



Utmost PanEurope dac
(formerly known as Generali PanEurope dac)

Annual Report & Statutory Financial Statements 2018

utmost.ie

CONTENTS

Directors and Other Information	2
Directors' Report.....	3
Independent Auditors' Report to the members of Utmost PanEurope dac	11
Statement of Comprehensive Income for the Year Ended 31 December 2018.....	18
Statement of Changes in Equity for the Year ended 31 December 2018	19
Statement of Financial Position as at 31 December 2018	20
Statement of Cash flows for the Year Ended 31 December 2018.....	21
Notes to the Financial Statements.....	22

Directors and Other Information

Board of Directors as at 31 December 2018

Andrew Milton	Independent Non-Executive	British
Henry O'Sullivan	Executive and Chief Financial Officer	Irish
Ian Maidens	Non-Executive	British
Paul Gillett	Executive and Chief Executive Officer	British
Paul Thompson	Non-Executive	British
Tim Madigan	Independent Non-Executive	Irish
William Finn	Independent Non-Executive Chairman	Irish

Secretary

Ms Lorraine McDevitt
Ashford House
Tara Street
Dublin 2
Ireland

Registered Office

Navan Business Park
Athlumney
Navan
Co. Meath C15 CCW8
Ireland

Company Registration Number: 311420

Principal Bankers

Bank of Ireland	Citibank NA – London branch
Burlington Plaza	25-33 Canada Square
Burlington Road	Canary Wharf
Dublin 4	London
Ireland	E14 5LB
	United Kingdom

Solicitors

Matheson
70 Sir John Rogerson's Quay
Dublin 2
Ireland

Independent Auditors and Statutory Audit Firm

PricewaterhouseCoopers
Spencer Dock
North Wall Quay
Dublin 1
Ireland

Directors' Report

The directors present their report and audited financial statements for the financial year ended 31 December 2018.

1. Principal Activities

Utmost PanEurope dac ("the Company") is incorporated in Ireland and authorised by the Central Bank of Ireland to transact life assurance business in Ireland and on a cross-border basis in the European Union under the Third Life Directive, as introduced into domestic Irish legislation by the European Communities (Life Assurance) Framework Regulations, 1994.

Following approval from the Central Bank of Ireland, Life Company Consolidation Group Limited ('LCCG'), a Guernsey incorporated Company who are a specialist European life assurance group acquired the entire share capital of Generali PanEurope from Assicurazioni Generali on 19 June 2018, through its Irish incorporated subsidiary Company, Utmost Holdings Ireland Limited (UHIL). Subsequent to the acquisition the Company was renamed Utmost PanEurope dac from Generali PanEurope dac.

2. Business Review and Future Developments

The Company generated a loss after tax for the financial year of €11,684,000 (2017: restated profit €11,214,000). The shareholders' net equity in the Company as at 31 December 2018 was €201,434,000 (2017: restated €134,195,000).

During 2018, the Company received a €81,423,000 capital contribution from its parent company UHIL by way of an in specie transfer of two subsidiaries, Utmost Ireland dac and Harcourt Life Ireland dac.

On 13 December 2018 the Company paid a €2,500,000 dividend to its immediate parent UHIL.

The Company's business is made up of four business lines:

- **Wealth Solutions:** Developing insurance solutions, which are aligned to local fiscal and regulatory laws, which may be tailored to meet the unique and exacting requirements of ultra-high-net-worth clients. These solutions are offered through the development and utilisation of the Company's pan-European network of Private Banking relationships;
- **Investment Planning:** Offering individuals flexible products for medium to long term financial planning;
- **Corporate Solutions:** Offering corporate entities alternative and simplified domestic and cross border employee benefit solutions.
- **Variable Annuities (VA)** – In relation to a German VA portfolio, UPE reinsures the policyholder guarantee, however this guarantee is in turn wholly reinsured.

The main driver for the Company's premium income and investment contract sales over the last three financial years has been in the Wealth Protection Market. While the majority of the premium from this business line relates to Italian business, it also includes business from Finland, Portugal, Spain, UK, Ireland, and other EU countries.

Administration expenses have increased in comparison to 2017 due to increased headcount and higher technology and premises related costs. From July 2018 costs are being paid via Utmost Services Ireland Limited and recharged to the Company. This includes salary costs, premises costs, IT costs and other shared costs. In addition, in 2018 there were a number of one off costs to rebrand the Company.

The regulatory solvency position was satisfactory as at 31 December 2018. The Solvency Capital Requirement ("SCR") at 31 December 2018 was €137,917,000 (2017: €129,246,000) and the Minimum

Directors' Report (continued)

2. Business Review and Future Developments (continued)

Capital Requirement ("MCR") was €62,063,000 (2017: €58,161,000). The Company's available Solvency II own funds at that date were €360,858,000 (2017: €282,737,000). The Company's ratio of Eligible Own Funds to SCR was 262% (2017: 219%), and to MCR was 566% (2017: 486%).

During the year, the Company adopted the following International Financial Reporting Standards:

- International Financial Reporting Standards (IFRS) as adopted by the European Union.
- IFRS 9: 'Financial instruments: classification and measurement'
- IFRS 15: 'Revenue from Contracts with Customers'

The details of these changes and their effect on the financial statements are outlined in the notes to these financial statements. The effect of these changes in accounting policy was to decrease the profit before tax by €551,000 (2017: decrease the profit before tax by €7,606,000).

3. Going Concern

The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Therefore, they continue to adopt the going concern basis in preparing the annual financial statements.

4. Corporate Governance

Effective corporate governance remains key to the business. The Company has a number of Board Committees, including the Audit Committee, the Risk and Compliance Committee and the Investment Committee. A review of the performance of each of the Committees for 2018 confirmed that each Committee performed its duties as outlined within its respective terms of reference. The Human Resources & Remuneration Committee is now a sub committee of Utmost Holdings Ireland Limited (UHIL).

The Corporate Governance Requirements for Insurance Undertakings 2015 ('the Requirements'), as issued by the Central Bank of Ireland ('CBI'), became effective from 1 January 2016. A review was completed by the Risk Management Function regarding the transition from the 'Corporate Governance Code' to the 'Corporate Governance Requirements'. It was confirmed that the Company was compliant with all obligations as set out in the Requirements. In April 2019 the Company submitted an annual compliance statement to the CBI under Section 25 of the Corporate Governance Code for Insurance Undertakings.

The Company is compliant with the Solvency Capital Requirements as set out in the EU wide Solvency II Directive. In order to comply with these regulations the Company has successfully implemented:

- A robust system of governance, including but not limited to:
 - Clear allocation and segregation of responsibilities and an effective system for ensuring the transmission of information;
 - Written and implemented policies and procedures;
 - Sound and effective strategies and processes to assess risk;
 - Establishment of an independent Actuarial Function;
- Processes to monitor capital requirements; and
- New systems to meet the new reporting requirements.

Directors' Report (continued)

4. Corporate Governance (continued)

On 11 April 2019, the directors signed a 'Directors Compliance Certificate' for the year ended 31 December 2018 confirming adherence to relevant requirements of the Central Bank of Ireland in relation to Solvency II.

In addition, the Company has executed the requirements of the Fitness & Probity standards as prescribed within the Central Bank Reform Act 2010 (Sections 20 and 22) (Amendment) Regulations 2011.

Risk Management

The Company has a defined structure and process to assist in the identification, assessment and management of risk. This structure is supported by three pillars; the Risk Management Department, the Risk Advisory Committee and the Risk and Compliance Committee. These structures have been in place throughout the year to which these statements apply and up to the date of their approval.

The Risk Management Department, an independent control function, continues to enhance the organisation's risk framework and monitors compliance with the requirements of Solvency II – Pillar II. The Risk Management Department continues to develop and drive key risk policy as well as continuously monitoring the "risk profile" of the organisation. The Chief Risk Officer continues to have direct and unfettered access to the Board.

The Risk Advisory Committee continues to monitor and assess risk at a senior executive level within the organisation. Meeting at least quarterly, it reviews the Company's key risks, contained in risk registers, and ensures that all new and emerging risks are appropriately evaluated and any further actions identified. This Committee also reviews and communicates policy matters, as advised by the Risk Management Department, to those responsible for managing risks. During 2018, the Committee also reviewed the management and oversight of the Company's key outsourcing relationships.

The Risk and Compliance Committee is a Board Committee and its primary role is to assist the Board in its management of risk and to review the effectiveness of the Risk Management activities of the Company. The Committee meets at least quarterly and during 2018 it provided an oversight and approval role in relation to risk identification and evaluation, risk management and risk reporting. This was facilitated through formal reporting from the Chief Risk Officer. The Risk and Compliance Committee performed its activities in line with its terms of reference during 2018.

The main risks the Company is exposed to are identified and classified in the Risk Map, approved by the Board of Directors, and reviewed at least once a year in order to ensure its adequacy and completeness. The main risks and how they are managed are outlined below:

Financial Risks:

The Company is exposed to financial risk through its financial assets, financial liabilities, reinsurance assets and policyholder liabilities. The Company completes a regular asset liability matching analysis to ensure that its assets are matched to its liabilities by line of business and duration. In relation to its unit-linked business the Company adopts a fully matched position between its policyholder liabilities and the assets that it holds in respect of these liabilities. Nevertheless there remains financial risk in the form of interest rate risk, equity price risk, currency risk and credit risk as outlined below:

Interest rate risk – The Company holds shareholder assets in the form of cash and interest bearing securities and, as such, is exposed to interest rate risk. The Company manages its interest rate risk by regular assessments and monitoring of its investments by the Investment Committee. The Company is exposed

Directors' Report (continued)

4. Corporate Governance (continued)

to interest rate risk to the extent that adverse interest rate movements impact the value of Unit Linked Assets and therefore the management fee income.

Equity price risk – The Company is exposed to equity price risk to the extent that adverse movements in the value of Unit Linked Assets would reduce the future profitability of the Company through a reduction in management fee income.

Currency risk – The Company generally invests in assets denominated in the same currencies as its policyholders' liabilities, which mitigates the foreign currency exchange rate risk. The Company is exposed to currency risk to the extent that adverse movements in the value of Unit Linked Assets would reduce the future profitability of the Company through a reduction in management fee income.

Credit risk – The key areas where the Company is exposed to credit risk are corporate bonds, government bonds, EU supranational bonds, bank deposits, Fund Investments, Money Market Funds, the Italian withholding tax asset, the reinsurers' share of insurance liabilities, amounts due from reinsurers in respect of claims already paid, amounts due from insurance intermediaries and counterparty risk with respect to derivative transactions.

Counterparty risk – The Company is exposed to counterparty default risk arising from investments with Counterparties and also the holding of an Italian Withholding Tax Asset. Management ensures that it has diversified and managed investments, and actively monitors its counterparty risks on a monthly basis with quarterly updates provided to the Risk and Compliance Committee.

The Company places limits on its exposure by counterparty, by geographical location and by credit rating. Reinsurance is used to manage insurance risk. The creditworthiness of reinsurers is considered on an annual basis by reviewing their financial strength.

Insurance Risks:

The Company is exposed to life underwriting insurance risk deriving from the Company's core business activities. The Company mitigates this risk primarily through the use of reinsurance agreements both with third party reinsurers. The Board completes a review of the Statement of Reinsurance Strategy on an annual basis or more frequently if there are material business or regulatory changes that require assessment.

Operational Risks:

The Company is exposed to operational risk deriving from the Company's core business activities which are either managed internally or through group and non-group outsourced service providers. The Company mitigates this risk through the implementation of the internal control and risk management system framework, whose design and structure operates to ensure that business activity complies with the laws and regulations in force and that Company processes are efficient and effective and that accounting and management information is reliable and complete. The Company has implemented a formal outsourcing process which ensures the implementation of appropriate organisational safeguards to monitor the performance of outsourcers and sets reporting obligations for critical outsourced activities.

Lapse Risk:

The Company closely monitors lapse experience against assumptions and does not have an appetite for increases in lapse rates. The Company monitors lapse rates due to regulatory or fiscal change.

Directors' Report (continued)

Other Risks:

4. Corporate Governance (continued)

Liquidity risk – refers to the risk that the Company will not be able to meet both expected and unexpected cash flow requirements efficiently. All admissible assets must be redeemable within approved periods. The Company manages liquidity risks through the monitoring of local liquidity ratios and limits.

Reputational Risk - refers to the risk of potential losses due to a reputational deterioration or to a negative perception of the Company's image among its customers, counterparties, shareholders and supervisory authorities. The Company mitigates this by considering the impact of reputational risk as part of the key business decision making processes.

