



AASB Transition Resource Group for AASB 17 *Insurance Contracts*

Determining 'revenue' and 'gross assets' for insurers applying IFRS 17 when applying mandatory climate thresholds

Submission date	05/06/2024
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Stakeholder group	Auditor
Do you wish to present to the TRG?	Yes

Potential implementation question

The Treasury Laws Amendment (Financial Market Infrastructure and Other Measures) Bill 2024 sets out which entities will be required to prepare annual sustainability reports for financial years commencing between 1 July 2024 and 30 June 2026 by setting out reporting thresholds. It is not clear how 'consolidated revenue' and 'consolidated gross assets' should be defined by insurance entities who are also applying IFRS 17. The questions are:

A. Which amounts should be included when calculating revenue thresholds for determining entities reporting obligations under the Treasury Bill?

- Insurance revenue
- Insurance finance income/expense
- Investment income/expense – interest/dividends
- Investment income/expense -- fair value gains and losses
- Reinsurance recoveries
- Reinsurance finance income /expense
- Other revenue

B. Is it clear that entities should take total assets when calculating 'gross assets' for the purposes of the reporting thresholds or are there other subtotals that should be considered?

Paragraph of IFRS 17 *Insurance Contracts*

Appendix A, paragraphs 3, 4, 64, 78, 81, 83, 86, 87, 88, B120, B121

Analysis of the question

See analysis included at Appendix 1 below.

Is the question pervasive?

Yes, the reporting thresholds set out in the Treasury Bill will be applicable to all insurers completing financial statements in Australia.

Appendix 1



Background

1. In March 2024 the Australian Federal Government introduced *the Treasury Laws Amendment (Financial Market Infrastructure and Other Measures) Bill 2024* ('the Treasury Bill') into Parliament. The Bill seeks to, amongst other things, legislate the requirements for mandatory climate-related financial disclosures¹.
2. Sections 292A, 296B and 1707B to the Treasury Bill clarifies which entities will be required to prepare annual sustainability reports for financial years commencing between 1 July 2024 and 30 June 2026². The requirements are shown below:

Group	Reporting periods beginning	Large entities and their controlled entities meeting at least two criteria		
		Employees	<u>Consolidated gross assets</u>	<u>Consolidated revenue</u>
1	1 Jan 2025	More than 500	\$1 billion or more	\$500 million or more
2	1 July 2026	More than 250	\$500 million or more	\$200 million or more
3	1 July 2027	More than 100	\$25 million or more	\$50 million or more

Note this paper considers the definition of 'consolidated revenue' (see question A) and 'consolidated gross assets' (question B) used in the table above.

3. Section 292A.7.(b) to the Treasury Bill clarifies that calculating consolidated revenue, and the value of consolidated gross assets, for the purpose of determining if an entity must provide an annual sustainability disclosure report must be done 'in accordance with the accounting standard in force at the relevant time'. This applies 'even if the standard does not otherwise apply to the financial year or some of the entities concerned'
4. As 'consolidated revenue' and 'consolidated gross assets' are not specifically defined in IFRS 17, there is a question as to how entities applying IFRS 17 should define them in order to determine their reporting obligations under the legislation.

¹ The Exposure Draft legislation seeks to amend parts of the Australian Securities and Investment Commission Act 2001 and the Corporations Act 2001 (Cth) to introduce mandatory requirements for large businesses and financial institutions to disclose their climate-related risks and opportunities. [ParlInfo - Treasury Laws Amendment \(Financial Market Infrastructure and Other Measures\) Bill 2024 \(aph.gov.au\)](https://aph.gov.au/ParlInfo/Tras/TrasDetail.aspx?Module=Details&ID=84447)

² Note that it is only those reporting entities who are required to prepare financial reports under Chapter 2M of the Corporation Act 2001 which are included in scope of the legislation. Entities that are not required to report under Chapter 2M, or have obtained relief from reporting under Chapter 2M (e.g. entities registered with the Australian Charities and Not-for-profits Commission (ACNC) or entities who have obtained ASIC class order relief under Corporations Instruments) will not be caught by the mandatory climate reporting legislation.



