, with no renewal option included in the contracts. There are no restrictions placed upon the Group by entering into the leases. *IAS 17.35(d)*

Future minimum rentals payable under non-cancellable operating leases as at 31 December are, as follows: *IAS 17.35(a)*

	2017	2016
	€000	€000
Within one year	255	200
After one year but not more than five years	562	550
More than five years	58	50
Total operating lease rentals payable	**875**	**800**

50. Related party disclosures

Note 3 provides information about the Group's structure, including details of the subsidiaries and the holding company. The following tables provide the total amount of transactions that have been entered into with related parties for the relevant financial year.

a. Transactions with related parties

The Group enters into transactions with its associate and key management personnel in the normal course of business. The sales to and purchases from related parties are made on terms equivalent to those that prevail in arm's length transactions.

Commentary

The disclosure that transactions with related parties are made on terms equivalent to an arm's length transaction is only required if an entity can substantiate such terms, but IAS 24.23 does not require such a disclosure. The Group was able to substantiate the terms and therefore provides the disclosure.

50. Related party disclosures (cont'd)

a. Transactions with related parties (cont'd)

Details of significant transactions carried out during the year with related parties are, as follows:

IAS 24.18
IAS 24.21

	2017 €000	2016 €000
Sale of		
Insurance and investment contracts to associate	762	689
Insurance and investment contracts to key management personnel	10	9
Purchase of		
Insurance and investment contracts from associate	221	196

b. Balances with related parties

IAS 24.18

(i) Receivables from and payables to related parties are, as follows:

	Notes	2017 €000	2016 €000
Receivables from related parties	27(b)		
Associate		376	352
Key management personnel		6	5
		382	**357**
Payables to related parties	43		
Associate		(1,191)	(1,144)

Outstanding balances at the year-end are unsecured and interest free and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. For the year ended 31 December 2017, the Group has not recorded any impairment of receivables relating to amounts owed by related parties (2016: €Nil). This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

(ii) Loans to related parties are, as follows:

	Note	2017 €000	2016 €000
Loans to related parties	27(b)		
Associate		314	251
Key management personnel		22	20
		336	**271**

The loan to the associate is payable in full on 1 June 2017. Interest is charged at EURIBOR plus 80bp.

The Group offers the possibility for senior management to receive up to a maximum of €20,000 repayable within five years from the date of disbursement. Such loans are unsecured and the same interest rate as for long term company loans is applicable (currently EURIBOR plus 80bp). For the year ended 31 December 2017, the Group has not recorded any impairment of loans relating to amounts owed by related parties (2016: €Nil). This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

50. Related party disclosures (cont'd)

c. Compensation of key management personnel

Key management personnel of the Group includes all directors, executive and non-executive, and senior management. The summary of compensation of key management personnel for the year is, as follows:

IAS 24.17

	2017 €000	2016 €000
Salaries	195	167
Bonuses	165	195
Other short-term employment benefits	57	54
Share-based payment	5	3
Post-employment pension benefits	16	9
Total compensation of key management personnel	**438**	**428**

The amounts disclosed in the table are the amounts recognised as an expense during the reporting period related to key management personnel.

Key management personnel's interests in the Senior Executive Plan

Share options held by key management personnel under the Senior Executive Plan to purchase ordinary shares have the following expiry dates and exercise prices:

IAS 24.17(e)

			2017	2016
Issue date	Expiry date	Exercise price	Number outstanding	Number outstanding
2016	2021	€2.33	8,000	8,000
2017	2022	€3.85	9,000	-
Total			**17,000**	**8,000**

Commentary

Certain jurisdictions may require additional and more extensive disclosures, e.g., remuneration and benefits of key management personnel and members of the Board of Directors.

51. Standards issued but not yet effective

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these standards, if applicable, when they become effective.

