

SOOGEN HOLDINGS LIMITED
REPORT OF THE DIRECTOR
AND CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2022

COMPANY NUMBER – 09420212

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**ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

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DIRECTOR AND REGISTERED OFFICE

Director

J A F Cuypers

Registered office

24 Gladstone Road
Altrincham
Cheshire
WA14 1NS

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2022

The director presents his strategic report and the consolidated financial statements for the year ended 31 December 2022. The group consists of Soogen Holdings Limited (*"the Company"*) and its subsidiary, Monarch Assurance SE (*"Monarch"*). Monarch owns the entire issued share capital of Roussel SA (*"Roussel"*), a Belgian property company.

Review of the business

These financial statements consolidate the results of the Company for the year to 31 December 2022 with the results of Monarch for the year to 30 November 2022 and results of Roussel for the year to 30 September 2021 (modified to reflect the current market values of certain fixed assets). Although the year ends of group companies are not co-terminous, the director is not aware of any significant transactions in the intervening periods.

The Group's principal subsidiary - Monarch - operated as a regulated life assurance company in the UK from 1965. In response to the impact that Brexit would have on the Group, the directors of Monarch took the decision to transfer the seat of Monarch to Malta. On 21 December 2020, Monarch received authorisation to write long-term insurance business from the Malta Financial Services Authority and with this secured, the company transferred its registered office from the UK to Malta on the same date, voluntarily giving up its UK authorisation from the Prudential Regulation Authority.

The Group first adopted IFRSs during the year ended 31 December 2021, with a transition date to IFRS of 1 January 2020. The Group's financial statements for the year ended 31 December 2021 were the first financial statements that complied with IFRSs as adopted by the UK.

The results for the reporting year are set out in the income statement and statement of comprehensive income on pages 8 and 9.

Premium income for the year at €9.0m fell compared with 2021 (2021: €11.4m) due principally to a reduction in single premium business in the Group's Belgian market. This fall was partially offset by better than budgeted single premiums from international business and growth in French premiums. Very encouragingly, French regular premium business grew by 30% over the prior year. In accordance with IFRS, some of these premiums (2022: €6.3m; 2021: €9.2m) that derive from investment rather than insurance contracts are taken directly to the statement of financial position rather than be reflected in the income statement. Lower levels of premium caused a reduction in commission expenses (expenses for acquisition of insurance and investment contracts) payable to brokers compared to 2021.

The Group experienced a lower level of claims in 2022, reflecting the fact that two large contract surrenders in December 2020 were not repeated in the current financial year. Otherwise, surrenders and management fee income were at a level that, in the opinion of the director, is commensurate with the growing maturity of the client portfolio. As with premiums, IFRSs considerations require that only claims relating to insurance contracts are recognised in the income statement; claims relating to investment contracts are taken directly to unit-linked liabilities in the statement of financial position.

Investment income during 2022 was €1.3m against €0.45m during 2021 reflecting the timing of distributions from and realisation of investments in the Group's portfolio. Equity markets, on which many of the Group's underlying policyholder investments are based, declined in 2022 (with the Russian invasion of Ukraine causing global supply chain disruptions and continued inflationary pressures) following a year of recovery in 2021 from the effects of the COVID-19 pandemic. The income statement reflects fair value losses of €11.4m (2021: gains €11.6m); much of these were allocated to investment contract holders under contractual terms, hence the large portion recognised as investment contract benefits.

Management charges to policyholders of €3.1m in 2022 were lower than in the prior year (2021: €4.0m) reflecting the difficult global markets in 2022 and considering one-off management fee income received in 2021. Only those management charges relating to investment contracts are recognised directly in the income statement.

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2022 – continued

Review of the business - continued

Given the Group's bias toward single premium business, results can be volatile and cost monitoring and control remains a top priority. New investments in resources are only taken after careful consideration and the feasibility of new business initiatives is relatively secure.

Administration expenses fell in 2022 compared to 2021 (€1.8m vs €2.0m respectively) as costs incurred in 2021 to build and implement governance structures and operational capabilities in relation to the relocation of the company from the UK to Malta were not repeated. The director expects administration costs to continue to stabilise over the next 12 months.

Consolidated Shareholders' funds at 31 December 2022 of €4.3m were broadly comparable to the prior year (2021: €4.4m). At 31 December 2022, on a Solvency II basis, Monarch Assurance SE had assets of €2.1m (2021: €3.0m) in excess of its minimum regulatory capital requirement of €4.0m (2021: €3.7m), giving a solvency margin of 153% (2021: 180%). This reduction comes from the increase in the Minimum Capital Requirement (MCR), the loss for the year and movements in non-unit reserves.

Despite the uncertainty and disruption caused by the COVID-19 pandemic and the Russia-Ukraine war over the last two years, the Group has continued to operate on a normal basis. As a regulated insurer, the Group is well prepared to meet future challenges that such events might pose; it is required to hold a minimum level of regulatory solvency capital which is designed to buffer against such shocks and on 31 December 2022, it held well in excess thereof. The Group also undertakes regular re-forecasting and scenario analysis under Solvency II rules to monitor its financial position and respond to emerging risks with appropriate management actions; these show that the Group remains solvent in all the scenarios modelled.

Future developments and financial key performance indicators

The Group continues to work with European based brokers to develop products that they consider will be attractive to their client base and the director is confident that additional opportunities will be realised over the short to medium term. No new products were launched during 2022 but a regular premium term life product for Ireland launched in mid-2023. Further product launches are anticipated during 2023.

The Group will continue to seek to diversify its income stream by launching more new regular premium products.

The director considers the levels of premium, management charges to policyholders, administrative expenses, surrenders and the composition of assets and liabilities to be key financial indicators of the development, performance and position of the business. These numbers are generated by the client administration systems and are reflected in the accounts for the year which have been discussed above.

The Group has various management information measures in place to ensure that the delivery of its products to customers and the operation of the Group's systems and controls are to the highest standards expected in its dealings with customers.

Significant risks and uncertainties

The principal risks and uncertainties facing the business are disclosed in note 3 to the financial statements.

STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2022 – continued

Statement by the Director in performance of his statutory duties in accordance with section 172(1) of Companies Act 2006

Section 172 of the Companies Act 2006 requires a director of a company to act in the way they consider, in good faith, would most likely promote the success of the company for the benefit of its members and stakeholders as a whole. In doing this, Section 172 requires a director to have regard, amongst other matters, to the:

- likely consequences of any decisions in the long-term;
- interests of the company's employees;
- need to foster the company's business relationships with suppliers, customers and others;
- impact of the company's operations on the community and environment;
- maintenance of its reputation for high standards of business conduct; and
- need to act fairly as between the different stakeholders of the company.

In discharging its section 172 duties during the period covered by this report, Soogen has regard to the interests and views of its internal and external stakeholders. By considering Soogen's purpose, vision and values together with its strategic priorities, Soogen aims to make sure its decisions are consistent and equitable. The director considers the key stakeholders to be Monarch's policyholders, the independent brokers it works with, its employees and a small number of third party suppliers, its shareholder and its regulators.

The director delegates the day-to-day running of the Group to executive management at subsidiary level and tasks them with execution of the business strategy and related policies. The director receives regular verbal and written reports on the financial and operational performance of the business together with key performance indicators; he also receives periodic reports on other areas of the business including risk and compliance and legal as well as stakeholder-related matters, diversity and inclusivity, and corporate responsibility matters. Given the size of the Group, executive management and senior employees are in close and regular contact with policyholders, brokers, employees, suppliers and regulators. The director of Soogen is the Chief Executive of Monarch.

The processes in place ensure that the director has an overview of engagement with stakeholders and enables them to comply with their section 172 duty to promote the success of the Group.

The most important strategic decision taken by the Group in recent years was to transfer the legal seat of Monarch in December 2020 from the UK to Malta as a consequence of Brexit. There have been no major strategic decisions by the Group in 2022; its focus has been to ensure that Monarch is properly established and resourced in its new location in order to exploit commercial opportunities as they arise.

Approved by the sole director on 27 September 2023:



J A F Cuypers
Director

DIRECTOR'S REPORT FOR THE YEAR ENDED 31 DECEMBER 2022

Principal activity

The principal activity of the group is to transact life assurance business through its subsidiary Monarch Assurance SE. Monarch Assurance SE is licensed by the Malta Financial Services Authority to carry-on long-term business of insurance, including life insurance and life re-insurance, as authorised under the Insurance Business Act (Chapter 403 of the Laws of Malta).

Future business developments and events after the balance sheet date

The Group uses its expertise and flexibility, working with independent brokers, to offer insurance products tailored to the needs of groups of potential clients. Results continue to show that niche opportunities exist for the Group in the current marketplace and the Group intends to exploit new European markets in a progressive manner.

Results and dividends

No dividends have been paid or proposed (2021: €nil) and the director proposes that retained earnings be carried forward to next year.

Director

Mr J A F Cuypers was the sole director of Soogen Holdings Limited during the year and to the date of signing these financial statements.

Director's interests

At the balance sheet date, Mr J A F Cuypers owns 100% of the issued share capital of Soogen Holdings Limited (2021: 100%).

Statement of director's responsibilities

The director is responsible for preparing the financial statements in accordance with applicable law and regulations.

