Darta Saving Life Assurance dac

Directors' report and financial statements

For the financial year ended 31 December 2019

Registered number 365015

Darta Saving Life Assurance dac

Contents

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Directors and other information

Directors

James Ruane	Chairman, (Independent Non-Executive)
Angelo Agnelli	Italian (Non-Executive)
Patricia Colton	(Independent Non-Executive)
Gino Fassina	Italian (Non-Executive)
John Finnegan	(Executive Director)
David Kingston	(Independent Non-Executive)
John Lyons	(Non-Executive)
Fabiana Rossaro	Italian (Non-Executive)
Giampaolo Viseri	Italian (Non-Executive)

Registered office

Maple House
Temple Road
Blackrock
Dublin

Secretary

Francis O'Hara
Maple House
Temple Road
Blackrock
Dublin

Head of Actuarial Function

Niamh Lynch
Allianz Global Life
Maple House
Temple Road
Blackrock
Dublin

Independent Auditors

PricewaterhouseCoopers
One Spencer Dock
North Wall Quay
Dublin 1

Main Bankers

AIB
7/12 Dame Street
Dublin 2

Allianz Bank Financial Advisors S.p.A.
Piazza Tre Torri 3,
20145 Milano, Italy

Allianz SE
Konigstrasse 28
80802 Munich
Germany

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Directors and other information *(continued)*

Main bankers (continued)

BNP Paribas Securities Services
Via Ansperto 5
20123 Milano
Italy

Solicitors

Dillon Eustace
33 Sir John Rogerson's Quay
Dublin 2

Service Provider

Irish Progressive Services International Limited
Block C, Irish Life Centre, Lower Abbey Street
Dublin 1

Investment Managers

ADDVISION Wealth Mgt S.A.
Agora Investments SGR S.pA.
Allianz Global Investors GmbH
Amundi Asset Management
Aquila Patrimonial A.G.
Azimut
Banca del Ceresio S.A.
Banca Julius Baer & Co. S.A. Zurich
Banca Julius Baer &Co. S.A. Lugano - Switzerland
Banca Leonardo
Banque Morval S.A.
BG Valeur S.A.
Blackrock Investment Management Limited
BPS Suisse
CA Indosuez Finanziaria S.A.
Candriam
Capital Group
Carmignac Gestione S.A.
CGM Italia Sim S.p.A.
CGM Monegasque
Colombo Wealth Management
Columbia Threadneedle
Credit Suisse AM
Crossinvest S.A.
EFG Bank S.A. (ex BSI)
Fidelity
Finpartner Financial Services S.A. Lugano
Franklin Templeton

Investment Managers *(continued)*

Gamma Capital Markets Limited
Goldman Sachs AM
Icam & Partners
Intesa S.Paolo Private Banking S.p.A.
Invesco Asset Management S.A.
Investitori SGR S.p.A.
Janus Henderson
JP Morgan
Kairos AM S.A.
Kairos Partners SGR S.p.A.
LFG Investment Consulting S.A.
Londinium
M&G Investments
Morgan Stanley
Nueberger Berman
Olympia Wealth Management Limited
Pictet & Cie (Europe SA) – Luxembourg
Pictet & Cie S.A. Geneve
Pictet AM Limited – Italy Branch
PIMCO Europe Limited
Robeco
Rothschild (Lugano) S.A.
Rothschild Milano
Schroders
Soave Asset Management
UBI Pramerica SGR S.p.A.
Vontobel Asset Management S.A.

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Directors' Report

The Directors present their report and the audited financial statements for the financial year ended 31 December 2019.

Principal activity, review of key performance indicators and future developments

The Company is authorised in Ireland to transact life assurance business in the European Union ("EU") under the Solvency II Directive (2009/138/EC) as introduced into domestic Irish Legislation by the EU (Insurance and Reinsurance) Regulations 2015, effective 1 January 2016.

The Company's main business is the sale of single premium policies in Italy, under which the risk related to the underlying investments is primarily carried by the policyholders.

The Company had sales for 2019 of €2,981m, which were 29% higher than the previous year (2018: €2,304m). The contributing products of total sales were Challenge and Challenge Pro (previously Challenge Plus) 86% (2018: 78%), Blazar 8% (2018: 11%), Darta New Trend 2% (2018: Nil), Private Insurance contracts 1% (2018: 5%), Progetto Reddito 1% (2018: 3%), Personal Target 1% (2018: 2%) and Bonus Builder 1% (2018: 1%). These sales relate to investment contracts and are not included in "Net premiums written and earned" in the Statement of Profit and Loss, in accordance with IFRS 9 (see Note 17 "Financial liabilities – investment contracts"). The amount of net insurance premiums reported in the Statement of Profit and Loss is €6m (2018: €5m) due to the unbundling of insurance components of investment contracts in line with the Company's accounting policy under IFRS 4 (see Note 3).

During the year gross management fee income of €295m was earned, 4% above the previous year (2018: €283m). Total policyholder funds stood at €18,254m (2018: €15,321m) at the financial year end, driven by net inflows of €1,422m (2018: €928m) and net income, expenses and capital gains/(losses) of €1,511m (2018: (€1,307m). Claims incurred during the year amounted to €1,559m, an increase of €183m from prior year (2018: €1,376m).

It is the Company's objective to achieve a satisfactory level of profitability for its shareholder, whilst taking into account statutory, financial and regulatory requirements and the reasonable expectations of its policyholders. In these circumstances, the Directors are satisfied with the Company's performance during the year.

The Company continues to seek to diversify its distribution channel and product range across the markets in which it operates, recognising this as an important path to future growth.

Result for the financial year and the state of affairs at the financial year end

The result for the Company for 2019 is set out in the Statement of Profit and Loss on page 14, and this shows a net profit from total operations of €68.0m, after taxation, compared with a previous year net profit of €66.7m for 2018.

The Company's Statement of Financial Position is set out on pages 16 and 17, and this shows that shareholders' equity at the financial year end was €385.0m compared with €355.4m at the end of 2018.

Note 16 to the financial statements on page 48 confirms that the Company had a satisfactory surplus over regulatory Solvency II capital requirements at year end.

Dividends Paid

In 2019, the Directors approved and paid a dividend of €8.00 per share (2018: €3.00 per share) amounting to €40,000,000 (2018: €15,000,000) in total, in respect of the financial year ended 31 December 2019.

Risk management objectives and policies

Ultimate responsibility for the Company's internal controls, including risk management, rests with the Directors of the Company. Management are responsible for monitoring, measuring, controlling and reporting on the risks connected with the Company's activities on a day to day basis.

The Directors acknowledge the importance of effective corporate governance and risk management processes, to ensure the Company's continuing compliance with all applicable laws and regulations and to safeguard the Company's value and reputation. These processes are kept under review, so improvements can be made that take account of best practice, increasing regulatory requirements and the requirements of the Group.

The Company is subject to and complies with the Corporate Governance Requirements for Insurance Undertakings 2015 (the "Requirements"), as issued by the Central Bank of Ireland. The Directors note the Company is not subject to Appendix I of the Requirements as they apply to High Impact Insurance undertakings.

The Board is assisted in its governance by the operation of a number of committees, two of which, the Audit Committee and the Board Risk Committee, have roles in the development and monitoring of the Company's internal control and risk management systems. The Audit Committee is chaired by an Independent Non-Executive Director and the Board Risk Committee is chaired by a Non-Executive Director.

Information on the main financial risks and uncertainties that the Company faces and how these are managed is outlined in Note 2 to the financial statements. In addition to financial risks, Darta is exposed to outsourcing risk and cyber risk due to the nature of its operations.

Composition of Group

The Company is a wholly owned subsidiary of Allianz S.p.A., a company incorporated in Italy. The Company's ultimate parent company is Allianz SE, a company incorporated in Germany.

Directors

The names of persons who were Directors at any time during the 2019 financial year are set out on page 2. There were no changes in Directors during the year.

Directors and secretary and their interests

The Company has no disclosures to make under Section 329 of the Companies Act, 2014 with regard to the interests of the Directors and Secretary, who held office at 31 December 2019 in the shares or debentures or loan stock of the Company or of group companies at the beginning or end of the year.

Accounting records

The Directors believe that they have complied with the requirements of Section 281 of the Companies Act 2014 with regard to adequate accounting records by employing a service provider and personnel with appropriate expertise and by providing adequate resources to the financial function. The accounting records of the Company are maintained at the premises of its service provider, Irish Progressive Services International Limited, at Block C, Irish Life Centre, Lower Abbey Street, Dublin 1.

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Directors' Report *(continued)*

Events since the financial year end

There have been no material events since the reporting date requiring amendment to the financial statements. However, the recent outbreak of the COVID-19 virus has had a particularly hard impact in Italy. As well as significant falls in world stock markets, economic activity has been significantly affected following the countrywide quarantine order implemented. Whilst, this is expected to have a negative impact on the short-term financial performance of the Company, the long-term implications are unclear. It is expected in the short-term that the Company may experience a significant reduction in sales activities. The Company's Solvency Coverage Ratio is expected to remain within the acceptable ranges as outlined in our Risk Appetite Statement, although a reduction in own funds is anticipated in line with an expected reduction in policyholder assets.

Political Donations

There have been no political donations made during the year (2018: €Nil).

Independent Auditors

In accordance with Section 383 (2) of the Companies Act 2014 the auditors, PricewaterhouseCoopers, Chartered Accountants, have indicated their willingness to continue in office.

Statement of relevant audit information

The Directors have confirmed that:

- So far as they are aware, there is no relevant audit information of which the Company's statutory auditors are unaware; and
- Each Director has taken all of the steps they ought to have taken as Director in order to be aware of any relevant audit information and to establish that the Company's statutory auditors are aware of that information.

Directors' Compliance Statement

The Directors acknowledge that they are responsible for securing the Company's compliance with its relevant obligations as set out in section 225 of Companies Act 2014 and confirm that:

- The Company's corporate governance framework, documented in the Company's internal policies, sets out the requirements to ensure compliance with relevant obligations;
- Appropriate arrangements and structures have been put in place that are, in the Directors' opinion designed to secure material compliance with the Company's relevant obligations;
- A review has been completed in respect of the financial year to which the report relates, of any arrangements or structures that have been put in place.

Appreciation

The Directors wish to thank everyone who has contributed to the Company's continuing development, in particular our policyholders, our employees, our distributors, our service providers and our advisors.