IAS 8.30
IAS 8.31(d)

IFRS 9 *Financial Instruments*

In July 2014, the IASB issued the final version of IFRS 9 *Financial Instruments* that replaces IAS 39 *Financial Instruments: Recognition and Measurement* and all previous versions of IFRS 9. IFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Except for hedge accounting, retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

During 2017, the Group performed a high-level impact assessment of all three aspects of IFRS 9. This preliminary assessment is based on currently available information and may be subject to changes arising from further detailed analyses or additional reasonable and supportable information being made available to the Group in the future. Overall, the Group expects no significant impact on its balance sheet and equity, except for the effect of applying the impairment requirements of IFRS 9. The Group expects a higher loss allowance resulting in a negative impact on equity and will perform a detailed assessment in the future to determine the extent. The group meets the eligibility criteria of the temporary exemption from IFRS 9 and intends to defer the application of IFRS 9 until the effective date of the new insurance contracts standard (IFRS 17) of annual

reporting periods beginning on or after 1 January 2021, applying the temporary exemption from applying IFRS 9 as introduced by the amendments (see below).

51. Standards issued but not yet effective (cont'd)

Amendments to IFRS 4 Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts

In September 2016, the IASB issued amendments to IFRS 4 to address issues arising from the different effective dates of IFRS 9 and the new insurance contracts standard (IFRS 17).

The amendments introduce two alternative options of applying IFRS 9 for entities issuing contracts within the scope of IFRS 4: a temporary exemption; and an overlay approach. The temporary exemption enables eligible entities to defer the implementation date of IFRS 9 for annual periods beginning before 1 January 2021 and continue to apply IAS 39 to financial assets and liabilities. An entity may apply the temporary exemption from IFRS 9 if: (i) it has not previously applied any version of IFRS 9, other than only the requirements for the presentation of gains and losses on financial liabilities designated as FVPL; and (ii) its activities are predominantly connected with insurance on its annual reporting date that immediately precedes 1 April 2016. The overlay approach allows an entity applying IFRS 9 to reclassify between profit or loss and other comprehensive income an amount that results in the profit or loss at the end of the reporting period for certain designated financial assets being the same as if an entity had applied IAS 39 to these designated financial assets.

An entity can apply the temporary exemption from IFRS 9 for annual periods beginning on or after 1 January 2018. An entity may start applying the overlay approach when it applies IFRS 9 for the first time.

During 2016, the Group performed an assessment of the amendments and reached the conclusion that its activities are predominantly connected with insurance as at 31 December 2015. During 2017, there had been no significant change in the activities of the Group that requires reassessment. The Group intends to apply the temporary exemption from IFRS 9 and, therefore, continue to apply IAS 39 to its financial assets and liabilities in its reporting period starting on 1 January 2018.

IFRS 15 *Revenue from Contracts with Customers*

IFRS 15 was issued in May 2014 and establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The new revenue standard will supersede all current revenue recognition requirements under IFRS. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018. Early adoption is permitted. The Group expects to apply IFRS 15 using the modified retrospective application. Given insurance contracts are scoped out of IFRS 15, the Group expects the main impact of the new standard to be on the accounting for income from administrative and investment management services. The Group does not expect the impact to be significant.

IFRS 16 Leases

IFRS 16 was issued in January 2016 and it replaces IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases-Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessor accounting under IFRS 16 is substantially unchanged from today's accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases.

IFRS 16 also requires lessees and lessors to make more extensive disclosures than under IAS 17.

IFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted, but not before an entity applies IFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs.

51. Standards issued but not yet effective (cont'd)

The Group does not expect the impact to be significant.

IFRS 2 Classification and Measurement of Share-based Payment Transactions — Amendments to IFRS 2

The IASB issued amendments to IFRS 2 *Share-based Payment* that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and accounting for a modification where the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled.

On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and other criteria are met. The amendments are effective for annual periods beginning on or after 1 January 2018, with early application permitted. The Group is assessing the potential effect of the amendments on its consolidated financial statements.

IFRS 17 *Insurance Contracts*

In May 2017, the IASB issued IFRS 17 *Insurance Contracts*, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure, which replaces IFRS 4 *Insurance Contracts*.