Company law requires the director to prepare financial statements for each financial period. Under that law the director has elected to prepare the financial statements in accordance with UK-adopted international accounting standards. Under company law the director must not approve the financial statements unless he is satisfied that they give a true and fair view of the state of affairs of the group and the company and of the profit or loss of the group for that period. In preparing those financial statements, the director is required to:

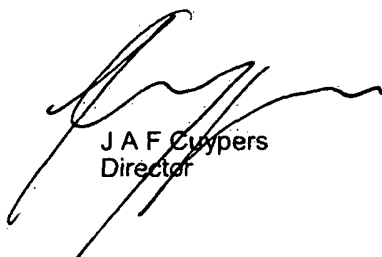
- select suitable accounting policies as described on pages 15 to 28, and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK-adopted international accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group will continue in business.

DIRECTOR'S REPORT
FOR THE YEAR ENDED 31 DECEMBER 2022 – continued

Statement of director's responsibilities – continued

The director is responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and to enable him to ensure that the financial statements comply with the Companies Act 2006. He is also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Approved by the sole director on 27 September 2023:



J A F Cuypers
Director

CONSOLIDATED INCOME STATEMENT

		Year ended 31 December 2022 Euro	Year ended 31 December 2021 Euro
	Notes		
Earned premiums, net of reinsurance			
Gross premiums written	4, 26	2,698,790	2,166,204
Outward reinsurance premium	5	(238,324)	(224,044)
Net premiums written		2,460,466	1, 942,160
Investment income	9	1,309,200	447,684
Net fair value (loss) /gain	10	(11,371,698)	11,627,818
Fee income – investment contracts	6	1,565,675	2,613,237
Total income		(6,036,357)	16,630,899
Claims incurred, net of reinsurance			
Claims paid			
– gross and net amount	7, 26	358,461	705,304
		358,461	705,304
Change in the provision for claims			
– gross and net amount	11	1,423,372	417,208
Net change in the provision for claims		1,423,372	417,208
Claims incurred, net of reinsurance		1,781,833	1,122,512
Investment contract benefits	11, 26	(11,253,197)	11,502,304
Expenses for acquisition of insurance and investment contracts	8	1,825,787	2,039,771
Administration expenses		1,794,086	1,943,004
Total expenses		(7,633,324)	15,485,079
(Loss) / Profit before tax	12	(184,866)	23,308
Tax expense	13	-	(1,373)
(Loss) / Profit for the financial year		(184,866)	21,935
(Loss) / Profit for the financial year attributable to :		(168,101)	21,680
Owners of the parent company			
Non-controlling interests		(16,765)	255
(Loss) / Profit for the financial year		(184,866)	21,935

The notes on pages 15 to 51 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	Year ended 31 December 2022 Euro	Year ended 31 December 2021 Euro
(Loss) / Profit for the financial year attributable to owners of the parent company		(168,101)	21,680
Total comprehensive income for the year		(168,101)	21,680

The notes on pages 15 to 51 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		31 December 2022	31 December 2021
	Notes	Euro	Euro
ASSETS			
Intangible assets	17	99,674	79,698
Property, plant and equipment	18	16,969	13,211
Right-of-use assets	19	82,931	49,595
Investment property	20	5,610,968	5,309,530
Reinsurer's share of technical provisions	26	499,007	-
Insurance and other receivables	23	728,844	738,265
Financial investments:			
- Financial assets at fair value through profit or loss	22	92,586,606	102,377,744
- Loans and receivables at amortised cost	22	6,036,847	6,002,116
Other investment in commodities		224,268	216,426
Cash and cash equivalents	24	7,180,257	7,725,381
Total assets		113,066,371	122,511,966
EQUITY			
Capital and reserves			
Share capital	28	3,127,473	3,127,473
Retained earnings		1,127,113	1,295,214
Total equity		4,254,586	4,422,687
Non-controlling interests		453,668	470,432
LIABILITIES			
Technical provisions	26	106,842,250	116,038,170
Deferred tax liabilities	27	948,791	885,826
Lease liability	19	81,192	48,663
Insurance and other payables	25	85,917	198,454
Accruals		398,594	446,361
Current taxation payable	13	1,373	1,373
Total liabilities		108,358,117	117,618,847
TOTAL EQUITY AND LIABILITIES		113,066,371	122,511,966

The notes on pages 15 to 51 are an integral part of these financial statements.

The company is entitled to exemption from audit under Section 477 of the Companies Act 2006 for the year ended 31 December 2022.

The members have not required the company to obtain an audit of its financial statements for the year ended 31 December 2022 in accordance with Section 476 of the Companies Act 2006.

The director acknowledges his responsibility for:

- a) ensuring that the company and group keeps accounting records which comply with Sections 386 and 387 of the Companies Act 2006 and

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

- b) preparing financial statements which give a true and fair view of the state of affairs of the company and the group as at the end of each financial year and of the group's profit or loss for each financial year in accordance with the requirements of Sections 394 and 395 and which otherwise comply with the requirements of the Companies Act 2006 relating to financial statements, so far as applicable to the company.

These unaudited financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies' regime of the Companies Act 2006.

The financial statements on pages 8 to 51 were approved by the director and authorised for issue on 27 September 2023:



J.A.F. Cuypers
Director

PARENT COMPANY STATEMENT OF FINANCIAL POSITION

	Notes	31 December 2022 Euro	31 December 2021 Euro
ASSETS			
Insurance and other receivables	23	303,334	314,802
Investment in subsidiary	21	2,932,118	2,932,118
Cash and cash equivalents		3,238	8,905
Total assets		3,238,690	3,255,825
EQUITY			
Capital and reserves			
Share capital	28	3,127,473	3,127,473
Retained earnings		(24,081)	(14,457)
Total equity		3,103,392	3,113,016
LIABILITIES			
Insurance and other payables	25	135,298	142,809
Total liabilities		135,298	142,809
TOTAL EQUITY AND LIABILITIES		3,238,690	3,255,825

The notes on pages 15 to 51 are an integral part of these financial statements.

The company is entitled to exemption from audit under Section 477 of the Companies Act 2006 for the year ended 31 December 2022.

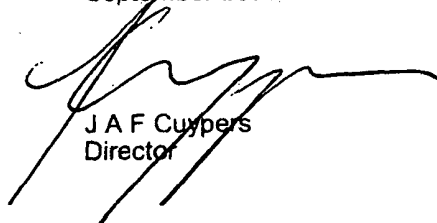
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The director acknowledges his responsibility for:

- a) ensuring that the company and group keeps accounting records which comply with Sections 386 and 387 of the Companies Act 2006 and
- b) preparing financial statements which give a true and fair view of the state of affairs of the company and the group as at the end of each financial year and of the group's profit or loss for each financial year in accordance with the requirements of Sections 394 and 395 and which otherwise comply with the requirements of the Companies Act 2006 relating to financial statements, so far as applicable to the company.

These unaudited financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies' regime of the Companies Act 2006.

The financial statements on pages 8 to 51 were approved by the director and authorised for issue on 27 September 2023:


J A F Cuypers
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Notes	Share capital Euro	Translation reserve Euro	Retained earnings Euro	Total Euro
Year ended 31 December 2021					
Balance as at 1 January 2021		3,127,473	(270,454)	1,544,089	4,401,108
Effect of change in functional currency		-	270,454	(270,454)	-
		3,127,473	-	1,273,635	4,401,108
Total comprehensive income					
Profit for the year		-	-	21,680	21,680
Total comprehensive income for the year		-	-	21,680	21,680
Balance at 31 December 2021		3,127,473	-	1,295,214	4,422,687
Total comprehensive income (Loss) for the year		-	-	(168,101)	(168,101)
Total comprehensive income for the year		-	-	(168,101)	(168,101)
Balance at 31 December 2022		3,127,473	-	1,127,113	4,254,586

The notes on pages 15 to 51 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

		Year ended 31 December 2022	Year ended 31 December 2021
	Notes	Euro	Euro
Operating activities			
Loss before tax		(184,866)	23,308
Add: Depreciation of property, plant and equipment	18	6,184	7,702
Add: Amortisation of intangible assets	17	7,488	6,465
Add: Depreciation of right-of-use assets	19	32,126	14,145
Add: Interest on lease liability	12	2,067	1,123
Less: Fair value (gain)/loss		(296,372)	(145,706)
Changes in working capital:			
Other receivables		31,778	(300,515)
Other payables		(112,537)	132,032
Accruals		(48,375)	151,082
Policyholders' investments		9,684,137	26,663,575
Technical provisions		(9,694,927)	(31,863,877)
Net cash used in operating activities		(573,297)	(5,310,666)
Investing activities			
Additions to property, plant and equipment	18	(9,942)	(11,627)
Additions to intangible assets	17	(27,464)	(47,303)
Proceeds from sale of investments		92,990	-
Net cash used in investing activities		55,584	(58,930)
Financing activity			
Principal and interest elements of lease payment	19	(35,000)	(16,200)
Sale of minority interest in subsidiary		-	-
Net cash used in financing activity		(35,000)	(16,200)
Effect of foreign currency translation		7,589	181
Net movement in cash and cash equivalents		(545,124)	(5,385,615)
Cash and cash equivalents at beginning of year	24	7,725,381	13,110,996
Cash and cash equivalents at end of year	24	7,180,257	7,725,381

The notes on pages 15 to 51 are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. General information

The company is a private limited company limited by shares and is incorporated in England. The address of its registered office is 24 Gladstone Road, Altrincham, Cheshire, WA14 1NS.

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

2. Summary of significant accounting policies

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

2.1 Basis of presentation and adoption of IFRS

Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the EU and those parts of the Companies Act 2006 applicable to those reporting under IFRS. They have been prepared under the historical cost convention as modified by the fair valuation of financial assets and financial liabilities measured at fair value through profit or loss and investment properties as disclosed in the accounting policies below.

