



Utmost PanEurope dac

Annual Report & Statutory Financial Statements 2019

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Directors and Other Information

Board of Directors as at 31 December 2019

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

Mr. Damien Mulholland
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

Danske Bank	Citibank NA – London branch
3 Harbourmaster Place	25-33 Canada Square
IFSC	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 2019.

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.

2. Business Review and Future Developments

The Company generated a loss after tax for the financial year of €6,922,000 (2018: loss €11,684,000). The shareholders' net equity in the Company as at 31 December 2019 was €215,512,000 (2018: €201,434,000).

In March 2019 the Company's parent Utmost Holdings Ireland Limited (UHIL) made a €30,000,000 subscription for shares in the Company.

On 26 November 2019 the Company paid a €9,000,000 dividend to its immediate parent UHIL. In addition there is a foreseeable dividend of €15,000,000 payable in May 2020.

Pursuant to an Section 13 Transfer which was approved by an order of the High Court of Ireland, the entire life assurance business of the Company's two subsidiaries Harcourt Life Ireland dac (HLI) and Utmost Ireland dac (UI) was transferred to UPE with effect 31st October 2019.

On 24th March 2020 special resolutions pursuant to Section 1285 of the Companies Act were passed to covert HLI and UI to Private Companies Limited by shares (LTD). HLI is now Harcourt Life Ireland Danube Limited and UI is now Utmost Ireland Limited.

Details of assets and liabilities transferred to UPE are set out in note 7.

The Company's business is made up of a number of business lines as follows:

- **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;
- **Wealth Accumulation:** 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.
- **Transfer from UI:** The principal activity of UI has been to sell Delegation Bond & Selection Bond policies to United Kingdom nationals under the Utmost Wealth brand. In addition UPE also manages two closed books of offshore life assurance bonds.
- **Transfer from HLI:** UPE now administers a number of closed books following the portfolio transfer from HLI. This book has two principal sub funds, namely a shareholder fund and a long-term with profits fund, which contains all of the books insurance policies. The business is predominantly single premium investment products, incorporating single premium unit-linked bonds, portfolio bond type investments and unitised with-profit bonds. The investment element of some of the books unitised with-profit policies and some of the unit linked policies are reinsured with Phoenix Life Limited ("PLL").

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. The majority of the premium from this business line relates to Italian business, there is also business from Finland, Spain, UK, and other EU countries.

Directors' Report (continued)

2. Business Review and Future Developments (continued)

Administration expenses have decreased in comparison to 2018 mainly due to the some large one off expenses in 2018 including the write off of intangible fixed assets and costs associated with the transfer of the VA portfolio.

The regulatory solvency position was satisfactory as at 31 December 2019. The Solvency Capital Requirement ("SCR") at 31 December 2019 was €217,733,000 (2018: €137,917,000) and the Minimum Capital Requirement ("MCR") was €97,980,000 (2018: €62,063,000). The Company's available Solvency II own funds at that date were €414,204,000 (2018: €360,858,000). The Company's ratio of Eligible Own Funds to SCR was 190% (2018: 262%), and to MCR was 418% (2018: 566%).

3. Principal Risks and Uncertainties

The Covid-19 pandemic has created turbulence in financial markets and economic uncertainty, which will impact individuals and businesses. The full impact on the Insurance industry including the company's business, assets and liabilities is uncertain. We have experienced material fair value losses in our investment portfolio. Our initial assessment has identified the lines of insurance business most likely to be impacted. However, the full extent of the losses and the impact on fee income will become clearer as the year progresses. We will continue to monitor the situation and take appropriate action. However, taking into consideration current laws and regulations, we do not expect this to impact the Company's ability to satisfy regulatory solvency requirements over the period of twelve months from the approval of the financial statements.

4. Going Concern

The directors have a reasonable expectation that the company will continue in operational existence for twelve months from the date of approval of the financial statements ('the period of assessment') and have prepared the financial statements on a going concern basis.

In making this assessment the directors considered the potential impact of Covid-19 on the Insurance industry and the company's business, including:

- (a) the company's capital position and the surplus over its required solvency capital ratio and minimum capital ratio;
- (b) the potential range of impact that Covid-19 may have on this surplus taking account of the company's ORSA stress testing where appropriate;
- (c) the company's initial assessment of the impact on its business, claims and investments;
- (d) the level of re-insurance;
- (e) the credit rating of company's re-insurance counterparties; and
- (f) the company's liquidity position.

While at this early stage it is not possible to quantify the financial impact on the company's business, taking account of current laws and regulations, the directors do not expect it to impact the company's ability to satisfy regulatory solvency requirements over the period of assessment.

On the basis of the above, the directors have concluded that the company has no material uncertainties which would cast a significant doubt on the company's ability to continue as a going concern over the period of assessment.

5. 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, the Investment Committee and the Banking Committee. A review of the performance of each of the Committees for 2019 confirmed that each Committee performed its duties as outlined within its respective terms of

Directors' Report (continued)

5. Corporate Governance (continued)

reference. The Human Resources & Remuneration Committee is 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 2020 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.

On 01 April 2020, the directors signed a 'Directors Compliance Certificate' for the year ended 31 December 2019 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 2019, the Committee also reviewed the management and oversight of the Company's key outsourcing relationships.

Directors' Report (continued)

5. Corporate Governance (continued)

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 2019 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 2019.

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 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 is exposed to currency risk to the extent that adverse movements in the value of non-Euro shareholder assets would reduce the value of these assets in Euro terms. Additionally the Company is exposed to adverse movements in the value of non-Euro unit linked assets which would reduce the future profitability of the Company through a reduction in management fee income.

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.

Credit risk – The key areas where the Company is exposed to credit risk are corporate bonds, government bonds, EU supranational bonds, bank deposits, collective investment schemes, hedge funds, 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 and amounts due from insurance intermediaries.

Directors' Report (continued)

5. Corporate Governance (continued)

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. The Board completes a review of the Reinsurance Policy 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.

Other Risks:

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 internal 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:

Directors' Report (continued)

5. Corporate Governance (continued)

- Annual business continuity and disaster recovery planning;
- 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.

In addition, there is a risk of reductions in expected earnings and/or value through inappropriate or poor customer treatment (including poor advice). Regular reviews are conducted including detailed examination of any customer complaints and feedback.

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.

Regulatory Compliance Risk – arises from a failure or inability to comply fully with the laws, regulations standards or codes specifically related to entities in the financial services industry. Any non-compliance may result in the Company being subject to regulatory sanction and financial losses arising from such sanctions. The Company has in place specific personnel tasked with ensuring all aspects of regulation and compliance requirements, including customer conduct codes, are fully complied with. The Company has no appetite or tolerance for regulatory breaches.

Compliance and Actuarial

Both the Compliance and Actuarial Departments, as independent control functions within the Company, reported to the Board on ongoing activities throughout 2019.

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

The Head of Actuarial Function completed the year end 2019 Reporting Actuary Report, and the Actuarial Function Reports for the year ended 31 December 2019.

No material issues were raised by the Compliance and Actuarial functions during the year 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.

Directors' Report (continued)

5. Corporate Governance (continued)

The Internal Audit function assists the Board, through the Audit Committee, 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 2019, 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.