In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies for measurement purposes, IFRS 17 provides a comprehensive model (the general model) for insurance contracts, supplemented by the variable fee approach for contracts with direct participation features that are substantially investment-related service contracts, and the premium allocation approach mainly for short-duration which typically applies to certain non-life insurance contracts.

The main features of the new accounting model for insurance contracts are, as follows:

- The measurement of the present value of future cash flows, incorporating an explicit risk adjustment, remeasured every reporting period (the fulfilment cash flows)
- A Contractual Service Margin (CSM) that is equal and opposite to any day one gain in the fulfilment cash flows of a group of contracts. The CSM represents the unearned profitability of the insurance contracts and is recognised in profit or loss over the service period (i.e., coverage period)
- Certain changes in the expected present value of future cash flows are adjusted against the CSM and thereby recognised in profit or loss over the remaining contractual service period
- The effect of changes in discount rates will be reported in either profit or loss or other comprehensive income, determined by an accounting policy choice
- The recognition of insurance revenue and insurance service expenses in the statement of comprehensive income based on the concept of services provided during the period
- Amounts that the policyholder will always receive, regardless of whether an insured event happens (non-distinct investment components) are not presented in the income statement, but are recognised directly on the balance sheet
- Insurance services results (earned revenue less incurred claims) are presented separately from the insurance finance income or expense
- Extensive disclosures to provide information on the recognised amounts from insurance contracts and the nature and extent of risks arising from these contracts

IFRS 17 is effective for annual reporting periods beginning on or after 1 January 2021, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17. Retrospective application is required. However, if full retrospective application for a group of insurance contracts is impracticable, then the entity is required to choose either a modified retrospective approach or a fair value approach.

The Group plans to adopt the new standard on the required effective date together with IFRS 9 (see above). The Group started a project to implement IFRS 17 and has been performing a high-level impact assessment of IFRS 17. The Group expects that the new standard will result in an important change to the accounting policies for insurance contract liabilities of the Group and is likely to have a significant impact on profit and total equity together with presentation and disclosure.

Commentary

IAS 8.30 requires disclosure of standards that have been issued but are not yet effective. These disclosures are required to provide known or reasonably estimable information to enable users to assess the possible impact of the application of such IFRSs on an entity's financial statements. The Group has listed standards and interpretations that are not yet effective and expected to have an impact on the Group's financial position, performance, and/or disclosures. An alternative that entities may consider would be to list and address all new standards and interpretations.

52. Events after the reporting date

On 14 January 2018, an office owned and used by the Group with a net book value of €695,000 was severely damaged by flooding. It is expected that insurance proceeds will fall short of the costs of rebuilding by €250,000.

IAS 10.21
IAS 10.10

Appendix A Shadow accounting

Commentary

If shadow accounting is applicable to the Group, the following disclosures will be required.

A1.1. Accounting policy – shadow accounting

In some of the accounting policies for insurance liabilities that have been adopted for the Group, realised gains or losses on certain assets have a direct effect on the measurement of certain related insurance assets and liabilities. This is either because of the way that the accounting model works or because the policyholder has a contractual right linked to realised gains and losses only.

IFRS4.30

In these situations, if unrealised gains or losses on these assets exist, the Group applies 'shadow accounting'. By applying shadow accounting, the Group treats the impact of unrealised gains or losses on insurance assets and liabilities affected by an unrealised gain or loss on a financial asset in the same way as the realised gain or loss on that asset.

In particular, the related adjustment to insurance liabilities, PVIF or DAC is recognised in equity if the unrealised gains or losses are recognised directly in equity.

Shadow accounting is consistently applied to all those situations where realised gains and losses on investments would influence insurance assets and/or insurance liabilities, and unrealised gains and losses on those investments exist. Where applicable, the adjustment to PVIF, DAC and the insurance liabilities is recognised in a manner consistent with the recognition of the unrealised gains and losses on the investments.

