CATALINA

Catalina Insurance Ireland dac

Directors' report and financial statements
Year ended 31 December 2019

Registered number: 225221

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Directors and other information

Board of Directors

Allan Archer
Chris Fleming (British)
Gary Haase (American)
Brian Myles
David O'Connor (Independent)
John Perham (Independent)

Solicitors

William Fry
Fitzwilton House
Wilton Place
Dublin 2

Secretary and Registered Office

Keith Lyon
Unit 44 Block 5
Northwood Court
Northwood Crescent
Northwood
Santry
Dublin 9

Principal Bankers

HSBC Bank plc
1 Grand Canal Square
Grand Canal Harbour
Dublin 2

Registered Number: 225221
Country of incorporation: Ireland

Auditor

KPMG
Chartered Accountants
1 Harbourmaster Place
IFSC
Dublin 1

Interim Head of Actuarial Function

Nnè Nwankwo, FIA, CERA

Directors' report

The Directors of Catalina Insurance Ireland dac (the "Company") present their annual report and audited financial statements for the year ended 31 December 2019.

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with FRS 102, the Financial Reporting Standard applicable in the UK and Republic of Ireland and FRS 103 Insurance Contracts.

Under 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 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 applicable Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Company or cease operations, or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records which disclose with reasonable accuracy at any time the assets, liabilities, financial position and profit or loss of the Company and enable them to ensure that the financial statements comply with the Companies Act 2014 and the European Union (Insurance Undertakings: Financial Statements) Regulations 2015. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities. The Directors are also responsible for preparing a Directors' Report that complies with the requirements of the Companies Act 2014.

Accounting Records
The measures taken by the Directors to secure compliance with the Company's obligations, under section 281 of the Companies Act 2014, to keep adequate accounting records are the use of appropriate systems, procedures and controls, and the employment of competent persons. The accounting records are kept at Unit 44 Block 5, Northwood Court, Northwood Crescent, Northwood, Santry, Dublin 9.

Principal activity, business review and future developments
The Company is an insurance undertaking authorised by the Central Bank of Ireland, pursuant to the European Union (Insurance and Reinsurance) Regulations 2015, to carry on non-life insurance business in classes 1 to 18 as defined in European Union (Insurance and Reinsurance) Regulations 2015 (SI No. 485 of 2015), with the right to carry on business in such classes in other EU jurisdictions including the UK on a freedom of services basis.

The Company previously underwrote creditor and personal lines business in Ireland, the UK and Italy. These classes of business have been in run-off since July 2010. During 2015 the Company acquired a portfolio of insurance liabilities from Quinn Insurance Ltd (under administration). The portfolio comprised business in the UK, Northern Ireland and Europe (Germany, Belgium and the Netherlands). The business is predominately UK and Northern Ireland motor and professional indemnity and some employer's liability and public liability business. All classes of business transferred are now in run-off.

During 2018 the Company acquired a portfolio of insurance liabilities from Zurich Insurance Plc. The business consists of a portfolio of insurance policies which provide cover for various types of losses arising in connection with the business and healthcare operations of hospitals, clinics and other healthcare providers in Germany including as a result of medical malpractice ("MedMal"). The business was written through specialist German MedMal brokers to German hospitals between 1946 and 2012.

Directors' report (continued)

The Company made a loss after tax for the year ended 31 December 2019 of €2 million, compared to a profit after tax of €0.9 million in 2018. The loss for the year was mainly due to an increase in claims incurred, net of reinsurance. No dividend was paid during the year (2018: €5.6 million) and no final dividend has been proposed. The Company received a capital contribution from its parent, Catalina Foxtrot Holdings Limited, in line with the Company's Capital Management Plan, after the regulatory solvency coverage fell below the internal target ratio at the end of the first quarter of 2019. A capital contribution of €11 million was received in May 2019.

The reduction in the regulatory solvency coverage was partly due to the Company's long-term liabilities, where the valuation of these liabilities are sensitive to movements in interest rates. The long-term liabilities include Periodic Payment Orders (PPOs) on its UK portfolio and annuity claims on its German MedMal portfolio. In its Solvency II regulatory returns, the Company discounts its long term liabilities using the risk-free interest rate term structures published by the European Insurance and Occupational Pensions Authority (EIOPA). Interest rates trended downwards during 2019, which increased the best estimate of liabilities for the long-term liabilities, thus impacting the Company's regulatory solvency coverage. The Company implemented measures to reduce the impact of movements in risk-free interest rates, and reduce the volatility of the solvency coverage. These measures included amending the existing intra-group reinsurance arrangement to increase the reinsurance on the long-term liabilities from 65% to 100%, with the changes effective from 1 July 2019.

The Company is planning to run-off the remaining lines of business as efficiently as possible. The Directors are satisfied with progress made in the run-off to date. The Company may acquire and manage run-off portfolios in the future.

The Company has a documented reinsurance strategy, which is approved by the Board of Directors. Exposure and credit ratings of individual reinsurers are monitored by the Company.

Principal business risks and uncertainties

The Company has a risk management function which reports to the Board of Directors. The Board of Directors have approved the Company's risk appetite statement and approves any variation in the risk appetite. The principal insurance risk the Company faces under insurance contracts is that the actual claims and benefit payments, or the timing thereof, differ from expectations. This is influenced by the frequency of claims, severity of claims, actual benefits paid and subsequent development of long-term claims. The Company has significant exposure to MedMal insurance risk, which carries considerable uncertainty in the estimate for technical provisions and therefore can result in a wide range of possible outcomes, above and beyond that experienced in traditional non-life insurance products. The long-tail nature of the technical provisions for MedMal products can result in larger actual to expected development of a claim and can be dependent on legislative initiatives and the ability to settle a claim outside of a court of law.

The Company is also exposed to market risk on its investment portfolio. The Company has a documented investment strategy approved by the Board of Directors which governs the Company's exposure to market risk. Exposures are controlled by the setting of investment limits in line with the Company's risk appetite statement.

The Company has a portfolio of UK claims and is therefore exposed to Brexit. The uncertainties for the Company associated with Brexit continue to be the subject of close scrutiny during the year, with a number of potential scenarios considered and appropriate mitigating actions planned. The Company intends to bring the administration of its UK claims in-house during 2020, however, in the event of a 'no deal' Brexit, the Company will take advantage of the UK's Financial Services Contracts (Transitional and Saving Provision) (EU Exit) Regulations 2019. The legislation allows the Company to wind down its UK regulated activities in an orderly manner. The implications of Brexit continue to be assessed based on the available information. The Company's UK technical provisions at 31 December 2019 were €97.1 million, 26% of total technical provisions.

Further details on the risks to which the Company is exposed are included in notes 28 and 29 to the financial statements.

Directors' report (continued)

Directors
The names of the persons who were Directors at any time during the year ended 31 December 2019 are set out below:

Allan Archer (Appointed 31 July 2019)
Chris Fleming
Gary Haase
Phil Hernon (Resigned 30 May 2019)
Brian Myles
David O'Connor (Independent)
John Perham (Independent)

In accordance with the Company's Constitution, the Directors are not required to retire by rotation.

Directors' and secretary's interests
The Directors and secretary who held office at 31 December 2019 had no interests in the shares in, or debentures or loan stock of the Company at any time during the year. The Directors and Secretary of the Company hold no disclosable interests in accordance with section 260 (f) of the Companies Act 2014 and no disclosure is required under section 329 of the Companies Act 2014.

Central Bank of Ireland Corporate Governance Code
The Company is subject to the Corporate Governance Requirements for Insurance Undertakings (the "Corporate Governance Requirements") issued by the Central Bank of Ireland in November 2015 that came into effect on 1 January 2016. The Company has complied with the Corporate Governance Requirements throughout 2019 and to the date of this report. The Company is not required to comply with the additional requirements for major institutions.

The Directors have mandated a basis for effective risk management within the Company dictated by a clear system of governance that covers all significant aspects of the business, provides an open forum for challenge, and allocates clear responsibilities for both collective management committees and individuals. In addition, the Directors have established the four key control functions required under the Corporate Governance Requirements; risk management, actuarial, compliance and internal audit. These functions are responsible for providing oversight of, and challenge to, the business and for providing assurance to the Board in relation to the Company's control framework.