Accounting literature and Assessment

Revenue

5. For entities issuing or holding contracts that transfer significant insurance risk³, the 'accounting standards in force at the relevant time' applying the guidance outlined in paragraph 4 above, would be IFRS 17 *Insurance Contracts* ('IFRS 17') and IFRS 9 *Financial Instruments* ('IFRS 9'), and potentially IAS 40 *Investment Property*.
6. IFRS 17 does not include a specific definition of 'consolidated revenue' and insurers applying IFRS 17 do/will disclose various income amounts in their statement of profit or loss ('profit or loss') recognised applying IFRS 17.
7. In the Australian Accounting Standards Board's *Conceptual Framework for Financial Reporting* ('Conceptual Framework'), Income is defined as:
*...increases in assets, or decreases in liabilities, that result in increases in equity, other than those relating to contributions from holders of equity claims*⁴.
8. For context, applying the requirements of IFRS 17, Deloitte's illustrative financial statements propose the following presentation of an insurer's profit or loss. Items considered to be income highlighted in red (see Appendix A for presentation in the IFRS 17 illustrative financial statements of EY, PwC and KPMG).

		31/12/2023	31/12/2022
	Note	CU	CU
Insurance revenue	8		
Insurance service expenses	9		
Insurance service result from insurance contracts issued			
Allocation of reinsurance premiums paid	10		
Amounts recovered from reinsurance contracts	10		
Net expenses from reinsurance contracts held¹			
Insurance service result			
Finance income – interest income			
Finance income – other			

³ Applying the IFRS 17, Appendix A definition of 'insurance contract'

⁴ See paragraph 4.68 to the Conceptual Framework - [AASB Conceptual Framework](#)



Gains and losses arising from the derecognition of financial assets measured at amortised cost		
Gains and losses on reclassification of financial assets from amortised cost to FVTPL		
Impairment losses and gains (including reversals of impairment losses) on financial assets and contract assets		
Gains and losses on reclassification of financial assets from FVTOCI to FVTPL		
Other gains and losses		
Finance costs		
Net investment income	11	
Insurance finance income/expenses from insurance contracts issued	11	
Insurance finance income/expenses reclassified from other comprehensive income on derecognition of insurance contracts issued	11	
Insurance finance income/expenses reclassified from other comprehensive income due to a change in holding/not holding the underlying items	11	
Finance income/expenses from reinsurance contracts held	11	
Insurance finance income/expenses reclassified from other comprehensive income on derecognition of reinsurance contracts held	11	
Net insurance finance income/expenses²	11	
Net insurance and investment result		
Other income and expenses		
Profit before tax		
Income tax expenses		
Profit for the year		
Attributable:		
Owners of the company		
Non-controlling interests		

9. Note other relevant literature that may assist in defining 'revenue' in this context includes:

- a. IFRS 15 *Revenue from Contracts with Customers* ('IFRS 15'), which defines 'revenue' as (emphasis added):

*Income arising in the course of an entity's **ordinary activities***

- b. The current text of IFRS 18 (effective for annual reporting periods beginning on or after 1 January 2027) requires entities to report income and expense as either related to operations (i.e. 'main business activities'), investing or financing. IFRS 18 includes insurers when suggesting entities that might invest in assets as a 'main business activity' and therefore be required to include investment income in operating activities⁵.

⁵ IFRS 18.B31:

Examples of entities that might invest in assets as a main business activity include:

- a) *investment entities as defined by IFRS 10 Consolidated Financial Statements;*
- b) *investment property companies; and*
- c) *insurers.*

- c. Note that IAS 7 *Statement of Cash Flows* ('IAS 7') defines cash flows from operating activities as amounts related to 'the principal revenue-producing activities of the entity and other activities that are not investing or financing activities'. IAS 7 does not require insurers to define operating activities in a specific way but insurers generally include investment income/expense in the operating activities section of the statement of cash flows. This is reflected in the IFRS 17 illustrative financial statement cash flows included at Appendix A⁶.

10. Taking each highlighted 'income' caption in turn, we consider the definition of each applying IFRS 17 and IFRS 9 and the arguments for and against including each when calculating the 'consolidated revenue' thresholds.