Tax Risk – refers to the risk that the Italian tax asset will not be recoverable or that there is a change in regulatory requirements concerning the treatment of the asset for solvency purposes. The Company retains an Italian tax asset resulting from the prepayment of exit tax as a result of its decision to become an Italian withholding tax agent in 2012.

Emerging Risk – refers to newly developing or changing risks which are difficult to quantify and which may have a significant impact on the Company. Emerging risks are assessed by Risk Management and reviewed by the Risk Committee on a quarterly basis. The Company mitigates these risks through investigation and monitoring of management actions.

Cyber Risk – refers to any risk of financial loss, disruption or damage to the reputation of the Company from failure and breaches of its information technology systems. The Company mitigates these risks through risk assessments and the implementation of an appropriate control framework, including but not limited to:

- Annual business continuity and disaster recovery planning and testing;
- Bi-annual independent third party testing of the external defences e.g. firewalls;
- Independent third party review of the internal systems and access controls benchmarked against industry best practice;
- Ongoing internal review and monitoring of technologies which keep technical controls up to date; and
- Ongoing monitoring of regulatory changes and implementation of the required procedures and controls including those related to General Data Protection Regulation ("GDPR").

Conduct Risk – refers to the risk the Company poses to its customers from its direct interaction with them. The Company mitigates these risks through the development of a Conduct Risk Framework, in line with EIOPA's guidelines on Product Oversight and Governance arrangements by insurance undertakings and insurance distributors. The Company has developed a framework to ensure that customers are protected and that business is conducted in a fair, efficient, ethical and valuable manner. The Company has also implemented an oversight team which is responsible for initial due diligence and ongoing monitoring of partners.

Concentration Risk – refers to the risk of loss from lack of diversification across multiple jurisdictions, products or counterparties. The Company mitigates this risk through ongoing diversification of products across multiple jurisdictions and counterparties.

Directors' Report (continued)

4. Corporate Governance (continued)

Compliance and Actuarial

Both the Compliance and Actuarial Departments, as independent control functions within the Company, reported to the Board on ongoing activities throughout 2018.

The Compliance function has continued to develop and execute the Compliance Plan.

The Head of Actuarial Function completed the year end 2018 Reporting Actuary Report, and the Actuarial Function Reports for the year ended 31 December 2018.

No material issues were raised by the Compliance and Actuarial functions during the period to which these financial statements relate.

Internal Audit

The Internal Audit function is the third line of defence within the Company and is responsible for performing an independent evaluation of the effectiveness of both the internal control and risk management systems, including the adequacy of the controls in place within each business process. The Internal Audit function assists the Board, through the Audit Committee (a Committee of the Board), in assessing its role in relation to internal control, risk management and governance responsibilities.

The Head of Internal Audit has direct and unfettered access to the Board and to the Chairman of the Audit Committee. The Head of Internal Audit formally reports to the Audit Committee, which meets on a quarterly basis. The primary role of the Audit Committee is assisting the Board in ensuring that there is an adequate system of controls in place for financial reporting and internal control.

A risk-based internal audit plan for 2018, which aimed to provide assurance over the key business processes as well as financial and operational risks, was approved by the Audit Committee and implemented satisfactorily throughout the year. A report, summarising audit activity and the results of each audit undertaken, was provided to the Audit Committee on a quarterly basis.

5. Dividends

On 13 December 2018 the Company paid a €2,500,000 dividend to its immediate parent UHIL. (2017: €nil).

6. Directors and Secretary

The names of persons who were directors at any time since 1 January 2018 are set out below.

Ian Maidens	Appointed 19 June 2018	Non-Executive	British
Paul Thompson	Appointed 19 June 2018	Non-Executive	British
William Finn	Appointed 19 June 2018	Independent Non-Executive Chairman	Irish
Andrew Milton		Independent Non-Executive	British
Henry O'Sullivan	Appointed 20 June 2018	Executive and Chief Financial Officer	Irish
Paul Gillett		Executive and Chief Executive Officer	British
Tim Madigan	Appointed 20 June 2018	Independent Non-Executive	Irish
Alessandro Corsi	Resigned 19 June 2018	Non-Executive	Italian
Andrew Smart	Resigned 19 June 2018	Independent Non-Executive Chairman	British
Cyril Maybury	Resigned 19 June 2018	Independent Non-Executive	Irish
Francesco Bosatra	Resigned 19 June 2018	Non-Executive	Italian
John Martin	Resigned 19 June 2018	Executive and Chief Financial Officer	Irish

Directors' Report (continued)

6. Directors and Secretary (continued)

Ms Lorraine McDevitt has been Company Secretary since 27 July 2018, prior to this Matsack Trust Limited acted as Company Secretary.

7. Directors' and Secretary's Interests in Shares

Two directors Paul Thompson and Ian Maidens have an equity interest in certain group entities. Details are disclosed in note 29.

8. Transactions involving Directors

There were no transactions involving directors during 2018 (2017: none).

9. Directors' Responsibilities Statement

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable Irish law and regulations.

Irish Company law requires the directors to prepare financial statements for each financial year. Under the law, the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

Under Company law, the directors should be satisfied that the financial statements give a true and fair view of the assets, liabilities, and financial position of the Company as at the financial year end date and of the profit or loss of the Company for the financial year and otherwise comply with the Companies Act 2014.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether the financial statements have been prepared in accordance with applicable accounting standards, identify those standards, and note the effect and the reasons for any material departure from those standards; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for ensuring that the Company keeps or causes to be kept adequate accounting records which correctly explain and record the transactions of the Company, enable at any time the assets, liabilities, financial position and profit or loss of the Company to be determined with reasonable accuracy, enable them to ensure that the financial statements and directors' report comply with the Companies Act 2014 and IFRS and enable the financial statements to be audited. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

10. Directors' Compliance Statement

The directors, in accordance with Section 225(2) of the Companies Act 2014 (the "Act"), acknowledge that they are responsible for securing the Company's compliance with its "relevant obligations" (as such term is defined in Section 225 (1) of the Act). The directors confirm that:

- a) a compliance policy statement has been drawn up setting out the Company's policies (that, in their opinion, are appropriate to the Company) in respect of the Company's compliance with its relevant obligations;

Directors' Report (continued)

10. Directors' Compliance Statement (continued)

- b) appropriate arrangements or structures have been put in place that, in their opinion, are designed to secure material compliance with the Company's relevant obligations; and
- c) a review has been conducted, during the financial year, of those arrangements or structures.

11. Accounting Records

The directors have complied with the requirements of Sections 281 to 285 of the Companies Act 2014 with regard to accounting records, by employing accounting personnel with the appropriate qualifications and expertise and by providing adequate resources to the financial function. The accounting records are maintained at Navan Business Park, Athlumney, Navan, Co. Meath.

12. Relevant Audit Information

So far as each of the directors in office at the date of approval of the financial statements is aware:

- there is no relevant audit information of which the Company's statutory auditors are unaware; and
- the directors have taken all steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the Company's statutory auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of Section 330 of the Companies Act 2014.

13. Audit Committee

The Company has established an Audit Committee under Section 167 of the Companies Act 2014. Its function is to assist the Board in fulfilling its oversight responsibilities.

14. Independent Auditors

PWC were appointed auditors on 15 August 2018 and are willing to continue in office in accordance with Section 383(2) of the Companies Act 2014.

15. Company Branches

The Company has a branch in the United Kingdom.

16. Political Donations

There were no political donations made during the year (2017: nil).

17. Subsequent Events

The Company's parent, UHIL made a €30,000,000 subscription for shares in the Company. The Company subsequently made a €10,000,000 subscription of shares in its subsidiary, Harcourt Life Ireland dac.

Approved by the Board and signed on its behalf by:



Director

Paul Gillett



Director

Henry O'Sullivan

Date: 11 April 2019

Independent auditors' report to the members of Utmost PanEurope DAC

Report on the audit of the financial statements

Opinion

In our opinion, Utmost PanEurope DAC's financial statements:

- give a true and fair view of the company's assets, liabilities and financial position as at 31 December 2018 and of its loss and cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union; and
- have been properly prepared in accordance with the requirements of the Companies Act 2014.

We have audited the financial statements, included within the Annual Report & Statutory Financial Statements, which comprise:

- the Statement of Financial Position as at 31 December 2018;
- the Statement of Comprehensive Income for the year then ended;
- the Statement of Cash Flows for the year then ended;
- the Statement of Changes in Equity for the year then ended; and
- the notes to the financial statements, which include a description of the significant accounting policies.

Our opinion is consistent with our reporting to the Audit Committee.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (Ireland) ("ISAs (Ireland)") and applicable law.

Our responsibilities under ISAs (Ireland) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Ireland, which includes IAASA's Ethical Standard as applicable to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by IAASA's Ethical Standard were not provided to the company.

Other than those disclosed in note 4 to the financial statements, we have provided no non-audit services to the company in the period from 1 January 2018 to 31 December 2018.

Our audit approach



Materiality

- €825,500
- Based on 5% of average profit or loss before tax over the last 3 years.

Audit scope

- We performed a full scope audit of the company's financial statements, based on materiality levels.

Key audit matters

- Fees and Commission Income.
- Valuation of insurance contract liabilities.
- Valuation and existence of assets held in respect of investment contract liabilities.

The scope of our audit

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

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This is not a complete list of all risks identified by our audit.

Key audit matter	How our audit addressed the key audit matter
Fees and Commission Income Refer to note 1 (Accounting Policies – Revenue arising from investment contracts), note 2 (Premiums, Claims & Fees Information), note 3 (Investment Income) and note 22 (Deferred Income Liability) to the financial statements	We tested the design and operating effectiveness of selected key controls over: <ul style="list-style-type: none"> • the administration IT applications which perform the calculation of both the front end and recurring fees; and

Key audit matter

The company earns fees for the provision of investment management services. These fees consist of front end fees and recurring fees. The front end fees, which include actuarial funding, charged at inception are considered to relate to services that are provided over the duration of the investment contract. The front end fees are deferred and amortised on a straight line basis over the estimated average lifetime of the underlying investment contracts.

The recurring fees consist of contractual fixed fees and percentage fees. The percentage fees are calculated on the basis of various contractual rates applied to the fund value of the underlying investment contracts. This calculation is system driven.

We focused on the key judgement made by the company to determine the average lifetime of the underlying investment contracts over which the front end fees are deferred and recognised as income. The key assumption used in assessing the average lifetime of the investment contract is the lapse rate.

We also focused on fees and commissions as a result of the volume of distinct fees rates applied to the investment contracts.

How our audit addressed the key audit matter

- the accurate set-up and adjustment of fee rates on the IT applications.

We independently assessed the assumptions used by the company relating to the determination of the estimated average lifetime of the underlying investment contracts and hence the amortisation period over which front end fees are deferred and recognised as income. Specifically, we considered the company's historical lapse experience on the investment contracts and re-performed a sample of the amortisation calculations with respect to the deferred front end fees.

Our testing of fee income also included:

- agreeing a sample of the rates used in the automated fee calculations to underlying product or policy information, as relevant;
- independently re-performing on a sample basis the calculation of the fees and comparing our result to that calculated by the IT applications; and
- testing on a sample basis the inputs to the calculation of the deferred front end fees by agreeing the fee income by policy back to the underlying IT applications.

No material exceptions were noted as a result of performing these procedures.

Valuation of insurance contract provisions

Refer to note 1 (Accounting Policies – Insurance contract liabilities) and note 17 (Insurance and investment contract liabilities) to the financial statements.

The provision for claims of €74.2m is included in insurance contract liabilities as at 31 December 2018. The valuation of the provision for claims, involves the use of actuarial models, assumptions about future events and significant amounts of data. The provision for claims includes the Reported But Not Settled (RBNS) reserve of €60.7m and the Incurred But Not Reported (IBNR) reserve of €12.7m.

The setting of assumptions requires the use of significant judgement by management. In particular, the key assumptions selected by the

We tested the design and tested the operating effectiveness of selected key controls over the actuarial methodology, data and assumptions used by management in calculating the provision for claims.

In relation to the provision for claims our life actuarial specialists independently assessed the reasonableness of the assumptions for mortality, morbidity and the loss ratio by reference to the company's historical experience and our knowledge of the life assurance industry.