Banking Committee

The Banking Committee is responsible for the opening, closure and change in purpose of all Master Custodian and Corporate bank accounts in the name of UPE. The Committee is also responsible for the review and approval of appointments to the authorised signatory list and their levels of authorisation and approval.

Investment Committee

The Investment Committee is responsible for the Company's overall asset management strategy and policies and for identifying, monitoring, reporting, and controlling the risks connected with investment activities and approving changes to specific investments and changes to appetite or tolerances.

6. Dividends

On 26 November 2019 the Company paid a €9,000,000 dividend to its immediate parent UHIL and a foreseeable dividend of €15,000,000 is payable in May 2020 (2018: €2,500,000).

7. Directors and Secretary

The names of persons who were directors at any time since 1 January 2019 are set out below.

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

Mr. Damien Mulholland has been Company Secretary since 12 December 2019. Prior to this Mr. David Russell acted as joint Company Secretary from 2 May 2019 to 11 December 2019. Ms Lorraine McDevitt also acted as joint Company Secretary from 27 July 2018 to 29 October 2019.

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.

Directors' Report (continued)

8. Transactions Involving Directors

There were no transactions involving directors during 2019 (2018: 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;
- 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.

Directors' Report (continued)

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

PricewaterhouseCoopers 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 (2018: nil).

17. Non Adjusting Subsequent Event Disclosure

Since 31 December 2019 the COVID-19 virus has developed into a global pandemic, which has created significant levels of economic and financial security. The potential impacts to the Company are included in Note 30 of the financial statements.

Approved by the Board and signed on its behalf by:



Director

Paul Gillett



Director

Henry O'Sullivan

Date: 1 April 2020

Independent Auditors' Report to the members of Utmost PanEurope dac

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Statement of Comprehensive Income for the Year Ended 31 December 2019

	Notes	2019 €000	2018 €'000
Earned premiums, net of reinsurance			
Gross premiums written	2	93,121	72,363
Outward reinsurance premiums		(72,731)	(68,742)
Net premiums written		20,390	3,621
Change in gross provision for unearned premiums	17	(2,129)	(595)
Change in the provision for unearned premiums, reinsurers' share		1,235	5,281
Change in the net provision for unearned premiums		(894)	4,686
Investment income/(expense)	3	1,110,856	(573,908)
Fee and commission income	3	62,485	55,547
Other Income		1,426	-
		1,174,767	(518,361)
Claims incurred, net of reinsurance			
Claims paid - gross	2	(43,892)	(39,233)
Reinsurers' share		30,094	31,984
Net claims paid		(13,798)	(7,249)
Change in the provision for claims – gross	17	(77,400)	(11,046)
Reinsurers' share		62,115	10,209
Change in the net provision for claims		(15,285)	(837)
Change in technical provisions			
Change in the life assurance provision	17	16,998	5,127
Changes in the unallocated surplus	17	(622)	-
Change in the life assurance provision - reinsurers' share		(14,003)	2,050
Change in technical provisions for life assurance policies where the investment risk is borne by the policyholders	17	(1,105,327)	571,098
		(1,102,954)	578,275
Net operating expenses	4	(59,915)	(67,654)
Investment expenses and charges	3	(7,124)	(3,770)
Interest payable		(1,167)	(971)
AVIF amortisation		(680)	-
Profit/(loss) Before Taxation		(6,660)	(12,260)
Taxation	8	(262)	576
Total Comprehensive Income/(expense) for the financial year		(6,922)	(11,684)

Statement of Changes in Equity for the Year ended 31 December 2019

	Retained Earnings €'000	Non- Refundable Capital Contribution €'000	Called Up Share Capital €'000	Total Equity €'000
At 1 January 2018	60,511	12,548	61,135	134,194
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
Share Capital issued during the year	-	-	30,000	30,000
Comprehensive Income for the financial year	(6,922)	-	-	(6,922)
Dividend Paid	(9,000)	-	-	(9,000)
At 31 December 2019	30,406	93,971	91,135	215,512

Statement of Financial Position as at 31 December 2019

	Note	2019 €'000	2018 €'000
Assets			
Intangible assets	13	38,507	-
Property, plant and equipment	14	109	322
Investments			
Financial investments	9	208,553	31,755
Investment in Subsidiaries	9	11,806	124,590
Investments for the benefit of investment contract holders	10	17,249,557	10,437,082
Investment properties		2	-
Reinsurers' share of insurance contract liabilities			
Life assurance provision		456,124	2,050
Provision for claims		116,065	54,167
Provision for unearned premiums		12,036	10,709
		584,225	66,926
Other assets			
Italian withholding tax prepayment	11	144,739	155,258
Deferred acquisition costs	15	66,330	59,676
Deferred tax asset	8	6,163	6,026
Debtors arising out of direct insurance operations	12	26,693	30,933
Prepayments and accrued income		23,719	15,645
Cash and cash equivalents		30,879	22,804
		298,523	290,342
Total Assets		18,391,282	10,951,017
Equity and Liabilities			
Capital and reserves			
Called up share capital	16	91,135	61,135
Non-refundable capital contribution		93,971	93,971
Retained Earnings		30,406	46,328
Total shareholder's funds – equity interests		215,512	201,434
Insurance contract liabilities			
Life assurance provision	17	623,863	2,184
Provision for claims	17	151,356	74,172
Unallocated Surplus	17	34,189	-
Provision for unearned premiums	17	14,557	12,336
		823,965	88,692
Investment contract liabilities	17	17,134,368	10,439,698
Liabilities falling due within one year			
Italian withholding tax accrual	11	-	35,688
Liabilities arising out of direct insurance operations	19	63,847	51,362
Financial liabilities	20	23,623	22,261
Other liabilities including tax and social welfare	21	2,229	5,713
		89,699	115,024
Accruals		13,041	6,712
Deferred income liability	22	114,697	99,457
Total Equity and Liabilities		18,391,282	10,951,017

On behalf of the board:


Paul Gillett


Henry O'Sullivan

Date: 1 April 2020

Statement of Cash flows for the Year Ended 31 December 2019

	Note	2019 €000	2018 €000
Cash flows from operating activities			
Cash utilised by operations	28	(16,727)	(72,210)
Interest and similar income		1,914	216
Dividend income/ (expense)		527	2,851
Net cash (outflow)/ inflow from operating activities		(14,286)	(69,143)
Cash flow from financing activities			
Change in borrowings		1,361	(32,988)
Dividends Paid		(9,000)	(2,500)
Capital Contribution		30,000	81,423
Net cash inflow from financing activities		22,361	45,935
Net increase/(decrease) in cash and cash equivalents		8,075	(23,208)
Cash and cash equivalents at 1 January		22,804	46,012
Cash and cash equivalents at 31 December		30,879	22,804

Notes to the Financial Statements

1. Accounting Policies

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

(a) Basis of preparation

The directors have a reasonable expectation that the company will continue in operational existence for twelve months from the date of approval of the financial statements ('the period of assessment') and have prepared the financial statements on a going concern basis.