Adoption of IFRS

The Group first adopted IFRS during the year ended 31 December 2021, with a transition date to IFRS of 1 January 2020. The Group's financial statements for the year ended 31 December 2021 were the first financial statements that complied with IFRSs as adopted by the EU and those parts of the Companies Act 2006 applicable to those reporting under IFRS. The prior period financial statements were prepared in accordance with the UK Generally Accepted Accounting Practice (UK GAAP).

The Group has consistently applied the accounting policies used in the preparation of its opening IFRS statement of financial position as of 1 January 2020 throughout all periods presented, as if these policies had always been in effect.

2. Summary of significant accounting policies - continued

2.1 Basis of presentation – continued

Going concern

The director is satisfied that the going concern basis of preparation remains relevant after considering existing business and financial resources as well as prospects for new revenue streams.

New standards, amendments and interpretations issued but not effective for the financial year beginning 1 December 2021 and not early adopted

Unless otherwise noted, the following revised standard is effective for annual periods beginning on or after 1 January 2023 with earlier application permitted. The Group is assessing the impact of this standard and intends to adopt IFRS 17 in the financial statements of Monarch Assurance SE for the year ended 30 November 2024.

IFRS 17 'Insurance Contracts' is an IFRS that was issued by the International Accounting Standards Boards (IASB) in May 2017. IFRS 17 will replace IFRS 4. It establishes the principles for the recognition, measurement, presentation and disclosures of contracts within the scope of the standard. IFRS 17 will result in a profound change to the accounting in IFRS financial statements for insurance companies. IFRS 17 'Insurance Contracts' and the June 2021 amendments to IFRS 17 have been endorsed by the European Union on 19 November 2022, albeit with an exemption regarding the annual cohort requirement for specific contracts. Furthermore, on 9 December 2022, the IASB issued 'Initial Application of IFRS 17 and IFRS 9 - Comparative Information', as an amendment to IFRS 17. This amendment is still in the endorsement process by the European Commission.

Management is considering the implications, interpretations and industry practice of the standard and its impact on the Group's financial results and position. Therefore, the likely financial impact of the standard will be further assessed during 2023. The Group has the following expectations as to the impact compared with its current accounting policy for insurance contracts:

- In accordance with IFRS 17, groups of re/insurance contracts are automatically eligible for the premium allocation approach ('PAA') measurement model, if every contract within the group has a coverage period of 12 months or less. For groups with contracts having a coverage period of more than 12 months, prior to opting for the PAA, IFRS 17 requires the Group to consider whether or not it reasonably expects that the liability for remaining coverage under the PAA would produce a result that does not differ materially from the general measurement model ('GMM'). The Group is yet to assess the PAA eligibility.
- Under IFRS 17, the GMM requires entities to measure an insurance contract at initial recognition at the total of the fulfilment cash flows and the contractual service margin.
- Under both models, the fulfilment cash flows will be calculated on a best estimate basis and will be re-measured on a current basis at each reporting period. Cashflows may also need to be discounted (subject to certain conditions laid down in the standard) and the statement of financial position will also include a risk margin.
- The variable fee approach ('VFA') is a variation on the general model. When applying the variable fee approach, the entity's share of the fair value changes of the underlying items is included in the contractual service margin. As a consequence, the fair value changes are not recognised in profit or loss in the period in which they occur but over the remaining life of the contract.
- Given the difference in accounting between the VFA and the GMM, the classification of a contract as a contract with or without direct participation features will have a significant effect on reported results. In addition, the determination of eligibility for the VFA involves significant judgement.
- IFRS 17 will therefore result in a profound change as compared with the current management approach, including in so far as the presentation of the financial statements are concerned. The standard is effective for the annual periods beginning on or after 1 January 2023 and will require restatement of comparatives.

2. Summary of significant accounting policies - continued

2.2 Basis of Consolidation

The consolidated financial statements present the results of Soogen Holdings Limited and Monarch Assurance SE, its own subsidiary, and Monarch's subsidiary Roussel SA ('the group') as if they formed a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full. The results for the Group are for the year to 31 December 2022. The results of Monarch are for the year to 30 November 2022 and those of Roussel SA are for the year to 30 September 2021 (modified to reflect the current market values of certain fixed assets).

The consolidated financial statements incorporate the results of business combinations using the purchase method. In the balance sheet, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of the acquired operations are included in the consolidated statement of comprehensive income from the date on which control is obtained. They are deconsolidated from the date control ceases

Business combinations and goodwill

Where the cost of the business combination is less than the fair value of the group's interest in the assets, liabilities and contingent liabilities acquired, negative goodwill arises. The group, after consideration of the assets, liabilities and contingent liabilities acquired and the cost of the combination, recognises negative goodwill on the balance sheet and releases this to profit and loss up to the fair value of non-monetary assets acquired, over the periods in which the non-monetary assets are recovered and any excess over the fair value of non-monetary assets in the income statement over the period expected to benefit.

2.3 Investment and insurance contracts

Classification

Monarch Assurance SE issues unit-linked contracts that transfer insurance risk or financial risk or both.

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

Investment contracts are those contracts that transfer financial risk with no significant insurance risk.

Recognition and measurement

Investment contracts

All the Group's investment contracts are unit-linked. At inception, investment contract liabilities for unit-linked business, whose fair value is dependent on the fair value of underlying assets and/or investment property, are designated as financial liabilities measured at fair value through profit or loss (FVTPL). The Group designates these investment contracts to be measured at FVTPL because it eliminates or significantly reduces a measurement or recognition inconsistency (referred to as 'an accounting mismatch') that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases. The FVTPL classification reflects the fact that the investment portfolio that backs the unit-linked liabilities is managed and its performance evaluated on a fair value basis.

The best evidence of the fair value of these financial liabilities at initial recognition is the transaction price (that is, the fair value received) unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable markets.

2. Summary of significant accounting policies - continued

2.3 Investment and insurance contracts - continued

Investment contracts - continued

The Group's main valuation techniques incorporate all factors that market participants would consider and make maximum use of observable market data. The fair value of the financial liabilities for investment contracts which are unit linked is determined using the current unit values in which the contractual benefits are denominated. The unit values reflect the fair values of the financial assets contained within the Group's unitised investment funds linked to the financial liability. The fair value of the financial liabilities is obtained by multiplying the number of units attributed to each contract holder at the end of the reporting period by the unit value for the same date.

Contributions received on investment contracts are treated as policyholder deposits and credited directly to investment contract liabilities in the statement of financial position ("deposit accounting") as opposed to being reported as revenue in the income statement. Withdrawals paid out to policyholders on investment contracts are treated as a reduction of policyholder deposits, reducing the investment contract liability in the statement of financial position as opposed to being recognised as claims in the income statement.

Insurance contracts

The Group's insurance contracts consist of a unit-linked element and an additional life cover element; the Group has not elected to unbundle these components. These contracts insure human life events over a long duration. The unit-linked element is valued in the same manner described for the investment contracts above.

The Group's actuary assesses the mortality component of the insurance contracts issued by the Group; as the mortality risk is fully re-insured, there is no impact from mortality risk on the income statement. Mortality risk and the related reinsurance recoverable are included gross in the statement of financial position.

(a) Premiums

Gross written premiums reflect amounts received on insurance contracts issued by the Group, net of premium taxes and gross of commissions payable. Premiums are accounted for in the period in which the corresponding liability is established. In this case, insurance premiums are recognised in profit or loss and simultaneously within liabilities. These liabilities are increased or decreased by changes in unit price and are decreased by policy administration fees, mortality and surrender charges and any withdrawals. These liabilities are the contract holders' account balances.

(b) Claims incurred

Insurance business claims reflect the cost of all claims arising during the year and include payments for maturities, annuities, surrenders and deaths. Claims are recognised as expenses in the income statement at amounts that reflect the unit-linked element (amount received on disposal of the underlying asset) plus an amount equal to the sum assured. Claims are recorded on the maturity or annuity payment due date or notification of the surrender or death as appropriate. Any re-insurance recoveries are accounted for in the same period as the related claim.

Liability for unpaid claims is assessed after making full provision for the estimated ultimate cost of all claims reported or due at the end of the reporting period.

(c) Reinsurance

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

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

2. Summary of significant accounting policies - continued

2.3 Investment and insurance contracts - continued

Reinsurance – continued

Outward reinsurance premiums are accounted for in profit or loss on an accrual basis. Premiums ceded and benefits reimbursed are presented in the primary statements on a gross basis. The Group is only exposed to credit risk in this respect and assets and liabilities are thus not set off. Only contracts that give rise to a significant transfer of insurance risk are accounted for as insurance. Amounts recoverable under such contracts are recognised in the same year as the related claim.

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

The Group assesses its reinsurance assets for impairment. If there is objective evidence that the reinsurance asset is impaired, the Group reduces the carrying amount of the reinsurance asset to its recoverable amount and recognises that impairment loss in the income statement. The Group gathers the objective evidence that a reinsurance asset is impaired using the same process adopted for financial assets held at amortised cost stipulated in IAS 39, 'Financial Instruments – Recognition and Measurement'. The impairment loss is calculated using an incurred loss approach since these assets are within the scope of IFRS 4 and not IFRS 9.

Under IAS 39, reinsurance assets are assessed at each reporting date to determine whether there is objective evidence that they are impaired. A reinsurance asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and the loss event had a negative effect on the estimated future cash flows of that asset can be estimated reliably.