FS Caption	Description
Insurance Revenue	<p>IFRS 17 paragraph 83 prescribes how entities should define and calculate insurance revenue:</p> <p><i>An entity shall present in profit or loss insurance revenue arising from the groups of insurance contracts issued⁷. Insurance revenue shall depict the provision of services arising from the group of insurance contracts at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those services. Paragraphs B120–B127 specify how an entity measures insurance revenue.</i></p> <p>In IFRS 17 paragraph B120, 'Insurance revenue' is defined as (emphasis added):</p> <p><i>...the consideration for the contracts, ie the amount of premiums paid to the entity:</i></p> <p><i>(a) adjusted for a financing effect; and</i></p> <p><i>(b) excluding any investment components.</i></p> <p>IFRS 17 paragraph B121 goes on to explain revenue should not only include amounts that have been paid:</p>

⁶ Note that only KPMG and PwC include an illustrative cash flow in their IFRS 17 illustrative financial statements.

⁷ Note that in accordance with IFRS 17 paragraph 3, references to insurance contracts issued include reinsurance contracts issued but not always reinsurance contracts held:

IFRS 17.3:

An entity shall apply IFRS 17 to:

- a) insurance contracts, including reinsurance contracts, it issues;*
- b) reinsurance contracts it holds; and*
- c) investment contracts with discretionary participation features it issues, provided the entity also issues insurance contracts.*

IFRS 17.4:

All references in IFRS 17 to insurance contracts also apply to:

- a) reinsurance contracts held, except:*
 - i. for references to insurance contracts issued...*

	<p><i>Paragraph 83 requires the amount of insurance revenue recognised in a period to depict the transfer of promised services at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those services. The total consideration for a group of contracts covers the following amounts:</i></p> <p><i>a) amounts related to the provision of services, comprising:</i></p> <p><i>i) insurance service expenses, excluding any amounts relating to the risk adjustment for non-financial risk included in (ii) and any amounts allocated to the loss component of the liability for remaining coverage;</i></p> <p><i>ia) amounts related to income tax that are specifically chargeable to the policyholder;</i></p> <p><i>ii) the risk adjustment for non-financial risk, excluding any amounts allocated to the loss component of the liability for remaining coverage; and</i></p> <p><i>iii) the contractual service margin.</i></p> <p><i>b) amounts related to insurance acquisition cash flows.</i></p>				
	<table> <tr> <th data-bbox="454 958 928 1032">For inclusion</th><th data-bbox="928 958 1388 1032">Against inclusion</th></tr> <tr> <td data-bbox="454 1032 928 1650"> <ul style="list-style-type: none"> Under IFRS 17, insurance revenue is clearly defined as consideration to which the entity expects to be entitled (adjusted for discounting and any investment components). Insurance revenue represents the revenue earned from the entities ordinary activities, applying the definition of 'revenue' under IFRS 15, and main business activities, applying the definition of 'operating' activities under IFRS 18. </td><td data-bbox="928 1032 1388 1650"></td></tr> </table>	For inclusion	Against inclusion	<ul style="list-style-type: none"> Under IFRS 17, insurance revenue is clearly defined as consideration to which the entity expects to be entitled (adjusted for discounting and any investment components). Insurance revenue represents the revenue earned from the entities ordinary activities, applying the definition of 'revenue' under IFRS 15, and main business activities, applying the definition of 'operating' activities under IFRS 18. 	
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FS Caption	Description	
Amounts recovered from reinsurance contracts	IFRS 17 paragraph 86 ⁸ allows entities to present income or expenses from reinsurance contracts held separately, or net, on the face of the financial statements. Reinsurance income will include claims recoveries as well as any other amounts deemed to be contingent on claims or related to recovery of losses applying IFRS 17 paragraph 86.	
	For inclusion	Against inclusion
	<ul style="list-style-type: none"> Reinsurance recoveries are an 'inflow' to the insurer so could be seen as revenue. Reinsurance could be seen as an 'ordinary' or 'main business activity' of an insurer given most insurers will also hold reinsurance contracts held. 	<ul style="list-style-type: none"> Reinsurance recoveries are referred to as 'income' rather than 'revenue' in IFRS 17 and for the most part will include claims recoveries and other amounts related to the reinsurance contract held that are contingent on claims. As reinsurance recoveries fluctuate depending on claims, it can be a volatile metric and could lead to entities moving in and out of climate reporting thresholds regularly depending on claims volatility. Entities are given the option to present reinsurance recoveries net of reinsurance related expense on the face of the profit or loss and in the notes to the financial statements under IFRS 17. For this reason there are scenarios where reinsurance income would not be