In making this assessment the directors considered the potential impact of Covid-19 on the Insurance industry and the company's business, including:

- (a) the company's capital position and the surplus over its required solvency capital ratio and minimum capital ratio;
- (b) the potential range of impact that Covid-19 may have on this surplus taking account of the company's ORSA stress testing where appropriate;
- (c) the company's initial assessment of the impact on its business, claims and investments;
- (d) the level of re-insurance;
- (e) the credit rating of company's re-insurance counterparties; and
- (f) the company's liquidity position.

While at this early stage it is not possible to quantify the financial impact on the company's business, taking account of current laws and regulations, the directors do not expect it to impact the company's ability to satisfy regulatory solvency requirements over the period of assessment.

On the basis of the above, the directors have concluded that the company has no material uncertainties which would cast a significant doubt on the company's ability to continue as a going concern over the period of assessment.

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 2019.

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.

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.

Notes to the Financial Statements (continued)

1. Accounting Policies (continued)

(c) Product Classification (continued)

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.

Some insurance and investment contracts contain a discretionary participation feature ("DPF"). This feature entitles the policyholder to additional discretionary benefits as a supplement to guaranteed benefits. Investment contracts with a DPF are recognised, measured and presented as insurance contracts.

(d) Insurance contracts and investment contracts with DPF – 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 period of risk to which they relate with the unearned portion being deferred and included in the statement of financial position in insurance contract liabilities.

In respect of insurance contracts and investment contracts with DPF, premiums are accounted for on a receivable basis and exclude any taxes or duties based on premiums. Funds at retirement under individual pension contracts converted to annuities with the Company are, for accounting purposes, included in both claims incurred and premiums within gross premiums written.

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.

Claims on insurance contracts and investment contracts with DPF reflect the cost of all claims arising during the period, including policyholder bonuses allocated in anticipation of a bonus declaration. Claims payable on maturity are recognised when the claim becomes due for payment and claims payable on death are recognised on notification. Surrenders are accounted for at the earlier of the payment date or when the policy ceases to be included within insurance contract liabilities. Where claims are payable and the contract remains in force, the claim instalment is accounted for when due for payment. Claims payable include the costs of settlement.

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

Insurance contract liabilities

The insurance contract liabilities comprise 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.

Notes to the Financial Statements (continued)

1. Accounting Policies (continued)

(d) Insurance contracts and investment contracts with DPF – recognition and measurement (continued)

The liabilities of the Company's unitised with-profit business are calculated as the lower of the current unit value and surrender value of each policy. The major element of the unitised with-profit liabilities is reinsured to Aviva Life & Pensions Limited and the remainder is partially reassured to Phoenix Life Limited.

Embedded derivatives

Embedded derivatives, including options to surrender insurance contracts, that meet the definition of insurance contracts or are closely related to the host insurance contract, are not separately measured. All other embedded derivatives are separated from the host contract and measured at fair value through the statement of comprehensive income.

Liquidity adequacy

At each reporting date, liquidity adequacy tests are performed to assess whether the insurance contract and investment contract with DPF liabilities are adequate. Current best estimates of future cash flows are compared to the carrying value of the liabilities. Any deficiency is charged as an expense to the statement of comprehensive income.

The Company's accounting policies for insurance contracts meet the minimum specified requirements for liability adequacy testing under IFRS 4 Insurance Contracts, as they allow for current estimates of all contractual cash flows and of related cash flows such as claims handling costs. Cash flows resulting from embedded options and guarantees are also allowed for, with a deficiency being recognized as income or an expense in the statement of comprehensive income.

Unallocated surplus

The unallocated surplus comprises the excess of the assets over the policyholder liabilities of the unitised with-profit business. For the Company's unitised with-profit business, the amount included in the statement of financial position line item 'Unallocated surplus' represents amounts which have yet to be allocated to policyholders. The unitised with-profit business is closed to new business and as permitted by IFRS 4, the whole of the unallocated surplus has been classified as a liability.

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.

The Company reinsures its with-profits business with Aviva Life & Pensions UK Limited and Phoenix Life Limited. Premiums ceded and claims reimbursed are presented on a gross basis in the income statement and statement of financial position as appropriate.

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 as part of net operating expenses in the statement of comprehensive income as incurred. Renewal commissions are included in administrative expenses as part of net operating expenses in the statement of comprehensive income as incurred.

Deferred acquisition costs

The costs directly attributable to the acquisition of new business for the with-profits contracts are covered under the terms of the "With-Profit Reinsurance Agreement" and are not deferred. For non-participating investment contracts, 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'.

Notes to the Financial Statements (continued)

1. Accounting Policies (continued)

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

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.

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 applied IFRS 9 and classifies its financial assets in the following categories;

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

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 cost 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.

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.

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.

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.

Notes to the Financial Statements (continued)

1. Accounting Policies (continued)

(f) Investments (continued)

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.

Investment income

Income from investments is included in the statement of comprehensive income.

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.

Notes to the Financial Statements (continued)

1. Accounting Policies (continued)

(f) Investments (continued)

Unrealised gains and losses attributable to assets in the life assurance business fund are reported in the statement of comprehensive income. 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 statement of comprehensive income 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 statement of comprehensive income.

(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.

(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.

Notes to the Financial Statements (continued)

1. Accounting Policies (continued)

(k) Taxation (continued)

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

Software development

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.

Acquired value of in-force business

The present value of future profits on a portfolio of long-term insurance and investment contracts, allowing for an appropriate cost of capital, and representing the value of in force policies ('AVIF') acquired directly or through the purchase of a subsidiary, is recognised as an intangible asset. The AVIF is amortised over the useful lifetime of the related contracts in the portfolio on a systematic basis. The rate of amortisation is chosen by considering the profile of the value of in-force business acquired and the expected depletion in its value.

AVIF is recognised, amortised and tested for impairment by reference to the present value of estimated future profits at a portfolio level. Significant estimates include forecast cash flows and discount rates.

(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 staff, who are employed by Utmost Services Ireland Limited are entitled to join a Defined Contribution Plan; the Utmost Ireland Pension Scheme.

Defined Contribution Plan: Payments are made by the Company to a pension fund, independent of the Company. The Company's contributions are recorded as an expense in the statement of comprehensive income.

Notes to the Financial Statements (continued)

1. Accounting Policies (continued)

(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.

(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.

(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'

There was no impact from the implementation of IFRS 16 which came into effect from 1 January 2019.

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 2023.

Notes to the Financial Statements (continued)

2. Premiums, Claims & Fees Information

	2019 €'000	2018 €'000
(a) Gross premiums written (Group Risk & Variable Annuities)		
Ireland - regular premium	75,438	58,336
Other - regular premium	17,364	13,732
Other - reinsurance premium inward	319	295
Total	93,121	72,363

(b) Claims		
Ireland	35,109	30,364
Other	8,783	8,869
Total	43,892	39,233

(c) New business written

Wealth Protection (Single Premium Investment Contracts)

Italy	416,397	648,782
United Kingdom	157,388	103,724
Spain/Portugal	72,735	99,820
Other	1,220	3,736
Total	647,740	856,062

Investment Planning (Investment Contracts)

Finland - single premium	17,652	12,785
Other - single premium	7,695	11,060
Finland - regular premium	10,560	13,011
Other - regular premium	68	780
Total	35,975	37,636

Selection and Delegation

Ireland	-	-
Other	54,565	-
Total	54,565	-

Group Risk

Ireland	15,921	11,244
Other	4,107	1,441
Total	20,028	12,685

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	22,302	21,991
United Kingdom	4,846	1,570
Spain/Portugal	1,479	1,228
Other	4,178	3,149
Total	32,805	27,938

Notes to the Financial Statements (continued)

3. Investment income/ (expense)

Investment income/ (expense) relates to income on bonds, interest on cash deposits and dividend income.