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

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

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

Receivables and payables related to insurance contract and investment contracts

Receivables and payables are recognised when due. These include amounts due to and from agents, brokers and insurance contract holders which primarily comprise insurance receivables. If there is objective evidence that the insurance receivable is impaired, the Group reduces the carrying amount of the insurance receivable accordingly and recognises that impairment loss in the income statement. The Group gathers the objective evidence that insurance receivables are impaired using the same adopted for reinsurance assets. The impairment loss is calculated using the incurred loss approach in accordance with IAS 39 since premium receivables arise from insurance contracts and fall within the scope of IFRS 4 and not IFRS 9.

2. Summary of significant accounting policies - continued

2.4 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity and its subsidiaries operate ("the functional currency"). On 1 December 2021, the Group changed its functional currency from British Pound Sterling ("GBP") to Euro ("EUR").

The Group operates in European Union markets and issues insurance and investment contracts denominated in EUR, the bulk of its cost base is denominated in EUR, the majority of its technical provisions are denominated in EUR and receipts from operating activities are usually retained in EUR. Management has considered the relevant factors above and have determined that the EUR is the functional currency of the Group.

(b) Transactions and balances

Transactions denominated in foreign currencies (currencies other than the functional currency) are translated into the functional currency using the rates of exchange ruling on the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

2.5 Property, plant and equipment

All property, plant and equipment are stated at cost, being the purchase cost of the item plus any expenditure that is directly attributable to the acquisition of the item, less depreciation. Depreciation is calculated to write off the cost of an asset less its estimated residual value on a straight-line basis over its estimated useful life as follows:

Furniture, fixtures and fittings	10 years
Computer hardware and equipment	4 years

Assets residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss.

2.6 Investment property

Property held for long term rental yield or for capital appreciation or both, and that is not occupied by the Group is classified as investment property. Investment property principally comprises land and buildings.

Investment property is measured initially at its historical cost, including related transaction costs and borrowing costs. Borrowing costs which are incurred for the purpose of acquiring or constructing a qualifying property are capitalise as part of its cost. Borrowing costs are capitalised where acquisition or construction is actively underway. Capitalisation of borrowing costs is ceased once the asset is substantially complete and is suspended if the development of the asset is suspended. After initial recognition, investment property is carried at fair value, representing open market value determined annually. The fair valuations are prepared regularly by an independent professional valuer. The fair value of investment property generally reflects, among other things, rental income from current leases and assumptions about rental income from future leases in the light of current market conditions. The fair value also reflects, on a similar basis, any cash outflows that could be expected in respect of the property.

2. Summary of significant accounting policies - continued

2.6 Investment property – continued

Changes in fair value are recorded in the income statement. 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.

2.7 Intangible assets

The Group's intangible assets comprise computer software and capitalised development cost related to a software product. Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable software controlled by the Group are recognised as intangible assets when the following criteria are met:

- It is technically feasible to complete the software product, so it is available for use
- Management intends to complete the software product and use or sell it
- There is an ability to use or sell the software product
- It can be demonstrated how the software product will generate probable future economic benefits
- Adequate technical, financial and other resources are available to complete the software product
- The expenditure attributable to the software product can be reliably measured.

Directly attributable costs that are capitalised comprise independent third-party costs only; internal costs are not capitalised.

Capitalised software development costs are depreciated from the date that the software comes into use over a period not exceeding 4 years.

2. Summary of significant accounting policies - continued

2.8 Leases

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable by the Group under residual value guarantees
- exercise price of a purchase option if the Group is reasonably certain to exercise that option and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option,

Lease payments to be made under reasonably certain extension options are also included in the measurement liability.

Lease payments are allocated between principal and finance costs. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Payments associated with short-term leases and all leases of low-value assets are recognised on a straight-line basis as an expense in the income statement. Short-term leases are leases with a lease term of 12 months or less.

2.9 Impairment of non-financial assets

Non-financial assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other non-financial assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

2. Summary of significant accounting policies - continued

2.10 Investment in subsidiary

Subsidiaries are those entities (including special purpose entities) which the Group controls. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity.

2.11 Financial assets

The Group classifies its financial assets as those measured (a) at fair value through profit or loss or (b) at amortised cost. The classification is dependent on the purpose for which the assets were acquired and is determined by the directors at initial recognition.

2.11.1 Financial assets measured at fair value through profit or loss

The Group classifies its investments based on each portfolio's business model for managing those financial assets and the contractual cash flow characteristics of the financial assets. The portfolio's financial assets are managed, and performance is evaluated on a fair value basis. The Group is primarily focused on fair value information and uses that information to assess the assets' performance and to make decisions. The Group has also elected to measure its investment in subsidiary at fair value in accordance with IFRS 9. The Group has not taken the option to irrevocably designate any equity securities as fair value through other comprehensive income. Consequently, all investments in equity securities are measured at fair value with changes in the fair value recognised in profit or loss.

Recognition and valuation of financial instruments

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

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

2. Summary of significant accounting policies - continued

2.11 Financial assets - continued

2.11.1 Financial assets measured at fair value through profit or loss - continued

Determination of fair value

Fair values are determined according to the following hierarchy:

- Level 1 – quoted market price: financial instruments with quoted prices for identical instruments in active markets.
- Level 2 – valuation technique using observable inputs: financial instruments with quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in inactive markets and financial instruments valued using models where all significant inputs are observable.
- Level 3 – valuation technique with significant unobservable inputs: financial instruments valued using models where one or more significant inputs are unobservable.

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

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

Valuation techniques

The majority of valuation techniques employ only observable market data. However, certain financial instruments are valued on the basis of valuation techniques that feature one or more significant market inputs that are unobservable, and for them the derivation of fair value is more judgemental. The Group has developed valuation techniques to estimate the fair value of the instruments which are unlisted. Valuation techniques develop inputs that represent the assumptions that market participants would use to price an asset and which, by their very nature, require management to make estimates and judgements when determining such inputs. All fair value adjustments are included within the levelling determination.

Details of the valuation techniques for Level 2 and Level 3 instruments are set out in Note 3.6.

2. Summary of significant accounting policies - continued

2.11 Financial assets - continued

2.11.1 Financial assets measured at fair value through profit or loss - continued

Basis of valuing assets and liabilities measured at fair value

For all financial instruments where fair value are determined by reference to externally quoted prices or observable pricing inputs to models, independent price determination or validation is utilised. The fair value of these instruments are based on quoted market prices or quotes from agencies such as Bloomberg and Reuters.

In inactive markets, direct observation of a traded price may not be possible. In these circumstances, the Group will source alternative market information to validate the financial instrument's fair value, with greater weight given to information that is considered to be more relevant and reliable.

2.11.2 Financial assets measured at amortised cost

The Group's other financial assets comprise cash and cash equivalents and loan and other receivables which do not fall within an insurance contract, and it classifies these as financial assets at amortised cost. These assets are initially measured at fair value plus transaction costs that are directly attributable to the acquisition of the financial assets. These assets are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measure at amortised cost. Interest income from these financial assets is included in the income statement using the effective interest method. Any gain or loss arising on derecognition is recognised directly in profit or loss.

Impairment

The Group assesses on a forward-looking basis the expected credit losses (ECLs) associated with its debt instruments carried at amortised cost. It measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs:

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

At each reporting date, the Group measures the loss allowance on amounts receivable at an amount equal to the lifetime expected credit losses if the credit risk has increased significantly since initial recognition. If, on the reporting date, the credit risk has not increased significantly since initial recognition, the Group measures the loss allowance at an amount equal to 12-months expected credit losses.

2.11.3 Other financial liabilities

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

2. Summary of significant accounting policies - continued

2.11 Financial assets - continued

2.11.4 Derecognition of financial assets and liabilities

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

- substantially all the risks and rewards of ownership have been transferred; or
- substantially all the risks and rewards have neither been retained nor transferred but control is not retained.

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

2.11.5 Offsetting financial instruments

Financial assets and liabilities are offset, and the net amount reported in the statement of financial position only when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

2.12 Cash and cash equivalents

Cash and cash equivalents are carried in the statement of financial position at face value. In the statement of cash flows, cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in values.

2.13 Share capital

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

2.14 Fee income

The Group makes certain contract administration charges on the insurance and investment contracts it issues. The type and nature of charges are discussed below.

- Fixed charges are fixed in value according to the contract terms and levied at the inception of insurance and investment contracts issued by the Group.
- Initial charges are a percentage (determined by the related contract terms) of the premium (insurance contract), or contribution (investment contract) received on setting up the related contract and are charged to the customer at the point in time when the performance obligation is met, which is determined to be at the point when the policy is issued.
- Ongoing charges are periodic income based on the market valuation of the Group's insurance and investment contracts. They are calculated and recognised over the period of the contract as they accrue.

All charges are recognised in profit or loss when the service is provided.

2. Summary of significant accounting policies - continued

2.15 Investment return

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

Rental income from investment property is recognised in profit or loss on a straight line basis over the term of the lease.

Policyholders' fund financial income is accounted for through the profit or loss as investment return and reallocated to the policyholder through movement in contract benefits.

2.16 Current and deferred income tax

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

Deferred tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred tax asset is realised, or the deferred tax liability is settled.

Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

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

Policyholders' tax charges are accounted for through the profit or loss, netted against the fair value movement attributed to the policyholder.