The financial statements were approved by the Board of Directors on 12 March 2020, and signed on its behalf by:

John Finnegan
Director

David Kingston
Director

Date: 12 March 2020

Darta Saving Life Assurance dac

Statement of Directors' responsibilities

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

Irish company law requires the Directors to prepare financial statements for each financial year giving a true and fair view of the company's assets, liabilities and financial position at the end of the financial year and the profit or loss of the company for the financial year. Under that law, the Directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards ("IFRS") adopted by the EU.

Under Irish company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the assets, liabilities and Financial Position of the Company and of its profit or loss for that financial year. In preparing the 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 they have been prepared in accordance with IFRS as adopted by the EU; 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 keeping adequate accounting records that are sufficient to:

- correctly record and explain 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; and
- enable the directors to ensure that the financial statements comply with the Companies Act 2014 and enable those financial statements to be audited.

The Directors 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.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in Ireland governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

On behalf of the board

John Finnegan
Director

David Kingston
Director

Date: 12 March 2020

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Independent auditors' report to the members of Darta Saving Life Assurance dac

Report on the audit of the financial statements

Opinion

In our opinion, Darta Saving Life Assurance dac's financial statements:

- give a true and fair view of the company's assets, liabilities and financial position as at 31 December 2019 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union; and
- have been properly prepared in accordance with the requirements of the Companies Act 2014.

We have audited the financial statements, included within the Directors' report and financial statements, which comprise:

- the Statement of Financial Position as at 31 December 2019;
- the Statement of Profit and Loss and Statement of Other Comprehensive Income for the year then ended;
- the Statement of Cash Flows for the year then ended;
- the Statement of Changes in Equity for the year then ended; and
- the notes to the financial statements, which include a description of the significant accounting policies.

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

Basis for opinion

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

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

Independence

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

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

Other than those disclosed in note 6 to the financial statements, we have provided no non-audit services to the company in the period from 1 January 2019 to 31 December 2019.

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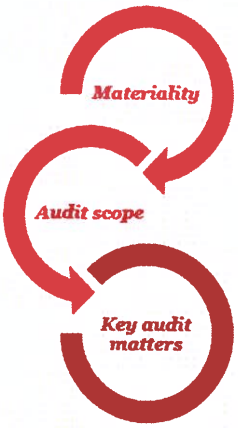
Our audit approach

Overview



Materiality

- EUR3.9 million.
- Based on circa 1% of Net Assets.

Audit scope

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

Key audit matters

- Existence and valuation of financial assets.
- Recoverability of Italian tax asset.

The scope of our audit

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

Key audit matters

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

Key audit matter	***How our audit addressed the key audit matter***
Existence and valuation of financial assets	
Refer to note 1 (pages 24 to 27 and page 30), note 2 (pages 31 to 39), note 11 (pages 44 to 45) and note 13 (pages 46 to 47) to the financial statements	We gained an understanding of management's processes and controls relating to the custody and valuation of financial assets.
The financial assets included in the statement of financial position are held in the company's name at 31 December 2019 and are valued at fair value in line with IFRS.	We obtained independent confirmation from the custodians of nominal assets holdings at 31 December 2019, reconciling the amounts held per the confirmations to the accounting records.
The financial assets comprise primarily equities, fixed income securities, collective investment schemes, derivatives and cash deposits.	We tested the valuation of the investment portfolio by agreeing the valuation of investments to independent third party vendor sources.
We focused on this area because it represents the principal element of the financial statements.	No matters were noted as a result of performing these procedures.

Key audit matter	How our audit addressed the key audit matter
Recoverability of Italian tax asset	
Refer to note 1 (pages 28 and 29) and note 9 (page 44) to the financial statements Advance payments of tax are made by the company to the Italian revenue authorities periodically based on the value of policyholder policies. These are recognised as an asset in the statement of financial position and the advance payments are recoverable by way of deductions from policyholder capital gains liabilities. Where there is insufficient capital gains liabilities available to offset the advance payments made, the asset is recoverable from other taxes payable to the Italian revenue authorities by the company or other group companies. The directors' assessment that this asset is fully recoverable is a key judgement involving assessment of the various recovery mechanisms and the recovery period and the amount is significant. We focused on this area for those reasons.	We tested management's calculation of the amount of the Italian tax asset which is dependent upon the value of policyholder policies at the year-end and the tax rate specified in the tax regulations. We considered management's assessment of the recoverability of the tax prepayment by reference to various recovery mechanisms available to the company, focusing on the financial position of the other group companies from whom the asset can be recovered in the event of the other recovery mechanisms not being available. No matters were noted as a result of performing these procedures.

How we tailored the audit scope

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

Materiality

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

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

Overall materiality	EUR3.9 million.
How we determined it	Circa 1% of Net Assets.
Rationale for benchmark applied	We have selected this benchmark as, in our view, net assets is the most appropriate benchmark given the circumstances and nature of the Company's business.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above EUR195,000 (2018: EUR190,000) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

In accordance with guidance on the audit of insurers issued by the Financial Reporting Council which is generally accepted in Ireland, we have applied a higher materiality threshold of EUR182.5 million solely for the purpose of identifying and evaluating the effect of misstatements that are likely only to lead to a reclassification between line items within assets and liabilities, in particular unit-linked investment contract assets and liabilities.

Conclusions relating to going concern

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

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

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

Reporting on other information

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

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

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

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

- In our opinion, based on the work undertaken in the course of the audit, the information given in the Directors' Report for the year ended 31 December 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.
- Based on our knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities set out on page 7, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view.

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

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

Auditors' responsibilities for the audit of the financial statements

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

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

https://www.iaasa.ie/getmedia/b2389013-1cf6-458b-9b8f-a98202dc9c3a/Description of auditors responsibilities for audit.pdf

This description forms part of our auditors' report.

Use of this report

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

Other required reporting

Companies Act 2014 opinions on other matters

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

Other exception reporting

Directors' remuneration and transactions

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

Appointment

We were appointed by the directors on 13 September 2019 to audit the financial statements for the year ended 31 December 2018 and subsequent financial periods. The period of total uninterrupted engagement is 2 years, covering the years ended 31 December 2018 to 31 December 2019.

Paraic Joyce
for and on behalf of PricewaterhouseCoopers
Chartered Accountants and Statutory Audit Firm
Dublin
12 March 2020

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Statement of Profit and Loss

for the financial year ended 31 December 2019

	Note	2019 €'000	2018 €'000
Gross premiums written		**7,689**	6,783
Outward reinsurance premiums		**(1,638)**	(1,438)
Net premiums written and earned	*3*	**6,051**	5,345
Investment return	*4*	**1,813,947**	(1,015,091)
Fees and other income	*5*	**306,553**	295,488
Total income/(expense)		**2,126,551**	(714,258)
Change in investment contract liabilities	*17*	**(1,811,406)**	1,019,593
Change in technical provisions for insurance contracts	*18*	**(50)**	(28)
Total change in technical provisions		**(1,811,456)**	1,019,565
Insurance claims and benefits incurred		**(723)**	(190)
Ceded insurance claims and benefits incurred		**574**	168
Claims paid net of reinsurance		**(149)**	(22)
Acquisition and administration expenses	*6*	**(237,015)**	(228,955)
Finance costs	*7*	**(145)**	-
Profit before taxation		**77,786**	76,330
Taxation	*8*	**(9,750)**	(9,607)
Profit for the financial year attributable to equity holders		**68,036**	66,723

The accounting policies and the notes on pages 20 to 54 form an integral part of these financial statements.

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Statement of Other Comprehensive Income

for the financial year ended 31 December 2019

	2019	2018
	€'000	€'000
Items that may be reclassified subsequently to the Statement of Profit and Loss		
Movements in financial assets:		
- fair value movement	**1,721**	63
- deferred tax effect of fair value movement	**(215)**	(8)
Net gains recognised in equity	**1,506**	55
Profit for the financial year	**68,036**	66,723
Total comprehensive income	**69,542**	66,778

The accounting policies and the notes on pages 20 to 54 form an integral part of these financial statements.

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Statement of Financial Position
as at 31 December 2019

	Note	2019 €'000	2018 €'000
Assets			
Cash and cash equivalents		**113,354**	134,088
Deferred Tax Asset	8	**76**	291
Advance payment of Italian Policyholders' Tax	*9*	**314,976**	291,961
Deferred acquisition costs	*10*	**71,375**	69,237
Shareholders' financial assets			
Investments at fair value through profit or loss	*11*	**-**	1,610
Investments at fair value through other comprehensive income	*11*	**10,396**	41,435
Policyholder financial assets			
Investments at fair value through profit or loss	*11*	**18,254,147**	15,321,471
Other receivables	*12*	**36,171**	28,807
Right-of-use asset	*21*	**7,757**	-
Total assets		**18,808,252**	15,888,900

The accounting policies and the notes on pages 20 to 54 form an integral part of these financial statements.

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Statement of Financial Position *(continued)*
as at 31 December 2019

	Note	2019 €'000	2018 €'000
Shareholders' equity			
Called up share capital	*14*	**5,000**	5,000
Capital contributions	*15*	**51,000**	51,000
FVOCI reserve		**(528)**	(2,034)
Profit and loss reserve		**329,489**	301,453
Total Shareholders' equity interests		**384,961**	355,419
Liabilities			
Financial liabilities - investment contracts	*17*	**18,254,147**	15,321,471
Technical provisions for insurance contracts	*18*	**150**	100
Deferred income	*19*	**24,452**	26,439
Creditors and other payables	*20*	**136,572**	184,266
Lease Liability - current	*21*	**294**	-
Lease Liability - non current	*21*	**7,618**	-
Corporation tax payable		**58**	1,205
Total liabilities		**18,423,291**	15,533,481
Total liabilities and shareholders' equity		**18,808,252**	15,888,900

The accounting policies and the notes on pages 20 to 54 form an integral part of these financial statements.