	2019 €'000	2018 €'000
Investment income/ (expense)		
Income/ (loss) from financial assets at fair value through profit or loss	1,110,685	(574,110)
Income from financial assets at amortised cost	171	202
	1,110,856	(573,908)
Fee and commission income		
Fees paid by investment contract policyholders (Note 2)	32,805	27,938
Unit linked income	19,789	22,728
Commission earned on reinsurance premiums ceded	11,276	10,335
Trail commissions received	1,411	1,043
Increase in deferred income liability (Note 22)	(2,796)	(6,497)
	62,485	55,547
Investment expenses and charges		
Investment management expenses	(7,124)	(3,770)

4. Net operating expenses

	2019 €'000	2018 €'000
Acquisition costs	7,571	5,897
Administration expenses	41,655	47,131
Amortisation of deferred acquisition costs (Note 15)	10,689	7,399
Other Costs	-	6,993
Operating lease rentals – office premises	-	205
Operating lease rentals – motor vehicles	-	29
Total	59,915	67,654

Included in net operating expenses is acquisition and other commission for direct insurance of €5,428,000 (2018: €3,490,000), which excludes commission paid to employees. Also included is depreciation of tangible fixed assets of €213,000 (2018: €380,000), amortisation of intangible fixed assets of €0 (2018: €2,350,000), write off of intangible fixed assets of €0, (2018: €10,983,000) and Auditors' remuneration for the audit of the entity's financial statements, audit related assurance services and out of pocket expenses, excluding VAT, of €479,000 (2018: €327,000). In 2018 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:

	2019 €'000	2018 €'000
Audit of the financial statements	327	226
Audit related assurance services including Solvency II	152	101
Non – audit services	-	87
Total auditors' remuneration	479	414

Operating lease charges

At 31 December 2019 the Company had no operating lease commitments.

5. Staff costs

	2019 €'000	2018 €'000
Included in administration expenses are the following staff costs:		
Wages and salaries	0	4,876
Social insurance costs	0	653
Pension costs	0	259
Total	0	5,788

	2019 Number	2018 Number
Number of persons employed are:		
Full time staff	0	0
Part time staff	0	0
Total	0	0

* There are no staff employed by the Company as at 31 December 2019. 143 staff were transferred into Utmost Services Ireland Limited under a TUPE process following the sale of UPE on 19 June 2018.

Pension costs

There were no pension costs paid by UPE during the year 2019 as these costs are now paid by Utmost Services Ireland Limited. The Company operated a defined contribution scheme during 2018. The assets of the scheme were held separately from those of the Company in an independently administered fund which was managed by an independent trustee. The pension cost charge represents contributions by the Company to the fund and amounted to €259,000 during 2018. The amount payable to the pension scheme at 31 December 2019 was nil (2018: nil).

Notes to the Financial Statements (continued)

6. Directors' emoluments

Included in administration expenses are directors' emoluments:	2019	2018
	€'000	€'000
Directors' emoluments	956	773
Directors' pension contributions	63	72
Non- executive directors' emoluments	185	108
Total	1,204	953

The pension contributions are made on behalf of two directors. The contributions are paid to the Utmost Ireland 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 2019 was nil (2018: nil).

7. Portfolio transfer: to Utmost PanEurope dac at 31 October 2019

On 31 October 2019 the life assurance businesses of Utmost Ireland dac and Harcourt Life Ireland dac were transferred into UPE.

	2019
	€'000
Transfer of net assets from Utmost Ireland dac	100,836
Transfer of net assets from Harcourt Life Ireland dac	17,221
Total	118,057

Included in the transfer of net assets:

	UI	HLI
	€'000	€'000
Financial Assets	5,501,476	264,704
Deferred acquisition costs	7,568	-
Deferred Tax	477	-
Intangible assets	39,187	-
Investment in Subsidiaries	-	4,244
Reinsurers' share of insurance contract liabilities	455,911	12,166
Insurance receivables	-	9
Prepayments and accrued income	166	-
Other Receivables	2,536	2,199
Cash at bank and in hand	18,788	23,729
Total Assets	6,026,109	307,051
Liabilities under insurance contracts	465,234	204,794
Liabilities related to direct investment contracts	5,430,615	75,872
Accruals and other Liabilities	16,979	9,165
Deferred income liability	12,444	-
Total Liabilities	5,925,273	289,830
Total Net Assets	100,836	17,221

Notes to the Financial Statements (continued)

8. Taxation

	2019 €'000	2018 €'000
Irish corporation tax:		
Current tax on (loss) for the financial year	-	(495)
Prior financial year over provision	(64)	(244)
Irish (expense)/ income tax	(13)	37
Foreign tax	-	2
Deferred tax charge	339	124
Total charge/ (credit)	262	(576)

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

	2019 €'000	2018 €'000
(Loss) on ordinary activities before tax	(6,660)	(12,260)
(Loss) on ordinary activities multiplied by standard tax rate of 12.5% (2018: 12.5%)	(832)	(1,533)
Permanent differences	1,049	1,162
Current tax prior year over provision	(64)	(244)
Income tax withheld	(13)	36
Other	122	-
Foreign tax effect	-	3
Total charge/ (credit)	262	(576)

As at 31 December 2019 the Company had a deferred tax asset of €6,163,000 in relation to timing differences (2018: €6,026,000), which has been recognised in the financial statements.

	2019 €'000	2018 €'000
Balance at 1 January	6,026	6,150
Section 13 transfer from UI	476	-
Deferred tax charge for the financial year	(339)	(124)
Balance at 31 December	6,163	6,026

The elements of deferred taxation are as follows:

Difference between depreciation and capital allowances	1,113	1,264
Provisions and other items	40	40
IFRS transitional adjustments	3,540	4,722
Losses carried forward	6,284	-
Intangible assets	(4,814)	-
Total	6,163	6,026

Notes to the Financial Statements (continued)

9. Financial investments

	2019 €'000	2018 €'000
Financial assets		
Debt securities – Fair value through profit or loss	94,945	8,120
Debt securities – Amortised cost	12,507	12,481
Investment funds – Fair value through profit or loss	101,101	11,154
Total financial investments	208,553	31,755

	2019 €'000	2018 €'000
Investment in subsidiaries		
Investment in Utmost Ireland dac	3,710	114,240
Investment in Harcourt Life Ireland dac	3,711	10,350
Investment in Utmost Bermuda Limited	3,176	-
Investment in Harcourt Life Corporation dac	1,209	-
Total	11,806	124,590