⁸ IFRS 17.86:

An entity may present the income or expenses from a group of reinsurance contracts held (see paragraphs 60–70A), other than insurance finance income or expenses, as a single amount; or the entity may present separately the amounts recovered from the reinsurer and an allocation of the premiums paid that together give a net amount equal to that single amount. If an entity presents separately the amounts recovered from the reinsurer and an allocation of the premiums paid, it shall:

- (a) treat reinsurance cash flows that are contingent on claims on the underlying contracts as part of the claims that are expected to be reimbursed under the reinsurance contract held;*
- (b) treat amounts from the reinsurer that it expects to receive that are not contingent on claims of the underlying contracts (for example, some types of ceding commissions) as a reduction in the premiums to be paid to the reinsurer;*
- (ba) treat amounts recognised relating to recovery of losses applying paragraphs 66(c)(i)–(ii) and 66A–66B as amounts recovered from the reinsurer; and*
- (c) not present the allocation of premiums paid as a reduction in revenue.*

		<p>presented separately on the face of the financial statements and therefore accessible for the users of the financial statements.</p> <ul style="list-style-type: none"> Reinsurance is typically seen as a way for insurers to manage risk rather than a way of generating sales revenue for the entity.
FS Caption	Description	
Finance income/interest income (i.e. Investment income)	Investment income accounted for applying IFRS 9 (and potentially IAS 40) and related to the investment activities of the insurer.	
	For inclusion	Against inclusion
	<ul style="list-style-type: none"> Interest income is referred to as revenue in the text of IFRS 9 (e.g. IFRS 9.5.4.1⁹). Applying the guidance in IFRS 18 and IFRS 15, investment income (including changes in fair value) could be considered to be revenue earned from the 'main business activities' of the entity or the 'ordinary activities' of the entity. Whether or not insurance contracts are providing investment return or related services may be relevant. 	<ul style="list-style-type: none"> Interest income is not referred to as revenue in the text of IFRS 17. Changes in fair value are typically referred to in IFRS 9 as 'gains and losses', not revenue and expenses (e.g. IFRS 9.5.7.1). In any given year, entities might make an investment loss, meaning that this is not a stable measure of revenue to be included in the threshold calculation. Similarly, there can be volatility in interest rates which could lead to entities moving in and out of climate reporting thresholds regularly.
FS Caption	Description	
	IFRS 17 paragraph 87 prescribes the amounts that should be included in insurance finance income or expense:	

⁹ IFRS 9.5.4.1:

Interest revenue shall be calculated by using the effective interest method (see Appendix A and paragraphs B5.4.1–B5.4.7)...

Insurance/ reinsurance finance income	<p><i>Insurance finance income or expenses comprises the change in the carrying amount of the group of insurance contracts arising from:</i></p> <p><i>(a) the effect of the time value of money and changes in the time value of money; and</i></p> <p><i>(b) the effect of financial risk and changes in financial risk; but</i></p> <p><i>(c) excluding any such changes for groups of insurance contracts with direct participation features that would adjust the contractual service margin but do not do so when applying paragraphs 45(b)(ii), 45(b)(iii), 45(c)(ii) or 45(c)(iii). These are included in insurance service expenses.</i></p> <p>Amounts may differ depending on the accounting policy choices made by the entity, for example, insurance finance income or expense may include amounts related to the risk adjustment applying IFRS 17 paragraph 81¹⁰ or may be disaggregated between the profit or loss and Other Comprehensive Income ('OCI')¹¹.</p>	
	For inclusion	Against inclusion
	<ul style="list-style-type: none"> Should follow the treatment of the financial assets 'backing' insurance liabilities – i.e. if related to time value of money of insurance contracts issued it should be included or excluded from the revenue calculation along with investment income/expense. IFRS 18 paragraph 64 requires that insurance finance income and expense be included in the 'operating' category along with investment income¹² so 	<ul style="list-style-type: none"> Relates to the financing effect of insurance cash flows rather than an actual cash flow related to service in accordance with IFRS 17.B121 so should be excluded from revenue calculation. As with investment income, inclusion could lead to volatility in result and moving in and out of thresholds.