Going Concern
The Directors have undertaken a review of the financial performance of the Company. After reviewing the Company's budget and business plan, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the accounts.

Political donations
The Directors, on enquiry, have satisfied themselves that there were no political donations made during the year.

Post balance sheet events
The outbreak of COVID-19 in China and its subsequent spread to other countries and containment measures are having a significant adverse effect on the global economy. The future effects of the outbreak of COVID-19 are unclear at this time. A significant rise in the number of COVID-19 infections, infections in a wide range of countries and regions, or a prolongation of the outbreak could significantly adversely affect economic growth, capital markets, specific industries and countries as well as affect the Company's employees and business operations. Any of these developments may adversely affect the Company's business or financial results. At this time, observed volatilities in the capital markets are expected to have an impact on the Company's investment results, however, the impact of current circumstances on gross loss reserves and the run-off thereof is estimated not to be material, and the Company is expected to be able to maintain its operations. The Company's solvency and liquidity are assessed to be adequate and the current circumstances are not considered to be challenging the Company's ability to continue as a going concern for the foreseeable future. The Company closely monitors developments and the potential impact of the spread of infection on asset valuations, insurance exposures and the overall financial and operational situation.

Directors' report (continued)

The Company is also impacted by the recent sharp decline in oil prices. The Company has a €10 million investment in an energy related company. This investment's creditworthiness has deteriorated during March 2020 as a result of the OPEC+ dispute. The directors believe it is prudent to prepare for the likelihood that this company will file for bankruptcy. A potential full write down of the investment would reduce the Company's 2019 solvency coverage from 196% to 179%.

Auditor
KPMG, Chartered Accountants, were first appointed statutory auditor on 15 December 1994 and pursuant to section 383(2) of the Companies Act, 2014, will continue in office.

Relevant audit information
Each Director who was a Director of the Company at the time the report is approved confirms that, so far as the Director is aware, there is no relevant audit information of which the Company's statutory auditors are unaware; and the Director has taken all the steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Company's statutory auditors are aware of that information.

On behalf of the Board

Chris Fleming
Director
13 May 2020

Brian Myles
Director
13 May 2020

KPMG
Audit
1 Harbourmaster Place
IFSC
Dublin 1
D01 F6F5
Ireland

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CATALINA INSURANCE IRELAND DESIGNATED ACTIVITY COMPANY

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Catalina Insurance Ireland Designated Activity Company ('the Company') for the year ended 31 December 2019 set out on pages 13 to 43, which comprise the profit and loss account – technical account – non life insurance business, profit and loss account– non technical account, balance sheet, statement of changes in equity and related notes, including the summary of significant accounting policies set out in note 1. The financial reporting framework that has been applied in their preparation is Irish Law and FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* and FRS 103 *Insurance Contracts.*

In our opinion, the accompanying financial statements:

- give a true and fair view of the assets, liabilities and financial position of the Company as at 31 December 2019 and of its loss for the year then ended;
- have been properly prepared in accordance with FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* and FRS 103 *Insurance Contracts*;
- have been properly prepared in accordance with the requirements of the Companies Act 2014; and
- have been properly prepared in accordance with the requirements of the European Union (Insurance Undertakings: Financial Statements) Regulations 2015.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (Ireland) (ISAs (Ireland)) and applicable law. Our responsibilities under those standards are further described in the Auditor's Responsibilities section of our report. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion. Our audit opinion is consistent with our report to the audit committee.

We were appointed as auditor by the directors on 15 December 1994. The period of total uninterrupted engagement is the 26 years ended 31 December 2019. We have fulfilled our ethical responsibilities under, and we remained independent of the Company in accordance with, ethical requirements applicable in Ireland, including the Ethical Standard issued by the Irish Auditing and Accounting Supervisory Authority (IAASA) as applied to public interest entities. No non-audit services prohibited by that standard were provided.

Key audit matters: our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, 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 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.

In arriving at our audit opinion above, the key audit matters, in decreasing order of audit significance, were as follows (unchanged from 2018):

Valuation of technical provisions (claims outstanding) – €374.7m (gross) (2018 - €355.3m (gross))

Refer to page 21 - 24 (accounting policy) and pages 32 and 39 - 41 (financial disclosures)

The key audit matter

The Company's technical provisions (claims outstanding) represents outstanding loss reserves and incurred but not reported reserves ("technical provisions").

These technical provisions represent 71% of total liabilities.

The level of subjectivity in the estimated impact of uncertain or unknown future events serves to increase the level of judgement required and subjectivity inherent in the estimation of these provisions.

Significant lines of business, such as Medical Malpractice carry considerable uncertainty in the estimate of technical provisions. A wider range of potential outcomes results from the potential for larger actual versus expected development towards the tail-end of a claim and the impacts of legislative initiatives.

A margin is added to the actuarial best estimate of technical provisions to make allowance for specific risks and uncertainties that are not specifically allowed for, in establishing the actuarial best estimate. The appropriate margin to recognise is a subjective judgement and estimate taken by the directors, based on the perceived uncertainty and potential for volatility in the underlying claims.

How the matter was addressed in our audit

With the assistance of our own actuarial specialists, our procedures included but were not limited to:

Obtaining and documenting our understanding of the process and testing the design and implementation and operating effectiveness of selected key controls performed by management in relation to technical provisions. This includes controls over the data used by the reporting actuary and the appropriate governance oversight in determining the key assumptions for the actuarial best estimate and the additional margin applied above the best estimate.

Obtaining and assessing the independent report provided by the external actuary engaged by the Company, challenging the key judgements, assumptions and methodologies in the report.

Performing independent re-projection of the reserve balances using our own models for certain classes of business. The determination of which classes to re-project is based on risk assessment and materiality.

Comparing assumptions, reserving methodologies and estimates of losses to expectations based on the Company's historical experience, current trends and benchmarking to our own industry knowledge, including information relating to forthcoming legislation that may affect claims settlement speed or amount. For the Periodic Payment Order ("PPO") and annuities technical provision, this includes evaluating mortality, inflation, investment return and real discount rate assumptions.

Evaluating the appropriateness of the margin applied to the actuarial best estimate. We challenged the Head of Actuarial Function's approach to, and analysis performed in setting the margin. In particular, we considered the allowance for uncertainties inherent in the data and assumptions in developing the actuarial best estimate through inquiry with the Head of Actuarial Function.

Re-performing reconciliations between the claims data recorded in the insurance systems and actuarial reserving calculations to ensure integrity of the data used in the actuarial reserving process. We also test the completeness and accuracy of the data flow from the claims and policy systems to the financial systems.

Testing the relevant elements of the Company's data used in our Q3 projections and Q4 rollforward procedures. This primarily relates to testing claims paid and case estimates. We assess a sample of case reserves included within outstanding claims at 30 September 2019 to check that the reserve reflected the most up-to-date information obtained in respect of the claim, based on supporting evidence on file. We also perform specific fraud procedures, incorporating an element of unpredictability in the selection of the nature, timing and extent of procedures.

Testing a sample of claims payments by agreeing balances per the relevant systems to bank statements.

Evaluating the adequacy of disclosures in the financial statements relating to technical provisions and significant events.

Overall, we found the key assumptions used in, and the resulting estimate of, the valuation of the technical provisions to be reasonable.

Valuation of Investments - €208.3m (2018 - €188.4m)

Refer to pages 20 - 24 (Accounting policy) and pages 29 - 31 and 35 - 39 (financial disclosures)

The Key audit matter	**How the matter was addressed in our audit**
The Company holds and manages a significant investment portfolio to meet its obligations under insurance contracts and for shareholders investment purposes. The valuation of the investment portfolio involves a degree of judgement in selecting the valuation techniques applied to each investment. The size of the portfolio, variety of investments and market exposure all contribute to making the valuation a key area of focus within our audit.	Our procedures, all of which involve the support of our colleagues in Bermuda due to the centralised group investment function in operation in the Company, included but were not limited to: Obtaining and documenting our understanding of the process and testing the design and implementation of the key controls for the investments process. Testing the valuation of the investments by agreeing the prices used to independent third-party sources using our pricing specialists.