10. Investments for the benefit of investment contract holders

	2019 €'000	2018 €'000
Investments		
Bonds	1,877,038	1,774,659
Equities	1,305,494	991,686
Funds	11,804,663	6,021,110
Derivatives	3,064	1,541
Other investments	338,449	293,503
Cash balances and short term deposits	1,920,849	1,354,583
Total	17,249,557	10,437,082

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

Notes to the Financial Statements (continued)

11. Italian withholding tax prepayment and accrual

	2019 €'000	2018 €'000
Asset		
Balance at 1 January	155,258	145,400
Payable in respect of 2019	15,445	-
Payable in respect of 2018	-	35,688
Recovered from policyholders during the year	(10,072)	(25,830)
Partial recovery of 2014 payment	(15,445)	-
Prior year adjustments	(447)	-
Balance at 31 December	144,739	155,258
Liability		
Balance at 1 January	35,688	37,118
Payable in respect of 2019	15,445	-
Payable in respect of 2018	-	35,688
Less partial recovery of 2014 payment	(15,445)	-
Prior year adjustments	(225)	-
Paid during the year	(35,463)	(37,118)
Balance at 31 December	-	35,688
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	129,294	119,570
In more than five financial years, but not more than twenty financial years	15,445	35,688
Total	144,739	155,258

12. Debtors arising out of direct insurance operations

	2019 €'000	2018 €'000
Claims recoverable from reinsurers	12,513	14,187
Commission receivable from reinsurers	3,511	4,784
Amounts due from policyholders	10,669	11,962
Total	26,693	30,933

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

Notes to the Financial Statements (continued)

13. Intangible assets

	AVIF	Software Development	Total
	€'000	€'000	€'000
Cost			
At 1 January 2019	-	-	-
Section 13 Transfer from UI	39,187	-	39,187
At 31 December 2019	39,187	-	39,187
Accumulated amortisation			
At 1 January 2019	-	-	-
Charge for the financial year	680	-	680
At 31 December 2019	680	-	680
Net book value			
At 31 December 2018	-	-	-
At 31 December 2019	38,507	-	38,507

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

The AVIF is calculated based on the present value of expected future profits on the Aegon Ireland portfolio of investment contracts, allowing for the cost of capital. Key assumptions include future lapse and expense assumptions. The AVIF is being amortised in line with the projected run-off of the Solvency II best estimate liabilities. The AVIF is reviewed for impairments at each reporting date by reference to the value of future profits in accordance with Solvency II principles

Notes to the Financial Statements (continued)

14. Property, plant and equipment

	Fixtures and Fittings €'000	Computer Equipment €'000	Total €'000
Cost			
At 1 January 2019	1,693	1,989	3,682
Additions	0	0	0
At 31 December 2019	<u>1,693</u>	<u>1,989</u>	<u>3,682</u>
Accumulated depreciation			
At 1 January 2019	1,571	1,789	3,360
Charge for the financial year	49	164	213
At 31 December 2019	<u>1,620</u>	<u>1,953</u>	<u>3,573</u>
Net book value			
At 1 January 2019	122	200	322
At 31 December 2019	<u>73</u>	<u>36</u>	<u>109</u>

	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	<u>1,693</u>	<u>1,989</u>	<u>3,682</u>
Accumulated depreciation			
At 1 January 2018	1,525	1,455	2,980
Charge for the financial year	46	334	380
At 31 December 2018	<u>1,571</u>	<u>1,789</u>	<u>3,360</u>
Net book value			
At 1 January 2018	50	334	384
At 31 December 2018	<u>122</u>	<u>200</u>	<u>322</u>

15. Deferred acquisition costs

	2019 €'000	2018 €'000
Balance at 1 January	59,676	56,507
Section 13 Transfer from UI	7,568	-
Costs deferred in current financial year	9,776	10,568
Release to income statement	<u>(10,690)</u>	<u>(7,399)</u>
Balance at 31 December	<u>66,330</u>	<u>59,676</u>

Notes to the Financial Statements (continued)

16. Called up Share capital

On 18 September 2019, the board passed a number of ordinary and special resolutions which effected changes to the authorised and issued share capital to the following:

	2019 €'000
Authorised:	
350,000,000 ordinary shares of €1.00 each	350,000
400,000,000 Non-Voting Redeemable Preference Shares of €1.00 each	<u>400,000</u>
Total	<u>750,000</u>
Issued and fully paid:	
91,134,868 Ordinary Shares of €1.00 each	91,135
0 Non-Voting Redeemable Preference Shares of €1.00 each	<u>-</u>
Total	<u>91,135</u>
	2018 €'000
Authorised:	
6,000,000 ordinary shares of €1.269666 each	7,618
300,000,000 Non-Voting B Ordinary Shares of €1.00 each	300,000
400,000,000 Non-Voting Redeemable Preference Shares of €1.00 each	<u>400,000</u>
Total	<u>707,618</u>
Issued and fully paid:	
500,000 Ordinary Shares of €1.269738 each	635
60,500,000 Non-Voting B Ordinary Shares of €1.00 each	<u>60,500</u>
Total	<u>61,135</u>

Notes to the Financial Statements (continued)

17. Insurance and investment contract liabilities

Insurance liabilities are determined by the Directors on the advice of the Head of Actuarial Function. Although the process for the establishment of insurance liabilities follows specified rules and guidelines, the provisions that result from the process are the subject of estimations. As a consequence, the eventual value of claims could vary from the amounts provided to cover future claims. The Company seeks to provide appropriate levels of contract liabilities taking known facts and experiences into account but, nevertheless, such liabilities remain uncertain.

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'.

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.

Investment contracts that do not contain a discretionary participation feature are referred to as non-participating contracts and the liability is measured at fair value. Most non-participating investment contracts measured at fair value are unit-linked in structure and the fair value liability is equal to the unit reserve plus additional non-unit reserves, if required, on a fair value basis.

For this business, a deferred acquisition cost asset and deferred income reserve liability can be recognised in respect of transaction costs and front-end fees respectively, that relate to the provision of investment management services, and which are amortised on a systematic basis over the contract term.

	Provision for unearned premiums €'000	Life assurance provision €'000	Un- allocated Surplus €'000	Provision for claims €'000	Investment contract liabilities* €'000
At 1 January 2018	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	-	-	-	-	(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
Section 13 transfer	-	636,461	33,567	-	5,506,487
Deposits received from policyholders under investment contracts	-	56	-	-	821,737
Payments made to policyholders under investment contracts and fee deductions	-	(2,084)	-	-	(827,209)
Change in technical provision as shown in the income statement	2,129	(16,998)	622	77,400	1,105,327
Foreign exchange revaluation	92	4,244	-	(216)	88,328
At 31 December 2019	14,557	623,863	34,189	151,356	17,134,368

Notes to the Financial Statements (continued)

17. Insurance and investment contract liabilities (continued)

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

Non-linked, non-profit term assurances are valued using the gross premium method. For unitised with-profit contracts, the number of units allocated to the contract is multiplied by the bid price and then reduced by Market Value Adjustment factors, where appropriate and permissible under policy conditions, in order to give a liability which represents a fair assessment of the surrender value according to the Board's interpretation of policyholder's reasonable expectations.