2.17 Dividend distribution

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

2. Summary of significant accounting policies - continued

2.18 Critical accounting estimates and judgements

The preparation of the financial statements requires the directors to make judgements, estimates and assumptions that affect the amounts reported. These estimates and judgements are continually reviewed and are based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

All the Group's issued contracts are unit linked and hence all investment risk is borne by the policyholder. Any significant change in the carrying value of a linked asset is offset by a corresponding change in the Group's liability to the policyholder and, other than impacting the value of management charges that the Group can raise against policies in future years, has no impact on the Group. That said, financial assets includes certain unlisted securities for which quoted prices for identical instruments in active markets are not available; consequently, management have made estimates and/or assumptions in order to arrive at a valuation. If management's estimates and judgements proved to be inaccurate, the effect of unit linking is that this has no material impact on the Group's financial position. More details of the valuation techniques and unobservable inputs used to value the Group's investment in subsidiary, its interest in a limited partnership and its holding of certain unlisted equities can be found in Note 3.6.

The Group's/shareholder's assets are principally invested in cash deposits and (indirectly) property. In the current economic environment, the directors have prepared the financial statements on the assumption that the major UK and European banks the Group uses remain in business.

2.19 Loss of the holding company

The director has taken advantage of the exemption available under section 408 of the Companies Act 2006 and not presented a profit and loss account for the parent company in these financial statements. The parent company's loss for the year was €9,624 (2021: profit €11,493).

3. Management of risk

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

3.1 Business risk - significant risks and uncertainties

The management of the business and the execution of the Group's strategy is subject to several risks. Risks are formally reviewed by the board of directors and the Compliance, AML & Risk Committee of Monarch (including the non-executive directors) on a regular basis and appropriate processes are in place to monitor and mitigate them.

The key business risks are described below:

The Group collects management charges from the funds invested on behalf of policyholders and for the life cover it provides on its insurance contracts. The ultimate success of the business depends upon these charges exceeding the costs of administering the business. There is a risk that the Group could incur losses if management charge income fell due to the loss of a major client, if administration costs were to rise significantly, perhaps due to the increasing cost of complying with new regulations or if reinsurance premiums were to increase substantially. To mitigate these risks, the Group continues to seek to diversify its client base through writing new business in well researched niche markets and it continues to explore new product opportunities. New business development creates risk if costs incurred are not matched by new revenues gained. Consequently, the Group considers the risks associated with any new expenditure very carefully, monitors increase in costs regularly and seeks to ensure that the cost base is sufficiently flexible to reflect the success or otherwise of new initiatives. The Group only uses large, stable reinsurers with strong credit ratings.

The Group uses its expertise to develop attractive products for consumers. Changes in legislation may affect the attractiveness of those products and therefore, the profitability of the Group.

3. Management of risk - continued

3.1 Business risk - significant risks and uncertainties - continued

Monarch is required to hold regulatory capital for its insurance business in compliance with the rules issued by the Malta Financial Services Authority (MFSA). It is also subject to insurance solvency requirements as established by the Regulator from time to time. The regulatory capital requirement must be maintained at all times throughout the period. The Group monitors its capital level on a regular basis. Any transactions that may potentially affect Monarch's solvency position are immediately reported to the directors and shareholders for resolution prior to notifying the MFSA.

Monarch is subject to the requirements of the EU Solvency II directive. The Solvency II regime establishes a set of EU-wide capital requirements, risk management and disclosure standards. Monarch must hold eligible own funds to cover the solvency capital requirement (SCR) and eligible basic own funds to cover the minimum capital requirement (MCR). The SCR shall be calculated either in accordance with the standard formula or using a full or partial internal model (PIM) as approved by the Regulator.

Monarch must immediately inform the Regulator where it observes that its SCR or MCR are no longer complied with or where there is risk of non-compliance in the following six months for SCR and three months for MCR.

The Group seeks to mitigate the risk of non-compliance with MFSA or Solvency II regulations by ensuring that the solvency requirement is backed by diverse, high-quality assets and that its new products are designed to minimise their solvency requirement.

COVID-19

The COVID-19 pandemic had significant impact on business and markets across the world but the Group was able, by successfully triggering its business continuity plan, to continue operations through remote means. The business continuity plan outlines response to an emergency and is aimed at ensuring ability to maintain essential operations.

The director is of the opinion that the Group is well equipped for any eventuality which may arise from any future COVID-19 outbreak, with Monarch maintaining enough capital to ensure that it is well equipped to maintain operations and continue operating for the foreseeable future.

3.2 Insurance risk

Insurance risk is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the nature of an insurance contract, this risk is random and therefore unpredictable. The only event that the Group insures is the death of the policyholder from either accidental or natural causes and the terms and conditions of the contracts set out the bases for the determination of the Group's liability should the insured event occur.

Given the size of the Group, the directors are of the view that it would currently be inappropriate for the Group to bear this insurance risk and therefore all life risk taken on by the Group via insurance contracts issued to policyholders is 100% reinsured with a major international reinsurer with a strong credit rating of A+. The financial stability of the reinsurer is reviewed at least annually, and the directors monitor the level of exposure to this single reinsurer.

3.3 Investment risk

Unit-linked contracts

The insurance and investment contracts issued by the Group are all unit-linked, the nature of which is that gains or losses in the value of assets and liabilities underlying those contracts are borne by the policyholder; any reduction in the value of an asset is 100% offset by a corresponding reduction in the Group's liability to its policyholder and vice versa. Consequently, variations in the value of assets held to cover linked liabilities have no direct impact on the Group itself or its ability to continue in business in the foreseeable future. There is therefore no price, currency, credit or interest risk for these contracts.

3. Management of risk - continued

3.3 Investment risk – continued

Unit-linked contracts - continued

	Investments held at risk of insurance contract holders		Investments held at risk of investment contract holders	
	2022	2021	2022	2021
Financial assets				
At fair value through profit or loss				
- Government bonds	-	-	15,463	-
- Listed equities	-	-	34,073	46,150
- Collective investment schemes	3,448,389	2,421,827	11,068,659	14,965,234
- Structured products	-	-	56,416,663	64,048,086
- Unlisted equities	-	-	406,527	235,662
- Interest in limited partnership	-	-	21,151,616	20,522,561
At amortised cost				
- Loan receivables	-	-	6,036,847	6,002,116
- Cash and cash equivalents	933,934	538,322	4,953,427	5,362,882
Total financial assets	4,382,323	2,960,149	100,083,275	111,182,691
Non-financial assets				
Investment properties, net of deferred tax liabilities	-	-	1,653,377	1,678,904
Commodities	-	-	224,268	216,426
Total non-financial assets	-	-	1,877,645	1,895,330
Total assets	4,382,323	2,960,149	101,960,920	113,078,021
Total liabilities	4,382,323	2,960,149	101,960,920	113,078,021

The above assets do not include the reinsurance share of technical provisions of €499,007. The above insurance contracts liabilities amount excludes mortality risk component of €499,007 (Note 26).

Variations do have a secondary impact on the Group in that the policyholder fund on which it calculates its ongoing management charges can go up or down in value; considering the charging bases on its contracts, the directors do not consider the secondary risk to be material to the Group's ability to continue in business on a 12-month basis, even under stressed conditions.

All insurance and investment contracts issued by the Group can be surrendered before maturity for a cash surrender value (or in a few cases for an in specie surrender value) specified in the contractual terms and conditions. The surrender value will never exceed the value of the related assets at the surrender date.

A maturity analysis based on the earliest contractual repayment date would present all contractual liabilities as due on the earliest period because the surrender option can be exercised immediately by all policyholders.

The Group's exposure to market risk from its insurance and investment contracts is the risk of volatility in contract administration fees due to the impact of interest rate, market price or currency movements on the fair value of assets held in linked funds, on which administration fees are based. A decrease of 5% in the fair value of linked assets would reduce fee income by approximately €25,000 (2021: €30,000).

3. Management of risk - continued

3.3 Investment risk – continued

Own Assets

For its own assets, the Group pursues a conservative investment policy with most of its assets in the form of bank balances and property and no financial liabilities other than creditors arising from its day-to-day operations. As a result, it is relatively immune to movements in asset and liability valuations. The biggest risk to the Group is the failure of one of the major banks it uses; to minimise this risk, the Group seeks, within the constraints of operating efficiency, to spread balances across several UK and European based banks with strong credit ratings.

3.4 Financial risk

The Group is exposed to financial risk through its financial assets and liabilities held for its own account. As noted above, all contracts issued by the Group to policyholders are unit-linked and hence the financial risks relating to those contracts are borne by the policyholders. Consequently, the key financial risk is that the Group's financial assets are not sufficient to meet its regulatory capital requirements. The most important components of this financial risk are market risk (including interest rate, currency and price risks), credit risk and liquidity risk. The risk management policies employed by the Group to manage these risks are discussed below.

(a) Market risk

(i) Interest rate risk

The Group holds balances with banks that expose the Group to cash flow interest rate risk. However, the directors consider that interest rate risk on its bank balances is not currently material in terms of future cash flows or results.

(ii) Currency risk

The effect of foreign exchange rate movements on assets held to cover linked liabilities is borne by the policyholder as is the impact of foreign exchange rate movements on financial liabilities within linked funds. Assets underlying a policy are held in the same currency as the Group's liability to the policyholder to ensure that no exchange rate mismatch occurs.

The Group itself has some exposure to foreign exchange rate movements as it holds some assets and liabilities denominated in sterling to facilitate its operations. The directors do not consider the impact of changes in exchange rates on these assets and liabilities to be material.

(iii) Price risk

The Group has a portfolio of long-term investments which are held in order to meet its liabilities to policyholders under unit-linked contracts (see Note 3.3). As noted above, any reduction in the value of the asset as a result of third-party default is 100% offset by a corresponding reduction in the Group's liability to its policyholder.