¹⁰ IFRS 17.81:

An entity is not required to disaggregate the change in the risk adjustment for non-financial risk between the insurance service result and insurance finance income or expenses. If an entity does not make such a disaggregation, it shall include the entire change in the risk adjustment for non-financial risk as part of the insurance service result.

¹¹ IFRS 17.88:

In applying paragraph 87A(b), unless paragraph 89 applies, an entity shall make an accounting policy choice between:

- including insurance finance income or expenses for the period in profit or loss; or*
- disaggregating insurance finance income or expenses for the period to include in profit or loss an amount determined by a systematic allocation of the expected total insurance finance income or expenses over the duration of the group of contracts, applying paragraphs B130–B133.*

¹² IFRS 18.64:

An entity shall exclude from the financing category and classify in the operating category:

- income and expenses from issued investment contracts with participation features recognised applying IFRS 9 Financial Instruments (see paragraph B58); and*
- insurance finance income and expenses included in the statement of profit or loss applying IFRS 17 Insurance Contracts.*

	the argument related to inclusion of investment income applies here.	
FS Caption	Description	
Other income	Other will include amounts accounted for applying standards other than IFRS 17.	
	For inclusion	Against inclusion
	<ul style="list-style-type: none"> Is an inflow to the entity so should be included in the revenue calculation. 	<ul style="list-style-type: none"> Is not related to the main operations or main activities of the business so should be excluded.

Gross Assets

11. The conceptual framework defines 'asset' as 'a present economic resource controlled by the entity as a result of past events. An economic resource is defined as 'a right that has the potential to produce economic benefits'.
12. Defining 'consolidated gross assets' in the context of IFRS 17 is a potential challenge due to the requirement to disclose insurance contract issued assets/liabilities and reinsurance contract held assets/liabilities on the balance sheet at the portfolio level¹³. The result is that entities may have insurance contracts issued and/or reinsurance contracts held 'balances' moving between asset and liability purely as a result of, for example, the timing of premium cash inflows and outflows. It is also noted that within each portfolio balance there are potentially a collection of assets (e.g. reinsurance recoveries due) which have been offset by liabilities (e.g., reinsurance payables) in deriving the overall portfolio balance, and which are therefore potentially excluded from the asset calculation even though they do represent an 'economic benefit'.

Questions

13. As outlined above, the Treasury Bill outlines *consolidated revenue* thresholds that, together with other thresholds associated with assets and employee numbers, if surpassed require the entity to publish certain climate-related disclosures.
14. There is a question as to whether a distinction should to be drawn between income and revenue and if so, to what extent. The definition of 'income' is broad in the Conceptual Framework and does not appear to equate to 'revenue' as defined in IFRS 17 and other accounting standards (e.g. IFRS 15). Similarly, it is not clear whether all income amounts

¹³ IFRS 17.78:

An entity shall present separately in the statement of financial position the carrying amount of portfolios of:

- a) *insurance contracts issued that are assets;*
- b) *insurance contracts issued that are liabilities;*
- c) *reinsurance contracts held that are assets; and*
- d) *reinsurance contracts held that are liabilities.*



reported as operating activities for the purposes of IAS 7 and the incoming IFRS 18 should be included when calculating consolidated revenue.

15. Similarly, there is a question as to whether calculation of 'consolidated gross assets' is as simple as taking 'total assets' on the balance sheet or whether it requires adjustment for the specific characteristics of the entities insurance/reinsurance cash flows. Noting that portfolio is the basis of the unit of account for presentation in the balance sheet under IFRS 17.78.

for discussion purposes only



Appendix A

Other IFRS 17 illustrative financial statements

1. Statement of profit or loss

KPMG

IAS 1.10(b), 10A, 29,
38–38A, 113

IFRS 17.83, IAS 1.82(a)(ii)

IFRS 17.84, IAS 1.82(ab)

IFRS 17.82, 86,
IAS 1.82(ac)

IAS 1.85

IFRS 7.20(b),
IAS 1.82(a)(i)

IAS 1.82(a)

IAS 1.82(ba)

IAS 1.85

IAS 1.82(bb)

IFRS 17.82, IAS 1.82(bc)

IFRS 7.20(a)(i)

IFRS 7.20(a)(i)

IAS 1.85

IAS 1.82(a)

IAS 1.85

IAS 1.99, 103

IAS 1.82(b)

IAS 1.82(c)