On behalf of the board

John Finnegan
Director

David Kingston
Director

Date: 12 March 2020

Darta Saving Life Assurance dac

Statement of Changes in Equity

for the financial year ended 31 December 2019

	Called up Share Capital €'000	Capital Contributions €'000	FVOCI reserve €'000	Profit and loss Reserve €'000	Total Share-holders' equity interests €'000
Balance at 1 January 2019	**5,000**	**51,000**	**(2,034)**	**301,453**	**355,419**
Profit for the financial year	-	-	-	**68,036**	**68,036**
Items that may be reclassified subsequently to the Statement of Profit and Loss					
Movement in investments FVOCI:					
- fair value movement	-	-	**1,721**	-	**1,721**
- deferred tax effect of fair value movement	-	-	**(215)**	-	**(215)**
Total comprehensive income for the financial year	-	-	**1,506**	**68,036**	**69,542**
Dividends paid (Note 15)	-	-	-	**(40,000)**	**(40,000)**
Balance at 31 December 2019	**5,000**	**51,000**	**(528)**	**329,489**	**384,961**
Balance at 1 January 2018	5,000	51,000	(2,089)	249,730	303,641
Profit for the financial year	-	-	-	66,723	66,723
Items that may be reclassified subsequently to the Statement of Profit and Loss					
Movement in investments available for sale					
- fair value movement	-	-	63	-	63
- deferred tax effect of fair value movement	-	-	(8)	-	(8)
Total comprehensive income for the financial year	-	-	55	66,723	66,778
Dividends paid (Note 15)	-	-	-	(15,000)	(15,000)
Balance at 31 December 2018	5,000	51,000	(2,034)	301,453	355,419

The accounting policies and the notes on pages 20 to 54 form an integral part of these financial statements.

Darta Saving Life Assurance dac

Statement of Cash Flows

for the financial year ended 31 December 2019

	2019 €'000	2018 €'000
Profit before taxation	**77,786**	76,330
Net change in fair value of investments	**(1,815,731)**	1,014,582
Net change in investment contract liabilities	**1,811,406**	(1,019,593)
Finance charges for lease liability	**145**	-
Fund expenses borne by policyholder	**4,325**	5,011
Net change in deferred acquisition cost	**(2,138)**	(744)
Net change in provision for deferred income	**(1,987)**	(4,161)
Interest Income	**616**	652
Depreciation of right-of-use asset from IFRS16 adoption	**443**	-
	74,865	72,077
Increase in trade and other receivables	**(30,325)**	(34,075)
(Decrease)/increase in trade and other payables	**(47,644)**	37,691
	(77,969)	3,616
Interest paid	**(616)**	(615)
Corporation tax paid	**(10,897)**	(8,817)
	(11,513)	(9,432)
Net cash flows (used in)/generated from operating activities	**(14,617)**	66,261
Sale of investments FVOCI	**34,995**	16,715
Net cash flows from Company holdings in UL Funds	**172**	185
Net cash flows from investments FVOCI	**(850)**	(1,254)
Net cash flows from IFRS 16 Leases	**(434)**	-
Net cash flows generated from investing activities	**33,883**	15,646
Dividends paid	**(40,000)**	(15,000)
Net cash flows used in financing activities	**(40,000)**	(15,000)
Net cash flows (used in)/generated from total operations	**(20,734)**	66,907
Cash and cash equivalents at 1 January	**134,088**	67,181
Cash and cash equivalents at 31 December	**113,354**	134,088

Darta Saving Life Assurance dac

Notes to the Financial Statements

1. Accounting Policies

Darta Saving Life Assurance dac is a company domiciled in the Republic of Ireland and the principal accounting policies adopted by the Company are set out in this note.

Statement of compliance
As permitted under Irish company law, the Company has chosen to prepare the financial statements in accordance with International Financial Reporting Standards as adopted by the EU ("IFRS").

The IFRS adopted by the EU and applied by the Company are those that were effective at 31 December 2019. These have been consistently applied for the preparation of these financial statements.

Basis of preparation
The financial statements have been prepared in accordance with the Companies Act 2014 and IFRS as adopted by the EU, and on the historical cost basis except that the financial assets and liabilities are classified as at fair value through profit or loss.

The financial statements are expressed in Euro (€), which is the functional and presentation currency of the Company. All amounts in the financial statements have been rounded to the nearest €1,000.

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The Company applies the accruals concept for the recognition of expenses in the Statement of Profit and Loss in order to reflect the effect of the transactions as they occur and not as cash or its equivalent is paid.

Adoption of newly effective and future Standards
A number of new standards, amendments to standards and interpretations are effective for annual periods beginning on or after 1 January 2019. Those that may be relevant to the Company are set out below:

IFRS 16: Leases (effective for annual periods beginning or after 1 January 2019)

IFRS 17: Insurance Contracts (effective in the future for annual periods beginning or after 1 January 2022).

1. Accounting Policies *(continued)*

Adoption of newly effective and future Standards *(continued)*

IFRS 16: Leases

The Company has adopted IFRS 16 Leases using the modified retrospective approach, from 1 January 2019, however has not restated comparatives for the 2018 reporting period, as permitted under the specific transition provisions in the standard. The lease is in respect of the Company's premises at Maple House, Temple Road, Blackrock, Dublin.

On adoption of IFRS 16, the Company recognised a right-of-use asset and lease liability in relation to the lease which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. This liability was measured at the present value of the remaining lease payments, discounted using the Company's incremental borrowing rate as of 1 January 2019. The incremental borrowing rate applied to the lease liability on 1 January 2019 was 1.8%.

The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred, an estimate of any restoration costs of the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received) by the Company. The right-of-use asset and the lease liability are recognised on the Statement of Financial Position.

The Company depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Company also assesses the right-of-use asset for impairment when such indicators exist.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments.

When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or Statement of Profit and Loss if the right-of-use asset is already reduced to zero.

Transition Reconciliation from IAS 17 to IFRS 16

	2019 **€'000**
Opening Lease Liability as per IAS17 (1.1.2019)	**8,028**
Transition adjustment due to discounting at the company's IBR at the date of initial application (1.8%)	**172**
Opening Lease Liability as per IFRS 16 (1.1.2019)	**8,200**

1. Accounting Policies *(continued)*

IFRS 17: Insurance Contracts

IFRS 17 Insurance Contracts establishes the principles for the recognition, measurement, presentation and disclosure of Insurance contracts within the scope of the Standard. It is effective for annual periods beginning on or after the 1 January 2022. The objective of IFRS 17 is to ensure that an entity provides relevant information that faithfully represents those contracts which gives a basis for users of financial statements to assess the effect that insurance contracts have on the entity's financial position, financial performance and cash flows.

It applies to insurance contracts issued, to all reinsurance contracts, and to investment contracts with discretionary participating features if an entity also issues insurance contracts.

For presentation and measurement, entities are required at initial recognition to disaggregate a portfolio of insurance contracts (that is, contracts that are subject to similar risks and managed together as a single pool) into three groups of contracts: onerous; no significant risk of becoming onerous; and remaining contracts. Contracts that are issued more than one year apart should not be in the same group.

The Standard requires a current measurement model, where estimates are measured in each reporting period. The general default measurement model is the 'Building block approach' (which is a discounted probability-weighted cash flow based model), with a simplified version of this called the 'Premium Allocation Approach' (for short term contracts with little variability). There is also a 'Variable fee approach' to deal with participating business where the policyholder liability is linked to underlying items.

Insurers are required to disclose information about amounts, judgements and risks arising from insurance contracts. The disclosure requirements are more detailed than currently required under IFRS 4.

The Company is currently assessing the impact of IFRS 17.

Product classification – investment and insurance contracts
Contracts under which the Company accepts significant insurance risk from another party by agreeing to compensate the policyholder if a specified uncertain future event adversely affects the policyholder are classified as insurance contracts.

Insurance risk is significant if, and only if, an insured event could cause an insurer to pay significant additional benefits in any scenario. An insurer shall assess the significance of insurance risk contract by contract. Contracts that qualify as insurance contracts remain an insurance contract until all risks and obligations are extinguished or expired.

Where the risk is primarily borne by the policyholder, the contract is deemed to be an investment contract.

Where a direct contract contains both an investment and an insurance element (rider benefit) the Company "unbundles" this contract into its constituent parts. The insurance element of the contract is accounted for as an insurance contract under IFRS 4 and the investment element of the contract is accounted for as an investment contract under IFRS 9.

An investment contract classified as such on inception could subsequently be reclassified as an insurance contract, if it meets the insurance definition as described above.

1. Accounting Policies *(continued)*

Product classification – investment and insurance contracts *(continued)*

Revenue - premiums earned in respect of insurance contracts (unbundling) are accounted for in the Statement of Profit and Loss in the same period in which they are earned. Reinsurance premiums are accounted for in accordance with the terms of the reinsurance contracts and the original contracts for which the reinsurance was concluded. Premiums ceded for reinsurance are deducted from premiums earned.

Claims – claims incurred and paid in respect of insurance contracts are unbundled under IFRS 4 and are accounted for in the Statement of Profit and Loss as Insurance claims and benefits incurred in the same period in which they are incurred. Reinsured claims are deducted from the Insurance claims and benefits incurred.

Investment contracts - recognition and measurement
Investment contract contributions received from policyholders are not recognised in the Statement of Profit and Loss as premiums but are accounted for as deposits in the Statement of Financial Position. Financial liabilities in respect of such contracts are presented in the Statement of Financial Position as "financial liabilities - investment contracts".

All investment contracts issued by the Company are designated on initial recognition as at fair value through profit or loss. The basis of this designation is that the financial assets and liabilities are managed and evaluated on a fair value basis.

The designation also eliminates or significantly reduces a measurement inconsistency that would otherwise arise if these financial liabilities were not measured at fair value since the assets held to back the investment contract liabilities are also measured at fair value.

The fair value of the Company's unit-linked investment contract liabilities is based on the fair value of the financial assets held within the appropriate unit-linked funds.

Changes in the fair value of investment contracts are included in the Statement of Profit and Loss in the period in which they arise.

Investment contract receivables and payables - Amounts due to and from policyholders, agents and others in respect of investment contracts are included in other receivables and creditors and other payables.

Deferred acquisition costs - Acquisition costs on investment contracts include sales commissions.
Also included within acquisition costs are the value of additional units credited to policyholder account balances upon initial investment in relation to certain products. These sales inducement costs are recoverable through penalties payable on surrender and from ongoing charges.

Acquisition costs are deferred as an explicit deferred acquisition cost asset, gross of tax, to the extent that they are recoverable out of future revenue margins to which they relate. Such costs are amortised through the Statement of Profit and Loss over the period in which the future revenue margins on the related contracts are expected to be earned. The rate of amortisation is based on a prudent assessment of the expected pattern of receipt of future revenue margins, taking account of persistency, from the related contracts. All other costs are recognised as expenses when incurred.

Investment management services - Investment contracts issued by the Company involve the provision of investment management services. Fees charged for such services are recognised as revenue based upon the stage of completion of the contracts and are included under "fees and other income" in the Statement of Profit and Loss. Recurring fees are recognised as earned on an accruals basis. Front-end fees received at the inception of

1. Accounting Policies *(continued)*

Investment contracts - recognition and measurement *(continued)*

Investment management services (continued)

a contract are deferred and amortised over the anticipated period for which the services will be provided, over the expected term of the contract.