The portfolio includes a number of investments which require subjective valuations. These include alternative investments, group loans and real estate investments held through group companies. We note that we have identified a significant risk over valuation of the Level 3 investment portfolio which primarily consists of investments in group undertakings, shares and other variable yield securities in unit trusts and equities where there are unobservable inputs. Level 3 investments represent 10% of the investment balance.	Assessing the valuation methodology and assumptions applied to harder to value investments and testing inputs where applicable. Assessing the valuation of group companies with underlying real estate investments by obtaining and reviewing real estate valuations from management's experts. Obtaining and assessing group loan agreements and supporting loan schedules and evaluating the recoverability of the loans. We found immaterial uncorrected differences relating to the valuation of investments.

Our application of materiality and an overview of the scope of our audit

Materiality for the financial statements as a whole was set at €2.96m (2018: €2.72m), determined with reference to a benchmark of net assets (of which it represents 3% (2018: 5%) of net assets). We consider net assets to be the most appropriate benchmark as it provides a more stable measure year on year and is reflective of the level of activity of the Company.

We reported to the Audit Committee any corrected or uncorrected identified misstatements exceeding €0.15m (2018: €0.15m) in addition to other qualitative misstatements that warranted reporting on qualitative grounds.

Our audit of the Company was undertaken to the materiality levels specified above and was performed at the Company's offices in Dublin and the offices of a service provider in Germany.

We have nothing to report on going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

Other information

The directors are responsible for the preparation of the other information presented in the Annual Report together with the financial statements. The other information comprises the information included in the directors' report.

The financial statements and our auditor's report thereon do not comprise part of 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 as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

Based solely on our work on the other information we report that, in those parts of the directors' report specified for our consideration:

- we have not identified material misstatements in the directors' report;
- in our opinion, the information given in the directors' report is consistent with the financial statements; and
- in our opinion, the directors' report has been prepared in accordance with the Companies Act 2014.

Our opinions on other matters prescribed by the Companies Act 2014 are unmodified

We have obtained all the information and explanations which we consider necessary for the purpose 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 and the Company's balance sheet, profit and loss account – technical account – non life insurance business and profit and loss account – non technical account are in agreement with the accounting records.

We have nothing to report on other matters on which we are required to report by exception

The Companies Act 2014 requires us to report to you if, in our opinion, the disclosures of directors' remuneration and transactions required by Sections 305 to 312 of the Act are not made.

Respective responsibilities and restrictions on use

Directors' responsibilities

As explained more fully in their statement set out on page 3, the directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; 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; 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 they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (Ireland) will always detect a material misstatement when it exists. Misstatements can arise from fraud, other irregularities or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements. The risk of not detecting a material misstatement resulting from fraud or other irregularities is higher than for one resulting from error, as they may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control and may involve any area of law and regulation and not just those directly affecting the financial statements.

A fuller description of our responsibilities is provided on IAASA's website at https://www.iaasa.ie/getmedia/b2389013-1cf6-458b-9b8f-a98202dc9c3a/Description_of_auditors_responsiblities_for_audit.pdf.

The purpose of our audit work and to whom we owe our responsibilities

Our report is made solely to the Company's members, as a body, in accordance with Section 391 of the Companies Act 2014. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for our report, or for the opinions we have formed.

Ivor Conlon

13 May 2020

Ivor Conlon
for and on behalf of
KPMG
Chartered Accountants, Statutory Audit Firm
1 Harbourmaster Place
International Financial Service Centre
Dublin 1

Profit and loss account

Technical account – non-life insurance
for the year ended 31 December 2019

	Notes	2019 €000	2019 €000	2018 €000	2018 €000
Gross premiums written	3	**(16)**		(54)	
Outward reinsurance premiums		**16**		53	
Net premium written			**-**		(1)
Change in the gross provision for unearned premiums and unexpired risk	18	**126**		408	
Change in the provision for unearned premium and unexpired risk, reinsurers' share	18	**(118)**		(398)	
Change in the net provision for unearned premium			**8**		10
Earned premiums, net of reinsurance			**8**		9
Allocated investment return transferred from the non-technical account	3		**5,049**		2,883
Other technical income	3	**1,417**		2,712	
Reinsurers' share of other technical income		**(921)**		(171)	
Other technical income, net of reinsurance			**496**		2,541
Total technical income			**5,553**		5,433
Claims incurred, net of reinsurance					
Claims paid					
- Gross amount		**(56,956)**		(45,722)	
- Reinsurers' share		**(2,965)**		29,937	
Net claims paid		**(59,921)**		(15,785)	
Change in the provision for claims					
- Gross amount	18	**(16,558)**		42,183	
- Reinsurers' share	18	**65,840**		(27,600)	
Change in the net provision for claims		**49,282**		14,583	
Claims incurred, net of reinsurance			**(10,639)**		(1,202)
Net operating expenses	5		**(2,859)**		(2,825)
Balance on the technical account			**(7,945)**		1,406

All the above amounts are derived from continuing activities.

Profit and loss account (continued)

Non-technical account
for the year ended 31 December 2019

	Notes	2019 €000	2019 €000	2018 €000	2018 €000
Balance on the technical account			**(7,945)**		1,406
Investment income					
- Income from participating interests – group undertakings		**1,398**		8,205	
- Income from other investments		**4,283**		4,807	
Net investment income	*4*		**5,681**		13,012
Gains/(losses) on the realisation of investments	*4*		**499**		(5,623)
Unrealised gains/(losses) on investments	*4*		**5,524**		(2,126)
Investment charges	*4*		**(108)**		(346)
Allocated investment return transferred to the non-life insurance business technical account	*3*		**(5,049)**		(2,883)
Foreign exchange gains/(losses)			**1,012**		(608)
Interest expense	*22*		**(1,817)**		(1,811)
(Loss)/profit on ordinary activities before tax	*8*		**(2,203)**		1,021
Tax credit/(charge) on (loss)/profit on ordinary activities	*9*		**219**		(146)
(Loss)/profit for the year			**(1,984)**		875

All the above amounts are derived from continuing activities.

The notes on pages 18 to 43 form an integral part of the financial statements.

Balance sheet

as at 31 December 2019

	Notes	2019 €000	2019 €000	2018 €000	2018 €000
ASSETS					
Investments					
Investments in group undertakings and participating interests	*13*	**24,324**		11,994	
Other financial investments	*14*	**183,934**		176,438	
			208,258		188,432
Reinsurers' share of technical provisions					
Provision for unearned premiums	*18*	**11**		130	
Claims outstanding	*18*	**300,740**		232,281	
			300,751		232,411
Debtors					
Debtors arising out of direct insurance operations	*10*	**11,840**		6,953	
Other debtors	*11*	**601**		934	
			12,441		7,887
Other assets					
Tangible assets	*12*	**7**		6	
Cash at bank and in hand	*14*	**4,781**		39,210	
			4,788		39,216
Prepayments and accrued income					
Accrued interest and prepayments	*16*	**3,259**		3,236	
Deferred acquisition costs	*17*	**2**		101	
			3,261		3,337
Total assets			**529,499**		471,283

Balance sheet (continued)

as at 31 December 2019

	Notes	2019 €000	2019 €000	2018 €000	2018 €000
LIABILITIES					
Capital and reserves					
Called up share capital – presented as equity	*24*	**52,717**		52,717	
Capital Contribution	*25*	**11,000**		-	
Retained earnings	*25*	**32,248**		34,232	
Shareholder's funds attributable to equity interests			**95,965**		86,949
Technical provisions					
Provision for unearned premiums	*18*	**16**		142	
Claims outstanding	*18*	**374,738**		355,288	
			374,754		355,430
Creditors - amounts falling due within one year					
Creditors arising out of insurance operations	*19*	**32,206**		1,506	
Creditors arising out of reinsurance operations	*20*	**39**		22	
Other creditors	*21*	**251**		224	
			32,496		1,752
Creditors - amounts falling due greater than one year					
Subordinated loan notes	*14*	**23,429**		23,358	
			23,429		23,358
Accruals and deferred income					
Other accruals	*23*	**2,853**		3,693	
Deferred reinsurance commissions	*17*	**2**		101	
			2,855		3,794
Total liabilities			**529,499**		471,283

The notes on pages 18 to 43 form an integral part of the financial statements.