IAS 1.85

IAS 1.82(d), 12.77

IAS 1.81A(a)

IAS 1.81B(a)(ii)

IAS 1.81B(a)(i)

IAS 33.4A

IAS 33.66, 67A

IAS 33.66, 67A

Consolidated statement of profit or loss ^a			
For the year ended 31 December			
	Note	2023	2022 Restated ^b
<i>In millions of euro</i>			
Insurance revenue	10	54,269	50,890
Insurance service expenses	14, 30(A)–(B)	(43,104)	(42,459)
Net expenses from reinsurance contracts ^c	30(A)	(1,230)	(1,125)
Insurance service result		9,935	7,306
Interest revenue calculated using the effective interest method ^d	11(B)	8,398	7,987
Other investment revenue	11(C)	21,095	16,187
Net impairment loss on financial assets	6(E)	(324)	(374)
Investment return		29,169	23,800
Net finance expenses from insurance contracts	11(A)	(22,855)	(19,519)
Net finance income from reinsurance contracts	11(A)	399	338
Movement in investment contract liabilities	29	(1,311)	(641)
Movement in third party interests in consolidated funds	29	(62)	(59)
Net financial result	11	5,340	3,919
Revenue from investment management services	12	432	407
Other income	13	735	7
Other operating expenses	14	(6,321)	(5,479)
Other finance costs	15	(615)	(621)
Share of profit of equity-accounted investees, net of tax	24	233	186
Profit before tax		9,739	5,725
Income tax expense	19	(2,644)	(1,603)
Profit for the year		7,095	4,122
Profit attributable to:			
Owners of the Company		7,014	4,069
Non-controlling interests	35(C)	81	53
		7,095	4,122
Earnings per share			
Basic earnings per share (euro)	16	2.76	1.86
Diluted earnings per share (euro)	16	2.75	1.85

* See Note 5.

The notes on pages 22 to 254 are an integral part of these consolidated financial statements.



EY

Statement of profit or loss and other comprehensive income

For the year ended 31 December 2021

In €000	Notes	2021	2020	
			restated	
Insurance revenue	6	2,581	2,293	IAS 1.81A, IAS 1.9(d), IAS 1.10(b), IAS 1.51(b)-(e) IAS 1.29, IAS 1.32 IAS 1.104, IAS 1.46, IAS 1.45
Insurance service expense	12	(1,541)	(1,411)	IAS 1.82(a)(ii), IFRS 17.83 IAS 1.82(ab), IFRS 17.84
Insurance service result before reinsurance contracts held		1,040	882	
Allocation of reinsurance premiums	7	(448)	(546)	IFRS 17.86
Amounts recoverable from reinsurers for incurred claims		279	348	IFRS 17.86
Net expense from reinsurance contracts held	7	(169)	(198)	IAS 1.82(ac), IFRS 17.82
Insurance service result		871	684	IFRS 17.80(a)
Interest revenue calculated using the effective interest method		831	622	IAS 1.82(a)(i)
Other interest and similar income		366	299	
Net fair value gains/(losses) on financial assets at fair value through profit or loss		104	(14)	IFRS 7.20(a)(i)
Net fair value gains/(losses) on derecognition of financial assets measured at fair value through other comprehensive income		6	-	IAS 1.82(aa)
Impairment loss on financial assets		(5)	(2)	IAS 1.82(ba)
Net foreign exchange (expense) / income		(50)	22	
Total investment income	8	1,252	927	
Insurance finance expenses for insurance contracts issued	8	(742)	(673)	IAS 1.82(bb), IFRS 17.87
Reinsurance finance income for reinsurance contracts held	8	98	119	IAS 1.82(bc), IFRS 17.82
Net insurance financial result		(644)	(554)	
Other income and expense		(210)	(191)	
Profit before tax		1,269	866	
Income tax expense		(231)	(172)	IAS 1.82(d), IAS 12.77
Profit for the year		1,038	694	IAS 1.81A
Other comprehensive income				
<i>OCI to be reclassified to profit or loss in subsequent periods</i>				IAS 1.82A(a)(ii)
Change in fair value of financial assets	8	179	(35)	IFRS 7.20(a)(viii)
Amount reclassified to profit or loss	8	(1)	2	IFRS 7.20(a)(viii)
Debt instruments at fair value through other comprehensive income	8	178	(33)	
Insurance finance expenses for insurance contracts issued	8	(194)	38	IFRS 17.88(b), 89(b)
Reinsurance finance income for reinsurance contracts held	8	56	(9)	IFRS 17.82
Net insurance financial result		(138)	29	
Income tax relating to items that may be reclassified		(8)	1	
Total other comprehensive income		32	(3)	
Total comprehensive income		1,070	691	

The accounting policies and Notes on pages 11 to 81 form part of, and should be read in conjunction with, these financial statements.