Claims and surrenders - For investment contracts, benefits paid are not included in the Statement of Profit and Loss but instead are deducted from investment contract liabilities in the Statement of Financial Position. The additional payment paid to policyholders in the event of a death claim is deducted from 'fees and other income' in the Statement of Profit and Loss. For Insurance contracts, claims incurred and benefits paid including the ceded portion are disclosed separately in the Statement of Profit and Loss.

Investment return
Income from financial assets comprises interest and dividend income, net gains/losses on financial assets classified as fair value through profit or loss, and net gains/losses on financial assets classified as fair value through other comprehensive income.

Net changes in the fair value of financial assets at fair value through profit or loss are included in the Statement of Profit and Loss in the period in which they arise, as well as dividend and interest income earned from these assets. Net changes in the fair value of available for sale financial assets are included in the Statement of Other Comprehensive Income in the period in which they arise.

Dividend income is recorded on the ex-dividend date. Bond income is recorded on the accrual basis and deposit interest is recorded on a receipts basis, calculated using an effective interest methodology.

Realised gains and losses are calculated as the difference between the net sale proceeds and original cost. Unrealised gains and losses are calculated as the difference between the fair value of financial assets at the end of the accounting period and the fair value at the beginning of the period or the purchase price for assets acquired during the period.

Financial assets
Financial assets are initially measured at fair value, plus, in the case of assets not designated at fair value through profit or loss, transaction costs that are directly attributable to their acquisition. Transaction costs in relation to financial assets designated at fair value through profit or loss are expensed immediately. After initial recognition, the Company measures financial assets at fair value through profit or loss and fair value through other comprehensive income without any deduction for transaction costs it may incur on disposal. The fair values of investments are based on quoted bid prices.

Classification of financial assets

Financial assets are recorded at fair value and are classified, on initial recognition, as amortised cost, fair value through OCI (FVOCI), fair value through profit or loss (FVTPL), elected at FVOCI or designated at FVTPL.

Classification and subsequent measurement of debt instruments depend on:
(i) The business model for managing the asset; and
(ii) The cash flow characteristics of the asset.

1. Accounting Policies *(continued)*

Financial assets *(continued)*

(i) Business model assessment

The business model reflects how the Company manages the assets in order to generate cash flows. That is, whether the Company's objective is solely to collect the contractual cash flows from the assets (HTC) or is to collect both the contractual cash flows and cash flows arising from the sale of assets (HTC&S). If neither of these is applicable, then the financial assets are classified as part of 'other' business model and measured at FVTPL. The Company assesses its business model at a portfolio level based on how it manages groups of financial assets to achieve its business objectives.

(ii) Cash flow characteristics assessment

The Company carries out the cash flow characteristics assessment using the contractual features of an instrument to determine if they give rise to cash flows that are consistent with a basic lending arrangement. Contractual cash flows are consistent with a basic lending arrangement if they represent cash flows that are solely payments of principal and interest (the 'SPPI' test). Principal, for the purpose of this test, is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset. Interest is defined as the consideration for the time value of money and credit risk, which are the most significant elements of interest within a lending arrangement. If the Company identifies any contractual features that could significantly modify the cash flows of the instrument such that they introduce exposures to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at FVTPL.

The Company carries out the SPPI test based on an assessment of the contractual features of each product on origination and subsequently at every reporting period.

Based on the above assessments, the Company classifies its debt instruments into one of the following four measurement categories:

i) Debt instruments measured at amortised cost
Debt instruments are measured at amortised cost if they are held within a business model whose objective is to hold the assets to collect contractual cash flows, where those cash flows represent solely payments of principal and interest. After initial measurement, debt instruments in this category are measured at amortised cost.

Impairment on debt instruments measured at amortised cost is calculated using the ECL approach. Such assets are presented net of allowance for ECL in the Statement of Financial Position.

ii) Debt instruments measured at FVTPL
Debt instruments measured at FVTPL include assets held for trading purposes, assets held as part of a portfolio managed on a fair value basis and assets whose cash flows do not represent payments that are solely payments of principal and interest.

iii) Debt instruments measured at FVOCI
Debt instruments are measured at FVOCI if they are held within a business model whose objective is to both hold the assets to collect contractual cash flows and to sell the financial assets, where the assets' cash flows represent payments that are solely payments of principal and interest. Subsequent to initial recognition, unrealised gains and losses on debt instruments measured at FVOCI are recorded in the Statement of Other Comprehensive Income.

On derecognition, realised gains and losses are reclassified from the Statement of Other Comprehensive Income and recorded in other operating income in the Statement of Profit and Loss. FX gains and losses that relate to the amortised cost of the debt instrument are recognised in the Statement of Profit and Loss.

1. Accounting Policies *(continued)*

Financial assets *(continued)*

Impairment on debt instruments measured at FVOCI is calculated using the ECL approach. The ECL on debt instruments measured at FVOCI does not reduce the carrying amount of the asset in the Statement of Financial Position, which remains at its fair value. Instead, an amount equal to the allowance that would arise if the assets were measured at amortised cost is recognised in the Statement of Other Comprehensive Income with a corresponding charge to provision for credit losses in the Statement of Profit and Loss. The accumulated allowance recognised in the Statement of Other Comprehensive Income is recycled to the Statement of Profit and Loss on derecognition of the debt instrument.

iv) Debt instruments designated at FVTPL
Debt instruments are designated at FVTPL only if doing so eliminates, or significantly reduces, an accounting mismatch that would otherwise arise. The designation is only available on initial recognition and the designation is irrevocable. Debt instruments designated at FVTPL are recorded in the Statement of Financial Position at fair value and changes in fair value are recorded in the Statement of Profit and Loss.

The financial assets for unit-linked contracts are exclusively held on behalf and for the benefit of unit-linked policyholders. To ensure consistency with the corresponding accounting treatment for the unit-linked contracts, these investments are designated at fair value through profit and loss on initial recognition. The basis of this designation is that the financial assets and liabilities are managed and evaluated together on a fair value basis. This designation also eliminates or significantly reduces a measurement inconsistency that would otherwise occur if these financial assets were not measured at fair value and the changes in fair value were not recognised in the Statement of Profit and Loss.

Offsetting
Financial assets and financial liabilities are offset and the net amount presented in the Statement of Financial Position when, and only when, the Company has a legal right to offset the amounts and it intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis for gains and losses from financial instruments at fair value through profit or loss and foreign exchange gains and losses. There were no offset trading positions in 2019 (2018: €Nil).

Impairment
The Company recognises loss allowances for ECL for those financial instruments, which are not measured at fair value through profit or loss.

The IFRS 9 forward-looking 'expected credit loss' ("ECL") model requires considerable judgement about how changes in economic factors affect ECLs and is determined on a probability-weighted basis. This impairment model applies to financial assets measured at amortised cost or FVOCI. Under IFRS 9, loss allowances are measured on either of the following bases and accounted for in the Statement of Profit and Loss:

- *12-month ECLs:* these are ECLs that result from possible default events within the 12 months after the reporting date; and
- *Lifetime ECLs:* these are ECLs that result from all possible default events over the expected life of a financial instrument.

Lifetime ECL measurement applies if the credit risk of a financial asset at the reporting date has increased significantly since initial recognition and 12-month ECL measurement applies if it has not.

1. Accounting Policies *(continued)*

Impairment *(continued)*

Measurement

The Company measures ECL over the remaining life of a financial instrument in a way that reflects:
- an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- the time value of money; and
- reasonable and supportable information about past events, current conditions and reasonable and supportable forecasts of future events and economic conditions at the reporting date.

The amount of ECL recognised as a loss allowance depends on the change in credit risk of the financial instrument since origination and whether the credit risk on those financial instruments has increased significantly since initial recognition. In order to determine the appropriate ECL, a financial instrument is allocated to a stage dependent on the credit risk relative to when the financial instrument was originated:

Stage 1 – includes financial instruments that have not had a Significant Increase in Credit Risk (SICR) since initial recognition. For these assets, 12-month ECL is recognised. 12-month ECL is the ECL that results from default events that are possible within 12 months of the reporting date. It is not the expected cash shortfalls over the 12-month period but the entire credit loss on an asset weighted by the probability that the loss will occur in the next 12 months. Therefore, all financial assets in scope will have an impairment provision equal to at least 12-month ECL;

Stage 2 – includes financial instruments that have had a SICR since initial recognition but that does not have objective evidence of impairment. For these assets, lifetime ECL is recognised, being the ECL that results from all possible default events over the expected life of the financial instrument;

Stage 3 – includes financial assets that have objective evidence of impairment at the reporting date, i.e. are credit-impaired. For these assets, lifetime ECL is recognised.

Held at amortised cost:

As at 31 December 2019, the amount arising from ECL on debt securities measured at amortised cost is negligible (31 December 2018: Nil). The ECL on debt instruments measured at amortised cost is offset against the carrying amount of the assets in the Statement of Financial Position.

Held at fair value through other comprehensive income (FVOCI):

As at 31 December 2019, the amount arising from ECL on debt securities measured at FVOCI is negligible (31 December 2018: (negligible). The ECL on debt instruments measured at FVOCI does not reduce the carrying amount of the asset in the Statement of Financial Position, which remains at its fair value. Instead, an amount equal to the allowance that would arise if the assets were measured at amortised cost is recognised in OCI with a corresponding charge to provision for credit losses in the Statement of Profit and Loss. The accumulated allowance recognised in the Statement of Other Comprehensive Income is recycled to the Statement of Profit and Loss on derecognition of the debt instrument.

Cash and cash equivalents
Cash and cash equivalents comprise cash and bank balances and deposits with a maturity of less than 90 days. These assets are measured at amortised cost. All cash is available on demand.

1. Accounting Policies *(continued)*

Recognition of financial assets and liabilities
Financial assets and financial liabilities at fair value through profit or loss are initially recognised on the trade date, which is the date on which the Company becomes a party to the contractual provisions of the instrument. Other financial assets and financial liabilities are recognised on the date on which they are originated.

De-recognition of financial assets and liabilities
The Company derecognises a financial asset when the contractual rights to the cash flows from the asset expire or when it transfers the financial asset and the asset qualifies for de-recognition in accordance with IFRS 9. A financial liability is derecognised when the obligation specified in the contract is discharged, cancelled or expires.

Taxation
Taxation comprises current and deferred taxation and is recognised in the Statement of Profit and Loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax, including Irish corporation tax and foreign tax, is provided on the Company's taxable profits, at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted by the Statement of Financial Position date.