We also assessed the reasonableness of the actuarial methodologies used by management by reference to recognised actuarial practices and standards. We tested the completeness and accuracy of underlying data used by the company in calculating the RBNS

<i>Key audit matter</i>	<i>How our audit addressed the key audit matter</i>
<p>company in relation to mortality and morbidity impact the overall loss ratio and the valuation of the provision for claims.</p> <p>We focused on this area because it represents a key estimate in the financial statements.</p>	<p>and IBNR by agreeing the data to underlying source documentation on a sample basis.</p> <p>Based on the work performed and the evidence obtained, we determined the methodologies and assumptions used in the valuation of the provision for claims to be appropriate.</p>
<p><i>Valuation and existence of assets held in respect of investment contract liabilities</i></p> <p><i>Refer to note 1 (Accounting policies - Investments), note 10 (Investments for the benefit of investment contract holders) and note 23 (Management of financial and other risks) to the financial statements</i></p> <p>The assets held in respect of the investment contract liabilities included in the statement of financial position of the company are held in the company's name at 31 December 2018 and are valued at fair value in line with IFRS.</p> <p>We focused on this area because it represents the principal element of the financial statements.</p>	<p>We tested the design and operating effectiveness of selected key controls including:</p> <ul style="list-style-type: none"> • custody reconciliation controls; and • controls over financial asset pricing. <p>We obtained independent confirmations from the custodians of the holdings at 31 December 2018 and reconciled the holdings as per the confirmations to the accounting records. We tested a sample of the custody reconciling differences between the confirmation and the accounting records to underlying trade instructions (e.g. outstanding trade settlements).</p> <p>We tested the valuation of the investment portfolio on a sample basis by independently agreeing the valuation of investments to third party vendor sources or deposit confirmations.</p> <p>No material exceptions were noted as a result of performing these procedures.</p>

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the company, the accounting processes and controls, and the industry in which it operates.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Overall materiality	€825,500.
How we determined it	5% of average profit or loss before tax over the last 3 years.
Rationale for benchmark applied	We have selected this benchmark as, in our view, profit before tax is most appropriate benchmark given the circumstances and the nature of the entity's business and is a generally accepted benchmark. In selecting the benchmark we have also given consideration to the key users of the financial statements.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above €41,300 as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

In accordance with guidance on the audit of insurers issued by the Financial Reporting Council which is generally accepted in Ireland, we have applied a higher materiality threshold of €104.4m solely for the purpose of identifying and evaluating the effect of misstatements that are likely only to lead to a reclassification between line items within assets and liabilities in particular unit-linked participating and non participating investment contract assets and liabilities.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (Ireland) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

Reporting on other information

The other information comprises all of the information in the Annual Report and Statutory Financial Statements other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Directors' Report, we also considered whether the disclosures required by the Companies Act 2014 have been included.



Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (Ireland) and the Companies Act 2014 require us to also report certain opinions and matters as described below:

- In our opinion, based on the work undertaken in the course of the audit, the information given in the Directors' Report for the year ended 31 December 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.
- Based on our knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Directors' Responsibilities Statement set out on page 9, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view.

The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the IAASA website at:

https://www.iaasa.ie/getmedia/b2389013-1cf6-458b-9b8f-a98202dc9c3a/Description_of_auditors_responsibilities_for_audit.pdf

This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with section 391 of the Companies Act 2014 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2014 opinions on other matters

- We have obtained all the information and explanations which we consider necessary for the purposes of our audit.
- In our opinion the accounting records of the company were sufficient to permit the financial statements to be readily and properly audited.
- The financial statements are in agreement with the accounting records.

Companies Act 2014 exception reporting

Directors' remuneration and transactions

Under the Companies Act 2014 we are required to report to you if, in our opinion, the disclosures of directors' remuneration and transactions specified by sections 305 to 312 of that Act have not been made. We have no exceptions to report arising from this responsibility.

Appointment

We were appointed by the directors on 30 November 2018 to audit the financial statements for the year ended 31 December 2018 and subsequent financial periods. This is therefore our first year of uninterrupted engagement.



Padraig Osborne
for and on behalf of PricewaterhouseCoopers
Chartered Accountants and Statutory Audit Firm
Dublin
17 April 2019

Statement of Comprehensive Income for the Year Ended 31 December 2018

	Notes	2018 €'000	2017 Restated €'000
Earned premiums, net of reinsurance			
Gross premiums written	2	72,363	69,160
Outward reinsurance premiums		(68,742)	(64,614)
Net premiums written		3,621	4,546
Change in gross provision for unearned premiums	17	(595)	(1,633)
Change in the provision for unearned premiums, reinsurers' share		5,281	1,632
Change in the net provision for unearned premiums		4,686	(1)
Investment income	3	(573,908)	262,348
Fee and commission income	3	55,547	52,215
		(518,361)	314,563
Claims incurred, net of reinsurance			
Claims paid - gross	2	(39,233)	(35,399)
Reinsurers' share		31,984	33,110
Net claims paid		(7,249)	(2,289)
Change in the provision for claims – gross	17	(11,046)	(2,713)
Reinsurers' share		10,209	1,923
Change in the net provision for claims		(837)	(790)
Change in technical provisions			
Change in the life assurance provision	17	5,127	(840)
Change in the life assurance provision - reinsurers' share		2,050	-
Change in technical provisions for life assurance policies where the investment risk is borne by the policyholders	17	571,098	(259,195)
		578,275	(260,035)
Net operating expenses	4	(67,654)	(38,764)
Investment expenses and charges	3	(3,770)	(3,244)
Interest payable		(971)	(1,131)
(Loss)/profit Before Taxation		(12,260)	12,855
Taxation	8	576	(1,641)
Total Comprehensive Income for the financial year		(11,684)	11,214

Statement of Changes in Equity for the Year ended 31 December 2018

	Retained Earnings €'000	Non-Refundable Capital Contribution €'000	Called Up Share Capital €'000	Total Equity €'000
At 1 January 2017 * (Restated)	49,298	12,548	61,135	122,981
Share capital issued during the year	-	-	-	-
Comprehensive Income for the financial year	11,214	-	-	11,214
At 31 December 2017 (Restated)	60,511	12,548	61,135	134,195
Capital contribution issued during the year	-	81,423	-	81,423
Comprehensive Income for the financial year	(11,684)	-	-	(11,684)
Dividend Paid	(2,500)	-	-	(2,500)
At 31 December 2018	46,328	93,971	61,135	201,434

*A prior period equity adjustment in the amount of €34,640,000 arose as at 1 January 2017 following the adoption of IFRS 15. This is detailed in in the table below.

First Time Adoption of IFRS 15: 'Revenue from Contracts with Customers'

	€'000
Opening Equity at 1 January 2017	157,621
Plus Adjustment due to:	
Amortisation of deferred acquisition costs	34,790
Less Adjustment due to:	
Deferred Income Liability	(74,379)
Plus Adjustment due to:	
Deferred Tax	4,949
Opening Equity at 1 January 2017 - Restated	122,981

Statement of Financial Position as at 31 December 2018

Assets	Note	2018 €'000	2017 €'000 Restated	2016 €'000 Restated
Intangible assets - software development costs	13	-	11,928	9,715
Property, plant and equipment	14	322	384	274
Investments				
Financial investments	9	31,755	93,840	89,113
Investment in Subsidiaries	9	124,590	-	-
Investments for the benefit of investment contract holders	10	10,437,082	10,946,576	10,370,166
Reinsurers' share of insurance contract liabilities				
Provision for claims		54,167	59,004	57,432
Provision for unearned premiums		10,709	11,197	9,738
Life assurance provision		2,050	-	-
		66,926	70,201	67,170
Other assets				
Italian withholding tax prepayment		155,258	145,400	130,523
Deferred acquisition costs	11	59,676	56,507	49,652
Deferred tax asset	15	6,026	6,150	5,185
Debtors arising out of direct insurance operations	8	30,933	22,499	26,815
Prepayments and accrued income	12	15,645	15,516	12,226
Cash and cash equivalents		22,804	46,012	35,117
		290,342	292,084	259,518
Total Assets		10,951,017	11,415,013	10,795,956
Equity and Liabilities				
Capital and reserves				
Called up share capital	16	61,135	61,135	61,135
Non-refundable capital contribution		93,971	12,548	12,548
Retained Earnings		46,328	60,512	49,298
Total shareholder's funds – equity interests		201,434	134,195	122,981
Insurance contract liabilities				
Provision for unearned premiums	17	12,336	11,751	10,291
Life assurance provision	17	2,184	7,311	6,471
Provision for claims	17	74,172	63,545	61,183
		88,692	82,607	77,945
Investment contract liabilities	17	10,439,698	10,948,490	10,370,494
Liabilities falling due within one year				
Italian withholding tax accrual	11	35,688	37,118	34,651
Liabilities arising out of direct insurance operations	19	51,362	53,591	51,282
Financial liabilities	20	22,261	55,250	49,878
Other liabilities including tax and social welfare	21	5,713	2,946	1,640
		115,024	148,905	137,451
Accruals		6,712	8,074	9,090
Deferred income liability	22	99,457	92,742	77,995
Total Equity and Liabilities		10,951,017	11,415,013	10,795,956

On behalf of the board:

Paul Gillett

Henry O'Sullivan

Date: 11 April 2019

Statement of Cash flows for the Year Ended 31 December 2018

	Note	2018 €000	2017 €000
Cash flows from operating activities			
Cash utilised by operations	28	(72,210)	7,488
Interest and similar income		216	119
Dividend income/ (expense)		2,851	(2,084)
Net cash (outflow)/ Inflow from operating activities		(69,143)	5,523
Cash flow from financing activities			
Change in borrowings		(32,988)	5,372
Dividends Paid		(2,500)	-
Capital Contribution		81,423	-
Net cash from financing activities		45,935	5,372
Net (decrease)/Increase in cash and cash equivalents		(23,208)	10,895
Cash and cash equivalents at 1 January		46,012	35,117
Cash and cash equivalents at 31 December		22,804	46,012

Notes to the Financial Statements

1. Accounting Policies

The significant accounting policies adopted by the Company are as follows:

(a) Basis of preparation

The financial statements have been prepared on a going concern basis.

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and IFRS Interpretations Committee ("IFRS IC") interpretations as adopted by the European Union and applicable to companies reporting under IFRS at 31 December 2018.

For all periods up to and including 31 December 2017, the Company prepared its financial statements in accordance with local generally accepted accounting practice (Local GAAP). These financial statements for the year ended 31 December 2018 are the first the Company has prepared in accordance with IFRS. The adoption of IFRS has had no impact on current or prior years' income as more previously complying with FRS 101 where the rules are the same as IFRS..

During 2018 the company adopted IFRS 9 'financial instruments: classification and measurement'. The adoption of IFRS has had no impact on current or prior years' income.

In 2018 the Company has also adopted IFRS 15 'Revenue from Contracts with Customers', this is a new accounting standard for revenue recognition.

For the vision product a portion of the front-end fees received at the inception of a contract and anticipated future margins such as actuarial funding are deferred and presented as a deferred income liability, gross of tax, in the statement of financial position. Previously 4% of income was deferred to the statement of financial position. The liability is amortised over the expected term of the contract and is included within "other technical income" in the statement of comprehensive income. The change in accounting policy is to defer 100% of the front end fees. The liability will continue to be amortised over the expected term of the contract.

In addition to the change in deferral of income the Company also defers the recognition of all commissions paid in line with the deferral methodology of income.

The effect of this change in accounting policy was to decrease the profit before tax by €551,000 (2017: decrease profit by €7,606,000)

The Company has applied IFRS 13 - Fair Value Measurement which established a single source of guidance for fair value measurements and disclosures about fair value measurements. IFRS 13 defines fair value as the price that would be received to sell an asset or the price paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The application of IFRS 13 allows the Company to value its financial instruments using mid or last traded price.

The financial statements have been prepared in Euro (€) and all values are rounded to the nearest thousand ('000) except where otherwise stated.

(b) Historical cost convention

The financial statements are prepared under the historical cost convention, modified by the valuation of investments as outlined in the accounting policy for investments noted below.

(c) Product classification

Contracts under which the Company accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder or other beneficiary if a specified uncertain future event (the insured event) adversely affects the policyholder or other beneficiary, are classified as insurance contracts.

Notes to the Financial Statements (continued)

1. Accounting Policies (continued)

(c) Product classification (continued)

Insurance risk is risk other than financial risk. Financial risk is the risk of a possible future change in one or more of a specified interest rate, security price, commodity price, foreign exchange rate, index of prices or rates, a credit rating or credit index or other variable, provided in the case of a non-financial variable that the variable is not specific to a party or contract.

Contracts under which the transfer of insurance risk to the Company from the policyholder is not significant are classified as investment contracts.