The Group's own assets subject to price risk comprise of listed equities. The directors do not consider the impact of changes in market price on these assets to be material.

(b) Credit risk

This is the risk of a reduction in earnings and/or value, as a result of the failure of a party with whom the Group has contracted to meet its obligations as they fall due.

The main areas where the Group is exposed to credit risk are:

- reinsurers' share of technical provisions (see note 26);
- investment portfolios in debt securities;
- insurance and other receivables; and
- cash and cash equivalents.

3. Management of risk - continued

3.4 Financial risk - continued

(b) Credit risk - continued

For each of the Group's holdings in financial instruments, the Group's maximum exposure to credit risk is the carrying value; however, it should be noted that the majority of assets subject to credit risk are held in order to meet the Group's liabilities to policyholders and under unit-linked contracts any reduction in the value of the asset as a result of third-party default is 100% offset by a corresponding reduction in the Group's liability to its policyholder (such assets are denoted "linked assets" in the table below). The Group has no exposure to derivatives or similar instruments. The Group's exposures to credit risk as at the end of the reporting period are analysed as follows (besides reinsurer's share of technical provisions as included in note 26):

	2022 Euro	2021 Euro
Financial assets at fair value through profit or loss:		
Structured products (linked assets)	56,416,663	64,048,086
Financial assets at amortised cost:		
Insurance and other receivables	321,165	738,265
Loans and receivables at amortised cost (linked assets)	6,036,847	6,002,116
Cash held with banks and financial institutions (Note 24)	7,151,786	7,725,381
	69,926,461	78,513,848

Within loans and receivables at amortised cost noted above, €5,272,898 (2021: €5,223,011) is secured by means of legal charges over the related policy contract; the balance is unsecured. However, as noted above, these assets are held to cover liabilities of the Group to its policyholders under unit-linked contracts and therefore any reduction in the value of the asset as a result of third-party default has no direct impact on the Group. All unit linking is specific to each policy and the policyholder or their adviser selects the investments underlying the policy.

Loans and receivables at amortised cost, insurance and other receivables are regularly subject to expected credit loss assessments to determine whether or not a credit loss is expected. As at 31 December 2022, the expected credit loss is deemed immaterial.

While cash held with banks and financial institutions is subject to the impairment requirements of IFRS 9, the Group's cash is placed with reputable financial institutions having high quality standards or rating and the directors do not expect any institutions to fail to meet repayment of amount held. As such, the identified expected credit loss was insignificant.

The Group's investment in structured notes which are classified as financial assets at fair value through profit or loss are not subject to the impairment requirements of IFRS 9 since these investments are measured at fair value with changes recognised in profit or loss on the basis that these investments fail to meet 'solely payments of principal and interest' test.

3. Management of risk - continued

3.4 Financial risk - continued

(b) Credit risk - continued

The table below provides information regarding the Group's aggregated credit risk exposure with external credit ratings with respect to the structured notes classified as financial assets at fair value through profit or loss, and the cash held with banks and other financial institutions. The credit rating analysis below takes into account the rating of the respective financial asset and is categorised by Standard & Poor (S&P) Rating, Fitch or Moody.

	2022 Euro	%	2021 Euro	%
AA+ to AA-	482,187	1%	549,728	1%
A+ to A-	29,442,445	46%	34,398,861	48%
BBB+ to BBB-	32,745,695	52%	36,824,156	51%
B+ to B-	815,453	1%	-	nm
Not rated	82,669	nm	722	nm
	63,568,449	100%	71,773,467	100%

The Group is not exposed to credit risk in respect of unit-linked business, although the relevant credit information is disclosed.

(c) Liquidity risk

Liquidity risk is the risk that the Group is unable to meet its current and future obligations as they fall due or is only able to do so at excessive cost.

All contracts issued by the Group stipulate that a surrender or maturity value is only payable once associated assets have been realised. For certain more illiquid policyholder assets, the contract allows the Group to meet a surrender or maturity payment in specie by transferring the underlying assets to the policyholder. Where a policyholder's fund incurs financial liabilities, the Group ensures that the fund has sufficient liquid assets to match the repayment profile; on 31 December 2022 and 31 December 2021, all such liabilities were payable on demand.

Otherwise, the Group's policy is to ensure that it maintains a minimum liquidity position, consisting of bank deposits, to ensure that it can meet its on-going expenses as they fall due.

The Group has financial liabilities comprising other payables and accruals arising in the normal course of business of €85,917 (2021: €198,454), which are payable on demand and lease liabilities as disclosed in Note 19.

(d) Concentration risk

The Group can also be exposed to financial risk through dependence on the ongoing management charges from a few large contracts. The largest contract issued by the company in AUM terms contributed 7.4% of total management charges before commissions for the financial year 2022; this is expected to continue to decline in future years as other revenue streams grow.

3.5 Capital management

Capital risk is defined as the risk that the Group has insufficient capital to provide a resource large enough to absorb losses or that the capital structure is insufficient to meet regulatory requirements.

Monarch is obliged to maintain regulatory capital for its life assurance business in compliance with the Insurance Rules issued by the MFSA; in addition, Monarch seeks to ensure that it maintains a sufficient buffer above this level to absorb any one-year losses. The minimum capital requirement must be maintained at all times throughout the year and Monarch monitors the level of its own funds and its solvency margin on a regular basis.

The Minimum Capital Requirement Absolute Floor amounts to €4,000,000 (2021: €3,700,000) as set out in the Insurance Rules.

3. Management of risk – continued

3.5 Capital management - continued

Based on Monarch's calculations to date which include advice from the Group's actuarial function, the Group is sufficiently capitalised and was compliant at all times with the regulatory capital requirements as stipulated by the MFSA which are in line with the Solvency II requirements.

Monarch must immediately inform the MFSA where its capital resources fall below its SCR or MCR or where there is risk that they will do so in the following six months for SCR and three months for MCR.

3.6 Fair value hierarchy – financial instruments

The table below analyses assets and liabilities by valuation method.

The fair value measurement hierarchy is defined as follows:

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

31 December 2022	Market value through profit or loss			Total
	Level 1 Euro	Level 2 Euro	Level 3 Euro	Euro
Financial assets:				
Government bonds	15,463	-	-	15,463
Equities	79,310	-	-	79,310
Collective investment schemes	14,517,048	-	-	14,517,048
Debt securities	56,416,663	-	-	56,416,663
Other equities	-	-	406,527	406,527
Interest in limited partnership	-	-	21,151,616	21,151,616
	71,028,484	-	21,558,143	92,586,627
Financial liabilities:				
Investment contracts liabilities	80,402,778	-	21,558,143	101,960,921
	80,402,778	-	21,558,143	101,960,921
31 December 2021	Market value through profit or loss			Total
	Level 1 Euro	Level 2 Euro	Level 3 Euro	Euro
Financial assets:				
Equities	184,374	-	-	184,374
Collective investment schemes	17,387,061	-	-	17,387,061
Debt securities	64,048,086	-	-	64,048,086
Other equities	-	-	235,662	235,662
Interest in limited partnership	-	-	20,522,561	20,522,561
	81,619,521	-	20,758,223	102,377,744
Financial liabilities:				
Investment contracts liabilities	92,319,798	-	20,758,223	113,078,021
	92,319,798	-	20,758,223	113,078,021

3. Management of risk - continued

3.6 Fair value hierarchy – financial instruments - continued

Valuation techniques used to determine fair values

The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The market price for these investments is the current bid price quoted on an active market as at the reporting date. Where the valuation of the insurance and investment contracts liabilities are based on the observable prices of the underlying assets, with no significant unobservable inputs, they are classified as Level 1.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data, where it is available, and rely as little as possible on entity specific estimates.

If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3. The Group's instruments included in Level 3 comprise interest in limited partnership and other unlisted equities which are measured at fair value in accordance with IFRS 9. The directors consider the appropriateness of the valuation model inputs, as well as the valuation result using various valuation models and techniques generally recognised as standard within the industry. The interest in the limited partnership is valued on the basis of net assets of the partnership which the directors consider representative of the fair value of the partnership. Other equities are valued at cost €406,527 (2021: €235,662) as the directors consider that cost provides the most reliable estimate of fair value.

3. Management of risk - continued

3.6 Fair value hierarchy – financial instruments - continued

Fair value measurements using significant unobservable inputs (Level 3)

The following table presents the changes in Level 3 instruments:

Level 3	2022 Euro	2021 Euro
Financial investments:		
At beginning of the year/period	20,758,223	18,973,773
Purchases	403,648	-
Fair value gain/(loss) recognised in profit or loss	396,272	1,784,450
At year/period ending	21,558,143	20,758,223

Valuation inputs and relationship to fair value (Level 3)

The table below presents those instruments whose fair values are recognised in whole or in part using valuation techniques based on assumptions that are not supported by prices or other inputs from observable current market transactions in the same instrument:

	Fair value Euro	Valuation technique	Unobservable inputs
31 December 2022			
Financial assets at fair value through profit or loss			
Interest in limited partnership	21,151,616	Net asset value	Adjusted net asset value
Other equities	406,527	Cost	Cost
Liabilities measured at fair value			
Insurance and investments contracts	21,558,143	Net asset value/ cost	Adjusted net asset value/ cost
31 December 2021			
Financial assets at fair value through profit or loss			
Interest in limited partnership	20,522,561	Net asset value	Adjusted net asset value
Other equities	235,662	Cost	Cost
Liabilities measured at fair value			
Insurance and investments contracts	20,758,223	Net asset value/ cost	Adjusted net asset value/ cost

3. Management of risk - continued

3.6 Fair value hierarchy – financial instruments - continued

Valuation process and change in management estimates and assumptions

The finance department of the Group includes a team that performs the valuation of the instruments of the Group, including the Level 3 fair values. The team reports directly to the directors and discussions on valuation process and results are held between the finance team and the directors on a timely basis. The finance team also seek assistance from experts when required with respect to the valuation of the Level 3 instruments.