Except where otherwise required by accounting standards, full provision without discounting is made for all temporary differences which have arisen but not reversed at the Statement of Financial Position date. Deferred tax balances are provided at rates of taxation expected to prevail at the time of reversal.

A deferred tax asset is recognised where it is probable that taxable profit will be available against which the deductible temporary difference can be utilised.

Deferred income
The income that is deferred is in respect of investment contracts on which a front-end fee is applied in relation to services to be provided in future periods. The deferred income reserve is amortised over the anticipated life of the contracts.

Advance Payment of Italian Policyholders' Tax
Payments to the Italian authorities as a result of the Company being a withholding tax agent are recognised as assets. Those assets are presented within the Statement of Financial Position in their nominal amounts (no discounting is applied). The payments are recoverable from deductions made from capital gains made by policyholders, by offset against taxes payable to Italian revenue within a period of five years or, after five years they may be transferred to a company in the same group.

The exit tax liability ("ETL") at year end is netted firstly against the previous sixth year recoverable asset. Any excess ETL is netted against the remaining recoverable asset, whereas any excess sixth year recoverable asset is netted against the year-end liability. Italian legislation makes provision for a cap on the size of the Advance Payment of Italian Policyholders' Tax held on the Statement of Financial Position. For the end of 2019 this was 190 basis points ("bps") (2018: 200bps) of the Italian policyholder mathematical reserves. This cap reduces by 10bps per annum until 2025 when it will be 125bps. The recoverable amount of the asset is reviewed at each year end.

Foreign currencies
The reporting and functional currency of the Company is the Euro. Monetary assets and liabilities denominated in foreign currencies are translated into Euro at the exchange rates ruling at the Statement of Financial Position date and revenues, costs and non-monetary assets at the exchange rates ruling at the dates of the transactions. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated

1. Accounting Policies *(continued)*

Foreign currencies *(continued)*

in foreign currencies that are stated at fair value are translated to Euros at foreign exchange rates ruling at the dates the fair value is determined. 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 Profit and Loss.

Provision
A provision is recognised in the Statement of Financial Position when the Company has a present legal or constructive obligation as a result of past events, under which it is more likely than not that an outflow of economic resources will be required to settle the obligation and the amount of the provision can be reliably estimated.

Critical accounting estimates and judgments
The Company's critical accounting policies and estimates and the application of these policies and estimates are considered by management for each reporting period.

Deferred acquisition costs
In determining the amount of front-end fees and acquisition costs to defer in relation to the Company's contracts, judgments must be made in relation to the lives of the contracts and therefore the time period over which these balances are amortised to the Statement of Profit and Loss. For fixed-term structured products, the Company amortises the amounts over the period of the policy. For open ended unit-linked products, the expected life of the policy is subject to a high degree of judgement and can change significantly over time with changes in investor sentiment and market or product development. In making an appropriate estimate for each reporting period, account is taken of actual past experience and future expectations and of practice, where appropriate, within the Allianz Group.

Product classification
A key judgement relates to the classification of the insurance policies written by the Company as investment contracts. Contracts with an insurance risk of 10% or greater are classified as insurance contracts by the Company. Contracts under which the transfer of insurance risk to the Company from the policyholder is not significant are classified as investment contracts. In cases where an investment contract contains both an insurance and deposit component, the Company unbundles these components if the insurance component can be measured reliably.

Italian tax asset
The asset arising from the advance payment of Italian policyholder Italian tax obligations is expected to be recoverable either by deduction from tax withheld on behalf of policyholders, by offset against taxes payable to Italian revenue within a period of five years or by surrender to group companies after five years. A key judgement exercised by Directors is that it is appropriate to carry this asset at its full future recoverable value without reducing it for the time value of money by discounting.

Deferred income
Deferred income typically refers to where the Company deducts an upfront charge from the premium in order to fund payment of upfront commission but which is not recognised immediately in the Statement of Profit and Loss. Such income is amortised over the expected life of the policy, in line with the amortisation of deferred acquisition costs, and any unamortised amount is recognised when the policy is surrendered.

1. Accounting Policies *(continued)*

Valuation of financial instruments
The Company classifies fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the fair value measurements.

Level 1: Quoted market price (unadjusted) in an active market for an identical instrument.
Level 2: Valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.
Level 3: Valuation techniques using significant unobservable inputs.
This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

In general, financial assets and liabilities are transferred from level 1 to level 2 when liquidity, trade frequency and activity are no longer indicative of an active market. Conversely, the same policy applies for transfers from level 2 to level 1.

Fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments the Company determines fair values using valuation techniques.

Observable prices and model inputs are usually available in the market for listed Equity and Fixed Income securities, Collective Investment Schemes and exchange traded derivatives. Availability of observable market prices and model inputs reduces the need for management judgement and estimation and also reduces the uncertainty associated with determination of fair values. Availability of observable market prices and inputs varies depending on the products and markets and is prone to changes based on specific events and general conditions in the financial markets. These investments are therefore classified as Level 1 investments.

The portfolio bonds which are classified in the Collective Investment Schemes category are priced from first principles when individual holdings are known. Where the portfolio bonds are managed under a discretionary asset management agreement the valuations are provided directly by the investment managers.

1. Accounting Policies *(continued)*

Technical provisions for insurance contracts
The Company's Progetto Reddito, Soluzione Reddito and Periodical Solution products allow policyholders to add an optional additional death benefit to their policies. This amount is €50k per policy (maximum of €100k per life assured). Where the life assured is under 66 years old, the Company's Challenge Pro product automatically provides an additional death benefit (10% of premiums paid less partial withdrawals taken, capped at €50k). Premium charges taken in relation to these additional death benefits are unbundled from total premiums collected and presented in the Statement of Profit and Loss as Insurance premium income under IFRS 4. Any insurance claims paid in relation to these additional death benefits during the year are also unbundled and are presented separately in the Statement of Profit and Loss as Insurance claims and benefits incurred under IFRS 4. Calculations were performed at 31 December 2019 to assess the level of additional technical provisions which might be required for these products. Having carried out those calculations, which involved the projection of expected future income and outgo on the products in question, technical provisions for insurance contracts of €150k (2018: €100k) in the Statement of Financial Position in respect of the additional death benefits on these contracts have been accounted for.

2. Financial risks and risk management

The Company is exposed to a range of risks through its financial assets and its financial liabilities and also in relation to the accounting estimates and judgements it needs to make in the preparation of its financial statements and its regulatory returns.

These risks are described below together with the risk management approaches adopted by the Company.

Ultimate responsibility for the Company's risk management rests with the Directors and the Board is supported by the operation of a number of committees that meet on a regular basis to review and monitor the Company's risk exposures. A number of policy statements have been prepared and approved by the Directors which set out parameters and limitations to manage and limit financial risks. The Company has not substantially changed the approaches adopted to manage its financial risks from the previous accounting period.

Risks associated with investment and insurance contracts
The Company matches all the liabilities under investment contracts with assets in the funds for which the unit prices for the contracts are based, and the Company aims to ensure that the investment policy adopted for these funds is consistent with that communicated to policyholders in their contract documentation. The market and credit risk relating to policyholder financial assets is borne by policyholders as any change in the value of their assets results in an equivalent change in the amount of the Company's obligation to them. However, the Company does have exposure to persistency and an indirect exposure to market risk in respect of the contracts.

Traditionally the Company's unit-linked products have offered a minimal additional death benefit of up to 1% of the fund value. The Progetto Reddito, Soluzione Reddito and Periodical Solution product offerings include the option of additional death benefits with an extra charge levied to pay for the additional benefit.

The Challenge Pro product offers policyholders an additional death benefit of 10% premiums paid less partial withdrawals taken, capped at €50k .

2. Financial risks and risk management *(continued)*

Risks associated with investment and insurance contracts *(continued)*

Persistency risk is the risk that the policyholder cancels the contracts, thereby exposing the Company to lower annual management fees than that projected in the product pricing. The Company manages this risk by ensuring that its distributors only sell such policies to customers with a medium to long term investment horizon and through maintaining high levels of customer care. Early redemptions are reviewed and analysed to determine potential trends requiring attention. Persistency risk are regularly monitored to ensure they are in line with expectations.

Market risk arises for the Company on the value of the fees earned, from the consequent impact of a loss of fair value resulting from adverse fluctuations in equity prices, interest rates and foreign currencies.

A number of financial risks also arise within the investment contracts and these are carried by the holders of these contracts. These risks are:

- Market risk in respect of fluctuation in interest rates, equity prices and foreign currency rates.
- Credit risk in respect of exposure to counterparties.

The Company manages these risks taking into account the objectives of the investment funds in which the policyholders invest, as set out in the documentation given to the policyholders.

Market risk is managed on a daily basis by the investment managers who are responsible for monitoring the effect of changes in the fair value of assets in each fund. The investment managers execute purchases and sales of securities in accordance with its expectations of future market movements. The performance of the funds that results from the investment managers choices is monitored on a regular basis by the Investment Committee.

Underwriting risk
The Company is exposed to minimal mortality risk due to the nature of its business and due to having reinsurance arrangements in place on the rider death benefits attaching to the unit linked business.

Risks associated with other financial assets
The Company holds other financial assets that are not attributable to investment contracts, as backing for its general solvency requirements and to maintain an effective working capital level whilst complying with company law and with the regulations and guidelines issued by the Central Bank of Ireland (see Note 11 "Shareholder financial assets").

An investment policy, which is considered by the Company to be prudent, is adopted with regard to these assets and this is set out in policy statements which have been approved by the Board and are monitored by the Investment Committee.

The asset allocation is determined in order to optimise the risk return within a specific risk tolerance and the assets are predominately euro-denominated short to medium term EU government bonds and bank deposits. A proportion of the assets, within specified limits, may be invested in short term corporate bonds and equities and in derivatives that are associated with the Company's structured products.

2. Financial risks and risk management *(continued)*

Risks associated with other financial assets *(continued)*

The main risks that the Company is exposed to for these assets are 'credit risk', 'market risk' and 'liquidity risk'.

Credit risk occurs for these assets if the counterparty is unable to pay amounts in full when due and the key areas where the Company may be exposed are in respect of:

- Amounts due from bond issuers.
- Cash balances and deposits held with credit institutions.
- Receivables due from debtors and reinsurers.
- Recovery of the advance payment of the Italian Policyholders' Tax.
- Policyholder financial assets.

Substantially all of the retail assets of the Company are held with two counterparties. In relation to the private insurance business, these are held with a number of individual counterparties. Bankruptcy or insolvency of these counterparties may cause the Company's rights with respect to the investments held by these counterparties to be delayed or limited. The Company monitors its risk by monitoring the credit quality of each counterparty.