A contract that qualifies as insurance remains an insurance contract until all rights and obligations are extinguished or expire. However, an investment contract classified as such on inception could be reclassified as an insurance contract if it subsequently meets the insurance definition as described above.

(d) Insurance contracts – recognition and measurement Premiums

Premiums written are accounted for in the financial year in which the risks are assumed. Any adjustments are recorded in the financial year in which they are reported. Premiums receivable are earned on a pro-rata basis over the periods of risk to which they relate with the unearned portion being deferred and included in the statement of financial position in insurance contract liabilities. Outward reinsurance premiums are accounted for in the same accounting period as the premiums for the related direct insurance business.

Claims

Death claims and all other claims are accounted for when notified. Claims payable include related internal and external claims handling costs.

Insurance contract liabilities

The insurance contract liabilities comprise the technical provisions for life assurance policies where the investment risk is borne by the policyholders, the provision for claims, the life assurance provision and the provision for unearned premiums.

The life assurance provision is calculated by a Fellow Member of the Society of Actuaries in Ireland on the basis of recognised actuarial methods and with due regard to the actuarial principles laid down in Council Directive 92/96/EEC. The provision for claims consists of both a provision for claims which had been incurred but which had not yet been reported and a provision for claims which had been reported but not yet settled as at the statement of financial position date.

Reinsurance

The benefits under the reinsurance contracts held are recognised as reinsurance assets. These assets consist of short term balances due from reinsurers, as well as long term receivables that are dependent on the expected claims and benefits arising under the related reinsured insurance contracts. Amounts recoverable from or due to the reinsurers are measured consistently with the amounts associated with the reinsured insurance contracts in accordance with the terms of each reinsurance contract. Reinsurance recoveries are accounted for in the same period as the related claim. Reinsurance assets are assessed for impairment on an annual basis. If there is objective evidence that the reinsurance asset is impaired, the carrying amount is reduced to its recoverable amount and the impairment loss is recognised in the statement of comprehensive income.

Notes to the Financial Statements (continued)

1. Accounting Policies (continued)

(e) Investment contracts – recognition and measurement

Contributions

Amounts received in respect of unit-linked contracts, which principally involve the transfer of financial risk, are classified as investment contracts and accounted for using deposit accounting, under which amounts collected are credited directly to the statement of financial position, as an adjustment to the liability to policyholders. Financial liabilities in respect of unit-linked investment contracts are carried in the statement of financial position as 'Investment contract liabilities' (see Note 17 'Insurance and investment contract liabilities').

Benefits

Benefits in respect of such contracts are not included in the statement of comprehensive income but are deducted from 'Investment contract liabilities', in the statement of financial position.

Any additional payment made to a policyholder in the event of a death claim is accounted for as a claim payment in the statement of comprehensive income.

Commissions

Other than as described under "Deferred acquisition costs" below, acquisition commissions are included in acquisition costs in the statement of comprehensive income as incurred. Renewal commissions are included in administrative expenses in the statement of comprehensive income as incurred.

Deferred acquisition costs

Commission costs incurred in the acquisition of new business are deferred as an explicit deferred acquisition cost asset. This asset is amortised against future revenue margins on the related policies. The deferred acquisition cost asset is reviewed for recoverability at the end of each accounting period against future revenue margins expected to arise from the related policies.

Revenue arising from investment contracts

Revenue arising from investment contracts, such as management fees, is accounted for on an accruals basis and is recorded in "Fee and commission income" in the statement of comprehensive income. Outstanding revenue is included in "Prepayments and accrued income" in the statement of financial position.

Front-end fees received at the inception of a contract are deferred and presented as a deferred income liability, gross of tax, in the statement of financial position. The liability is amortised over the expected term of the contract and is included within "Fee and commission income" in the statement of comprehensive income. The recurring fees consist of contractual fixed fees and percentage fees.

Investment contract liabilities

All investment contracts issued by the Company are designated on initial recognition as financial liabilities at fair value through profit or loss.

Gains and losses arising from the changes in the fair value of financial liabilities designated at fair value through profit or loss are included in the profit or loss account in the period in which they arise and are recorded in 'Investment contract liabilities'.

Unit linked liabilities are recognised as and when the units are created and are valued by reference to the fair value of the underlying assets held within the associated fund at the statement of financial position date.

Notes to the Financial Statements (continued)

1. Accounting Policies (continued)

(e) Investment contracts – recognition and measurement (continued)

A financial liability is derecognised when the liability is extinguished, that is, when the obligation specified in the contract is discharged, cancelled or has expired. The difference between the carrying amount of a financial liability derecognised and consideration paid, including any non-cash assets transferred, is recognised in the statement of comprehensive income. Financial liabilities in respect of such contracts are disclosed as 'Investment contract liabilities'.

(f) Investments

Financial assets - classification

The Company has adopted IFRS 9 as at 1 January 2018 and as permitted within the standard has not restated the comparative figures. The Company did not identify any adjustments to the carrying amount of financial assets and liabilities on transition. The measurement category and the carrying amount of financial assets and liabilities in accordance with IAS 39 and IFRS 9 at 1 January 2018 are compared as follows:

2018	IAS 39		IFRS 9	
	Measurement Category	Carrying Amount €'000	Measurement Category	Carrying Amount €'000
Financial Assets				
Cash and cash equivalents	Amortised cost	22,804	Amortised cost	22,804
Financial Investments	Fair Value through profit or loss (FVPL)	19,274	Fair Value through profit or loss (FVPL)	19,274
	Amortised cost	12,481	Amortised cost	12,481
Financial Liabilities	Amortised cost	22,261	Amortised cost	22,261

There were no reclassifications / remeasurements arising out of the implementation of IFRS 9. The Company has identified certain debt securities which are held to collect the contractual flows and this is consistent with past practice. These securities of €12,481,000 continue to be measured at amortised cost and classified as financial assets – debt securities – amortised cost. The remainder of the financial assets are held for the benefit of policyholder liabilities and is consistent with previous IAS 39 classification.

Amortised cost and effective interest rate

The amortised cost is the amount at which the financial assets and financial liabilities are measured at initial recognition minus the principal repayments, plus or minus the cumulative amortization using the effective interest rate method on any difference between the initial amount and the maturity amount and for financial assets adjusted for any expected loss allowances.

Notes to the Financial Statements (continued)

1. Accounting Policies (continued)

(f) Investments (continued)

Classification and measurement

From 1 January 2018, the Company has applied IFRS 9 and classifies its financial assets in the following categories;

- Fair value through profit or loss (FVPL);
- Amortised costs.

Classification and subsequent measurement of financial assets is dependent on the business model for managing the assets and the cash flow characteristics of the asset.

- **Amortised Cost:** Assets that are held for the collection of contractual cash flows where those cash flows represent solely payments of principal and interest (SPPI) and that are not recognised at FVPL are measured at amortised cost
- **Fair Value through profit or loss:** Assets that do not meet the criteria for amortised costs and are actively traded are measured at fair value through profit or loss.
- **Business model:** The business model reflects how the Company manages the assets in order to generate cash flows. Factors considered by the Company in determining the business model include past experience on how cash flows were collected, how the asset's performance is evaluated and reported to key management personnel and how risks are assessed.

Impairment

The Company applies the low credit risk expedient to most financial assets – debt securities in scope for the impairment requirement of IFRS 9 and similarly to cash. 'Low credit risk' encompasses investment grade debt securities held by the Company and such financial investments are allocated to stage 1.

The Company under IAS 39 and in previous years has classified its financial assets into the following categories:

Assets held at fair value through profit or loss

Financial assets held to back investment contracts and one of the Company's solvency portfolios have been designated upon initial recognition as at fair value through profit or loss and are carried at fair value. The basis of this designation is that financial assets and liabilities in connection with investment contracts are managed and evaluated together on a fair value basis. This designation eliminates or significantly reduces a measurement inconsistency that would otherwise occur if these financial assets were not measured at fair value and the changes in fair value were not recognised in the statement of comprehensive income. Other financial assets are also designated at fair value upon initial recognition as they are managed together on a fair value basis and the performance of the portfolio is monitored on a fair value basis.

Amortised cost investments

The Company holds a solvency portfolio which consists of relatively long dated bonds (or fixed income securities) which are held for asset-liability matching purposes. The Company has classified these as amortised cost investments and has the positive intention and ability to hold them to maturity. After initial measurement, these investments are measured at amortised cost using the effective interest rate method, less impairment. The amortisation, and any impairment, is included as investment income.

Financial assets - recognition, measurement and derecognition

Purchases of financial assets are recognised on the trade date, which is when the Company commits to purchase the assets, and are valued at their purchase price.

Notes to the Financial Statements (continued)

1. Accounting Policies (continued)

(f) Investments (continued)

Listed investments and derivatives are valued at current mid-price at the statement of financial position date. Unlisted investments for which a market exists are also stated at the current mid-price at the statement of financial position date or the last trading day before that date. The value of other unlisted investments, for which no active market exists, are established at directors' best estimate of fair value, based on third party information or valuations provided by counterparties, or valued at cost and reviewed for impairment at the statement of financial position date.

Subsidiaries are entities controlled by UPE. UPE controls an entity when it 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 over the entity.

Investments in subsidiary undertakings are accounted for at fair value. These investments are initially measured at cost. Thereafter, valuation of regulated insurance company subsidiaries is based on the subsidiaries Own Funds under Solvency II, adjusted for the adding back of foreseeable dividends, 50% of Risk Margin and Present Value of Future Profits outside of contract boundaries.

After initial recognition, the Company measures loans and receivables at amortised cost, other than those that the Company intends to sell in the near term, which the Company designates upon initial recognition at fair value through profit or loss. Loans and receivables are subject to impairment review. This basis of valuation is reviewed by the directors, having prudent regard to the likely realisable value. Financial assets are derecognised when contractual rights to receive cash flows from the investments expire, or where the investments, together with substantially all the risks and rewards of ownership, have been transferred.

Impairment of financial assets

The Company assesses (at each statement of financial position date) whether there is objective evidence that a financial asset or group of financial assets is impaired and whether an impairment charge should be recognised. Any such impairment is recognised in the statement of comprehensive income in the period in which the impairment is recognised. If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event after the impairment was recognised, the previously recognised impairment loss is reversed through the statement of comprehensive income for the period.

Derivative financial instruments

Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value are recognised immediately in the statement of comprehensive income. Fair values are obtained from the quoted market prices in active markets. All derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

The Company mainly utilises interest rate swaps and options on interest rate swaps (swaptions). Interest rate swaps are contractual agreements between two parties to exchange periodic payments in the same currency, each of which is computed on a different interest rate basis, on a specified notional amount. Most interest rate swaps involve the net exchange of payments calculated as the difference between the fixed and floating rate interest rate payments.

The Company's exposure to a gain or loss on swap contracts will increase or decrease over their respective lives as a function of maturity dates, interest rates and the timing of payments. The payoff of the swaptions purchased by the Company is determined by the value of the underlying swap at the option expiry date; swaption contracts have an interest rate exposure similar to that of swaps, with an additional sensitivity to the volatility assumption used.

Notes to the Financial Statements (continued)

1. Accounting Policies (continued)

(f) Investments (continued)

Investment income

Income from investments is included in the technical account - life assurance business or non-technical account, as appropriate.

Realised and unrealised investment gains and losses

Realised gains and losses are calculated as the difference between net sales proceeds and the related purchase price.

Unrealised gains and losses attributable to assets in the life assurance business fund are reported in the technical account – life assurance business. The movement in unrealised gains and losses on investments represents the difference between the fair value at the statement of financial position date and their purchase price and their fair value at the last statement of financial position date, together with the reversal of unrealised gains and losses recognised in earlier accounting periods in respect of investment disposals in the current period.

Fair value hierarchy

The Company reviews its financial investments and classifies them in accordance with IFRS 13. Similarly, for investments for the benefit of life assurance policyholders who bear the investment risk, the Company reviews these investments at each year end and classifies them according to IFRS 13. If the Company considers that there has been a change in measurement basis due to a change in inputs, it will reclassify the relevant financial investment to the appropriate level and separately disclose this transfer.

(g) Operating expenses

All operating expenses, including acquisition costs, are charged to the technical account for life assurance business when incurred. Acquisition costs comprise the direct and indirect costs of obtaining and processing new business.

(h) Italian withholding tax prepayment

Contributions to the Italian Revenue as a result of the Company acting as a Withholding Tax Agent are recognised as a tax prepayment asset. Italian capital gains tax recovered from policyholders is offset against this asset. The recoverable amount of this asset is reviewed at each financial year end and is determined by the Board of Directors. This asset has not been discounted in the financial statements.