PwC

Consolidated statement of profit or loss

		Year ended 31 December		
		Note	20X4	20X3
IFRS 17(80)(a),(83) IAS 1(82)(a)	Insurance revenue	2.4.1	114,845	93,252
IFRS 17(80)(a),(84) IAS 1(99)	Insurance service expenses	2.4.1	(101,256)	(81,959)
IFRS 17(82),(86)	Net expenses from reinsurance contracts held	2.4.1	(5,849)	(3,859)
IFRS 17(80)(a)	Insurance service result		7,740	7,434
IFRS 7(20)(b) IAS 1(82)(a)	Interest revenue from financial assets not measured at FVTPL	3.5	2,696	2,321
	Net gains on FVTPL investments	3.5	11,129	8,214
IFRS 7(20)(a)(viii)	Net gains on investments in debt securities measured at FVOCI reclassified to profit or loss on disposal	3.5	78	51
IFRS 7(20)(a)(i)	Net change in investment contract liabilities	3.4, 3.5	(756)	(672)
IFRS 7(20A) IAS 1(82)(aa)	Net gains from the derecognition of financial assets measured at AC	3.5	22	13
IAS 40(76)(d)	Net gains from fair value adjustments to investment properties	3.5	157	552
IAS 1(82)(ba)	Net credit impairment losses	3.5, 3.7	(40)	(31)
	Net investment income		13,286	10,448
IFRS 17(80)(b)	Finance expenses from insurance contracts issued	3.5	(7,228)	(3,804)
IFRS 17(80)(b),(82)	Finance income from reinsurance contracts held	3.5	1,610	501
	Net insurance finance expenses		(5,618)	(3,303)
	Net insurance and investment result		15,408	14,579
IAS 1(82)(a)	Asset management services revenue		1,133	888
IAS 1(82)(b)	Other finance costs		(2,283)	(1,962)
IAS 1(99),(103)	Other operating expenses	5	(3,949)	(3,099)
IAS 1(82)(c)	Share of profit of associates and joint ventures accounted for using the equity method		463	365
	Profit before income tax		10,772	10,771
IAS 1(82)(d) IAS 12(77)	Income tax expense		3,155	3,087
IAS 1(81A)(a)	Profit for the year		7,617	7,684
IAS 1(81B)(a)	Profit attributable to			
	Owners of Value Insurance Plc		7,451	7,480
	Non-controlling interests		166	204
IAS 33(66)	Earnings per share for profit attributable to the ordinary shareholders (in CU per share)			
	Basic earnings per share		0.35	0.39
	Diluted earnings per share		0.32	0.36

The above consolidated statement of profit or loss should be read in conjunction with the accompanying notes.



2. Statement of cash flows

KPMG

IAS 1.10(d), 29,
38–38A, 113

IAS 7.18(b)

IAS 7.31, 33

IAS 7.31, 33

IAS 7.35

IAS 7.10

IAS 7.21

IAS 7.39

IAS 7.39

IAS 7.16(a)

IAS 7.16(b)

IAS 7.16(a)