The Company does not directly invest in unlisted investments for the retail unit linked funds. As the Company does not appoint the individual custodians to the Collective Investment Schemes in which they invest, the Board has agreed to allow investment in such instruments only where they are regulated by a recognised regulator.

For Private Insurance policies, the investment policy allows investment in a universe of assets, some of which may not be regularly traded. However, the policy conditions for private insurance allows for the settlement of a claim by way of an in-specie transfer, thereby allowing for the settlement of claims, even where the asset is illiquid.

Bond issuer risk is reduced by investing in bonds that are backed by an EU Government or if corporate bonds are held, these are limited to a specified limit and are restricted to those of a short term duration.

Risk exposure to credit institutions is managed by only using approved institutions.

Amounts receivable from debtors are subject to a credit control process.

2. Financial risks and risk management *(continued)*

Risks associated with other financial assets *(continued)*

***Credit risk** (continued)*

The balance remaining on the Italian Policyholders' Tax is recoverable from deductions made from gains made by policyholders when they surrender their policies, and in the event that any balance remains unrecovered after five years, an agreement has been made to transfer that balance to the parent company at face value.

Policyholder assets are the assets backing the unit-linked investment contracts and the holders of these contracts bear the credit risk arising from these assets.

The credit risk exposure and ratings of financial and other assets which are most susceptible to credit risk are set out in tables below:

***Table 1** - Credit risk exposure and ratings of financial and other assets which are most susceptible to credit risk as at 31 December 2019.*

	From AAA to AA+	From AA to A+	From A to BBB	From BBB- to B-	Not rated	Assets held for policy-holders	Total
	€000's	€000's	€000's	€000's	€000's	€000's	€000's
Advance payment of Italian Policyholders' Tax	-	-	-	-	314,976	-	314,976
Investments at fair value through other comprehensive income	1,790	1,527	7,079	-	-	-	10,396
Investments at fair value through profit or loss:							
Equities	-	-	-	-	-	76,795	76,795
Fixed income securities	-	-	-	-	-	690,306	690,306
Investments in Collective Investment Schemes **	-	-	-	-	-	17,264,007	17,264,007
Derivatives	-	-	-	-	-	2,596	2,596
Deposits, Cash & Cash equivalents and other	-	-	-	-	-	220,443	220,443
Other receivables	-	-	-	-	36,171	-	36,171
Right-of-use asset	-	-	-	-	7,757	-	7,757
Cash and cash equivalents	-	124,192	(15,184)	-	4,346	-	113,354
Total assets bearing credit risk	1,790	125,719	(8,105)	-	363,250	18,254,147	18,736,801

Notes to the Financial Statements *(continued)*

2. Financial risks and risk management *(continued)*

Risks associated with other financial assets *(continued)*

Credit risk *(continued)*

Table 2 *- Credit risk exposure and ratings of financial and other assets which are most susceptible to credit risk as at 31 December 2018.*

	From AAA to AA+	From AA to A+	From A to BBB	From BBB- to B-	Not rated	Assets held for policy-holders	Total
	€000's	€000's	€000's	€000's	€000's	€000's	€000's
Advance payment of Italian Policyholders' Tax	-	-	-	-	291,961	-	291,961
Investments at fair value through other comprehensive income	15,131	9,223	13,632	3,449	-	-	41,435
Investments at fair value through profit or loss:							
Equities	-	-	-	-	-	42,069	42,069
Fixed income securities	-	-	-	-	-	756,179	756,179
Investments in Collective Investment Schemes **	-	-	-	-	1,610	14,266,470	14,268,080
Derivatives	-	-	-	-	-	124	124
Deposits, Cash & Cash equivalents and other	-	-	-	-	-	256,629	256,629
Other receivables	-	-	-	-	28,807	-	28,807
Cash and cash equivalents	-	100,485	(2,897)	-	36,500	-	134,088
Total assets bearing credit risk	15,131	109,708	10,735	3,449	358,878	15,321,471	15,819,372

** The Investments in Collective Investment Schemes are various Unit Linked SICAV funds which are all UCITS compliant and as a consequence are required to have an independent custodian taking custody of the assets of the SICAV. Therefore, counterparty credit risk exists to the extent of the ability of the custodian to return assets held. These CIS are chosen by the various asset managers, responsible for the investment portfolio of each fund. These SICAVs are mainly domiciled in Luxembourg, Ireland, Italy, United Kingdom, Switzerland and France.

2. Financial risks and risk management *(continued)*

Risks associated with other financial assets *(continued)*

Credit risk *(continued)*

Table 3 *- Credit risk exposure and ratings of Fixed income securities within policyholder assets (see table 1 above) which are most susceptible to credit risk as at 31 December 2019.*

	From AAA to AA+	From AA to A+	From A to BBB	From BBB- to B-	Total
	€000's	€000's	€000's	€000's	€000's
Investments at fair value through profit or loss:					
Fixed income securities	35,655	67,128	244,357	343,166	690,306
Total Fixed income securities bearing credit risk	35,655	67,128	244,357	343,166	690,306

Table 4 *- Credit risk exposure and ratings of Fixed income securities within policyholder assets (see table 2 above) which are most susceptible to credit risk as at 31 December 2018.*

	From AAA to AA+	From AA to A+	From A to BBB	From BBB- to B-	Total
	€000's	€000's	€000's	€000's	€000's
Investments at fair value through profit or loss:					
Fixed income securities	138,196	56,193	230,449	331,341	756,179
Total Fixed income securities bearing credit risk	138,196	56,193	230,449	331,341	756,179

Notes to the Financial Statements *(continued)*

2. Financial risks and risk management *(continued)*

Risks associated with other financial assets *(continued)*

Market risk is the risk of change in fair value of a financial instrument due mainly to fluctuations in interest rates, equity prices, and foreign currency rates.

a) ***Interest rate risk*** arises primarily from the Company's investments in fixed income securities. The change in interest yields is reviewed on a regular basis when the Company prepares projections of its solvency position.
The following assets are exposed to interest rate risk:
- Deposits
- Fixed income securities

The sensitivity of interest rate movements on the Company's profits can be seen in the following table, by reference to an increase or decrease of 1% in the overall yield curve for the shareholder assets exposed to the interest rate risk at the end of the financial year.

	2019	2018
	€000's	€000's
Increase of 1% in overall yield:		
Impact on profit before tax	**343**	1,527
Decrease of 1% in overall yield:		
Impact on profit before tax	**(87)**	(953)

b) The Company's net exposure to ***equity price risk*** is limited to the equity securities content of its holdings in unit-linked funds.

There is exposure to direct equity price risk through equities held by policyholders of €77m in 2019 (2018: €42m). A 1% price increase would lead to equities increasing by €768k in 2019 (2018: €421k). Such a movement would be offset by the financial liabilities - investment contracts.

There is indirect exposure to equity and other market price risk through investments in collective investment schemes of ("CIS") €17,264m (2018: €14,266m) held by the policyholders. A 1% price increase would lead to "CIS" increasing by €173m in 2019 (2018: €143m). Such a movement would be offset by the financial liabilities – investment contracts. The Company does not directly hold any investment in a CIS at year end (2018: €1.6m).

c) ***Foreign currency risk*** can arise due to fluctuations in foreign exchange rates. The Company does not have any significant exposure to such movements as its investments are mainly denominated in Euro. For investment contracts, no direct market risk arises for the Company, as changes in the value of and income arising from the assets and liabilities underlying these contracts are matched with the changes in the Company's obligations to the policyholders.

2. Financial risks and risk management *(continued)*

Risks associated with other financial assets *(continued)*

Liquidity risk
The liquidity risk is defined as risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

In managing the Company's assets and liabilities, the Company seeks to ensure that cash is at all times available to settle liabilities as they fall due. Available funds are mainly invested in call or deposit accounts of up to six month's duration and in short/medium Euro-denominated Government bonds. The Company's treasury position is reviewed on a regular basis and cash balances are maintained to meet due liabilities. The Company can avail of a line of credit arranged by its parent company for short term liquidity requirements that arise from timing factors. The Company also participates in a cash-pool arrangement with Allianz SE.

For investment contract redemptions, cash paid out is funded by the redemption of the linked assets supporting the contract liability.

An analysis of the contractual maturity of the Company's financial liabilities at 31 December 2019 is set out in the following table:

2019	**No stated maturity**	**Within 1 year**	**Between 1 and 5 years**	**Over 5 years**	**Total**
	€000's	**€000's**	**€000's**	**€000's**	**€000's**
Liabilities - investment contracts	**18,254,147**	**-**	**-**	**-**	**18,254,147**
Technical provisions for insurance contracts	**150**	**-**	**-**	**-**	**150**
Creditors and other payables	**-**	**134,810**	**1,762**	**-**	**136,572**
Corporation tax payable	**-**	**58**	**-**	**-**	**58**
Lease liability	**-**	**294**	**1,452**	**6,166**	**7,912**
Total	**18,254,297**	**135,162**	**3,214**	**6,166**	**18,398,839**

2. Financial risks and risk management *(continued)*

Risks associated with other financial assets *(continued)*

Liquidity risk *(continued)*

The table below sets out comparative contractual maturity data as at 31 December 2018:

2018	**No stated maturity**	**Within 1 year**	**Between 1 and 5 years**	**Over 5 years**	**Total**
	€000's	**€000's**	**€000's**	**€000's**	**€000's**
Liabilities - investment contracts	15,321,471	-	-	-	15,321,471
Technical provisions for insurance contracts	100	-	-	-	100
Creditors and other payables	-	183,288	978	-	184,266
Corporation tax payable	-	1,205	-	-	1,205
Total	15,321,571	184,493	978	-	15,507,042

Where the liabilities - investment contracts are classified as having "no stated maturity", the policies are whole of life contracts, which can be surrendered at any time, subject to penalty charges and notice periods as set out in the policy documentation. Within the first three months, policyholders can request disinvestment of their funds with five working days' notice.

3. Net premiums written and earned

	2019	2018
	€'000	€'000
Insurance premium income		
Gross premium written and earned	**7,689**	6,783
Less Outward reinsurance premiums	**(1,638)**	(1,438)
Net premium written and earned	**6,051**	5,345

This additional death rider benefit is unbundled and treated as insurance under IFRS 4, with the investment element accounted for as investment under IFRS 9.