A1.2. Consolidated statement of comprehensive income

	Notes	2017 €000	2016 €000	*IAS 1.51(b), (c)* *IAS 1.51(d), (e)*
Profit for the year		**10,174**	**7,908**	*IAS 1.81A(a)*
Other comprehensive income (OCI) *OCI to be reclassified to profit or loss in subsequent periods:*				*IAS 1.82A(b)*
Exchange differences on retranslation of foreign operations	A1.3	(67)	–	*IAS 21.32* *IAS 1.7(c)*
Net loss on cash flow hedges	A1.3	(36)	(24)	*IFRS 7.23(c)* *IAS 1.7(e)*
Net gain on available-for-sale financial assets	A1.3	6,184	3,297	*IFRS 7.20(a)(ii),* *IAS 1.7(d)*
Shadow accounting adjustment		(25)	(15)	
Income tax relating to items that may be reclassified	A1.3	(1,817)	(977)	
Net OCI to be reclassified to profit or loss in subsequent periods		**4,239**	**2,281**	
OCI not to be reclassified to profit or loss in subsequent periods:				*IAS 1.82A(a)*
Remeasurement gains on defined benefit plan	A1.3	115	58	*IAS 19.120(c), 122*
Net OCI not to be reclassified to profit or loss in subsequent periods		**115**	**58**	
OCI for the year, net of tax	A1.3	**4,354**	**2,339**	*IAS 1.81A(b)*
Total comprehensive income for the year, net of tax		**14,528**	**10,247**	*IAS 1.81A(c)*
Total comprehensive income attributable to:				
Equity holders of the parent		14,340	10,247	*IAS 1.81B(b)(ii)*
Non-controlling interests		188	–	*IAS 1.81B(b)(i)*
		14,528	**10,247**	

A1.3. Consolidated Statement of changes in equity

IAS 1.10(c)
IAS 1.51(b), (c)

	Notes	Attributable to equity holders of the parent										
		Issued share capital	Share premium	Other capital reserves	Retained earnings	Available-for-sale reserve	Cash flow hedge reserve	Foreign currency translation reserve	Total ordinary share-holders' equity	Non-controlling interests	Total equity	
		€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	*IAS 1.51(d), (e)*
At 1 January 2017		7,385	1,045	210	12,915	4,014	(22)	–	25,547	–	25,547	
Profit for the year		–	–	–	10,022	–	–	–	10,022	152	10,174	*IAS 1.106(d)(i)*
Other comprehensive income	A1.5	–	–	–	115	4,266	(25)	(38)	4,318	36	4,354	*IAS 1.106(d)(ii)*
Total comprehensive income		**–**	**–**	**–**	**10,137**	**4,266**	**(25)**	**(38)**	**14,340**	**188**	**14,528**	*IAS 1.106(a)*
Issue of share capital	44	1,253	26,672	–	–	–	–	–	27,925	–	27,925	*IAS 1.106(d)(iii)*
Transaction costs for equity issue	44	–	(302)	–	–	–	–	–	(302)	–	(302)	*IAS 32.39*
Share-based payment transactions	38	–	–	14	–	–	–	–	14	–	14	*IFRS 2.50*
Dividends paid during the year	19	–	–	–	(3,236)	–	–	–	(3,236)	–	(3,236)	*IAS 1.107*
Non-controlling interests arising on business combination	4	–	–	–	–	–	–	–	–	7,314	7,314	*IAS 1.106(d)(iii)*
At 31 December 2017		**8,638**	**27,415**	**224**	**19,816**	**8,280**	**(47)**	**(38)**	**64,288**	**7,502**	**71,790**	

A1.3. Consolidated Statement of changes in equity (cont'd)

IAS 1.51(b), (c)