On behalf of the board

Chris Fleming
Director
13 May 2020

Brian Myles
Director
13 May 2020

Statement of changes in equity

as at 31 December 2019

	Notes	Called-up share capital €000	Capital contribution €000	Retained earnings €000	Total €000
At 31 December 2017		717	-	38,919	39,636
Profit for the year		-	-	875	875
Issue of ordinary share capital		52,000	-	-	52,000
Dividend paid	*30*	-	-	(5,562)	(5,562)
At 31 December 2018		**52,717**	**-**	**34,232**	**86,949**
Loss for the year		**-**	**-**	**(1,984)**	**(1,984)**
Capital contribution received		**-**	**11,000**	**-**	**11,000**
At 31 December 2019		**52,717**	**11,000**	**32,248**	**95,965**

Notes to the financial statements

1 Significant Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Company's financial statements.

1.1 Basis of accounting

The financial statements have been prepared under the historical cost convention, modified to include certain items at fair value, and in accordance with Financial Reporting Standards (FRS) 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* and FRS 103 *Insurance Contracts* (FRS 102 and 103) issued by the Financial Reporting Council, and promulgated for use in Ireland by Chartered Accountants Ireland. The Company is also subject to the requirements of the Companies Acts 2014 and the European Union (Insurance Undertakings: Financial Statements) Regulations, 2015.

In accordance with FRS 103, the Company has applied existing accounting policies for insurance contracts.

Although the Company's business is in run-off, as the Company intends to continue to operate as an insurance company for the foreseeable future and has the ability to manage the current business lines, the Directors consider it appropriate to prepare the financial statements on a going concern basis.

1.2 Foreign currencies

During 2018 the Company's functional currency, the currency of the primary economic environment in which it operates, changed from pounds Sterling to Euro. The Company determined that following the acquisition of the German MedMal portfolio, the primary economic environment in which it operates changed from the United Kingdom to Germany. At year end 2018 the Company presented its financial statements in pounds Sterling. This was to maintain consistency with the Company's quarterly and annual Solvency II regulatory returns in 2018.

During 2019 the Company changed presentation currency to Euro, consistent with the functional currency. Comparison figures are re-presented in Euro. The assets and liabilities at 31 December 2018 were translated at the rate of exchange ruling at the balance sheet date. Income and expenses for each statement of comprehensive income during 2018 were translated at exchange rates at the transaction date.

1.3 Insurance classification

The Company's contracts are classified at inception, for accounting purposes, as insurance contracts. A contract that is classified as an insurance contract remains an insurance contract until all rights and obligations are extinguished or expire. Insurance contracts are those contracts that transfer significant insurance risk, if and only if, an insured event could cause an insurer to make significant additional claims and benefits payments in any scenario, excluding scenarios that lack commercial substance. Such contracts may also transfer financial risk.

1.4 Revenue recognition

1.4.1 Premiums

Gross insurance premiums for non-life insurance business are reported as income over the term of the insurance contract based on the proportion of risks borne during the accounting period. Written premiums on short term reinsurance contracts are recognised as income when received. Written premiums on long term reinsurance contracts are recognised as earned over the life of the underlying reinsurance policies. Premium refunds are accounted for in the year in which they arise.

Outward reinsurance premiums are accounted for in the same year as the premiums for the related direct insurance.

1.4.2 Unearned premiums

The provision for unearned premiums comprises the amount representing that part of gross premiums written which is estimated to relate to unexpired terms of policies inforce at the balance sheet date, calculated on a time apportioned basis.

1.4.3 Investment return

Investment return consists of dividends, interest, movements in amortised cost on debt securities and other loans and receivables, realised gains and losses, and unrealised gains and losses on fair value assets.

Notes to the financial statements (continued)

1.4.4 Allocated investment return transferred from the non-technical account
A transfer of investment return is made from the non-technical account to the technical account of the estimated share of investment income arising from investments and cash supporting the insurance technical provisions. This calculation is based on the ratio of net technical provisions to shareholder's equity.

1.4.5 Dividend income
Dividend income from investments is recognised when the shareholder's rights to receive payment have been established.

1.4.6 Realised gains and losses
The realised gain or loss on disposal of an investment is the difference between the proceeds received, net of transaction costs, and its original cost or amortised cost as appropriate.

1.4.7 Unrealised gains and losses
Unrealised gains or losses represent the difference between the carrying value at the year end and the carrying value at the previous year end or purchase value during the year, less the reversal of previously recognised unrealised gains and losses in respect of disposals during the year.

1.5 Taxation
Tax on the profit for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity, in which case the related income tax is also recognised in equity.

Current tax is the expected tax payable on the taxable profit for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. The following timing differences are not provided for: differences between accumulated depreciation and tax allowances for the cost of a fixed asset if and when all conditions for retaining the tax allowances have been met; and differences relating to investments in subsidiaries and associates to the extent that it is not probable that they will reverse in the foreseeable future and the Company is able to control the reversal of the timing difference. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Current tax assets and liabilities are offset only when there is a legally enforceable right to set off the amounts and the Company intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

Deferred tax assets and liabilities are offset only if: a) the Company has a legally enforceable right to set off current tax assets against current tax liabilities; and b) the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future year in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

1.6 Tangible fixed assets and depreciation
Tangible fixed assets are stated at cost or valuation, less accumulated depreciation. The charge for depreciation is calculated to write down the cost or valuation of other tangible fixed assets to their estimated residual values by equal annual instalments over their expected useful lives which are as follows:

Computer equipment	3 years
Fixtures & fittings	3 years

1.7 Employee retirement benefits
The Company operates a defined contribution plan. Payments to the plan are charged to the profit and loss account as an expense as they fall due.

Notes to the financial statements (continued)

1.8 Financial assets and liabilities
The Company's investments are comprised of debt and equity investments, cash and cash equivalents, loans and receivables and investment in associates and subsidiaries.

A financial asset not held at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence of impairment. A financial asset is impaired if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset and that loss event had an impact on the estimated future cash flows of that asset that can be measured reliably.

Objective evidence that a financial asset is impaired includes significant financial difficulty of the issuer or obligor, a breach of contract, default or delinquency in interest or principal payments, restructuring of the amount due on terms that the Company would not otherwise consider, indications that a borrower will enter bankruptcy or other financial reorganisation, or adverse changes in the payment status of the borrower due to adverse national or local economic conditions or adverse changes in industry conditions.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. Losses are recognised in the profit and loss account and reflected in an allowance against receivables. Interest on the impaired asset continues to be recognised.

If an event occurring after the impairment was recognised causes the amount of impairment loss to decrease, then the decrease in impairment loss is reversed through the profit and loss account.

1.8.1 Recognition
Financial assets and liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument. Financial liabilities are classified according to the substance of the contractual arrangements entered into.

1.8.2 Initial measurement
All financial assets and liabilities are initially measured at transaction price, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

1.8.3 Subsequent measurement
With the exception of Subordinated loan notes and loans and receivables, debt instruments are measured at fair value through profit or loss. Fair value is determined based on whether quoted prices are available for instruments such as corporate bonds and government gilts. The Subordinated loan is valued at amortised cost using the effective interest rate method. The placement fees and directly attributable costs of issuing the Subordinated loan have also been amortised. The Subordinated loan notes meet the definition of a *Basic Financial Instrument* under FRS 102 as they meet the conditions in paragraph 11.9. The fair value has been approximated at the nominal value/amortised cost. For instruments such as loans and receivables where fair value cannot be determined from active markets, the fair value has been approximated at the nominal value/amortised cost. Equity instruments shall be measured at fair value with changes in fair value recognised in the profit and loss account, if the shares are publicly traded or their fair value can otherwise be measured reliably; and all other such investments shall be measured at cost less impairment. Investments in group undertakings are measured at fair value with changes recognised in the profit and loss account.

Realised and unrealised gains and losses arising from changes in the fair value of investments are presented in the non-technical profit and loss account in the year in which they arise. Interest income is recognised when earned. Investment management and other related expenses are recognised when incurred.

1.8.4 Derecognition of financial assets and liabilities
Financial assets are derecognised when and only when a) the contractual rights to the cash flows from the financial asset expire or are settled, b) the Company transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or c) the Company, despite having retained some significant risks and rewards of ownership, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer.

Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

Notes to the financial statements (continued)

1.8.5 Fair value measurement

Fair value is the price for which the asset could be exchanged, a liability settled or an equity instrument granted could be exchanged, between knowledgeable willing parties in an arm's length transaction. The best evidence of fair value is a quoted price for an identical asset in an active market. When quoted prices are unavailable, the price of a recent transaction for an identical asset provides evidence of fair value as long as there has not been a significant change in economic circumstances or a significant lapse of time since the transaction took place. If the market is not active and recent transactions of an identical asset on their own are not a good estimate of fair value, the Company estimates the fair value by using a valuation technique. See note 2 for further information on the Company's valuation techniques.

1.8.6 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

1.8.7 Investments in group undertakings and participating interests

In the Company balance sheet, investments in group undertakings and participating interests are measured at fair value through profit or loss.

The Company has complied with FRS 102.9.9 whereby a subsidiary shall be excluded from consolidation where the interest in the subsidiary is held exclusively with a view to subsequent resale; and the subsidiary has not previously been consolidated in the consolidated financial statements prepared in accordance with this FRS. The subsidiary is held as part of an investment portfolio whose value to the Company is through its fair value as part of the investment portfolio.

The Subsidiary excluded from consolidation is Propco (Swansea) Limited. See note 13 to the financial statements for further information on the Company's holdings in group undertakings and participating interests.

1.9 Derivative financial instruments

The Company uses derivative financial instruments to reduce exposure to foreign exchange risk movements. The Company does not hold or issue derivative financial instruments for speculative purposes. Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently re-measured to their fair value at each reporting date. The resulting gain or loss is recognised in profit or loss immediately.

1.10 Insurance contracts

1.10.1 Technical result

The technical result is determined on an annual basis whereby the incurred cost of claims, commission and related expenses are charged against the earned portion of premiums, net of reinsurance.

1.10.2 Claims

Claims consists of claims paid to policyholders, changes in the valuation of the liabilities arising on policyholder contracts and claims handling expenses, net of salvage and subrogation recoveries.

1.10.3 Acquisition costs

Commission costs consists of fees and commissions paid to brokers and are directly related to the acquisition of policies. Reinsurance commissions receivable are deferred in the same way as acquisition costs. All other fee and commission income is recognised as the services are provided.

1.10.4 Technical provision for outstanding claims

Provision for the liabilities of non-life insurance contracts is made for outstanding claims and settlement expenses incurred at the balance sheet date including an estimate for the cost of claims incurred but not reported (IBNR) at that date. Included in the provision is an estimate of the costs of handling the outstanding claims.

Full provision is made on an individual case basis for the estimated cost of claims notified but not settled by the balance sheet date. In estimating the cost of claims notified but unpaid, the Company has regard to the claim circumstances as reported, any information available from loss adjustors and/or other experts and information on the cost of settling claims with similar characteristics in previous years. The Company takes all reasonable steps to ensure that it has appropriate information regarding its claims exposures.

Notes to the financial statements (continued)

In addition, a provision for IBNR is also established. The estimation of IBNR claims is subject to a greater degree of uncertainty than the estimation of the cost of settling claims already notified to the Company, where more information about the claim event is available.

In calculating the estimated total cost of unpaid claims, the Company uses a variety of actuarial estimation techniques, generally based upon statistical analyses of historic claims experience information available to the Company which assume that the development pattern of current claims will be related to past experience. However, allowance is made for changes or uncertainties which may create distortions in the underlying statistics or which might cause the cost of unsettled claims to increase or reduce when compared with the cost of previously settled claims. Examples of such issues include operational changes affecting the timing and adequacy of case reserving or settlements and also the impact of external factors from the legal/judicial environment. Large claims impacting each relevant business class are projected in order to allow for the possible distortion of the development and incidence of these large claims.

The final reserve selection is chosen based on the results of a range of methodologies used taking into account the characteristics of each business class, the extent and development of each accident year and the length of 'tail' on the claims involved. Whilst the directors consider that the gross provision for claims and the related reinsurance recoveries are fairly stated on the basis of the information currently available to them, the ultimate liability may vary as a result of subsequent information and events. In such circumstances, any differences between provisions and subsequent settlements are dealt with in the technical accounts of later years.

Included in the provision is an estimate of the costs of handling the outstanding claims. The provision is based on projected costs that have been allocated to each line of business.

On long-term liability claims, due to the long delay from when the claim was settled and when the final payment will be made, the outstanding claims are discounted to take account of investment income receivable to the final payment date.

1.10.5 Provision for unexpired risk
A provision for unexpired risks is established where the expected value of claims and expenses attributable to the unexpired periods of policies in force at the balance sheet date exceeds the unearned premium provision in relation to such policies, after deduction of any deferred acquisition costs.

1.10.6 Provision for unearned premium
The provision for unearned premiums represents that part of written premiums, gross of commission payable to intermediaries that is estimated to be earned in subsequent years. The change in the provision is recorded in the profit and loss account to recognise revenue over the period of the risk.

1.11 Deferred acquisition costs
Acquisition costs comprise the expenses, both direct and indirect, of acquiring insurance policies written during the year. Acquisition costs, which relate to a subsequent year are deferred and charged to the years in which the related premiums are earned. Deferred acquisition costs represent the proportion of acquisition costs incurred, which corresponds to the proportion of gross premiums written which are unearned at the balance sheet date.

1.12 Reinsurance
The Company enters into reinsurance contracts in the normal course of business in order to limit the potential for losses arising from certain exposures. Outwards reinsurance premiums are accounted for in the same year as the related premiums for the direct or inwards reinsurance business being reinsured.

Reinsurance liabilities comprise premiums payable for outwards reinsurance contracts and are recognised as an expense when due. Reinsurance assets include balances due from reinsurance companies for paid and unpaid losses. Reinsurance assets are measured consistently with the amounts associated with the underlying insurance contract and in accordance with the terms of the reinsurance contract. Reinsurance is recorded as an asset unless a right of set-off exists, in which case the associated liabilities are reduced to take account of reinsurance.

Reinsurance assets are subject to impairment testing and the carrying amount is reduced to its recoverable amount. The impairment loss is recognised as an expense in the profit and loss account. The asset is impaired if objective evidence is available to suggest that it is probable that the Company will not be able to collect the amounts due from reinsurers.

Notes to the financial statements (continued)

The reinsurers' share of claims incurred, in the profit and loss account, reflects the amounts received or receivable from reinsurers in respect of those claims incurred during the year.

1.13 Insurance receivables and payables
Receivables and payables arising under insurance contracts are recognised when due and measured at amortised cost, using the effective interest rate method. A provision for impairment is established when there is objective evidence that, as a result of one or more events that occurred after the initial recognition, the estimated future cash flows have been impacted.

2 Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, which are described in note 1, the Directors are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. 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 year in which the estimate is revised if the revision affects only that year, or in the year of the revision and future years if the revision affects both current and future years.

2.1 Critical judgements in applying the Company's accounting policies
The following are the critical judgements, apart from those involving estimations (which are dealt with separately below), that the directors have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

Intangible liability
The Company applies an expanded presentation in accounting for portfolio transfers. When the fair value of both the contractual insurance rights acquired and insurance obligations assumed are higher than the liability measured in accordance with the Company's accounting policies, the Company records the difference as an intangible liability. The intangible liability is amortised in line with the underlying liabilities to which it relates.

Reinsurance assets
Reinsurance assets include balances due from reinsurance companies for paid and unpaid losses. Reinsurance assets are measured in accordance with the accounting policy stated in note 1.12.

Impairment of debtors
The Company's policy is to review its debtors for impairment on at least an annual basis. In determining whether an impairment loss should be charged to the profit and loss account at the reporting date, the Company makes judgements as to whether any observable data exists indicating evidence of impairment which would be likely to result in a measurable decrease in the timings and amounts of the estimated future cash flows.

2.2 Key Sources of estimation uncertainty
The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

2.2.1 Valuation of liabilities of non-life insurance contracts
Estimates are made for both the expected ultimate cost of claims reported and claims incurred but not reported (IBNR) at the balance sheet date. The estimate of IBNR is generally subject to a greater degree of uncertainty than that for reported claims. In calculating the estimated liability, the Company uses a variety of estimation techniques based upon statistical analyses of historical experience which assumes past trends can be used to project future developments. The Company has significant exposure to MedMal insurance risk, which carries considerable uncertainty in the estimate for technical provisions and therefore can result in a wide range of possible outcomes, above and beyond that experienced in traditional non-life insurance products. The long-tail nature of the technical provisions for MedMal products can result in larger actual to expected development of a claim and can be dependent on legislative initiatives and the ability to settle a claim outside of a court of law. The carrying amount for non-life insurance contract liabilities at the balance sheet is €374.7 million (2018: €355.3 million).