IAS 7.10

Consolidated statement of cash flows^a

For the year ended 31 December

	Note	2023	2022 Restated*
<i>In millions of euro</i>			
Cash flows from operating activities			
Profit for the year ^b		7,095	4,122
Adjustments for:			
– Gain on remeasurement of pre-existing interest in acquired subsidiary	13	(32)	-
– Gain on disposal of subsidiary	13	(681)	-
– Gain on disposal of property and equipment	13	(22)	(7)
– Depreciation and amortisation	25(B), 26, 38(A)	683	641
– Impairment loss on intangible assets and goodwill	26	337	-
– Other finance costs	15	615	621
– Share of profit of equity-accounted investees, net of tax	24	(233)	(186)
– Equity-settled share-based payment transactions	14(A)	66	25
– Income tax expense	19	2,644	1,603
		10,472	6,819
Changes in:			
– Financial investments and derivatives		(38,937)	(28,814)
– Insurance and reinsurance contracts		20,887	18,182
– Receivables		813	350
– Investment property		(106)	(84)
– Owner-occupied property at fair value		(96)	(54)
– Other assets		(155)	(19)
– Payables		(943)	1
– Investment contract liabilities		2,404	251
– Third party interests in consolidated funds		60	(31)
– Provisions		(117)	163
– Other liabilities		43	(91)
Cash used in operating activities		(5,675)	(3,327)
Interest received ^c		8,376	7,995
Dividends received ^c		742	1,272
Income taxes paid		(2,508)	(1,479)
Net cash from operating activities		935	4,461
Cash flows from investing activities			
Acquisition of subsidiary, net of cash acquired	36(A)	(175)	-
Disposal of subsidiary, net of cash disposed of	36(B)	1,299	-
Acquisition of property and equipment	25(B)	(335)	(339)
Proceeds from sale of property and equipment		95	52
Acquisition of intangible assets	26(A)	(5)	(22)
Net cash from (used in) investing activities		879	(309)

* See Note 5.



PwC

Consolidated statement of cash flows

		Year ended 31 December	
		20X4	20X3
IAS 1(10)(d),(113) IAS 7(1),(10)			
IAS 7(10),(16)(a)	Cash flows from operating activities		
IAS 7(16)(b),(20)	Profit for the year	7,617	7,684
	Adjustments for		
	Changes in insurance and reinsurance contract assets/liabilities	35,965	23,556
	Changes in investment contract liabilities	800	577
	Net gains on investment sides	(6,840)	(5,177)
	Foreign exchange gains and losses, net	52	17
	Interest expense	2,246	1,933
	Interest income	(6,903)	(5,226)
	Dividend income	(568)	(441)
	Share of profit of associates and joint ventures accounted for using the equity method	(463)	(365)
	Fair value adjustment to investment properties	(157)	(552)
	Income tax expense	3,155	3,087
	Other adjustments for non-cash items	524	1,811
	Changes in investment assets		
	Proceeds from sales	49,749	46,804
	Purchases	(94,396)	(80,292)
	Changes in other working capital balances	(423)	(653)
IAS 7(31)-(33)	Interest received	6,558	4,964
IAS 7(31),(33)	Dividend received	568	441
IAS 7(14)(f),(35),(36)	Income tax paid	(1,863)	(2,296)
	Net cash outflow from operating activities	(4,379)	(4,128)
IAS 7(10),(21)	Cash flows from investing activities		
IAS 7(30)	Payment for acquisition of subsidiary, net of cash acquired	(2,116)	-
IAS 7(16)(a)	Payments for investment properties	(365)	-
IAS 7(16)(a)	Payments for intangible assets and property and equipment	(454)	(471)
IAS 7(16)(b)	Proceeds from sale of intangible assets and property and equipment	74	147
IAS 7(30)	Dividends from joint ventures and associates	365	253
	Net cash outflow from investing activities	(2,496)	(71)
IAS 7(10),(21)	Cash flows from financing activities		
IAS 7(17)(a)	Proceeds from issuance of ordinary shares	4,065	175
IAS 7(17)(a)	Proceeds from sale of treasury shares	380	-
IAS 7(17)(c)	Proceeds from borrowings	6,000	5,000
IAS 7(17)(d)	Repayment of borrowings	(5,989)	(953)
IAS 7(31)-(33)	Interest paid on borrowings	(2,191)	(1,877)
IAS 7(17)	Net cash from interest rate swaps	172	14
IAS 7(31),(34)	Dividends paid to parent company's shareholders	(965)	(858)
IAS 7(31),(34)	Dividends paid to non-controlling interests in subsidiaries	(71)	(63)
	Net cash from financing activities	1,401	1,438
IAS 7(45)	Net decrease in cash and cash equivalents during the year	(5,474)	(2,761)
IAS 7(45)	Cash and cash equivalents - Beginning of year	26,377	29,167
IAS 7(28)	Effects of exchange rate changes on cash and cash equivalents	(37)	(29)
IAS 7(45)	Cash and cash equivalents - End of year	20,866	26,377

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.