Linked contracts are valued individually, with the number of units allocated to the contract being multiplied by the valuation price for the corresponding internal linked fund. Cash flow calculations have been made individually for each linked contract. Non-unit reserves have been set up, where appropriate, to cover future mortality and/or expense strain. Additional unit reserves exist to cover the cost of future loyalty bonuses on certain products. The overall unit and non-unit reserve for each contract is always at least equal to the surrender value, subject to a minimum of zero.

The Variable Annuity (VA) life assurance provision is calculated, using stochastic methods, by Generali Switzerland.

Provision for claims

The Provision for Claims balance consists of a Reported But Not Settled (RBNS) reserve of €133,394,000 (2018: €60,702,000), an Incurred But Not Reported (IBNR) reserve of €15,317,000 (2018: €12,774,000) and a Claims Handling reserve of €2,644,000 (2018: €696,000).

Provisions Held

The reinsurers' share of the Provision for Unearned Premiums at 31 December 2019 was €12,036,000 (2018: €10,709,000) and the reinsurers' share of the Provision for Claims was €116,065,000 (2018: €54,167,000). The reinsurers' share of the Life Assurance Provision at 31 December 2019 was €456,124,000 (2018: €2,050,000).

The Provision for Unearned Premiums net of reinsurance at 31 December 2019 was €2,521,000 (2018: €1,627,000). The Provision for Claims net of reinsurance at 31 December 2019 was €35,290,000 (2018: €20,005,000). The Life Assurance provision net of reinsurance at 31 December 2019 was €167,738,000 (2018: €134,000).

Notes to the Financial Statements (continued)

18. Management of Insurance Risk

Insurance Risks

The Company is exposed to life underwriting insurance risk deriving from the Company's core business activities.

Insurance risk refers to the risk that the frequency or severity of insured events may be worse than expected and includes expense risk. The Company's contracts include the following sources of insurance risk:

- Mortality – Higher than expected death claims on assurance products;
- Expenses – Policies cost more to administer than expected;
- Lapses – An adverse movement in either surrender rates or persistency rates on policies with guaranteed benefits leading to losses. This includes the risk of greater than expected policyholder option exercise rates giving rise to increased claims costs

The Company mitigates this risk primarily through the use of reinsurance agreements with third party reinsurers'.

The profitability of the run-off of the Company's closed long-term insurance businesses depends to a significant extent on the values of claims paid in the future relative to the assets accumulated to the date of claim. Typically, over the lifetime of a contract, premiums and investment returns exceed claim costs in the early years and it is necessary to set aside these amounts to meet future obligations. The amount of such future obligations is assessed on actuarial principles by reference to assumptions about the development of financial and insurance risks.

It is therefore necessary for the Board to make decisions, based on actuarial advice, which ensure an appropriate accumulation of assets relative to liabilities. These decisions include investment policy, bonus policy and, where discretion exists, the level of payments on early termination.

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. The Company uses the Standard Formula approach to calculate its solvency requirements. Own Funds is financed by shareholders' funds, measured on a Solvency II basis.

Solvency II came into effect on 1 January 2016. The Solvency Capital Requirement ("SCR") at 31 December 2019 was €217,733,000 (2018: €137,917,000) and the Minimum Capital Requirement ("MCR") was €97,980,000 (2018: €62,063,000). The Company's available own funds at that date were €414,204,000 (2018: €360,858,000). The Company's ratio of Eligible Own Funds to SCR was 190% (2018: 262%), and to MCR was 418% (2018: 566%).

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)

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.

The Company uses a number of sensitivity test-based risk management tools to understand the volatility of earnings and its capital requirements, and to manage its capital more efficiently. Primarily, the Solvency & Financial Condition Report (SFCR) and the Own Risk Solvency Assessment (ORSA) are used. Sensitivities to economic and operating experience are regularly produced on all of the Company's financial performance measurements to inform the Company's decision-making and planning processes and as part of the framework for identifying and quantifying the risks to which the Company is exposed.

Basic own funds	2019 €'000	2018 €'000
Shareholders' funds	215,512	201,434
Elimination of deferred acquisition costs and deferred income liability	48,367	39,781
Elimination of intangible assets	(38,507)	-
Solvency II valuation of technical provisions	206,394	130,503
Solvency II valuation of financial liabilities	-	-
Solvency II valuation of investments	968	(12,446)
Solvency II valuation of withholding tax asset	-	(1,080)
Deferred tax adjustment	(27,153)	(19,595)
Subordinated Liability	23,623	22,261
Foreseeable dividends	(15,000)	-
Total basic own funds 31 December	414,204	360,858

Notes to the Financial Statements (continued)

18. Management of Insurance Risk (continued)

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

The Company does not use transitional deduction on its technical provisions referred to in Article 308d of Directive 2009/138/EC.

Options and Guarantees

Some of the Company's products give potentially valuable guarantees, or give options to change policy benefits, which can be exercised at the policyholders' discretion.

Unitised With-Profit Guarantees

Most unitised with-profit contracts give a guaranteed minimum payment on death. Some with-profit bonds pay a guaranteed minimum surrender value, expressed as a percentage of the original premium, on a specified anniversary or anniversaries of commencement. Annual bonuses when added to unitised with-profit contracts usually increase the guaranteed amount.

Discretionary participating bonus rate

The regular bonus rates are determined by the Board in accordance with established procedures. Final bonuses are declared by the Board with the aim that payments at maturity or on surrender will equal the value of asset shares subject to smoothing.

With-Profit Guarantees

The material guarantees on the Company's with-profit business are either:

- spot money back guarantees at the tenth policy anniversary
- spot money back guarantees at the fifth policy anniversary on policies written before February 2006
- a continuous inflation protected guarantee from the fifth policy anniversary for policies written after February 2006.

For policies written before February 2006 the five year guarantee has passed, while the ten year guarantee is due to pass in April 2020. The guarantee may restrict the level of market value reduction that would otherwise be applied on surrender. The guarantees are provided through a reinsurance agreement with Aviva Life & Pensions UK Limited.

Capital Redemption Guarantees

At 31 December 2019 there were 539 Capital Redemption Bonds (CRB) in force.

The Company will pay the following guarantees if the bond is still in force after 99 years:

- Aviva CRB's: the maximum of the premium (net of withdrawals) or 101% of the unit fund
- Aegon CRB's: the maximum of twice the premium (net of withdrawals) or the unit fund
- ALE CRB's: the maximum of 100.1% of the premium (net of withdrawals) or of the unit fund

There are 49 bonds in the Aviva book of which 18 are reinsured to Aviva Life & Pensions UK Limited. There are 42 bonds remaining in the Aegon book. The ALE book is open to new business and is currently selling CRB's adding further exposure to this type of product. In UPE, given the earliest bond sold was in 2003, the first year in which the guarantee may apply is 2102.

At 31 December 2019, the unit reserve net of reinsurance in respect of these policies was €475.6m.