		Attributable to equity holders of the parent										
	Notes	Issued share capital	Share premium	Other capital reserves	Retained earnings	Available-for-sale reserve	Cash flow hedge reserve	Foreign currency translation reserve	Total ordinary share-holders' equity	Non-controlling interests	Total equity	
		€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	IAS 1.51(d), (e)
At 1 January 2016		7,382	1,000	200	7,036	1,716	(5)	–	17,329	–	17,329	
Profit for the year		–	–	–	7,908	–	–	–	7,908	–	7,908	IAS 1.106(d)(i)
Other comprehensive income	A1.5	–	–	–	58	2,298	(17)	–	2,339	–	2,339	IAS 1.106(d)(ii)
Total comprehensive income		**–**	**–**	**–**	**7,966**	**2,298**	**(17)**	**–**	**10,247**	**–**	**10,247**	IAS 1.106(a)
Issue of share capital	44	3	47	–	–	–	–	–	50	–	50	IAS 1.106(d)(iii)
Transaction costs for equity issue	44	–	(2)	–	–	–	–	–	(2)	–	(2)	IAS 32.39
Share-based payment transactions	38	–	–	10	–	–	–	–	10	–	10	IFRS 2.50
Dividends paid during the year	19	–	–	–	(2,087)	–	–	–	(2,087)	–	(2,087)	IAS 1.107
At 31 December 2016		**7,385**	**1,045**	**210**	**12,915**	**4,014**	**(22)**	**–**	**25,547**	**–**	**25,547**	

A1.4. Disclosures of components of other comprehensive income

a. Note disclosures of income tax effects relating to other comprehensive income

IAS 1.90
IAS 12.82(ab)

	2017			2016		
	Before tax amount €000	Tax (expense) benefit €000	Net of tax amount €000	Before tax amount €000	Tax (expense) benefit €000	Net of tax amount €000
Exchange differences on translating foreign operations	(67)	20	(47)	–	–	–
Net movement on cash flow hedges	(36)	11	(25)	(24)	7	(17)
AFS financial assets	6,184	(1,855)	4,329	3,297	(989)	2,308
Remeasurement gains on defined benefit plan	115	–	115	58	–	58
Shadow accounting adjustment	(25)	7	(18)	(15)	5	(10)
Total other comprehensive income	6,171	(1,817)	4,354	3,316	(977)	2,339

b. Note disclosures of components of other comprehensive income

IAS 1.92

	2017 €000	2016 €000
AFS financial assets:		
Gains arising during the year	6,230	3,338
Less: Reclassification adjustments for gains included in the statement of profit or loss	(46)	(41)
	6,184	3,297
Shadow accounting adjustment	(25)	(15)
Total	**6,159**	**3,282**

IFRS 7.23(d)

A1.5. Deferred expenses

		Deferred acquisition costs (DAC)		Investment management services	
	Notes	Insurance contracts €000	Investment contracts with DPF €000	Investment contracts without DPF €000	Total €000
At 1 January 2016		6,042	4,027	295	10,364
Expenses deferred	16	1,626	1,076	520	3,222
Amortisation	16	(1,224)	(808)	(77)	(2,109)
Shadow accounting adjustment		(15)	–	–	(15)
At 31 December 2016		**6,429**	**4,295**	**738**	**11,462**
Expenses deferred	16	2,749	1,826	793	5,368
Amortisation	16	(1,978)	(1,311)	(110)	(3,399)
Shadow accounting adjustment		(25)	–	–	(25)
At 31 December 2017		**7,175**	**4,810**	**1,421**	**13,406**

IFRS 4.37(b),(e)
IAS 18 IE14 (b)(iii)
IFRS 4.30
IFRS 4.30

Appendix B Glossary of insurance terms

Assumptions	The underlying variables which are taken into account in determining the value of insurance and investment contract liabilities.
Benefits and claims experience variation	The difference between the expected and the actual benefit payout.
Claims development table	A table that compares actual claims paid and current estimates of claims with previously-reported estimates of the same claims, demonstrating the sufficiency or otherwise of those previous estimates.
Deferred expenses – deferred acquisition costs (DAC)	Those direct and indirect costs incurred during the financial period arising from the writing or renewing of insurance contracts and/or investment contracts with DPF, which are deferred and brought to account as expenses of future reporting periods.
Deferred expenses – investment management services	Those incremental costs incurred during the financial period directly attributable to securing investment contracts without DPF, under which investment management services are rendered, which are deferred to the extent that these costs can be identified separately, measured reliably and it is probable that these costs will be recoverable out of future revenue margins.
Deferred revenue	Initial and other front-end fees received for rendering future investment management services relating to investment contracts without DPF, which are deferred and recognised as revenue when the related services are rendered.