Notes to the financial statements (continued)

2.2.2 Discounting of Periodic Payment Orders (PPOs) and Annuities
The Company's portfolio includes certain long-term liabilities, Periodic Payment Orders (PPOs) on its UK portfolio and annuity claims on its German MedMal portfolio. Both the PPOs and annuity claims are long-term claims with predominantly court approved regular payments for future care costs of the claimant.

Annual cashflows are projected in accordance with the claimants' life expectancy. The cashflows are increased in line with an assumed claims inflation rate. In previous years the cashflows were discounted to the valuation date at an assumed discount rate. The use of discounting is subject to annual approval from the Central Bank of Ireland. The Company is required to meet all the conditions as set out under Regulation 59 (2) of S.I. No. 262/2015 - European Union (Insurance Undertakings: Financial Statements) Regulations 2015, however, following the change to internal reinsurance arrangement in respect of the long-term liabilities, whereby these liabilities are now fully reinsured, and the Company will not generate investment income in respect of the long-term liabilities, the Company does not meet all of the conditions in the Regulations and is not permitted to use discounting.

2.2.3 Valuation of financial instruments
The directors use their judgement in selecting an appropriate valuation technique. Where possible, financial instruments are marked at prices quoted in active markets. In certain instances, such price information is not available for all instruments and the Company uses valuation techniques to measure such instruments. These techniques use "market observable inputs" where available, derived from similar assets in similar and active markets, from recent transaction prices for comparable items or from other observable market data. For positions where observable reference data are not available for some or all parameters the Company estimates the non-market observable inputs used in its valuation models. For derivative financial instruments, assumptions are made based on quoted market rates adjusted for specific features of the instrument.

FRS 102 section 11.27, establishes a fair value hierarchy that prioritises the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical asset or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy are as follows:

- Level 1 – The unadjusted quoted price in an active market for identical assets or liabilities that the entity can access at the measurement date.
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable (i.e. developed using market data) for the asset or liability, either directly or indirectly.
- Level 3 – Inputs are unobservable (i.e. for which market data is unavailable) for the asset or liability.

Inputs are used in applying the various valuation techniques and broadly refer to the assumptions that market participants use to make valuation decisions, including assumptions about risk. Inputs may include price information, volatility statistics, yield curves, credit spreads, liquidity statistics and other factors.

The use of different valuation techniques could lead to different estimates of fair value.

3 Segmental information

(a) **Analysis of gross premiums written**	**2019**	**2018**
By geographical segment:	**€000**	**€000**
United Kingdom	**-**	(2)
Italy	**(16)**	(52)
	(16)	(54)

Notes to the financial statements (continued)

3 Segmental information – continued

(b) Analysis of gross premiums written, gross premiums earned, gross claims incurred, gross operating expenses, allocated investment return, other technical income and the reinsurance balance

	Gross premiums written 2019 €000	Gross premiums earned 2019 €000	Gross claims incurred 2019 €000	Gross operating expenses 2019 €000	Allocated investment return 2019 €000	Other technical income 2019 €000	Reinsurance balance 2019 €000
Direct insurance:							
- Motor	-	-	(53,240)	(97)	119	-	48,037
- Liability	-	22	(20,319)	(3,066)	4,929	1,417	14,242
- Property	-	-	25	(1)	1	-	(16)
- Creditor / Personal Accident	(16)	88	(5)	(90)	-	-	7
Reinsurance	-	-	25	(18)	-	-	(5)
	(16)	110	(73,514)	(3,272)	5,049	1,417	62,265

	2018 €000	2018 €000	2018 €000	2018 €000	2018 €000	2018 €000	2018 €000
Direct insurance:							
- Motor	-	-	15,374	(330)	358	2,449	(9,830)
- Liability	-	31	(18,931)	(2,779)	2,524	263	12,141
- Property	-	-	29	(1)	1	-	(1)
- Creditor / Personal Accident	(52)	328	(45)	(310)	-	-	26
Reinsurance	(2)	(5)	34	(14)	-	-	94
	(54)	354	(3,539)	(3,434)	2,883	2,712	2,430

All the above amounts are derived from continuing activities.

Notes to the financial statements (continued)

4 Net investment return

	Net investment income 2019 €000	Net investment expense 2019 €000	Net realised gains and losses 2019 €000	Changes in fair value 2019 €000	Net investment result 2019 €000
Financial assets:					
- measured at fair value through profit or loss	**1,900**	**(108)**	**938**	**5,657**	**8,387**
- measured at amortised cost	**3,808**	**-**	**-**	**-**	**3,808**
- measured at cost	**(27)**	**-**	**-**	**-**	**(27)**
- derivatives	**-**	**-**	**(439)**	**(133)**	**(572)**
	5,681	**(108)**	**499**	**5,524**	**11,596**

	2018 €000	2018 €000	2018 €000	2018 €000	2018 €000
Financial assets:					
- measured at fair value through profit or loss	11,620	(346)	(5,302)	(2,235)	3,737
- measured at amortised cost	1,593	-	-	-	1,593
- measured at cost	(201)	-	-	-	(201)
- derivatives	-	-	(321)	109	(212)
	13,012	(346)	(5,623)	(2,126)	4,917

5 Net operating expenses

	2019 €000	2018 €000
Acquisition costs	**181**	(27)
Change in deferred acquisition costs (note 17)	**99**	335
Administrative expenses	**2,992**	3,126
Gross operating expenses	**3,272**	3,434
Reinsurance commissions and profit participation	**(313)**	(269)
Overrider commissions	**(1)**	(5)
Changes in reinsurers' shares of deferred acquisition costs (note 17)	**(99)**	(335)
Net operating expenses	**2,859**	2,825

Notes to the financial statements (continued)

6 Employees

The aggregate payroll costs in respect of employees were as follows:	2019 €000	2018 €000
Wages and salaries	**804**	813
Social welfare costs	**90**	90
Other pension costs	**62**	57
	956	960

The average number of persons employed by the Company (including executive directors) during the year was as follows:	2019	2018
Management	**1**	1
Claims	**1**	1
Compliance	**2**	2
Finance	**3**	3
	7	7

7 Directors' remuneration

	2019 €000	2018 €000
Directors' emoluments	**318**	267
Contributions paid to retirement benefit scheme	**25**	18
Directors' fees	**102**	115

The Company made payments to a defined contribution scheme for two directors (2018: one director). All remuneration was paid by the Company. Directors' fees includes €54,000 (2018: €67,000) in respect of directors from the Catalina Group. The Company has not paid any fees or other remuneration to these directors related to the directorship role they provided to the Company as part of their group-wide executive management role. This amount is an estimated allocation of the emoluments paid or payable by the holding company to those individuals in relation to their group wide executive management role. The estimated allocation is based on an estimate of the qualifying services, including management of the affairs of the Company they provided to the Company during the financial year.

8 Profit/(loss) on ordinary activities before tax

The profit/(loss) for the year has been arrived at after charging the following items :	2019 €000	2018 €000
Auditor's remuneration		
- Audit of the Company's individual accounts	**203**	156
- Other assurance services	**96**	68
- Other non-audit services	**12**	48
- Tax services	**9**	11
Depreciation of tangible assets	**3**	11

Notes to the financial statements (continued)

9 Taxation

On (loss)/profit for the year:	2019 €000	2018 €000
Corporation tax (credit)/charge	**(238)**	141
Adjustments in respect of prior years	**19**	5
Total current tax (credit)/charge	**(219)**	146

Reconciliation of current tax (credit)/charge based on applying the standard rate of tax to the (loss)/profit per the financial statements and the current tax (credit)/charge reported in the financial statements:	2019 €000	2018 €000
(Loss)/profit for the year before tax	**(2,203)**	1,021
Current tax (credit)/charge based on standard rate of 12.5% (2018: 12.5%)	**(275)**	128
Adjustments from standard rate:		
- Adjustments in respect of prior years	**19**	5
- Miscellaneous adjustments	**37**	13
Total tax (credit)/charge for the year	**(219)**	146

10 Debtors arising out of direct insurance operations

	2019 €000	2018 €000
Amounts owed by intermediaries	**8,393**	6,953
Amounts owed by fellow subsidiary undertakings	**3,447**	-
	11,840	6,953

All amounts are due within one year.