(i) Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rates ruling at the statement of financial position date. Revenues, costs and non-monetary assets are translated at the exchange rates ruling at the dates of the transactions.

Profits and losses arising from foreign currency translations and on settlement of amounts receivable and payable in foreign currency are included in the technical account.

(j) Leasing

Rentals payable under operating leases are charged to the statement of comprehensive income on a straight-line basis over the term of the lease.

Notes to the Financial Statements (continued)

1. Accounting Policies (continued)

(k) Taxation

Taxation is provided on profits and income earned in the period.

Deferred taxation is provided on timing differences that have originated but not reversed at the statement of financial position date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the statement of financial position date.

Timing differences are temporary differences between profits as computed for taxation purposes and profits as stated in the financial statements which arise because certain items of income and expenditure in the financial statements are dealt with in different financial years for taxation purposes.

Deferred tax is measured at the tax rates that are expected to apply in the financial years in which the timing differences are expected to reverse based on tax rates and laws that have been enacted by the statement of financial position date. Deferred tax is not discounted.

(l) Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation. Depreciation is calculated to write off the original cost of these assets over their estimated useful lives in equal instalments at the following rates:

Asset category	Rate of depreciation	Basis of depreciation
Fixtures and Fittings	20%	Straight line
Computer Equipment	50%	Straight line

(m) Intangible assets

Previously Intangible assets were stated at cost less accumulated amortisation. Effective from 2018 the policy was revised and Intangible assets are no longer capitalised in the statement of financial position. All software developments costs are charged directly to the statement of comprehensive income.

(n) Offsetting

Offsetting is applied when the Company has the right to receive amounts on a net basis from the counterparty and the Company has the intention to settle on a net basis for the amounts due to the Company and due to the counterparty.

(o) Pension costs

The Company's employees are entitled to join a Defined Contribution Plan; the Utmost Ireland Pension Scheme.

Defined Contribution Plan: Payments are made by the employer to a pension fund, independent of the Company. These payments free the employer of any further commitment and the obligation to pay acquired benefits to the employee is transferred. The employer's contributions are recorded as an expense in the technical account.

(p) Financial liabilities

Financial liabilities, including borrowings, are initially recognised at fair value, being their issue proceeds net of transaction costs incurred. All liabilities, other than those designated at fair value through profit or loss, are subsequently carried at amortised cost. For financial liabilities measured at amortised cost any difference between initial fair value and redemption value is recognised in the Statement of Comprehensive Income using the effective interest rate method.

Notes to the Financial Statements (continued)

1. Accounting Policies (continued)

(q) Interest payable

Interest payable on financial liabilities is accounted for on an accruals basis.

(r) Cash at bank and in hand

Cash at bank and in hand is held at its amortised cost value.

(s) Short-term debtors and creditors

Debtors and creditors with no stated interest rate, and receivable or payable within one year, are recorded at transaction price. Any losses arising from impairment are recognised in the statement of comprehensive income in other operating expenses.

(t) Provisions and contingencies

A provision is recognised when the Company has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation.

The provision is reviewed at each reporting date and adjusted to reflect the current best estimate of the amount required to settle the obligation. The Company charges against a provision only those expenditures for which the provision was originally recognised. When all or part of provision may be reimbursed by a third party, the reimbursement is recognised as a separate asset when it is virtually certain that payment will be received.

The effect of the time value of money is also considered and, if material, provisions are discounted.

(u) New accounting standards

Certain new standards, amendments and interpretations to existing standards have been published by the International Accounting Standards Board ("IASB").

The Company is undertaking an assessment of the impact of these and they will be implemented by their respective effective dates.

IFRS 16: 'Leases'

The Company is undertaking an assessment of the impact of IFRS 16 which will be implemented with effect from 1 January 2019. The impact is expected to be immaterial.

IFRS 17: 'Insurance Contracts'

The Company is undertaking an assessment of the impact of IFRS 17 which will be implemented with effect from 1 January 2022.

Notes to the Financial Statements (continued)

2. Premiums, Claims & Fees Information

	2018 €'000	2017 €'000
(a) Gross premiums written (Group Risk & Variable Annuities)		
Ireland - regular premium	58,336	55,228
Other - regular premium	13,732	13,210
Other - reinsurance premium inward	295	722
Total	72,363	69,160

(b) Claims		
Ireland	30,364	24,057
Other	8,869	11,342
Total	39,233	35,399

(c) New business written		
Wealth Protection (Single Premium Investment Contracts)		
Italy	648,782	949,310
United Kingdom	103,724	279,471
Spain/Portugal	99,820	41,486
Other	3,736	5,915
Total	856,062	1,276,182

Investment Planning (Investment Contracts)		
Finland - single premium	12,785	20,036
Other - single premium	11,060	11,840
Finland - regular premium	13,011	15,299
Other - regular premium	780	1,087
Total	37,636	48,262

Group Risk		
Ireland	11,244	9,173
Other	1,441	87
Total	12,685	9,260

Single premium contracts consist of those contracts under which there is no expectation of continuing premiums being paid at regular intervals. Regular premium contracts include those contracts under which premiums are payable at regular intervals during the policy year, including repeated or recurrent single premiums where the level of premiums is defined.

(d) Fees paid by investment contract policyholders		
Italy	21,991	23,080
Spain/Portugal	1,228	1,361
United Kingdom	1,570	939
Other	3,149	3,196
Total	27,938	28,576

Notes to the Financial Statements (continued)

3. Investment income

Investment income relates to income on bonds, interest on cash deposits and dividend income.

	2018 €'000	2017 €'000 Restated
Investment income		
Income from financial assets at fair value through profit or loss	(574,110)	262,153
Income from financial assets at amortised cost	202	195
	(573,908)	262,348
Fee and commission income		
Fees paid by investment contract policyholders (Note 2)	27,938	28,576
Unit linked income	22,728	27,159
Commission earned on reinsurance premiums ceded	10,335	10,323
Trail commissions received	1,043	904
(Increase)/reduction in deferred income liability (Note 22) Restated	(6,497)	(14,747)
	55,547	52,215
Investment expenses and charges		
Investment management expenses	(3,770)	(3,244)

4. Net operating expenses

	2018 €'000	2017 €'000 Restated
Acquisition costs	5,897	5,216
Administration expenses	47,131	25,814
Amortisation of deferred acquisition costs (Note 15)	7,399	7,317
Other Costs	6,993	-
Operating lease rentals – office premises	205	361
Operating lease rentals – motor vehicles	29	56
Total	67,654	38,764

Included in net operating expenses is acquisition and other commission for direct insurance of €3,490,000 (2017: €3,054,000), which excludes commission paid to employees. Also included is depreciation of tangible fixed assets of €380,000 (2017: €326,000), amortisation of intangible fixed assets of €2,350,000 (2017: €1,501,000), write off of intangible fixed assets of €10,983,000 (2017: €0) and Auditors' remuneration for the audit of the entity's financial statements, audit related assurance services and out of pocket expenses, excluding VAT, of €327,000 (2017: €469,000). Other costs of €6,993,000 relates to the transfer of the VA portfolio to Generali Personenversicherungen.

Notes to the Financial Statements (continued)

4. Net operating expenses (continued)

Auditors' Remuneration

The remuneration of the auditors is further analysed as follows:

	2018 €'000	2017 €'000
Audit of the financial statements	226	303
Audit related assurance services including Solvency II	101	166
Non – audit services	87	-
Total auditors' remuneration	414	469

Operating lease charges

At 31 December 2018 the Company had no operating lease commitments.

5. Staff costs

	2018 €'000	2017 €'000
Included in administration expenses are the following staff costs:		
Wages and salaries	4,876	9,264
Social insurance costs	653	1,006
Pension costs	259	424
Total	5,788	10,694

	2018	2017
Number of persons employed are:		
Full time staff	0	116
Part time staff	0	27
Total	0	143

* There are no staff employed by the Company as at 31 December 2018. 143 staff were transferred into Utmost Services Ireland Limited under a TUPE process following the sale of UPE on 19 June 2018.

	2018 €'000	2017 €'000
Included in intangible assets are the following staff costs:		
Wages and salaries	-	683
Social Insurance costs	-	73
Pension costs	-	24
Total	-	780

Notes to the Financial Statements (continued)

6. Pension costs

The Company operates a defined contribution scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund which is managed by an independent trustee. The pension cost charge represents contributions by the Company to the fund and amounted to €259,000 (2017: €455,000). The amount payable to the pension scheme at 31 December 2018 was nil (2017: nil).

7. Directors' expenses

Included in administration expenses are directors' expenses:

	2018 €'000	2017 €'000
Directors' fees	773	860
Directors' pension contributions	72	74
Total	845	934

The pension contributions are made on behalf of two directors. The contributions are paid to the Utmost Ireland defined contribution pension scheme on behalf of one director and to another pension scheme on behalf of the second director.

The aggregate amount of the gains by the directors on the exercise of share options during the year ended 31 December 2018 was nil (2017: nil).

8. Taxation

	2018 €'000	2017 €'000 Restated
Irish corporation tax:		
Current tax on profit for the financial year	495	(2,560)
Prior financial year under /(over) provision	244	(3)
Irish income tax	(37)	(42)
Foreign tax	(2)	(2)
Deferred tax (credit)/charge	(124)	966
Total	576	(1,641)

The following table explains the difference between the tax charge that would result from applying the standard corporation tax rate in Ireland of 12.5% and the actual tax charge for the year:

	2018 €'000	2017 €'000 Restated
(Loss)/Profit on ordinary activities before tax	(12,260)	12,855
(Loss)/Profit on ordinary activities multiplied by standard tax rate of 12.5% (2017: 12.5%)	1,533	(1,607)
Permanent differences	(1,162)	12
Current tax prior year (over)/under provision	244	(2)
Income tax withheld	(36)	(42)
Foreign tax effect	(3)	(2)
Total	576	(1,641)

Notes to the Financial Statements (continued)

8. Taxation (continued)

As at 31 December 2018 the Company had a deferred tax asset of €6,026,000 in relation to timing differences (2017: €6,150,000), which has been recognised in the financial statements.

	2018 €'000	2017 €'000 Restated
Balance at 1 January	6,150	5,184
Deferred tax (credit)/charge for the financial year	(124)	966
Balance at 31 December	6,026	6,150

The elements of deferred taxation are as follows:

Difference between depreciation and capital allowances	1,264	114
Provisions and other items	40	133
IFRS transitional adjustments	4,722	5,903
Total	6,026	6,150

9. Financial investments

	2018 €'000	2017 €'000
Financial assets		
Debt securities – Fair value through profit or loss	8,120	57,364
Debt securities – Amortised cost	12,481	13,042
Investment funds – Fair value through profit or loss	11,154	22,799
Total	31,755	93,205

Derivatives

Financial Assets

Interest Rate Swaptions (Notional Nil; 2017 €5,000,000)	-	758
Interest Rate Swaps (Notional Nil; 2017 €127,200,000)	-	9,902
Forward Currency Contracts (Notional Nil; 2017 €1,032,816)	-	4
Exchange Traded Bond Futures	-	75

Financial Liabilities

Interest Rate Swaps (Notional Nil; 2017 €77,300,000)	-	(10,104)
Exchange Traded Bond and Index Futures	-	-
Total	-	635

Total financial investments

31,755	93,840
---------------	---------------

All derivative positions were closed out by 2 March 2018 following the transfer of the Variable Annuities Portfolio to Generali Personenversicherungen.

The interest rate swaps listed above have been netted by counterparty in these financial statements under the terms of the International Swaps and Derivatives Association (ISDA) agreements in place with each counterparty. In addition, cash collateral to cover open derivative positions (in the money) was lodged by the counterparties or UPE lodged collateral with counterparties (out of the money positions). Details of cash collateral posted and received at year end are as follows:

Notes to the Financial Statements (continued)

9. Financial investments (continued)

	2018 €'000	2017 €'000
Collateral posted (relating to financial liabilities)	-	10,120
Collateral received (relating to financial assets)	-	(10,670)
	2018 €'000	2017 €'000
Investment in subsidiaries		
Investment in Utmost Ireland dac	114,240	-
Investment in Harcourt Life Ireland dac	10,350	-
Total	124,590	-

10. Investments for the benefit of investment contract holders

Investments	2018 €'000	2017 €'000
Bonds	1,774,659	1,641,374
Equities	991,686	1,039,204
Funds	6,021,110	6,651,976
Derivatives	1,541	3,797
Other investments	293,503	320,998
Cash balances and short term deposits	1,354,583	1,289,227
Total	10,437,082	10,946,576

Other investments include holdings in Structured Notes, Collateralised Securities, Loans and Investment Properties.