*Discretionary participation feature (DPF)**	A contractual right to receive, as a supplement to guaranteed benefits, additional benefits:
	► That are likely to be a significant portion of the total contractual benefits
	► Whose amount or timing is contractually at the discretion of the issuer
	► That are contractually based on:
	  ► The performance of a specified pool of contracts or a specified type of contract
	  ► Realised and/or unrealised investment returns on a specified pool of assets held by the issuer
	  ► The profit or loss of the company, fund or other entity that issues the contract

General insurance	An insurance contract which provides coverage other than life insurance to the policyholder. Examples include motor, household, third party liability, marine and business interruption. Short-term life and health insurance is also frequently classified as general insurance.
Embedded value (EV)	This is an estimate of the adjusted net worth of a life insurance business plus the value of in-force business. The measurement principles differ from the measurement principles under IFRS.
Euroland GAAP	The previous national accounting basis that will be used as the grandfathered accounting basis for the recognition and measurement of insurance contracts, as allowed under IFRS 4, until the effective date of IFRS 17 *Insurance Contracts* (i.e., annual reporting periods beginning on or after 1 January 2021).
*Financial risk**	The risk of a possible future change in one or more of a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract.
Healthcare	An insurance contract which provides medical coverage to a policyholder.
Incurred but not reported (IBNR)	Claims to be made by a policyholder, but not yet reported to the insurance company.
Intangible assets – present value of acquired in-force business (PVIF)	The difference between the fair value and the carrying amount of a portfolio of acquired insurance and/or investment contracts with DPF.
Intangible assets – future servicing rights	The present value of future servicing rights from a portfolio of acquired investment contracts without DPF, under which the company will render investment management services.
*Insurance contract**	A contract under which one party (the insurer) accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder.
*Insurance risk**	Risk, other than financial risk, transferred from the holder of a contract to the issuer.

Appendix B Glossary of insurance terms

Investment contract	A contract, which contains significant financial risk and may contain insignificant insurance risk, but does not meet the definition of an insurance contract.
Investment management services	The management of an investment contract on behalf of a policyholder, for which an investment management service fee is charged.
Liability adequacy test	An annual assessment of the sufficiency of insurance and/or investment contract with DPF liabilities, to cover future insurance obligations.
Life insurance	A contract which provides whole life, term assurance, unitised pension, guaranteed pension, pure endowment pension and mortgage endowment coverage to the policyholder.
Non-life insurance	Comprises general insurance and healthcare and includes an insurance contract that is not life insurance.
Outstanding claims provision	Comprises claims reported by the policyholder to the insurance company, and IBNR claims.
Premiums earned	In the case of general insurance business, earned premium is the proportion of written premiums (including, where relevant, those of prior accounting periods) attributable to the risks borne by the insurer during the accounting period. For non-life insurance contracts the premium income attributable to the insurance risks borne by the insurer in the reporting period, that is, after adjusting for the opening and closing balances of unearned premium.
Premiums written	For general insurance, premiums written state that an insurer is contractually entitled to receive from the insured in relation to contracts of insurance. These are premiums on contracts entered into during the accounting period and adjustments arising in the accounting period to premiums receivable in respect of contracts entered into in prior accounting periods. For life insurance, premiums written are premiums to which the insurer is contractually entitled becoming due for payment in the accounting period.
Provision for unearned premiums	A provision for premiums received or receivable for which the underlying risk has not yet expired. This provision is released over the term of the contract as the underlying risk expires.
Provision for premium deficiency	The provision for premium deficiency reflects management assessment of claims expected to be incurred after the reporting date in respect of current insurance contracts that will, together with any deferred expenses, exceed the premiums to be earned on those contracts after the reporting date.
Reinsurance	Insurance risk that is ceded to another insurer to compensate for losses, but the ultimate obligation to the policyholder remains with the entity who issued the original insurance contract.
Shadow accounting	An accounting adjustment to allow for the impact of recognising unrealised gains or losses on related insurance assets and liabilities, in a manner consistent with the recognition of the unrealised gains or losses on financial assets that have a direct effect on the measurement of the related insurance assets and liabilities, (i.e., in the statement of profit or loss or in the statement of OCI).
Unit-holder/unit-linked	Investor in a unit-linked product, when the investment risk is borne by the policyholder and not by the insurance company.