3. Net premiums written and earned *(continued)*

As permitted per the Company's accounting policy for certain products under IFRS 4, premiums relating to the death benefit are unbundled from total premiums collected and presented in the Statement of Profit and Loss as insurance premium income. For the financial year ended 31 December 2019 premium income of €2,981m (2018: €2,304m) relates to investment contracts and are not included in "Net premiums written and earned" in the Statement of Profit and Loss, in accordance with IFRS 9 (see Note 17 "Financial liabilities – investment contracts").

4. Investment return

	2019	2018
	€'000	€'000
Policyholder investment return		
Investment income from equities	**1,141**	1,170
Interest income from fixed income securities	**8,651**	7,097
Investment income from collective investment funds	**6,603**	13,562
Income from other financial assets	**10,535**	8,704
Net realised gains on financial assets	**372,684**	147,451
Net unrealised gains/(losses) on financial assets	**1,416,117**	(1,192,566)
	1,815,731	(1,014,582)
Shareholders' investment return		
Interest income from financial assets	**513**	1,009
Interest expense from cash	**(128)**	(287)
Net realised losses on financial assets	**(2,169)**	(1,237)
Net unrealised gains of financial assets	**-**	6
	(1,784)	(509)
	1,813,947	(1,015,091)

5. Fees and other income

	Note	**2019**	2018
		€'000	€'000
Fees from investment contracts		**304,555**	291,186
Other income		**11**	141
Movement in deferred income	*19*	**1,987**	4,161
		306,553	295,488

6. Acquisition and administration expenses

		2019	2018
		€'000	€'000
Acquisition costs		**17,985**	17,222
Change in deferred acquisition costs	*10*	**(2,138)**	(744)
Loyalty bonus expense		**796**	682
Administration expenses		**220,372**	211,795
		237,015	228,955

All of the acquisition costs are in respect of commissions paid and sales inducements on new business.

Administration expenses	**2019**	2018
	€'000	€'000
Commission expenses – ongoing	**189,153**	178,875
Operating expenses:		
Wages and salaries	**4,182**	3,862
Social welfare costs	**346**	323
Pension costs	**232**	201
Fund expenses borne by policyholders	**4,325**	5,011
Third party administration expenses	**14,759**	16,034
Depreciation of right-of-use asset	**443**	-
Investment management fees and expenses	**6,932**	7,489
	220,372	211,795

Notes to the Financial Statements *(continued)*

6. Acquisition and administration expenses *(continued)*

Included in the administration expenses are the following:

Auditors' remuneration (excluding VAT)	**2019**	2018
	€'000	€'000
Audit of statutory financial statements	**62**	62
Other assurance services	**40**	16
	102	78
Directors' emoluments		
Salaries and related benefits	**261**	271
Fees as directors	**165**	165

The average monthly number of employees during the year was as follows:	**2019**	2018
	Number	Number
Administration	**40**	36
Finance	**8**	8
	48	44

7. Finance costs	**2019**	2018
	€'000	€'000
Finance charges for IFRS 16 - Lease liabilities	**145**	-

8. Taxation	**2019**	2018
	€'000	€'000
Current tax expense	**9,750**	9,607
Total corporation tax expense	**9,750**	9,607
Deferred tax recorded in other comprehensive income	**215**	8

8. Taxation *(continued)*

	2019 €'000	2018 €'000
Reconciliation of effective tax charge:		
Profit before taxation	**77,786**	76,330
Corporation tax at the standard rate of 12.5% (2018: 12.5%)	**9,723**	9,541
Effects of		
Capital allowances	**(29)**	(29)
Disallowed and capital items expensed	**56**	95
Total corporation tax charge	**9,750**	9,607

Deferred Tax Asset	2019 €'000	2018 €'000
Balance at 1 January	**291**	299
Movement during the financial year recognised in other comprehensive income	**(215)**	(8)
Balance at 31 December	**76**	291

9. Advance payment of Italian Policyholders' Tax

The Company operates in Italy on a "freedom of services" basis and in 2005 opted to implement the *sostituto d'imposta* tax regime. The *sostituto d'imposta* tax regime entails an annual "advance payment" to the Italian fiscal authorities of an amount currently equal to 0.45% (2018: 0.45 %) of the Company's financial liabilities - investment contracts, as at the year end. Each annual advance payment can be recovered from any exit tax subsequently deducted from policyholders or by offset against taxes payable to Italian revenue within a period of five years. To the extent that an unrecovered balance remains after five years have elapsed, the balance of the advance payment made five years earlier can be sold to the parent company at face value for recovery against their Italian tax liabilities €314,976k (2018: €291,961k).

Asset	*Note*	2019 €'000	2018 €'000
Balance at 1 January		**291,961**	257,582
Net payable in respect of the financial year	*20*	**43,679**	47,952
Recoveries in respect of the financial year		**(13,133)**	(13,573)
Over provision in respect of prior period		**(7,531)**	-
Balance at 31 December		**314,976**	291,961

Notes to the Financial Statements *(continued)*

9. Advance payment of Italian Policyholders' Tax *(continued)*

Liability	*Note*	**2019 €'000**	2018 €'000
Balance at 1 January		**47,952**	60,027
Net payable in respect of the financial year	*20*	**43,679**	47,952
Over provision in respect of prior period		**(7,531)**	-
Paid during the financial year		**(40,421)**	(60,027)
Balance at 31 December		**43,679**	47,952

Italian legislation makes provision for a cap on the size of the Advance Payment of Italian Policyholders' Tax. For the end of 2019 this was 190bps (2018: 200bps) of the Italian policyholder mathematical reserves. The effect of the capping was to reduce the amount of net payment to the Italian Tax Authorities by €7.5m in 2019, compared to that expected in the 2018 financial statements.

10. Deferred acquisition costs

	2019 €'000	2018 €'000
Balance at 1 January	**69,237**	68,493
Acquisition costs incurred in the financial year	**19,465**	17,206
Amount credited to Statement of Profit and Loss	**(17,327)**	(16,462)
Balance at 31 December	**71,375**	69,237

11. Financial assets

Shareholder financial assets	**Market Value 2019 €'000**	**Market Value** 2018 €'000
Investments at fair value through profit or loss	**-**	1,610
Investments at fair value through other comprehensive income	**10,396**	41,435
	10,396	43,045

All shareholder financial assets are held under the business model Hold to Collect and Sell. All assets are within stage 1 (See Note 1, Accounting Policies, Impairment on Page 26 & 27). There have been no transfers between stages in the year.

11. Financial assets *(continued)*

Policyholder financial assets	**2019**	2018
	€'000	€'000
Investments at fair value through profit or loss		
Equities	**76,795**	42,069
Fixed income securities	**690,306**	756,179
Collective Investment Schemes	**17,264,007**	14,266,470
Derivative Instruments	**2,596**	124
Deposits, Cash & Cash Equivalents and Others	**220,443**	256,629
	18,254,147	15,321,471

12. Other receivables	**2019**	2018
	€'000	€'000
Amounts falling due within one year		
Management fees receivable from the funds	**29,591**	23,185
Accrued interest receivable	**110**	415
Prepayments	**1,427**	1,771
Other	**5,043**	3,436
	36,171	28,807

13. Fair value disclosures

Note 1 Valuation of financial instruments, details the valuation techniques and inputs used for fair value hierarchy and measurement.

The table below analyses financial instruments, measured at fair value at the end of 2019, by the level in the fair value hierarchy into which the fair value measurements is categorised:

Financial assets as at 31 December 2019	**Total fair value**	**Level 1**	**Level 2**
	€'000	**€'000**	**€'000**
Shareholder financial assets			
– FVOCI	**10,396**	**10,396**	**-**
Government and government agency bonds	786	786	-
Corporate bonds	9,610	9,610	-
Policyholder financial assets	**18,254,147**	**17,616,111**	**638,036**
Equities	76,795	76,795	-
Fixed income securities	690,306	690,306	-
Collective Investment Schemes	17,264,007	16,625,971	638,036
Derivative Instruments	2,596	2,596	-
Deposits, Cash & Cash Equivalents and Others	220,443	220,443	-
Total Financial Assets	**18,264,543**	**17,626,507**	**638,036**

Financial liabilities as at 31 December 2019	**Total fair value**	**Level 1**	**Level 2**
	€'000	**€'000**	**€'000**
Financial liabilities - investment contracts	**18,254,147**	**-**	**18,254,147**
Total Financial Liabilities	**18,254,147**	**-**	**18,254,147**

13. Fair value disclosures *(continued)*

Financial assets as at 31 December 2018	**Total fair value**	**Level 1**	**Level 2**
	€'000	€'000	€'000
Shareholder financial assets			
–FVTPL	**1,610**	**1,610**	-
–FVOCI	**41,435**	**41,435**	-
Government and government agency bonds	9,783	9,783	-
Corporate bonds	31,652	31,652	-
Policyholder financial assets	**15,321,471**	**14,742,205**	**579,266**
Equities	42,069	42,069	-
Fixed income securities	756,179	756,179	-
Collective Investment Schemes	14,266,470	13,687,204	579,266
Derivative Instruments	124	124	-
Deposits, Cash & Cash Equivalents and Others	256,629	256,629	-
Total Financial Assets	15,364,516	14,785,250	579,266

Financial liabilities as at 31 December 2018	**Total fair value**	**Level 1**	**Level 2**
	€'000	€'000	€'000
Financial liabilities - investment contracts	15,321,471	-	15,321,471
Total Financial Liabilities	15,321,471	-	15,321,471

There were no transfers between levels in 2019 and 2018.
There were no Level 3 assets at 31 December 2019 (2018: €Nil).

With the exception of Advanced Payment of Italian Policyholders' Tax, there are no differences between fair values and carrying amounts of other financial assets at the Statement of Financial Position date. The carrying value of the Advanced Payment of Italian Policyholders' Tax is €314,976k (fair value: €317,943k) (2018: €291,961k (fair value: €292,498k).

14. Called up share capital

	2019	2018
	€'000	€'000
Authorised:		
5,000,000 (2018: 5,000,000) ordinary shares of €1 each	**5,000**	5,000
Issued		
5,000,000 (2018: 5,000,000) ordinary shares of €1 each	**5,000**	5,000

15. Capital contributions

The Company received no capital contributions during the year (2018: €Nil).

During the year ended 31 December 2019, the Company paid a €40m (2018: €15m) dividend to the immediate parent Allianz S.p.A in respect of the financial year ended 31 December 2019, approved by the Board of Directors. There is no Irish Dividend Withholding Tax (DWT) payable as the dividend is payable to the Company's European Union (EU) parent company, where withholding tax is not allowed under EU legislation.