11. Italian withholding tax prepayment and accrual

Asset	2018 €'000	2017 €'000
Balance at 1 January	145,400	130,523
Payable in respect of 2018	35,688	-
Payable in respect of 2017	-	38,275
Recovered from policyholders during the year	(25,830)	(22,241)
Partial recovery of 2013 payment	-	-
Partial recovery of 2012 payment	-	(1,157)
Balance at 31 December	155,258	145,400
Liability		
Balance at 1 January	37,118	34,651
Payable in respect of 2018	35,688	-
Payable in respect of 2017	-	38,275
Less partial recovery of 2013 payment	-	-
Less partial recovery of 2012 payment	-	(1,157)
Paid during the year	(37,118)	(34,651)
Balance at 31 December	35,688	37,118
Maturity analysis of tax expected to be recovered		
In one financial year or less	-	-
In more than one financial year, but not more than five financial years	119,570	107,125
In more than five financial years, but not more than twenty financial years	35,688	38,275
Total	155,258	145,400

Notes to the Financial Statements (continued)

12. Debtors arising out of direct insurance operations

	2018 €'000	2017 €'000
Claims recoverable from reinsurers	14,187	9,522
Commission receivable from reinsurers	4,784	4,156
Amounts due from policyholders	11,962	8,821
Total	30,933	22,499

There is no difference between the fair value and carrying value as disclosed.

13. Intangible assets – software development costs

	Software Development 2018 €'000	Software Development 2017 €'000
Cost		
At 1 January	17,576	13,862
Additions	1,460	3,714
Disposals	(1,034)	-
Asset write-off	(18,002)	-
At 31 December	-	17,576
Accumulated amortisation		
At 1 January	5,648	4,147
Charge for the financial year	2,350	1,501
Disposals	(7,998)	-
At 31 December	-	5,648
Net book value		
At 1 January	11,928	9,715
At 31 December	-	11,928

14. Property, plant and equipment

	Fixtures and Fittings €'000	Computer Equipment €'000	Total €'000
Cost			
At 1 January 2018	1,575	1,789	3,364
Additions	118	200	318
At 31 December 2018	1,693	1,989	3,682
Accumulated depreciation			
At 1 January 2018	1,525	1,455	2,980
Charge for the financial year	46	334	380
At 31 December 2018	1,571	1,789	3,360
Net book value			
At 1 January 2018	50	334	384
At 31 December 2018	122	200	322

Notes to the Financial Statements (continued)

14. Property, plant and equipment (continued)

	Fixtures and Fittings €'000	Computer Equipment €'000	Total €'000
Cost			
At 1 January 2017	1,499	1,429	2,928
Additions	76	360	436
At 31 December 2017	1,575	1,789	3,364
Accumulated depreciation			
At 1 January 2017	1,492	1,162	2,654
Charge for the financial year	33	293	326
At 31 December 2017	1,525	1,455	2,980
Net book value			
At 1 January 2017	7	267	274
At 31 December 2017	50	334	384

15. Deferred acquisition costs

	2018 €'000	2017 €'000 Restated
Balance at 1 January	56,507	49,652
Costs deferred in current financial year	10,568	14,172
Release to income statement	(7,399)	(7,317)
Balance at 31 December	59,676	56,507

16. Called up Share capital

	2018 €'000	2017 €'000
Authorised:		
6,000,000 ordinary shares of €1.269738 each	7,618	7,618
300,000,000 Non-Voting B Ordinary Shares of €1.00 each	300,000	300,000
400,000,000 Non-Voting Redeemable Preference Shares of €1.00 each	400,000	400,000
Total	707,618	707,618
Issued and fully paid:		
500,000 Ordinary Shares of €1.269738 each	635	635
60,500,000 Non-Voting B Ordinary Shares of €1.00 each	60,500	60,500
Total	61,135	61,135

The Ordinary Shares, the Non-Voting B Ordinary Shares and the Non-Voting Redeemable Preference Shares rank pari passu in all respects but constitute separate classes of shares. The Ordinary Shares confer on the holders thereof the right to receive notice of, attend and vote at any general meetings of the Company and confer on the holders thereof the right to one vote per Ordinary Share. The Non-Voting B Ordinary Shares and Non-Voting Redeemable Preference Shares do not confer on the holders the right to receive notice of or to attend or vote at general meetings of the Company.

Notes to the Financial Statements (continued)

17. Insurance and investment contract liabilities

	Provision for unearned premiums €'000	Life assurance provision €'000	Provision for claims €'000	Investment contract liabilities* €'000
At 1 January 2017	10,291	6,471	61,183	10,370,494
Deposits received from policyholders under investment contracts	-	-	-	1,379,928
Payments made to policyholders under investment contracts	-	-	-	(1,061,127)
Change in technical provision as shown in the income statement	1,633	840	2,713	259,195
Foreign exchange revaluation	(173)	-	(351)	-
At 31 December 2017	11,751	7,311	63,545	10,948,490
Deposits received from policyholders under investment contracts	-	-	-	955,897
Payments made to policyholders under investment contracts and fee deductions	-	-	-	(893,591)
Change in technical provision as shown in the income statement	595	(5,127)	11,046	(571,098)
Foreign exchange revaluation	(10)	-	(419)	-
At 31 December 2018	12,336	2,184	74,172	10,439,698

The reinsurers' share of the Provision for Unearned Premiums at 31 December 2018 was €10,709,000 (2017: €11,197,000) and the reinsurers' share of the Provision for Claims was €54,167,000 (2017: €59,004,000). The reinsurers' share of the Life Assurance Provision at 31 December 2018 was €2,050,000 (2017: nil)

The Provision for Unearned Premiums net of reinsurance at 31 December 2018 was €1,627,000 (2017: €554,000). The Provision for Claims net of reinsurance at 31 December 2018 was €20,005,000 (2017: €4,541,000). The Life Assurance provision net of reinsurance at 31 December 2018 was €134,000 (2017: €7,311,000)

Provision for unearned premiums

The Provision for Unearned Premiums is calculated as the annual premium multiplied by the proportion of the year for which the premium has not been earned. This proportion is calculated as the number of days between the statement of financial position date and the next renewal date of the policy, divided by the total number of days of cover to be provided under the policy.

Life assurance provision

The life assurance provision is calculated by Generali Switzerland in compliance with the "Requirements on Reserving & Risk Governance for Variable Annuities" paper issued by the Central Bank of Ireland on 23rd December 2010. The computation was made on the basis of recognised actuarial methods, with due regard to the actuarial principles laid down in Council Directive 92/96/EEC. When calculating the life assurance provision, a stochastic interest rate model is used whereby the EUR swap curve and market implied swaption volatilities were used to calibrate a Hull-White Interest Rate model. The resultant model was used to generate stochastic scenarios which were used to discount the guarantee liability. The model assumed a nil mortality rate as the German portfolio is not exposed to mortality risk.

Notes to the Financial Statements (continued)

17. Insurance and investment contract liabilities (continued)

There were no changes to the lapse or long term volatility assumptions used by the Company in the calculation of the Liability Option Value for the variable annuity business during 2018.

The life assurance provision was reduced in 2018 following the cancellation of the reinsurance treaty between Generali Italia and the Company.

Provision for claims

The Provision for Claims balance consists of a Reported But Not Settled (RBNS) reserve of €60,702,000 (2017: €48,079,000), an Incurred But Not Reported (IBNR) reserve of €12,774,000 (2017: €14,916,000) and a Claims Handling reserve of €696,000 (2017: €550,000).

IBNR for Sweden uses past experience to project forward how claims will behave by using run-off triangles. For the non-Swedish business, the IBNR is calculated using appropriate percentages of premiums. RBNS for non-Swedish claims is calculated by taking the present value of future expected claims outgoing, using the 2018 EIOPA yield curve as the discount rate. RBNS for Swedish claims has been calculated similarly but without discounting.

There is no uncertainty around the timing and amount of Group Risk claims and therefore management does not consider it necessary to disclose claims development tables.

18. Management of Insurance Risk

Insurance Risks

The Company is exposed to life underwriting insurance risk deriving from the Company's core business activities. The Company mitigates this risk primarily through the use of reinsurance agreements with third party reinsurers'.

Capital Management

The Company maintains an efficient capital structure consistent with its regulatory requirements. The Company is required to hold sufficient capital to cover the Central Bank of Ireland's Required Minimum Solvency Margin. This Required Minimum Solvency Margin is calculated on a basis prescribed by EU Directives. The Company has additional capital resources available to cover risk exposures in addition to the capital required to meet regulatory requirements.

Solvency II came into effect on 1 January 2016. The Solvency Capital Requirement ("SCR") at 31 December 2018 was €137,917,000 (2017: €129,246,000) and the Minimum Capital Requirement ("MCR") was €62,063,000 (2017: €58,161,000). The Company's available own funds at that date were €360,858,000 (2017: 282,737,000). The Company's ratio of Eligible Own Funds to SCR was 262% (2017: 219%), and to MCR was 566% (2017: 486%).

Capital management policies and objectives

The Company's objectives in managing its capital are to:

- match the profile of its assets and liabilities, taking account of the risks inherent in the business;
- maintain financial strength to support new business growth;
- satisfy the requirements of its policyholders, regulators and rating agencies;
- retain financial flexibility by maintaining strong liquidity and access to a range of capital markets;
- allocate capital efficiently to support growth; and
- manage exposures to movement in exchange rates.

Notes to the Financial Statements (continued)

18. Management of Insurance Risk (continued)

Capital management policies and objectives (continued)

An important aspect of the Company's overall capital management process is the setting of target risk-adjusted rates of return for individual business units, which are aligned to performance objectives, and ensuring that the Company is focused on the creation of value for shareholders.

The Company has a number of sources of capital available to it and seeks to optimise its debt to equity structure in order to ensure that it can consistently maximise returns to shareholders. The Company considers not only the traditional sources of capital funding (see Note 16) but the alternative sources of capital including reinsurance and securitisation, as appropriate, when assessing its deployment and usage of capital.

Capital resource sensitivities

The capital position of the Company at this stage of the development of the business is most sensitive to the following items:

- Capital requirements of the various business categories;
- Sales volumes;
- Business retention levels;
- Costs; and
- Valuation of the Italian withholding tax prepayment.

The Company's sensitivity to these risks is reduced by:

- A clear understanding of the impact of these risks on the capital position of the Company;
- Regular reviews of the capital position; and
- Analysis of the capital position for any new ventures in advance of agreeing to proceed with any such initiatives.

Basic own funds	2018 €'000	2017 €'000
Shareholders' funds	201,434	175,491
Elimination of deferred acquisition costs and deferred income liability	39,781	(10,960)
Elimination of intangible assets	-	(11,928)
Solvency II valuation of technical provisions	130,503	146,319
Solvency II valuation of financial liabilities	-	(1,082)
Solvency II valuation of investments	(12,446)	1,127
Solvency II valuation of withholding tax asset	(1,080)	(908)
Deferred tax adjustment	(19,595)	(15,322)
Subordinated Liability	22,261	-
Total basic own funds 31 December	360,858	282,737

During the period, the Company complied with externally imposed capital requirements to which it is subject under Solvency II.

Options and Guarantees

There are no options or guarantees available that can increase benefits payable to policyholders under the Company's current suite of products.

Notes to the Financial Statements (continued)

18. Management of Insurance Risk (continued)

Movement in basic own funds	2018 €'000	2017 €'000
Opening excess of assets over liabilities	282,737	270,912
Prior Year Equity Adjustment	(41,294)	-
Capital contribution issued during the year	81,423	-
Dividend Paid	(2,500)	-
(Loss)/Profit recognised since prior financial year	(11,684)	17,870
Elimination of deferred acquisition costs and deferred income liability	50,741	287
Elimination of intangible assets	11,928	(2,211)
Solvency II valuation of technical provisions	(15,817)	(8,173)
Solvency II valuation of financial liabilities	1,082	995
Solvency II valuation of investments	(13,573)	(106)
Solvency II valuation of withholding tax asset	(172)	2,300
Deferred tax adjustment	(4,274)	863
Subordinated Liability	22,261	-
Closing basic own funds at 31 December	360,858	282,737

19. Liabilities arising out of direct insurance operations

	2018 €'000	2017 €'000
Amounts due to reinsurers	41,789	46,600
Amounts due to policyholders	9,567	6,979
Commissions due to intermediaries	6	12
Total	51,362	53,591

There is no difference between the fair value and carrying value as disclosed.