A change in unobservable inputs for assets valued at Level 3 would not have a material impact on profit before tax.

4. Gross premiums written

The Group operates primarily in a single business segment being that of long term unit-linked insurance business. Gross written premiums represent regular premiums on such business from the Group's markets in France and Norway as analysed below:

	Year ended 2022 Euro	Year ended 2021 Euro
<i>Gross premiums for which investment risk is borne by policyholders written in:</i>		
- France	2,508,147	1,929,339
- Norway	190,643	236,865
	2,698,790	2,166,204
	Year ended 2022 Euro	Year ended 2021 Euro
<i>Premium written by way of direct insurance</i>		
Unit-linked regular premiums	2,698,790	2,166,204

In addition to the above gross written premiums, premiums credited directly to liabilities in Note 26 in relation to single premium unit-linked products classified as investment contracts amounted to €6,269,251 (2021: €9,210,659). These premiums relate mainly to business from the Belgian market.

All business is direct business sold through intermediaries with all insurance and investment contracts concluded in Malta after re-domiciliation on 21 December 2020 (in the UK prior to that).

5. Outward re-insurance premiums

Outward re-insurance premiums are entirely attributable to insurance contracts.

6. Fee income – investment contracts

Fee income relates to management charges taken by the Group on investment contracts written.

	Year ended 2022 Euro	Year ended 2021 Euro
Investment contracts	1,565,675	2,613,237

7. Claims incurred

All claims incurred are net of reinsurance and represent direct unit-linked insurance business.

8. Expenses for acquisition of insurance and investment contracts

Total commission payable for direct business accounted for in the financial year amounted to €1,825,787 (2021: €2,039,771). Of this €911,011 (2021: €1,118,730) arose on investment contracts.

9. Investment income

	Year ended 2022 Euro	Year ended 2021 Euro
Rent income from investment property (Note 20)	23,550	19,243
Interest income from loans and receivables	48,485	105,214
Dividends and other distributions	5,384	10,909
Distribution from equity participations	1,231,817	314,397
Realised difference on exchange	(35)	(2,079)
Total Investment Income	1,309,200	447,684

10. Net fair value (loss) /gain

	Year ended 2022 Euro	Year ended 2021 Euro
Unrealised difference on exchange	(447)	19,114
Fair value movement	(11,371,251)	11,608,704
Total net fair value (loss) /gain	(11,371,698)	11,627,818

Net fair value (loss) /gain through profit and loss:

Attributable to linked business	(11,668,071)	11,715,614
Other than linked business	296,373	(87,796)
	(11,371,698)	11,627,818

11. Contract benefits

	Year ended 2022 Euro	Year ended 2021 Euro
Long-term insurance contracts – change in unit liabilities	1,423,372	417,208
Investment contracts benefits	(11,253,197)	11,502,304

Investment contract benefits relate to single and regular premium individual life non-participating unit-linked business where the investment risk is borne by the policyholder and the insurance risk is not significant. The benefits from unit-linked investment contracts are accrued to the account of the contract holder at the fair value of the net gains arising from the underlying linked assets and are credited/(debited) to financial liabilities – investment contracts at fair value through profit or loss. All investment contracts are designated as fair value through profit and loss on initial recognition.

12. (Loss) / Profit before tax

(Loss) / Profit before tax is stated after charging:

	Year ended 2022 Euro	Year ended 2021 Euro
Depreciation and amortisation:		
- Intangible assets (Note 17)	7,488	6,465
- Property plant and equipment (Note 18)	6,184	7,702
- Leased assets (Note 19)	32,126	14,145
Non-executive directors' of group companies fees and benefits (Note 15)	121,779	178,083
Employee benefit expense (Note 14)	421,491	521,010
Auditors' remuneration:		
- Annual statutory audit	62,000	54,000
- Other assurance services	18,000	14,000
Interest expense on lease liability - office premises (Note 19)	2,067	1,123

13. Taxation

	Year ended 2022 Euro	Year ended 2021 Euro
Current year taxation expense	-	1,373
Total tax expense	-	1,373

The tax on the Group's results before tax differs from the theoretical amount that would arise using the basic tax rate as follows:

	Year ended 2022 Euro	Year ended 2021 Euro
(Loss) / Profit before tax	(176,976)	23,308
Tax charge on profit at 35% (2021: 35%)	(61,942)	8,158
Tax effect of:		
Income not subject to tax	-	(17,183)
Expenses not deductible for tax purposes	-	4,004
Unabsorbed tax loss	-	5,021
Net effect of unrecognised deferred tax	61,942	-
Others	-	1,373
Tax expense	-	1,373

14. Employee benefit expenses

Employee information

	Year ended 2022 Number	Year ended 2021 Number
Key management	1	1
Technical	1	1
Administrative	4	3
Number of employees	6	5

Employee benefit expenses

	Year ended 2022 Euro	Year ended 2021 Euro
Wages and salaries	399,326	267,065
Relocation benefit	-	239,000
Defined pension contributions	1,718	-
Social security	20,447	14,945
Total wages & salaries	421,491	521,010

Wages and salaries include the executive director's salary.

15. Key management personnel emoluments

	Year ended 2022 Euro	Year ended 2021 Euro
Non-executive directors of group companies fees	121,779	123,869
Executive director's salary and benefits	177,143	389,130
Termination benefits of non-executive directors	-	54,214
Total key management personnel emoluments	298,922	567,213

Key management personnel emoluments include the remuneration of all directors of group companies.

16. Dividends

No dividends were paid or proposed in respect of 2022 (2021: € nil).

17. Intangible assets

	Computer software Euro	Product development cost Euro	Total Euro
At 1 January 2021			
Cost	-	38,860	38,860
Accumulated amortisation	-	-	-
Net book value	-	38,860	38,860
Period ended 31 December 2021			
Opening net book value 2021	-	38,860	38,860
Additions	25,860	21,443	47,303
Amortisation charge	(6,465)	-	(6,465)
Closing net book value 2021	19,395	60,303	79,698
As at 31 December 2021			
Cost	25,860	60,303	86,163
Accumulated amortisation	(6,465)	-	(6,465)
Net book value	19,395	60,303	79,698
Year ended 31 December 2022			
Opening net book value 2022	19,395	60,303	79,698
Additions	9,944	17,520	27,464
Amortisation charge	(7,488)	-	(7,488)
Closing net book value 2022	21,851	77,823	99,674
As at 31 December 2022			
Cost	35,804	77,823	113,627
Accumulated amortisation	(13,953)	-	(13,953)
Net book value	21,851	77,823	99,674

17. Intangible assets - continued

The product development cost relates to a software product which is still in the development process. It's the director's intention that the product will be ready for use by the end of the next financial year. No amortisation has been charged for the year since the product is not ready for use.

Computer software is being amortised at a rate of 25% on a straight-line basis.

18. Property, plant & equipment

	Computer hardware & equipment	Furniture, fixtures & fittings	Total
	Euro	Euro	Euro
At 1 January 2021			
Cost	33,067	-	33,067
Accumulated depreciation	(23,781)	-	(23,781)
Net book value	9,286	-	9,286
Year ended 31 December 2021			
Opening net book value	9,286	-	9,286
Additions	4,870	6,757	11,627
Depreciation charge	(7,026)	(676)	(7,702)
Closing net book value 2021	7,130	6,081	13,211
At 31 December 2021			
Cost	37,937	6,757	44,694
Accumulated depreciation	(30,807)	(676)	(31,483)
Net book value	7,130	6,081	13,211
Year ended 31 December 2022			
Opening net book value	7,130	6,081	13,211
Additions	3,878	6,064	9,942
Depreciation charge	(5,206)	(978)	(6,184)
Closing net book value 2022	5,802	11,167	16,969
At 31 December 2022			
Cost	41,815	12,821	54,636
Accumulated depreciation	(36,011)	(1,654)	(37,667)
Net book value	5,802	11,167	16,969

19. Leases

Amounts recognised in the balance sheet

	Year ended 2022 Euro	Year ended 2021 Euro
Right-of-use assets		
Opening net book amount	49,595	-
Leased office premises – additions	65,462	63,740
Depreciation charge for the year	(32,126)	(14,145)
Closing net book value	82,931	49,595
	2022 Euro	2021 Euro
Lease liabilities		
Current	34,796	20,874
Non-current	46,396	27,789
Closing balance	81,192	48,663

Amounts recognised in the income statement

	Year ended 2022 Euro	Year ended 2021 Euro
Depreciation of right-of-use assets	32,126	14,145
Interest expense on lease liability	2,067	1,123

The group leases office premises for which the rental contract is made for a fixed period of 3 years; the lease may be extended for a further 3 year term at predetermined rentals by the group giving appropriate notice to the landlord. The Group excluded the renewal period as part of the lease term for office leases.

The total cash out flow for leases in 2022 was €35,000 (2021: €16,200).