11 Other debtors

	2019 €000	2018 €000
Corporation tax receivable	**402**	854
Other debtors	**199**	80
	601	934

All amounts are due within one year.

Notes to the financial statements (continued)

12 Tangible assets

	Computer equipment €000	Fixtures and fittings €000	Total €000
Cost			
At beginning of year	30	17	47
Additions	3	-	3
Cost at end of year	**33**	**17**	**50**
Accumulated Depreciation			
At beginning of year	25	15	40
Charge for year	2	1	3
At end of year	**27**	**16**	**43**
Net Book Value			
At 31 December 2019	**6**	**1**	**7**
At 31 December 2018	4	2	6

13 Investments in group undertakings and participating interests

The Company has the following investments in group undertakings at fair value:	2019 €000	2018 €000
Investment in subsidiary	**2,652**	-
Investment in participating shares	**6,089**	6,686
	8,741	6,686

The Company has the following loans to group undertakings at amortised cost:	2019 €000	2018 €000
Oxenwood Partners LP	**2,466**	-
Oxenwood Catalina III Limited	**13,117**	5,308
	15,583	5,308

Investment in group undertakings	Country of incorporation	Nature of business	2019 Percentage	2018 Percentage
Catalina ORE Ltd.	Bermuda	Investment company	**46.37%**	46.37%
Catalina Permian Ltd.	Bermuda	Investment company	**33.33%**	33.33%
Catalina Oxenwood Investments Ltd.	Bermuda	Investment company	**-**	0.01%
Propco (Swansea) Limited	UK	Investment company	**55.9%**	-

During the year the Company acquired a 56% share in Propco (Swansea) Limited, a company incorporated for investment purposes. The Company also sold its remaining 2,039 shares in Catalina Oxenwood Investments Ltd. at cost. The Company issued 8% preference loans to Oxenwood Partners LP and additional 8% Mezzanine loans to Oxenwood Catalina III Limited during the year.

Catalina ORE Ltd. made a loss of Stg£0.4 million for the year ended 31 December 2019 (2018: profit of Stg£3.2 million) and had net assets of Stg£3.4 million (2018: Stg£4.6 million) as of that date. Catalina Permian Ltd. made a profit of US$0.2 million for the year ended 31 December 2019 (2018: US$7.2 million) and had net assets of US$14.3 million (2018: US$14.1 million) as of that date. In the first year of trading to 31 December 2019 Propco (Swansea) Limited made a profit of Stg£0.1 million and had net assets of Stg£4.0 million as of that date.

Notes to the financial statements (continued)

14 Financial instruments

	2019	2018
Financial assets	**€000**	**€000**
Measured at fair value through profit or loss		
- Shares and other variable yield securities in unit trusts	**6,593**	6,538
- Debt securities and other fixed income securities	**149,660**	140,988
- Equities	**4,692**	10,785
- Forward currency contracts (Other debtors)	**2**	-
- Investment in group undertakings (note 13)	**8,741**	6,686
	169,688	164,997
Measured at amortised cost		
- Loans and receivables	**22,989**	18,127
- Loans to group undertakings (note 13)	**15,583**	5,308
	38,572	23,435
Measured at cost		
- Cash and cash equivalents	**4,781**	39,210
	4,781	39,210
Measured at undiscounted amount receivable		
- Debtors arising out of direct insurance operations	**11,840**	6,953
- Other debtors	**599**	913
	12,439	7,866
Total financial assets	**225,480**	235,508
Financial liabilities		
Measured at fair value through profit or loss		
- Forward currency contracts (Other creditors)	**189**	55
	189	55
Measured at amortised cost		
- Subordinated loan notes	**23,429**	23,358
	23,429	23,358
Measured at undiscounted amount payable		
- Creditors arising out of direct insurance operations	**32,206**	1,506
- Creditors arising out of reinsurance operations	**39**	22
- Other creditors	**62**	169
	32,307	1,697
Total financial liabilities	**55,925**	25,110

Notes to the financial statements (continued)

15 Derivative financial instruments

The Company uses derivative financial instruments to reduce exposure to foreign exchange risk movements. The Company had four open derivative instruments as at 31 December 2019 (2018: two). The table below sets out the open derivatives at 31 December 2019:

Foreign exchange forward contract 2019	Contract date	Settlement date	Contract amount '000	Settlement amount '000	Fair value at 31 December €000	Net gains/(losses) €000
EUR	13 Nov 2019	14 Feb 2020	EUR1,093	US$1,212	(24)	(24)
EUR	13 Nov 2019	14 Feb 2020	EUR116	Stg£100	2	2
EUR	27 Nov 2019	14 Feb 2020	EUR692	US$765	(13)	(13)
EUR	20 Dec 2019	27 Mar 2020	EUR14,375	US$16,039	(152)	(152)
					(187)	**(187)**

Foreign exchange forward contract 2018	Contract date	Settlement date	Contract amount '000	Settlement amount '000	Fair value at 31 December €000	Net gains/(losses) €000
Stg£	21 Dec 2018	27 Mar 2019	Stg£2,362	US$3,000	(20)	(20)
EUR	21 Dec 2018	27 Mar 2019	EUR11,332	US$13,039	(34)	(34)
					(54)	(54)

16 Accrued interest and prepayments

	2019 €000	**2018 €000**
Accrued interest	**2,011**	1,705
Prepayments	**63**	95
Reinsurers' share of intangible liability	**1,185**	1,436
	3,259	3,236

17 Deferred acquisition costs

	2019 €000	**2018 €000**
Gross amount		
At beginning of year	**101**	436
Changes in deferred acquisition costs (note 5)	**(99)**	(335)
At end of year	**2**	101
Reinsurance amount		
At beginning of year	**(101)**	(436)
Changes in deferred acquisition costs (note 5)	**99**	335
At end of year	**(2)**	(101)
Net deferred acquisition costs	**-**	-

Notes to the financial statements (continued)

18 Technical provisions

	Provision for unearned premiums €000	Claims outstanding €000	Total €000
Gross amount			
At beginning of year	142	355,288	355,430
Movement in provision	(126)	16,558	16,432
Foreign exchange movement	-	2,892	2,892
At end of year	**16**	**374,738**	**374,754**
Reinsurance amount			
At beginning of year	130	232,281	232,411
Movement in provision	(118)	65,840	65,722
Foreign exchange movement	(1)	2,619	2,618
At end of year	**11**	**300,740**	**300,751**
Net technical provision			
At beginning of year	12	123,007	123,019
At end of year	**5**	**73,998**	**74,003**

	2019 €000	2018 €000
Net technical provisions at end of year	**74,003**	123,019

Included within claims outstanding is a provision for future claims handling costs of €2,925,529 (2018: €3,537,451).

The Company's existing intra-group reinsurance arrangement was amended during the year to increase the reinsurance on the Company's long-term liabilities (UK PPOs and German annuities) from 65% to 100%. The Company received non-objection from the Central Bank of Ireland on 8 January 2020, with the changes effective from 1 July 2019. A premium of €40.7 million was required to transfer liabilities of €31.9 million, on a GAAP basis. The transferring liabilities amounted to €46 million on a Solvency II basis, discounted using the risk-free interest rate term structures published by the European Insurance and Occupational Pensions Authority (EIOPA).

19 Creditors arising out of insurance operations

	2019 €000	2018 €000
Amounts due to cedants	**76**	6
Amounts due to subsidiary undertakings	**32,130**	1,500
	32,206	1,506

20 Creditors arising out of reinsurance operations

	2019 €000	2018 €000
Amounts due to cedants	**39**	22
	39	22

Notes to the financial statements (continued)

21 Other creditors

	2019 €000	2018 €000
Forward currency contracts (Note 15)	**189**	55
VAT payable	**62**	169
	251	224

22 Subordinated loan notes

In December 2016 the Company issued €23.8 million of floating rate subordinated loan notes. The notes are due in January 2027 and they are listed on the Channel Island Stock Exchange. Interest on the notes is based on EURIBOR plus a margin of 7.2%. The margin increased to 7.95% with effect from 23 December 2019. Interest expense in connection with these notes was €1,817,156 for the year ended 31 December 2019 (2018: €1,811,130).