20. Financial liabilities

	2018 €'000	2017 €'000
5 Year 1.26% Registered Note held by Participatie Graafschap Holland N.V.	-	15,000
Loan from parent Company Assicurazioni Generali S.p.A.	-	15,250
12 Year 2.24% Loan from Assicurazioni Generali S.p.A.	-	15,000
3 Year 0.78% Loan from Redoze Holding NV	-	10,000
11 Year 5% Loan from Utmost Limited	22,261	-
Total	22,261	55,250

The registered note with Graafschap Holland N.V, which was issued on 3 June 2015, was redeemed during 2018. In 2015, the Company entered into a Quota Share Reinsurance Agreement with Assicurazioni Generali S.p.A, this loan was repaid in full on 3 April 2018. In 2017 the Company received a €15,000,000 loan from Assicurazioni Generali S.p.A. In 2017 the Company also received a €10,000,000 loan from Redoze Holding NV, both of these loans were repaid in full in 2018.

In 2018, the Company issued a £20,000,000 loan note to another group company, Utmost Limited. The balance outstanding at 31 December amounted to €22,261,000, with interest accrued amounting to €164,000. This loan was listed on the International Stock Exchange on 8 April 2019.

Notes to the Financial Statements (continued)

21. Other liabilities including tax and social welfare

	2018 €'000	2017 €'000
Amounts owing to group companies	3,221	518
Corporation tax	-	505
Value added tax	142	-
Income tax deducted under PAYE	-	351
Other taxes	2,303	1,572
Bank Overdraft	47	-
Total	5,713	2,946

22. Deferred income liability

	2018 €'000	2017 €'000
		Restated
Balance at 1 January	92,742	77,995
Amortisation	6,497	14,747
Income deferred in current financial year	218	-
Balance at 31 December	99,457	92,742

23. Management of financial and other risks

(a) Introduction

The Company is exposed to financial risk through its financial assets, financial liabilities (investment contracts and borrowings), reinsurance assets and policyholder liabilities. A key financial risk is that the proceeds from financial assets are not sufficient to fund the obligations arising from contracts with policyholders. The most important components of this financial risk are interest rate risk, equity price risk, currency risk and credit risk.

These risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements. The risks that the Company primarily faces due to the nature of its investments and liabilities are interest rate risk and equity price risk.

The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance. It manages these positions within an asset liability management framework (ALM) that has been developed to achieve investment returns in excess of obligations under insurance contracts. The Company produces regular reports at portfolio and asset and liability class level that are circulated to the Company's key management personnel and Investment Committees on a quarterly basis. The principal technique of the Company's ALM is to match assets to the liabilities arising from insurance contracts by reference to the type of benefits payable to contract holders. Separate portfolios of assets are maintained for non-linked business and unit-linked business. The Company's ALM is also integrated with the management of the financial risks associated with the Company's other financial assets and liabilities not directly associated with insurance and investment liabilities. The Company does not use hedge accounting.

In 2013, as part of the ALM process, the Company identified a requirement to hold long dated bonds to match technical provisions. The 'Amortised cost' bond portfolio is now in place to meet this requirement. The notes below explain how financial risks are managed using the categories utilised in the Company's ALM framework.

Notes to the Financial Statements (continued)

23. Management of financial and other risks (continued)

The following tables reconcile the statement of financial position to each distinct category of liabilities:

2018 Assets	Unit Linked €'000	Group Risk €'000	Variable Annuity €'000	Shareholder €'000	Total €'000
Debt securities-at fair value through profit or loss	1,774,659	-	-	8,120	1,782,779
Debt securities-amortised cost	-	-	-	12,481	12,481
Equity securities-at fair value through profit or loss	991,686	-	-	124,590	1,116,276
Other securities-at fair value through profit or loss	6,316,154	1,114	-	10,040	6,327,308
Cash at bank	1,363,608	8,217	-	5,562	1,377,387
Insurance debtors and other assets	62,487	93,309	2,050	176,940	334,786
Total assets	10,508,594	102,640	2,050	337,733	10,951,017

2018 Liabilities	Unit Linked €'000	Group Risk €'000	Variable Annuity €'000	Shareholder €'000	Total €'000
Technical provisions	10,439,698	86,508	-	-	10,526,206
Claims outstanding	-	-	-	-	-
Provisions for other risks and charges	-	-	-	-	-
Other liabilities	68,896	16,132	2,050	337,733	424,811
Total liabilities	10,508,594	102,640	2,050	337,733	10,951,017

2017 Restated Assets	Unit Linked €'000	Group Risk €'000	Variable Annuity €'000	Shareholder €'000	Total €'000
Debt securities-at fair value through profit or loss	1,641,374	-	2,276	55,087	1,698,737
Debt securities-amortised cost	-	-	-	13,042	13,042
Equity securities-at fair value through profit or loss	1,039,204	-	-	-	1,039,204
Other securities-at fair value through profit or loss	6,976,772	-	635	22,799	7,000,206
Cash at bank	1,321,013	4,341	7,080	2,805	1,335,239
Insurance debtors and other assets	53,123	92,680	-	182,782	328,585
Total assets	11,031,486	97,021	9,991	276,515	11,415,013

2017 Liabilities Restated	Unit Linked €'000	Group Risk €'000	Variable Annuity €'000	Shareholder €'000	Total €'000
Technical provisions	10,948,490	75,296	7,311	-	11,031,097
Claims outstanding	-	-	-	-	-
Provisions for other risks and charges	-	-	-	-	-
Other liabilities	82,996	21,725	2,680	276,515	383,916
Total liabilities	11,031,486	97,021	9,991	276,515	11,415,013

Notes to the Financial Statements (continued)

23. Management of financial and other risks (continued)

Interest rate risk

Interest rate risk has a material impact across the assets and liabilities categorised in the Company's ALM framework. The Company manages these positions within the ALM framework that has been developed to ensure that assets are matched to the liabilities arising from insurance contracts by reference to the type of benefits payable to contract holders. For each distinct category of liabilities, a separate portfolio of assets is maintained. Any gap between the maturity date of the assets and the anticipated maturity date of the liabilities is minimised by means of buying and selling fixed interest securities of different durations.

The sensitivity analysis for interest rate risk illustrates how changes in the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates at the reporting date. Movements in interest rates affect the return on term deposits held and are a factor in price fluctuations on debt securities. Returns on unit-linked contracts, whether classified as insurance or investment contracts, are at the risk of the policyholder, however, the Company is exposed to fluctuations in so far as they impact the amount of fee income received.

An interest rate sensitivity analysis was completed on debt securities and RBNS reserves.

	2018 €'000	2017 €'000
Debt Securities		
Impact of 100bps decrease in interest rates on debt securities	1,050	2,701
Impact of 100bps increase in interest rates on debt securities	(969)	(2,523)
RBNS Reserves		
Impact on RBNS reserves being sensitised down by 0.5%.	2,899	1,434

No sensitivity analysis was carried out on the Italian withholding tax asset as it is not subject to any inherent interest rate risk. Similarly, the Company's Incurred But Not Reported reserves are based on premiums received and are also not subject to any inherent interest rate risk. Cash is assumed to have zero growth and is also deemed not to be subject to any inherent interest rate risk.

Equity price risk

The Company is exposed to equity price risk as a result of its holdings in equity investments to the extent that these are not matched by liabilities to policyholders. The Company has a defined investment policy in that all equity investments are matched to liabilities to policyholders. The Company is also exposed to adverse movements in the value of Unit Linked Assets which would reduce the future profitability of the Company in terms of having an adverse impact on fee income.

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

An equity price sensitivity analysis was not considered necessary as all equities held are part of assets held to cover linked liabilities and any movement in value will be offset by a corresponding increase or decrease in the investment contract liabilities where the investment risk is borne by the policyholders ("Unit-linked").

Notes to the Financial Statements (continued)

23. Management of financial and other risks (continued)

Currency risk

The Company generally invests in assets denominated in the same currencies as its policyholders liabilities, which mitigates the foreign currency exchange rate risk. With the exception of an investment in a GBP denominated Money Market Fund, which results in some currency risk exposure. This is not hedged.

A currency risk analysis was not considered necessary as assets denominated in a foreign currency are held as part of assets held to cover linked liabilities and any movement in value will be offset by a corresponding increase or decrease in the technical provisions for life assurance policies where the investment risk is borne by the policyholders.

Credit risk

Credit risk is the risk that a counterparty will be unable to pay amounts in full when due. Key areas where the Company is exposed to credit risk are government bonds, corporate bonds, EU supranational bonds, bank deposits, the Italian withholding tax asset, the reinsurers' share of insurance liabilities, amounts due from reinsurers in respect of claims already paid and amounts due from insurance intermediaries

To mitigate credit risk of counterparties the Company has adopted and complies with the Risk Appetite Statement and Investment Policy. These place investment control limits on the Company's market and credit exposures. In the case of government bonds, for example, the Company can invest up to 60% of its total government bond investment in sovereign debt rated AAA, up to 40% in sovereign debt rated AA and up to 20% in sovereign debt rated A. The Company can also invest in non-government bonds, to a maximum of 40% of Total Shareholder Investments (excl. Subsidiary Investments), of which up to 60% of total non-government bonds can be in debt rated AAA, 40% in debt rated AA, 20% in debt rated A and 10% in debt rated BBB. If the Company expects these limits to be breached, it may request a permanent or temporary dispensation from the Investment Committee. The Company can also invest in Investment Funds managed by Group, up to a maximum of 40% of Total Shareholder Investments (excl. Subsidiary Investments)

Reinsurance is used to manage insurance risk. This does not, however, discharge the Company's liability as primary insurer. If a reinsurer fails to pay a claim, the Company remains liable for the payment to the policyholder. The creditworthiness of reinsurers is considered on an annual basis by reviewing their financial strength. The Company has reinsurance arrangements:

- Assicurazioni Generali S.p.A., which has a Fitch rating of "A-",
- 'SCOR Global Life Ireland dac' and 'SCOR Global LifeSE – UK Branch', subsidiaries of SCOR which has a Fitch rating of "AA-"; and
- National General Alpha Re, a subsidiary of National General Holdings Corp which has a rating of "BBB-" from A.M. Best.
- A Lloyds syndicate provides the Catastrophe Reinsurance cover, where each underlying reinsurer has a rating of A from A.M. Best

Exposures to individual policyholders and groups of policyholders are collected within the ongoing monitoring of the controls associated with regulatory solvency. Where there exists significant exposure to individual policyholders, or homogenous groups of policyholders, a financial analysis equivalent to that conducted for reinsurers is carried out by management. An analysis of policyholders and reinsurers is produced periodically.

Credit risk for unit-linked assets is borne by the policyholder (see Note 24).

The following tables set out the credit risk exposure and ratings of financial and other assets which are most susceptible to credit risk as at 31 December 2018 and 31 December 2017:

Notes to the Financial Statements (continued)

23. Management of financial and other risks (continued) Credit risk (continued)

2018	AAA	AA	A	BBB	Unrated	Unit-Linked Funds	Total
	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Debt securities	4,288	9,179	7,134	-	-	-	20,601
Investment in Subs	-	-	-	-	124,590	-	124,590
Other securities	11,111	-	-	-	43	-	11,154
Unit-linked	-	-	-	-	-	9,082,499	9,082,499
Cash at bank	-	-	22,804	-	-	1,354,583	1,377,387
Insurance debtors and other assets	-	-	85,973	155,258	93,555	-	334,786
Total	15,399	9,179	115,911	155,258	218,188	10,437,082	10,951,017

2017 Restated	AAA	AA	A	BBB	Unrated	Unit-Linked Funds	Total
	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Debt securities	13,499	24,197	32,710	-	-	-	70,406
Derivatives	-	-	635	-	-	-	635
Other securities	-	-	-	-	22,799	-	22,799
Unit-linked	-	-	-	-	-	9,657,349	9,657,349
Cash at bank	-	-	46,012	-	-	1,289,227	1,335,239
Insurance debtors and other assets	-	-	92,949	145,400	90,236	-	328,585
Total	13,499	24,197	172,306	145,400	113,035	10,946,576	11,415,013

The debt securities carried at amortised cost of €12,481,000 are all classified in stage 1. All other financial assets at amortised cost are also stage 1. There were no assets part due of impaired.