* Definition sourced from IFRS 4 Appendix A

Appendix C Information in other illustrative financial statements available

IFRS is illustrated across our various illustrative financial statements, as follows:

		Good Group	Good Group - Alternative Format	Good Group Interim	Good First-time adopter	Good Insurance	Good Bank	Good Invest (Eq.)	Good Invest (Liab.)	Good Real Estate	Good Mining	Good Petroleum
International Financial Reporting Standards (IFRS)												
IFRS 1	*First-time Adoption of International Financial Reporting Standards*				✓							✓
IFRS 2	*Share-based Payment*	✓	✓	✓	✓	✓				✓		
IFRS 3	*Business Combinations*	✓	✓	✓	✓	✓	✓			✓	✓	✓
IFRS 4	*Insurance Contracts*					✓						
IFRS 5	*Non-current Assets Held for Sale and Discontinued Operations*	✓	✓	✓	✓		✓			✓		
IFRS 6	*Exploration for and Evaluation of Mineral Resources*										✓	✓
IFRS 7	*Financial Instruments: Disclosures*	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
IFRS 8	*Operating Segments*	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
IFRS 9	*Financial Instruments: Classification and Measurement*											
IFRS 10	*Consolidated Financial Statements*	✓	✓	✓		✓	✓					
IFRS 11	*Joint Arrangements*	✓	✓	✓								✓
IFRS 12	*Disclosure of Interests in Other Entities*	✓	✓			✓	✓					
IFRS 13	*Fair Value Measurement*	✓	✓	✓		✓	✓					
IFRS 14	*Regulatory Deferral Accounts*											
IFRS 15	*Revenue from Contracts with Customers*											
IFRS 16	*Leases*											
IFRS 17	*Insurance Contracts*											
International Accounting Standards (IAS)												
IAS 1	*Presentation of Financial Statements*	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
IAS 2	*Inventories*	✓	✓	✓	✓					✓	✓	✓
IAS 7	*Statement of Cash Flows*	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
IAS 8	*Accounting Policies, Changes in Accounting Estimates and Errors*	✓	✓	✓	✓	✓		✓	✓	✓	✓	✓
IAS 10	*Events after the Reporting Period*	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
IAS 11	*Construction Contracts*									✓		
IAS 12	*Income Taxes*	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
IAS 16	*Property, Plant and Equipment*	✓	✓		✓	✓	✓			✓	✓	✓
IAS 17	*Leases*	✓	✓	✓	✓	✓	✓			✓	✓	✓
IAS 18	*Revenue*	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
IAS 19	*Employee Benefits*	✓	✓	✓	✓	✓	✓				✓	✓

Appendix C Information in other illustrative financial statements available

IFRS is illustrated across our various illustrative financial statements, as follows:

		Good Group	Good Group - Alternative Format	Good Group Interim	Good First-time adopter	Good Insurance	Good Bank	Good Invest (Eq.)	Good Invest (Liab.)	Good Real Estate	Good Mining	Good Petroleum
IAS 20	*Accounting for Government Grants and Disclosure of Government Assistance*	✓	✓	✓	✓							
IAS 21	*The Effects of Changes in Foreign Exchange Rates*	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
IAS 23	*Borrowing Costs*	✓	✓	✓	✓	✓	✓			✓	✓	✓
IAS 24	*Related Party Disclosures*	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
IAS 26	*Accounting and Reporting by Retirement Benefit Plans*											
IAS 27	*Separate Financial Statements (Revised in 2013)*											
IAS 28	*Investments in Associates and Joint Ventures*	✓	✓	✓	✓	✓	✓			✓		✓
IAS 29	*Financial Reporting in Hyperinflationary Economies*											
IAS 32	*Financial Instruments: Presentation*	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
IAS 33	*Earnings per Share*	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
IAS 34	*Interim Financial Reporting*			✓								
IAS 36	*Impairment of Assets*	✓	✓	✓	✓	✓	✓			✓	✓	✓
IAS 37	*Provisions, Contingent Liabilities and Contingent Assets*	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
IAS 38	*Intangible Assets*	✓	✓	✓	✓	✓	✓			✓	✓	✓
IAS 39	*Financial Instruments: Recognition and Measurement*	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
IAS 40	*Investment Property*	✓	✓	✓	✓	✓				✓		
IAS 41	*Agriculture*											
Interpretations												
IFRIC 1	*Changes in Existing Decommissioning, Restoration and Similar Liabilities*	✓	✓	✓	✓						✓	✓
IFRIC 2	*Members' Shares in Co-operative Entities and Similar Instruments*											
IFRIC 4	*Determining Whether an Arrangement Contains a Lease*	✓	✓	✓	✓						✓	✓
IFRIC 5	*Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds*			✓							✓	✓
IFRIC 6	*Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment*	✓	✓	✓	✓							
IFRIC 7	*Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies*											

Appendix C Information in other illustrative financial statements available

IFRS is illustrated across our various illustrative financial statements, as follows:

		Good Group	Good Group - Alternative Format	Good Group Interim	Good First-time adopter	Good Insurance	Good Bank	Good Invest (Eq.)	Good Invest (Liab.)	Good Real Estate	Good Mining	Good Petroleum
IFRIC 9	*Reassessment of Embedded Derivatives*	✓	✓	✓		✓	✓					
IFRIC 10	*Interim Financial Reporting and Impairment*	✓	✓	✓								
IFRIC 12	*Service Concession Arrangements*											
IFRIC 13	*Customer Loyalty Programmes*	✓	✓	✓	✓							
IFRIC 14	*The limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*											
IFRIC 15	*Agreements for the Construction of Real Estate*									✓		
IFRIC 16	*Hedges of a Net Investment in a Foreign Operation*	✓	✓	✓	✓							
IFRIC 17	*Distributions of Non-cash Assets to Owners*	✓	✓	✓	✓							
IFRIC 18	*Transfers of Assets from Customers*	✓	✓	✓	✓							
IFRIC 19	*Extinguishing Financial Liabilities with Equity Investments*			✓								
IFRIC 20	*Stripping costs in the Production Phase of a Surface Mine*										✓	
IFRIC 21	*Levies*	✓	✓	✓			✓					
IFRIC 22	*Foreign Currency Transactions and Advance Consideration*											
IFRIC 23	*Uncertainty over Income Tax Treatments*											
SIC 7	*Introduction of the Euro*											
SIC 10	*Government Assistance – No Specific Relation to Operating Activities*											
SIC 15	*Operating Leases – Incentives*	✓	✓	✓	✓					✓		
SIC 25	*Income Taxes – Changes in the Tax Status of an Entity or its Shareholders*				✓							
SIC 27	*Evaluating the Substance of Transactions Involving the Legal Form of a Lease*	✓	✓	✓	✓							
SIC 29	*Service Concession Arrangements: Disclosures*											
SIC 31	*Revenue – Barter Transactions Involving Advertising Services*											
SIC 32	*Intangible Assets – Web Site Costs*											

✓ This standard or interpretation is incorporated into these illustrative financial statements.

Notes

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