16. Capital position statement (Unaudited)

Effective from 1 January 2016, the Solvency II Directive replaced the Solvency I regulatory solvency requirements. The Company has assessed its overall solvency needs using the Solvency II basis. This covers the preparation of the Solvency II Balance Sheet (which differs from the IFRS balance sheet) and the Solvency Capital Requirement ("SCR")/Minimum Capital Requirement ("MCR"). For the purposes of calculating its Solvency II Pillar I capital requirements, the SCR is calculated by applying the Standard Formula in accordance with the requirements set out in Regulation 114 of SI 485 of 2015. At the 31 December 2019, the Company's available capital resources were in excess of the regulatory capital requirements on a Solvency II basis.

The Company's capital coverage ratio is 165% of SCR as at 31 December 2019 (2018: 197%). The final amount of the SCR is still subject to Supervisory assessment.

The Company maintains a capital structure with a combination of share capital, capital contributions and retained profits, consistent with the Company's risk profile and the regulatory and market requirements of its business.

The Company is regulated in Ireland by the Central Bank of Ireland and is required to observe the rules for the amount and structure of the solvency capital for the business that it carries on.

The Company carries out regular projections of its capital adequacy and these are reviewed by the Board to ensure that satisfactory levels of cover are maintained. Capital adequacy and solvency cover are reported to the Central Bank of Ireland on a quarterly and annual basis.

No instances of non-compliance with solvency capital requirements were reported by the Company to the Central Bank of Ireland during the year.

17. Financial liabilities – investment contracts

Investment contracts:	**2019 €'000**	2018 €'000
Balance at 1 January	**15,321,471**	15,700,184
Premiums collected	**2,981,189**	2,304,465
Change in investment contract liabilities	**1,811,406**	(1,019,593)
Claims paid	**(1,558,799)**	(1,376,334)
Fees paid by the unit funds	**(312,242)**	(297,969)
Sales inducements	**11,122**	10,718
Balance at 31 December	**18,254,147**	15,321,471

18. Technical provisions for insurance contracts

Insurance contracts:	**2019 €'000**	2018 €'000
Balance at 1 January	**100**	72
Change in technical provisions for insurance contracts	**50**	28
Balance at 31 December	**150**	100

19. Deferred income

	2019 €'000	2018 €'000
Balance at 1 January	**26,439**	30,600
Movement during the year	**(1,987)**	(4,161)
Balance at 31 December	**24,452**	26,439

The income that is deferred is in respect of investment contracts on which a front-end fee applied in relation to services to be provided in future periods. The deferred income reserve is amortised over the anticipated life of the contracts.

The amount of deferred income that is expected to be earned more than 12 months after the Statement of Financial Position date is €12.0m (2018: €19.5m).

20. Creditors and other payables

	Note	2019 €'000	2018 €'000
Amounts falling due within one year			
Amounts due to group companies		**5,841**	5,917
Advance payment of Italian Policyholders' Tax	*9*	**43,679**	47,952
Premium deposits		**36,119**	65,734
Claims payable		**46,326**	60,394
Value Added Tax		**108**	199
Social welfare / PAYE		**112**	111
Loyalty bonus payable		**1,762**	978
Other creditors and accruals		**2,625**	2,981
		136,572	184,266

Amounts due to group companies are principally in respect of initial and ongoing commissions and investment management fees.

21. Leases

Right-of-use asset – PPE	**2019 €'000**
Gross Acquisition Cost	**8,200**
Accumulated Depreciation	**(443)**
Balance at 31 December	**7,757**

Lease Liability	**2019 €'000**
Current: Within one year	**294**
Non-current:	
One to five years	**1,452**
Over five years	**6,166**
	7,618
Balance at 31 December	**7,912**

21. Leases *(continued)*

Interest Expenses relating to leases	**2019 €'000**
Within one year	**140**
One to five years	**501**
Over five years	**739**
Balance at 31 December	**1,380**

22. Ultimate parent undertaking and parent undertaking of larger group

The Company's ultimate parent undertaking is Allianz SE, a company incorporated in Germany. The Company's immediate parent undertaking is Allianz S.p.A., a company incorporated in Italy.

The largest group in which the results of the Company are consolidated is that headed by Allianz SE, incorporated in Germany. The consolidated financial statements of this group are available to the public and may be obtained from Allianz SE, Konigstrasse 28, 80802 Munich, Germany.

The smallest group in which the results of the Company are consolidated is that headed by Allianz S.p.A., a company incorporated in Italy.

23. Related party transactions

The Company received/provided a number of services from related parties. The related party activities which the Company now has are as follows:

- The Company has agreements with Allianz S.p.A., Allianz Global Investors GmbH, Investitori SGR S.p.A. and PIMCO Europe Limited for the receipt of fund management services;
- The Company has an agreement with Allianz S.p.A. for the receipt of fiscal and legal services;
- The Company has an agreement with Allianz Technology SE for the receipt of IT services;
- The Company has agreements with Allianz Bank Financial Advisors S.p.A. for the receipt of banking and custodian services and for product distribution;
- The Company has agreements with Allianz Ireland plc. for the receipt of internal audit services;
- The Company has an agreement with Allianz Global Life dac for the provision of compliance, office space, other infrastructural services, the receipt of actuarial function and risk function services.
- The Company has an agreement with Metafinanz Informationssysteme GmbH for the receipt of IT consultancy services.
- The Company has an agreement with Allianz SE for the receipt of marketing and distribution activities, Solvency II models, insurance and other services.

23. Related party transactions *(continued)*

Transactions with Directors

The Directors' compensations are short term in nature and are as follows:

	2019	2018
	€'000	€'000
Salaries and related benefits	**261**	271
Fees as directors	**165**	165

The above figures reflect the remuneration paid by the Company to all Board members.

Transactions with Key Management Personnel

Transactions with key management personnel including the chief executive officer are set out below.

The key management personnel compensations are short term in nature and are as follows:

	2019	2018
	€'000	€'000
Salaries and related benefits	**849**	921

Transactions with other related parties:

Name of the Company	**Relationship**	**Payable at 1 January 2019**	**Expense payable by the Company**	**Income receivable by the Company**	**Payments**	**Payable at 31 December 2019**
		€'000	**€'000**	**€'000**	**€'000**	**€'000**
Allianz SE	parent	-	(823)	-	450	(373)
Allianz S.p.A.	parent	(183)	(249)	-	239	(193)
Allianz Bank Financial Advisors S.p.A.	group	(4,011)	(196,329)	-	196,822	(3,518)
Allianz Global Investors GmbH	group	(750)	(2,796)	-	2,847	(699)
Allianz Global Life dac	group	(37)	(1,527)	1,159	380	(25)
Allianz Ireland p.l.c.	group	-	(195)	-	130	(65)
Allianz Technology SE	group	(18)	(665)	-	570	(113)
Investitori SGR S.p.A.	group	(528)	(2,094)	-	1,996	(626)
Metafinanz Informationssysteme GmbH	group	(10)	(89)	-	91	(8)
PIMCO Europe Limited	group	(229)	(887)	-	895	(221)

€13,162m (2018: €10,835m) of the €18,254m (2018: €15,322m) policyholder assets at year-end were managed by related Allianz SE companies. Total realised and unrealised gains on policyholder assets managed by related Allianz SE companies are €1,195m gain (2018: €705m loss). €4.3m (2018: €36.3m) of the shareholders' cash and cash equivalents at year end were managed by Allianz Bank Financial Advisors S.p.A. and a further €115m (2018: €96m) was managed through an inter-company cash-pool agreement with Allianz SE.

24. Disclosure of interests in unconsolidated structured entities

Included in policyholder financial assets are investments in Collective Investment Schemes ("CIS") which may be considered to be interests in unconsolidated structured entities under IFRS 12 *'Disclosure of interests in unconsolidated structured entities'*. The CIS are predominantly regulated SICAV funds which are all UCITS compliant. These CIS are chosen by the various asset managers, responsible for the investment portfolio of each fund. These SICAVs are mainly domiciled in Luxembourg, Ireland, Italy, United Kingdom, Switzerland and France.

The table below sets out the country of domicile of these CIS investments:

Country	**Value of Total CIS 31 December 2019 €'000**	Value of Total CIS 31 December 2018 €'000
Luxembourg	**10,312,376**	9,467,204
Ireland	**6,318,212**	3,599,007
Italy	**233,734**	698,313
Switzerland	**274,691**	211,812
France	**110,752**	151,573
United Kingdom	**-**	131,982
Other	**14,242**	6,579
Total CIS	**17,264,007**	14,266,470

The table below sets out the interest held by the policyholders with regard to the geographical region where the underlying investments of the CIS are held as at 31 December 2019:

Geographical Region	**Percentage of underlying CIS on look through basis**	**Value of underlying CIS on look through basis €'000**
Europe	49.5%	8,549,526
North America	29.1%	5,032,182
Asia	9.5%	1,638,465
United Kingdom	7.1%	1,229,504
South America	1.4%	238,705
Cayman Islands	0.4%	77,556
Central America	0.8%	133,096
Australia	0.5%	90,204
Middle East	0.8%	134,307
Africa	0.6%	98,624
British Virgin Islands	0.2%	30,227
Other	0.1%	11,611
Total CIS – Policyholder	**100%**	**17,264,007**

24. Disclosure of interests in unconsolidated structured entities (continued)

The CIS are of varying sizes and are all financed by investor equity, having been established for the purpose of collective investment activity.

The maximum gross exposure to loss is the carrying value of €17,264m (2018: €14,266m) but the net exposure to loss borne by the shareholders of the Company is €Nil for these CIS as the investments are held on behalf of the policyholders. The shareholders do not directly hold any investment in a CIS at the year-end (2018: €1.6m).

The majority of the units in the CIS can be redeemed daily. The Company has been advised that it is legally possible to suspend pricing of internal policyholder funds in the presence of exceptional circumstances outside the control of the Company. This would also apply in cases where CIS prices are available but trading has been restricted.

The policyholder financial assets as at 31 December 2019 were €18,254m of which €17,264m were made up of CIS. At 31 December 2019 €13,151M (2018: €10,835m) of the policyholder financial assets were managed by other entities in the Allianz Group.

During the financial year, the Company or policyholders did not provide financial support to unconsolidated structured entities and has no current intention of providing financial or other support.

25. Subsequent events

There were no events subsequent to the year-end which require disclosure in, or amendment to, these financial statements, other than those outlined in the Director's report.

26. Contingencies

There were no contingent liabilities at 31 December 2019 (2018: €Nil).

27. Approval of financial statements

The Board of Directors approved these financials statements on 12 March 2020.