Liquidity risk

Liquidity risk refers to the risk that the Company will not be able efficiently to meet both expected and unexpected cash flow requirements. All admissible assets must be redeemable within approved periods. In the event assets may not be redeemable, the Company has entered into agreements with the policyholders to manage such risks.

The following tables below set out the liquidity risk exposure of the Company's financial assets and liabilities as at 31 December 2018:

Financial Assets	2018 Within 1 Year €'000	2018 1-5 years €'000	2018 Over 5 years €'000	2018 Unit-linked funds €'000	2018 Total €'000
Debt securities	3,092	9,106	8,403	-	20,601
Investment in Sub's	-	-	124,590	-	124,590
Other securities	11,154	-	-	-	11,154
Unit-linked	-	-	-	9,082,499	9,082,499
Cash at bank	22,804	-	-	1,354,583	1,377,387
Insurance debtors and other assets	127,461	127,088	80,237	-	334,786
Total	164,511	136,194	213,230	10,437,082	10,951,017

Financial Liabilities	2018 Within 1 Year €'000	2018 1-5 years €'000	2018 Over 5 years €'000	2018 Unit-linked funds €'000	2018 Total €'000
Financial liabilities under investment contracts	-	-	-	10,439,698	10,439,698
Insurance liabilities	88,692	-	-	-	88,692
Other liabilities	99,650	6,091	115,452	-	221,193
Total	188,342	6,091	115,452	10,439,698	10,749,583

Notes to the Financial Statements (continued)

23. Management of financial and other risks (continued)

Liquidity risk (continued)

The tables below set out comparative risk data as at 31 December 2017:

Financial Assets Restated	2017 Within 1 Year €'000	2017 1-5 years €'000	2017 Over 5 years €'000	2017 Unit-linked funds €'000	2017 Total €'000
Debt securities	10,431	40,894	19,081	-	70,406
Derivatives	635	-	-	-	635
Other securities	22,799	-	-	-	22,799
Unit-linked	-	-	-	9,657,349	9,657,349
Cash at bank	46,012	-	-	1,289,227	1,335,239
Insurance debtors and other assets	124,900	114,881	88,804	-	328,585
Total	204,777	155,775	107,885	10,946,576	11,415,013

Financial Liabilities	2017 Within 1 Year €'000	2017 1-5 years €'000	2017 Over 5 years €'000	2017 Unit-linked funds €'000	2017 Total €'000
Financial liabilities under investment contracts	-	-	-	10,948,490	10,948,490
Insurance liabilities	82,607	-	-	-	82,607
Other liabilities	101,894	44,064	103,764	-	249,722
Total	184,501	44,064	103,764	10,948,490	11,280,819

Fair value hierarchy

IFRS 13 seeks to increase consistency and comparability in fair value measurements and related disclosures through a 'fair value hierarchy'. The hierarchy categorises the inputs used in valuation techniques into three levels. The hierarchy gives the highest priority to (unadjusted) quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs:

- Level 1 inputs are quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs other than quoted market 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.

The Company's financial investments, as detailed in Note 9, comprise debt securities and investments funds and two investments in subsidiaries. At each reporting date, the Company reviews its financial investments and classifies them in accordance with IFRS 13. If the Company considers that there has been a change in measurement basis due to a change in inputs, it will reclassify the relevant financial investment to the appropriate level and separately disclose this transfer. There were no changes in valuation techniques during the year.

Similarly, for investments for the benefit of investment contract holders, the Company reviews these investments at each year end and classifies them according to IFRS13. If the Company considers that there has been a change in measurement basis due to a change in inputs, it will reclassify the relevant financial investment to the appropriate level and separately disclose this transfer. There were no changes in valuation techniques during the year.

Level 2 investments consist of investment funds, derivatives and other structured products. These are fair valued, by the Company, using valuations received from custodians.

Notes to the Financial Statements (continued)

23. Management of financial and other risks (continued)

Fair value hierarchy (continued)

A number of investments for the benefit of investment contract holders who bear the investment risk have been classified as Level 3 as they typically consist of unlisted or private securities and the Company relies on unobservable inputs for these assets. The value of assets for which significant unobservable inputs were present in 2018 amounted to €215,966,264 (2017: €164,685,126) and typically consisted of unaudited financial statements or valuations provided by a third party administrator. Movements in investments with Level 3 inputs, during the year, are disclosed below.

Due to the nature of the Level 3 investments, the Company does not consider that there are any interrelationships between significant unobservable inputs and other unobservable inputs used in the fair value measurement. In addition the Company does not consider that there are any significant sensitivities to the fair value of the Level 3 investments should there be a change in the unobservable inputs.

The following table presents an analysis of the Company's financial investments and investments for the benefit of life assurance policyholders who bear the investment risk as at 31 December 2018:

Fair value hierarchy	2018	2018	2018	2018	2018
	Level 1	Level 2	Level 3	Cash	Total
	€'000	€'000	€'000	€'000	Balance €'000
Financial assets at fair value through profit or loss:	8,120	-	-	-	8,120
- subsidiaries/ other	-	11,154	124,590	-	135,744
- debt securities	-	-	-	-	-
Debt securities – amortised cost	13,530	-	-	-	13,530
Unit-linked	3,030,074	5,836,459	215,966	1,354,583	10,437,082
Total	3,051,724	5,847,613	340,556	1,354,583	10,594,476

	2018	2018	2018	2018	2018
	Level 1	Level 2	Level 3	Cash	Total
	€'000	€'000	€'000	€'000	Balance €'000
Financial liabilities at fair value through profit or loss:	-	-	-	-	-
Financial debt	-	22,261	-	-	22,261
Unit-linked	3,030,074	5,839,075	215,966	1,354,583	10,439,698
Total	3,030,074	5,861,336	215,966	1,354,583	10,461,959

The table below sets out comparative data for the Fair Value Hierarchy as at 31 December 2017:

Fair value hierarchy	2017	2017	2017	2017	2017
	Level 1	Level 2	Level 3	Cash	Total
	€'000	€'000	€'000	€'000	Balance €'000
Financial assets at fair value through profit or loss:	-	-	-	-	-
- derivatives / other	-	23,434	-	-	23,434
- debt securities	57,364	-	-	-	57,364
Debt securities- amortised cost	14,170	-	-	-	14,170
Unit-linked	2,659,910	6,832,754	164,685	1,289,227	10,946,576
Total	2,731,444	6,856,188	164,685	1,289,227	11,041,544

Notes to the Financial Statements (continued)

23. Management of financial and other risks (continued)

Fair value hierarchy (continued)

	2017	2017	2017	2017	2017
	Level 1	Level 2	Level 3	Cash	Total
	€'000	€'000	€'000	€'000	Balance
					€'000
Financial liabilities at fair value through profit or loss:					
Loan from group Company	-	57,668	-	-	57,668
Unit-linked	2,659,910	6,834,668	164,685	1,289,227	10,948,490
Total	2,659,910	6,892,336	164,685	1,289,227	11,006,158

The table below sets out the movement in investments with Level 3 inputs:

Assets measured at fair value based on valuation techniques which comprise unobservable inputs: (Level 3)

	2018	2017
	€'000	€'000
Balance at 1 January	164,685	184,324
Investment income	11,352	18,463
Premiums	2,504	-
Surrenders	(9,944)	(120,510)
Transfer from Level 1 into Level 3	5,254	22,767
Transfer from Level 2 into Level 3	42,115	59,641
Balance at 31 December	215,966	164,685

Investment income represents the unrealised gain or loss on investments in the year.

The transfer from Level 1 into Level 3 occurred following a review by Management of the underlying assets of 2 related policies, and from Level 2 into Level 3 occurred following a review by Management of the underlying assets of 45 related policies. Management assessed that there were unobservable inputs used to value a number of assets in these policies.

24. Unit-linked contracts

For unit-linked contracts, the Company matches all the liabilities with assets in the portfolio on which the unit prices are based. There is therefore no interest, price, currency or credit risk for the Company on these contracts other than the impact on fee income.

Amounts under unit-linked contracts are generally repayable on demand and the Company is responsible for ensuring there is sufficient liquidity within the asset portfolio to enable liabilities to unit-linked policyholders to be met as they fall due. However, the terms of funds investing in less liquid assets permit the deferral of redemptions for predefined periods in circumstances where there are not sufficient liquid assets within the fund to meet the level of requested redemptions.

25. Financial commitments

The Company had no financial commitments at 31 December 2018.

Notes to the Financial Statements (continued)

26. Ultimate parent Company

The Company's immediate parent is Utmost Holdings Ireland Limited, an indirect wholly owned subsidiary of Life Company Consolidation Group (No 2) Limited. The ultimate parent Company which maintains a majority controlling interest in the group is recognised by the directors as OCM LCCG2 Holdings Limited, a Cayman incorporated entity. OCM LCCG2 Holdings Limited is an investment vehicle owned by funds which are managed and advised by Oaktree Capital Management, L.P., a subsidiary of the ultimate controlling party Oaktree Capital Group LLC.

27. Related party disclosures

The Company enters into transactions with related parties in its normal course of business. These are at arm's length on normal commercial terms.

In 2018, the Company issued a £20,000,000 loan note to another group company, Utmost Limited. The balance outstanding at 31 December amounted to €22,261,000, (2017: €nil). Interest accrued amounted to €164,000, (2017: nil). This loan was listed on the International Stock Exchange on 8 April 2019.

The Company is charged a management services fee from Utmost Services Ireland Limited on a quarterly basis, and is recharged monthly for other expenses paid on its behalf. The Company owes €1,752,000 at year end (2017: €nil).

The Company is charged project costs from Utmost Services Limited. There were no amounts outstanding at year end (2017: €nil).

The costs associated with all the above related party transactions are included below:

	2018	2018	2017	2017
	Expense Incurred €'000	Payable at Year end €'000	Expense Incurred €'000	Payable at Year end €'000
Fellow Subsidiaries	15,701	24,178	-	-
Total	15,701	24,178	-	-

Notes to the Financial Statements (continued)

28. Cash flow statement

The reconciliation of profit before tax to the net cash (outflow)/inflow from operating activities is:

	2018	2017
	€'000	€'000
(Loss) / Profit before tax	(12,260)	12,855
Adjustments for:		
Dividend (income)/expense	(2,851)	2,084
Interest and similar income	(216)	(119)
Unrealised losses	523,836	312,837
Depreciation & Amortisation	2,732	1,829
Changes in working capital:		
Decrease/(increase) in reinsurance assets	3,276	(3,031)
Decrease/(increase) in intangible assets	11,928	(2,213)
(Increase) in fixed assets	(2,670)	(1,939)
(Increase)/decrease in deferred acquisition costs	(3,169)	(6,854)
Decrease/(increase) in prepayments and accrued income	(9,990)	(18,166)
(Increase)/decrease in debtors	(8,434)	4,316
(Decrease)/increase in liability for investment contracts	(508,792)	577,995
Increase in insurance liabilities	6,084	4,662
(Decrease)/Increase in payables and other financial liabilities	(315)	4,442
Increase in other liabilities	5,352	13,731
Decrease/(increase) in other assets	125	(967)
Net purchases of financial investments	(76,846)	(893,974)
Net cash (outflow)/inflow from continuing operations, excluding exceptional items	(72,210)	7,488

Notes to the Financial Statements (continued)

29. Directors' and Secretary's Interests

At 31 December 2018 the directors and secretary in office, and their spouses and minor children, had no beneficial interest in the shares of the Company. The directors' interests in the parent and holding companies as are detailed below:

		Paul	Ian
		Thompson	Maidens
31 December 2018			
Life Company Consolidation Group (No 2) Limited	A ordinary shares	639	639
Life Company Consolidation Group (No 2) Limited	B ordinary shares	7,500	7,500
Utmost International Group Holdings Limited	Euro preference shares	1,128,450	1,128,450
Utmost International Group Holdings Limited	Sterling preference shares	742,561	742,561
Utmost International Group Holdings Limited	S shares	50	50
31 December 2017			
Life Company Consolidation Group Limited	A ordinary shares	1,345	1,345
Life Company Consolidation Group Limited	B ordinary shares	6,875	6,875
LCCG Holdings (No.1) Limited	Preference shares	1,195,038	1,195,038
LCCG Holdings (No.1) Limited	S shares	50	50

30. Subsequent events

The Company's parent, UHIL made a €30,000,000 subscription for shares in the Company. The Company subsequently made a €10,000,000 subscription of shares in its subsidiary, Harcourt Life Ireland dac.

31. Approval of financial statements

The board of directors approved and authorised for issue the financial statements on 11 April 2019.