Notes to the Financial Statements (continued)

18. Management of Insurance Risk (continued)

Movement in basic own funds	2019 €'000	2018 €'000
Opening excess of assets over liabilities	338,597	282,737
Prior Year Equity Adjustment	-	(41,294)
Capital contribution issued during the year	30,000	81,423
Dividend Paid	(9,000)	(2,500)
(Loss)/Profit recognised since prior financial year	(6,922)	(11,684)
Elimination of deferred acquisition costs and deferred income liability	8,586	50,741
Elimination of intangible assets	(38,507)	11,928
Solvency II valuation of technical provisions	75,891	(15,817)
Solvency II valuation of financial liabilities	-	1,082
Solvency II valuation of investments	13,414	(13,573)
Solvency II valuation of withholding tax asset	1,080	(172)
Deferred tax adjustment	(7,558)	(4,274)
Subordinated Liability	23,623	22,261
Foreseeable dividends adjustment	(15,000)	-
Closing basic own funds at 31 December	414,204	360,858

19. Liabilities arising out of direct insurance operations

	2019 €'000	2018 €'000
Amounts due to reinsurers	30,574	41,789
Amounts due to policyholders	32,064	9,567
Commissions due to intermediaries	1,209	6
Total	63,847	51,362

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

20. Financial liabilities

	2019 €'000	2018 €'000
11 Year 5% Loan from Utmost Limited	23,623	22,261
Total	23,623	22,261

In 2018, the Company issued a £20,000,000 loan note to another group company, Utmost Limited. The balance outstanding at 31 December 2019 amounted to €23,623,000 (2018: €22,261,000), with interest accrued amounting to €168,000 (2018: €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

	2019 €'000	2018 €'000
Amounts owing to group companies	1,512	3,221
Corporation tax	-	-
Value added tax	137	142
Other taxes	426	2,303
Bank Overdraft	154	47
Total	2,229	5,713

22. Deferred income liability

	2019 €'000	2018 €'000
Balance at 1 January	99,457	92,742
Section 13 transfer from UI (Note 7)	12,444	-
Amortisation	2,796	6,497
Income deferred in current financial year	-	218
Balance at 31 December	114,697	99,457

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 certain 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:

2019 Assets	Unit Linked €'000	Insurance Risk €'000	Variable Annuity €'000	Shareholder €'000	Total €'000
Debt securities-at fair value through profit or loss	1,877,038	-	-	94,945	1,971,983
Debt securities-amortised cost	-	-	-	12,507	12,507
Equity securities-at fair value through profit or loss	1,305,494	-	-	11,806	1,317,300
Other securities-at fair value through profit or loss	12,139,001	17	-	101,084	12,240,102
Cash at bank	1,926,748	5,825	-	19,155	1,951,728
Insurance debtors and other assets	516,144	165,782	2,565	213,171	897,662
Total assets	17,764,425	171,624	2,565	452,668	18,391,282

2019 Liabilities	Unit Linked €'000	Insurance Risk €'000	Variable Annuity €'000	Shareholder €'000	Total €'000
Technical provisions	17,134,368	165,913	-	-	17,300,281
Claims outstanding	-	-	-	-	-
Provisions for other risks and charges	-	-	-	-	-
Other liabilities	630,057	5,711	2,565	452,668	1,091,001
Total liabilities	17,764,425	171,624	2,565	452,668	18,391,282

2018 Assets	Unit Linked €'000	Insurance 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	Insurance 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

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.

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.

Following the Section 13 portfolio transfer of UI and HLI a review of the risk profile of the business was carried out. The following table shows a summary of the sensitivity analysis carried out on key risks including interest rate risk;

	Liabilities 2019 €'000
Lapse Rate Increase by 10%	11,171
Lapse Rate Decrease by 10%	(12,220)
Expense Increase by 10%	20,429
Interest Rate -1%	5,020
Interest Rate +1%	(5,979)

The following interest rate sensitivity analysis was completed on debt securities and RBNS reserves for the 2018 accounts.

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

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 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.

Notes to the Financial Statements (continued)

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

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").

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. Additionally the Company has a portfolio of GBP denominated government and government agency bonds and is also invested in a GBP denominated Money Market Fund and the GBP share class of the Oaktree Senior European Loan Fund, which results in some currency risk exposure. This is not hedged.

A currency risk analysis in respect of policyholder assets and liabilities 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 of loss in the value of financial assets due to counterparties failing to meet all or part of their obligations. 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 hard and soft strategic asset allocation boundaries on the Company's credit and market exposures. There is a minimum allocation to concentration charge exempt securities of 25% of its total marketable securities and investment funds, excluding cash. This includes exempt Government and exempt international institution bonds. In the case of UK and US government bonds, for example, the Company can invest up to a hard limit of 70%, with a soft limit of 50%. It can invest up to a hard limit of 20% in sovereign debt rated AAA, with a soft limit of 15%, up to a hard limit of 15% in sovereign debt rated AA, with a soft limit of 7.5%, and up to hard limit of 5% in sovereign debt rated A, with a soft limit of 3%.

The Company can also invest in non-government bonds, to a maximum allocation of 50% of its total marketable securities and investment funds, excluding cash, which includes a maximum hard limit of 5% for all AAA to A rated, with a soft limit of 3%, and a hard limit of 3% in debt rated BBB, with a soft limit of 1.5%.

In addition the Company can also invest in Fixed Income and Loans via Investment Funds up to a maximum of a hard limit of 25% for AAA – High Yield rated, with soft limit of 20%.

Finally, for the non-OECD and non-EU regions, there is a 2% hard concentration limit on all bonds based on the country of the ultimate parent.

Risk exposures are monitored against limits and reported to the Investment Committee who are responsible for oversight of Company 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:

Notes to the Financial Statements (continued)

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

- Assicurazioni Generali S.p.A., which has a Fitch rating of "A";
- 'SCOR Global Life Ireland dac', 'SCOR Global LifeSE – UK Branch' and SCOR Sweden RE, subsidiaries of SCOR which has a S&P rating of "AA-";
- Aviva Life and Pensions UK Limited which has a S&P rating of "AA-", Charge Deed is in place that covers UPE in the event of insolvency of ALAP;
- Munich Re which has a S&P rating of "AA-";
- Swiss Re which has a S&P rating of "AA-";
- Phoenix Life Limited which has a Fitch rating of "A+";
- General Cologne Life Reinsurance Co.UK Limited which has a S&P rating of "AA+";
- Euro Accident (Closed Book) which does not have a credit rating. Solvency ratio is 171.6% ; and
- 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 2019 and 31 December 2018:

2019	AAA	AA	A	BBB	Unrated	Unit-Linked Funds	Total
	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Debt securities	42,495	63,183	1,775	-	-	-	107,453
Investment in Subs	-	-	-	-	11,806	-	11,806
Other securities	17	-	-	-	27,907	73,177	101,101
Unit-linked	-	-	-	-	-	15,328,708	15,328,708
Cash at bank	-	-	30,879	-	-	1,920,849	1,951,728
Insurance debtors and other assets	-	442,547	157,748	150,682	139,509	-	890,486
Total	42,512	505,730	190,402	150,682	179,222	17,322,734	18,391,282

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 Sub's	-	-	-	-	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

Notes to the Financial Statements (continued)

23. Management of financial and other risks (continued)

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 2019:

Financial Assets	2019 Within 1 Year €'000	2019 1-5 years €'000	2019 Over 5 years €'000	2019 Unit-linked funds €'000	2019 Total €'000
Debt securities	9,259	90,070	8,124	-	107,453
Investment in Sub's	-	-	11,806	-	11,806
Other securities	27,643	282	-	73,176	101,101
Unit-linked	-	-	-	15,328,708	15,328,708
Cash at bank	30,879	-	-	1,920,849	1,951,728
Insurance debtors and other assets	675,237	143,973	71,276	-	890,486
Total	743,018	234,325	91,206	17,322,733	18,391,282

Financial Liabilities	2019 Within 1 Year €'000	2019 1-5 years €'000	2019 Over 5 years €'000	2019 Unit-linked funds €'000	2019 Total €'000
Financial liabilities under investment contracts	-	-	-	17,134,368	17,134,368
Insurance liabilities	823,965	-	-	-	823,965
Other liabilities	104,560	13,793	99,084	-	217,437
Total	928,525	13,793	99,084	17,134,368	18,175,770

The tables below set out comparative risk data 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)

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 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.

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

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 2019 amounted to €214,119,000 (2018: €215,966,000) 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 2019:

Notes to the Financial Statements (continued)

23. Management of financial and other risks (continued)

Fair value hierarchy (continued)

Fair value hierarchy	2019	2019	2019	2019	2019
	Level 1	Level 2	Level 3	Cash	Total
	€'000	€'000	€'000	€'000	Balance €'000
Financial assets at fair value through profit or loss:	95,081	-	-	-	95,081
- subsidiaries/ other	-	101,101	11,806	-	112,907
- debt securities	13,532	-	-	-	13,532
Debt securities – amortised cost	3,471,782	11,642,808	214,119	1,920,849	17,249,558
Unit-linked	3,580,395	11,743,909	225,925	1,920,849	17,471,078
Total					
	2019	2019	2019	2019	2019
	Level 1	Level 2	Level 3	Cash	Total
	€'000	€'000	€'000	€'000	Balance €'000
Financial liabilities at fair value through profit or loss:	-	23,623	-	-	23,623
Financial debt	3,471,782	11,527,618	214,119	1,920,849	17,134,368
Unit-linked	3,471,782	11,551,241	214,119	1,920,849	17,157,991
Total					

The table below sets out comparative data for the Fair Value Hierarchy 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:	-	22,261	-	-	22,261
Loan from group Company	3,030,074	5,839,075	215,966	1,354,583	10,439,698
Unit-linked	3,030,074	5,861,336	215,966	1,354,583	10,461,959
Total					

Notes to the Financial Statements (continued)

23. Management of financial and other risks (continued)

Fair value hierarchy (continued)

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)

	2019	2018
	€'000	€'000
Balance at 1 January	215,966	164,685
Investment income	(11,273)	11,352
Premiums	7,705	2,504
Surrenders	(9,041)	(9,944)
Transfer from Level 1 into Level 3	2,090	5,254
Transfer from Level 2 into Level 3	8,672	42,115
Balance at 31 December	214,119	215,966

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 40 related policies. Management assessed that there were unobservable inputs used to value a number of assets in these policies or the assets were closed funds, where redemptions are not possible during the life of the fund.

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 2019.

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.

Notes to the Financial Statements (continued)

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 2019 amounted to €23,623,000, (2018: €22,261,000). Interest accrued amounted to €168,000, (2018: €164,000). 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 owed €700,000 at year end (2018: €1,752,000).

The Company is charged an administration services fee from Utmost Administration Limited on a monthly basis. The Company owed €61,000 at year end (2018: €nil)

The Company is charged project costs from Utmost Services Limited. The Company owed €583,000 at year end (2018: €nil).

The Company is charged a salary recharge from UIG Holdings (No 4) Ltd on a quarterly basis. There are no balances outstanding at year end (2018: €nil).

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

	2019	2019	2018	2018
	Expense Incurred	Payable at Year end	Expense Incurred	Payable at Year end
	€'000	€'000	€'000	€'000
Fellow Subsidiaries	32,479	25,135	15,701	24,178
Total	32,479	25,135	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:

	2019	2018
	€'000	€'000
Profit/(Loss) before tax	(6,660)	(12,260)
Adjustments for:		
Dividend income	(527)	(2,851)
Interest and similar income	(1,914)	(216)
Unrealised (gains)/losses	(1,118,791)	523,836
Depreciation & Amortisation	893	2,732
Changes in working capital:		
Increase/ (decrease) in reinsurance assets	(517,300)	3,276
Decrease in intangible assets	(39,187)	11,928
Increase in fixed assets	-	(2,670)
Increase/ (decrease) in deferred acquisition costs	(6,655)	(3,169)
Decrease/(increase) in prepayments and accrued income	2,448	(9,990)
Decrease/(increase) in debtors	4,241	(8,434)
Increase/ (decrease) in liability for investment contracts	6,694,670	(508,792)
Increase in insurance liabilities	735,273	6,084
Decrease in payables and other financial liabilities	(26,949)	(315)
Increase in other liabilities	21,566	5,352
Increase in other assets	(140)	125
Net purchases of financial investments	(5,757,695)	(76,846)
Net cash outflow from continuing operations, excluding exceptional items	(16,727)	(72,210)

Notes to the Financial Statements (continued)

29. Directors' and Secretary's interests

At 31 December 2019 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 2019			
Life Company Consolidation Group (No 2) Limited	A ordinary shares	746	746
Life Company Consolidation Group (No 2) Limited	B ordinary shares	8,125	8,125
Utmost International Group Holdings Limited	Euro preference shares	1,543,804	1,543,804
Utmost International Group Holdings Limited	Sterling preference shares	1,160,803	1,160,803
Utmost International Group Holdings Limited	S shares	50	50
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

30. Non adjusting subsequent event disclosure

IAS 10 defines an adjusting event as an event that provides evidence of conditions that existed at the reporting date. A non-adjusting event indicates conditions that arose after the reporting date.

The situation at 31 December 2019 was that a limited number of cases of an unknown virus had been reported to the World Health Organisation. There was no explicit evidence of human-to-human transmission at that date. These are the conditions that existed at 31 December. The subsequent spread of the virus and its identification as Covid-19 does not provide additional evidence about the situation that existed at 31 December 2019, and it is therefore a non-adjusting event.

As Covid-19 is a non-adjusting event, its post year end impact has not been taken account of in the recognition and measurement of the company's assets or liabilities at 31 December 2019.

The Covid-19 pandemic has created turbulence in financial markets and economic uncertainty, which will impact individuals and businesses. The full impact on the Insurance industry including the company's business, assets and liabilities is uncertain. The impact of the current uncertainty on individuals, businesses and global markets could lead to material policy holder claims across a number of classes of our business and negatively impact the value of our investments. The fair value of our investments has declined by circa 12% since the year end.

However, given the inherent uncertainties, it is not possible to quantify the financial impact of Covid-19 on the group's future financial performance, assets and liabilities at this point in time.

Notes to the Financial Statements (continued)

31. **Approval of financial statements**

The board of directors approved and authorised for issue the financial statements on 1 April 2020.