20. Investment property

	Land and buildings Euro
<hr/>	
Year ended 31 December 2021	
Opening net book amount	4,669,095
Net fair value gains	640,435
	<hr/>
Closing net book amount	5,309,530
	<hr/>
At 31 December 2021	
Cost	4,060,967
Accumulated fair value gains	1,248,563
	<hr/>
Net book amount	5,309,530
	<hr/>
Year ended 31 December 2022	
Opening net book amount	5,309,530
Net fair value gain	301,438
	<hr/>
Closing net book amount	5,610,968
	<hr/>
At 31 December 2022	
Cost	4,060,967
Accumulated fair value gains	1,550,001
	<hr/>
Net book amount	5,610,968
	<hr/>

Investment property of net book value €1,849,968 (31 December 2021; €1,878,530) is held to cover linked liabilities.

Amounts recognised in profit or loss for investment properties

	Year ended 2022 Euro	Year ended 2021 Euro
Rental income from operating leases (Note 9)	23,550	19,243
Direct operating expenses from property that generated rental income	(69,060)	(229,087)
Fair value gain recognised in net fair value gain (Note 10)	301,438	640,435
	<hr/>	<hr/>

20. Investment property - continued

Measuring investment property at fair value - continued

Investment properties are held for long-term rental yields and for capital appreciation. They are carried at fair value with fair value movements presented in investment return in the income statement. Valuation of the investment property was performed by appropriately qualified independent valuers on an open market basis to determine the fair value of land and buildings as at 31 December 2022 and 31 December 2021.

Investment properties are classified into the level 3 hierarchy in accordance with IFRS 13. At the end of each reporting period, the directors update their assessment of the fair value of the property, taking into account the most recent independent valuations. The directors determine a property's value within a range of reasonable fair value estimates.

The best evidence of fair value is current prices in an active market for similar properties. Where such information is not available the directors consider information from a variety of sources including:

- current prices in an active market for properties of a different nature or recent prices of similar properties in less active markets, adjusted to reflect those differences
- discounted cash flow projections based on reliable estimates of future cash flows
- capitalised income projections based on a property's estimated net market income, and a capitalisation rate derived from an analysis of market evidence.

Leasing arrangements

There are no variable lease payments within the lease agreement relating to the investment property that depend on an index or rate. Expectations about the fair value of the property at the end of the current lease are reflected in fair values. Minimum lease payments receivable on the lease are € 28,125 per annum.

In respect of the investment property that is a linked asset, the effect of a 5% fall in the valuation of the property would reduce the Group's fee income in the income statement by approximately €1,000 per annum.

21. Investment in subsidiary at fair value - Group

Details of the Group's subsidiaries are shown below:

Name	Registered office	Nature of business	Class of shares	Percentage of shares held	
				31 December 2022	31 December 2021
Monarch Assurance SE	4 th Floor Development House, St Anne Street, Floriana FRN9010 MALTA	Life assurance	Ordinary shares	90%	90%
Roussel SA*	252 Tervurenlaan, 1150 Brussels, Belgium	Property investment	Ordinary shares	100%	100%

* Held by Monarch Assurance SE.

21. Investment in subsidiary at fair value – continued

No dividends were received from Monarch Assurance SE or Roussel SA during the year (2021: € Nil).

Company

The Company's investment in Monarch Assurance SE is held at original cost.

22. Financial investments

Financial investments are summarised by measurement category below:

	At 31 December 2022 Euro	At 31 December 2021 Euro
Financial assets at fair value through profit or loss:		
- Government bonds	15,463	-
- Quoted equity investments	14,596,337	17,571,435
- Quoted structured products	56,416,663	64,048,086
- Unlisted equity securities	21,558,143	20,758,223
	92,586,606	102,377,744
Financial assets at amortised cost:		
- Loans receivable	6,036,847	6,002,116
Total financial assets	98,623,453	108,379,860

22. Financial investments - continued

	At 31 December 2022 Euro	At 31 December 2021 Euro
Financial assets at fair value through profit or loss:		
Current	352,336	515,602
Non-current	92,234,270	101,862,142
 Financial assets at amortised cost:		
Current	-	-
Non-current	6,036,847	6,002,116
Total	98,623,453	108,379,860

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

Financial assets at fair value through profit or loss of €92,584,678 (31 December 2021: €102,239,519) are held to cover linked liabilities except for the listed equity securities of €45,235 (31 December 2021: €138,225).

Information on financial assets at FVTPL is disclosed in Note 3.6.

Loans and receivables comprise loans secured on policies and other commercial loans.

23. Other receivables - Group

	At 31 December 2022 Euro	At 1 December 2021 Euro
Other debtors	619,742	594,922
Prepayments and accrued income	79,857	111,878
Amounts due from related undertakings	29,245	31,465
Total other receivables	728,844	738,265

Amounts due from related undertakings include €29,245 (31 December 2021: €31,465) owed by Monarch Endowments Limited, a company in which Messrs J A F Cuypers and S P Robinson are directors, and which is 100% owned by Mr Cuypers. The balance is interest free and repayable on demand.

Other debtors include an amount of €542,541 (2021: €547,583) due from Mr J A F Cuypers, the director, which has no fixed repayment terms and is interest free.

Director's interests are shown in the Director's report.

23. Other receivables - Company

	At 31 December 2022 Euro	At 31 December 2021 Euro
Other debtors	303,334	314,802

Other debtors include an amount of €303,201 (2021: €314,660) due from Mr J A F Cuypers, the director, which has no fixed repayment terms and is interest free.

24. Cash and cash equivalents

	At 31 December 2022 Euro	At 31 December 2021 Euro
Bank balances	7,097,714	7,626,230
Cash held in trading accounts at fund managers	82,543	99,151
Total cash and cash equivalents	7,180,257	7,725,381
Attributable to linked business	5,887,644	5,950,004
Other than linked business	1,292,613	1,775,377
	7,180,257	7,725,381

25. Insurance and other payables - Group

	At 31 December 2021 Euro	At 31 December 2021 Euro
Trade creditors	53,671	113,212
Other creditors	3,881	8,794
Indirect taxation	28,365	76,448
Total insurance and other payables	85,917	198,454

All amounts are payable within one year.

Insurance and other payables - Company

	At 31 December 2022 Euro	At 31 December 2021 Euro
Amounts owed to group undertakings: Monarch Assurance SE	135,298	142,809

26. Technical provisions

	At 31 December 2022 Euro	At 31 December 2021 Euro
Analysis of technical provisions		
Insurance contracts – technical provisions	4,881,330	2,960,149
Investment contracts – technical provisions	101,960,920	113,078,021
Total technical provisions	106,842,250	116,038,170

The above technical provisions are gross of reinsurance balance of €499,007 as at 30 November 2022 (2021: Nil).

Movement in technical provisions

	Insurance contracts		Investment contracts	
	Year ended 2022 Euro	Year ended 2021 Euro	Year ended 2022 Euro	Year ended 2021 Euro
At beginning of year	2,960,149	2,542,941	113,078,021	145,359,106
Premiums received	2,698,790	2,166,204	6,269,251	9,210,659
Fees deducted from account balances	(1,491,651)	(1,436,217)	(1,565,675)	(2,613,237)
Account balances paid on surrender	(358,461)	(705,304)	(3,688,855)	(49,779,537)
Annuities paid	-	-	(176,192)	(135,832)
Other movements	(4,040)	(8,340)	(702,427)	(465,442)
Investment return	577,536	400,865	(11,064,806)	11,502,304
Adjustment against shareholders' assets	-	-	(188,391)	-
Mortality risk component	499,007	-	-	-
At end of the year	4,881,330	2,960,149	101,960,920	113,078,021

The above mortality risk component is fully reinsured and was recognised on a gross basis for the first time in 2022.

27. Deferred tax

Deferred tax liabilities are attributable to the following temporary differences:

	At 31 December 2022 Euro	At 31 December 2021 Euro
Investment property	948,791	885,826

Movement in temporary differences during the year

	Year ended 2022 Euro	Year ended 2021 Euro
At beginning of year	885,826	770,344
Recognised in profit or loss	66,000	115,482
Other movement	(3,035)	-
At year end	948,791	885,826

Of the movement in the above deferred tax liability €Nil is offset against the related movements within technical provisions (2021: €84,082).

28. Share capital

	2022		2021	
	Number of shares	Euro	Number of shares	Euro
At beginning of year	2,650,001	3,127,473	2,650,001	3,127,473
At end of the year	2,650,001	3,127,473	2,650,001	3,127,473

	31 December 2022 GBP	31 December 2021 GBP
Authorised and issued:		
Ordinary shares of GBP 1 each	2,650,001	2,650,001

There is a single class of ordinary share and there are no restrictions on the payment of dividends and the repayment of capital by Soogen Holdings Limited.

29. Commitments

The Group had no commitments for capital expenditure not provided for in these financial statements at 31 December 2022 (2021: € Nil).

The Group had no commitments under non-cancellable operating leases at 31 December 2022 (2021: € Nil).

30. Related party transactions and balances

Included within "Loans and receivables at amortised cost" is loan receivable of €167,653 (31 December 2021: €170,241) due from Sixty One Finance Limited, a company incorporated in England and Wales. Messrs J A F Cuypers and S P Robinson (directors of Monarch Assurance SE) are directors of the related entity. Interest payable is linked to the bank base rate. The loan principal and interest of €1,354 as of 31 December 2022 (31 December 2021: €668) was outstanding. Neither director receives any remuneration for this position. The balance is repayable on demand.

Other related party transactions and balances are disclosed in Notes 26 and 23.

31. Events after the reporting date

There were no significant events after the reporting date.