23 Accruals

	2019 €000	2018 €000
Intangible liability	**1,823**	2,209
Other accruals	**1,030**	1,484
	2,853	3,693

The intangible liability represents the difference between the fair value of the contractual insurance rights acquired and insurance obligations assumed and the liability measured in accordance with the Company's accounting policies. The liability is amortised in line with the underlying liabilities. Further details are shown below:

	2019 €000	2018 €000
Intangible liability		
Opening balance	**2,209**	2,433
Increase in liability resulting from portfolio transfer	**-**	2,471
Amortisation	**(386)**	(2,712)
Foreign exchange	**-**	17
Closing balance	**1,823**	2,209

24 Called up share capital

	2019 Stg£000	2018 Stg£000
Authorised		
50,000,000 ordinary shares of £1 each	**50,000**	50,000

	2019 €000	2018 €000
Allotted, called up and fully paid		
46,722,601 ordinary shares of £1 each	**52,717**	52,717

Notes to the financial statements (continued)

25 Reconciliation of shareholder's funds

	Share capital 2019 €000	Capital contribution 2019 €000	Retained earnings 2019 €000	Total shareholder's funds 2019 €000
Opening balance	52,717	-	34,232	86,949
Loss for the year	-	-	(1,984)	(1,984)
Capital contribution received	-	11,000	-	11,000
Closing balance	**52,717**	**11,000**	**32,248**	**95,965**

	2018 €000	2018 €000	2018 €000	2018 €000
Opening balance	717	-	38,919	39,636
Profit for the year	-	-	875	875
Issue of ordinary share capital	52,000	-	-	52,000
Dividend paid	-	-	(5,562)	(5,562)
Closing balance	**52,717**	**-**	**34,232**	**86,949**

26 Capital management

Capital management refers to implementing measures to maintain sufficient capital and assessing the internal capital adequacy of the Company. The Company has a capital management plan which ensures it meets its objectives of maintaining a prudent cushion of equity to protect the Company's economic viability and to finance new growth opportunities, and maintaining sufficient capital in order to meet regulatory requirements. The capital management plan forms a part of the strategic decision making of the Company. The Company was in compliance with regulatory capital requirements throughout the year. The Company received an irrevocable, voluntary, non-refundable and unconditional capital contribution of €11 million during the year.

The Company is a Solvency II Undertaking authorised under the European Union (Insurance and Reinsurance) Regulations 2015 to carry on insurance business. Under the Solvency II regime, the Company is subject to minimum capital requirements and solvency capital requirements. The Company uses the standard formula to determine these in the context of the measurement of assets, liabilities and capital to satisfy the requirements set out in Pillar I of the regulations. The table below sets out the Solvency II Solvency Capital Requirement ("SCR") and the Company's SCR coverage.

	2019 €000	2018 €000
Solvency Capital Requirement	46,608	56,255
Total Available Own Funds to meet the SCR	91,521	65,002
Total Eligible Own Funds to meet the SCR	91,397	65,002
Ratio of Eligible Own Funds to SCR	*196%*	*116%*

27 Pension commitments

Pensions for employees, including Directors of the Company, are funded through an independent external defined contribution scheme. The total pension cost for the year amounted to €61,510 (2018: €56,850).

At the 31 December 2019, there was €Nil outstanding contributions in relation to this scheme (2018: €Nil).

Notes to the financial statements (continued)

28 Financial risk management

The Company operates a number of committees which meet on a regular basis to review, monitor and control the Company's financial and risk matters. Key risks are documented and graded according to their likelihood and potential impact. Identified risks are assessed and mitigated or eliminated where possible, or otherwise closely monitored. These risks include market risk (currency risk, interest rate risk and price risk), credit risk and liquidity risk.

The Company may seek to minimise the effects of these risks by using derivative financial instruments to hedge risk exposures. The Company does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

(a) Fair value

Fair value is the amount for which an asset or liability could be exchanged between willing parties in an arm's length transaction. Fair values are determined at prices quoted in active markets. In some instances, such price information is not available for all instruments and the Company applies valuation techniques to measure such instruments. These valuation techniques make maximum use of market observable data but in some cases management estimate other than observable market inputs within the valuation model. There is no standard model and different assumptions would generate different results.

Fair values are subject to a control framework designed to ensure that input variables and output are assessed independent of the risk taker. These inputs and outputs are reviewed and approved by the asset management team. The Company classifies its financial instruments held at fair value in its balance sheet using a fair value hierarchy, as follows:

- Level 1 – The unadjusted quoted price in an active market for identical assets or liabilities that the entity can access at the measurement date.
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable (i.e. developed using market data) for the asset or liability, either directly or indirectly.
- Level 3 – Inputs are unobservable (i.e. for which market data is unavailable) for the asset or liability.

The table below analyses financial instruments held at fair value in the Company's balance sheet at the reporting date by its level in the fair value hierarchy:

	Level 1 2019 €000	Level 2 2019 €000	Level 3 2019 €000	Total 2019 €000
Financial assets				
Shares and other variable yield securities in unit trusts	-	-	6,593	6,593
Debt securities and other fixed income securities	-	149,039	621	149,660
Equities	-	-	4,692	4,692
Forward currency contracts	-	-	2	2
Investment in group undertakings	-	-	8,741	8,741
	-	149,039	20,649	169,688
Financial liabilities				
Forward currency contracts	-	-	189	189

	2018 €000	2018 €000	2018 €000	2018 €000
Financial assets				
Shares and other variable yield securities in unit trusts	-	-	6,538	6,538
Debt securities and other fixed income securities	-	140,447	541	140,988
Equities	6,127	-	4,658	10,785
Investment in group undertakings	-	-	6,686	6,686
	6,127	140,447	18,423	164,997
Financial liabilities				
Forward currency contracts	-	-	55	55

Notes to the financial statements (continued)

28 Financial risk management – continued

Information on the methods and assumptions used to determine fair values for each major category of financial instrument at fair value is provided below:

Equities and Shares and other variable yield securities in unit trust
Equity instruments listed on a recognised exchange are valued using prices sourced from the primary exchange on which they are listed. Shares and other variable securities and holdings in unit trusts are generally categorised as Level 1 in the fair value hierarchy except where they are not actively traded, in which case they are generally measured on prices of recent transactions in the same instrument and are categorised as Level 2. Level 3 investments include holdings for which there is no active market trading or a lack of recent transaction price. The fair value is estimated using a valuation technique, the objective being to estimate what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal business considerations.

Debt securities and other fixed income securities
Debt securities are generally valued using prices provided by external pricing vendors. Pricing vendors will often determine prices by consolidating prices of recent trades for identical or similar securities obtained from a panel of market makers into a composite price. The pricing service may make adjustments for the elapsed time from a trade date to the valuation date to take into account available market information. Lacking recently reported trades, pricing vendors will use modelling techniques to determine a security price. The Company performs an analysis of the prices obtained from pricing vendors to ensure that they are reasonable and produce a reasonable estimate of fair value. The Company considers both qualitative and quantitative factors as part of this analysis. Examples of analytical procedures performed include reference to recent transactional activity for similar securities, review of pricing statistics and trends and consideration of recent relevant market events. Debt securities and other fixed income securities are ordinarily categorised as Level 2.

Investments in group undertakings
There is no active market trading or a lack of recent transaction price for investments in group undertakings. The fair value is estimated using a valuation technique, the objective being to estimate what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal business considerations. Investment in group undertakings are ordinarily categorised as Level 3, with the fair value based on the net asset value of the undertaking.

(b) Market Risk
Market risk is the risk of adverse financial impact as a consequence of market movements such as currency exchange rates, interest rates and other price changes. Market risk arises due to fluctuations in both the value of assets held and the value of liabilities.

The Investment policy governs the Company's exposure to market risk. Exposures are controlled by the setting of investment limits in line with the Company's risk appetite. The Investment policy is approved by the Board and is applied by the Group Investment team, who are responsible for making and implementing investment decisions on behalf of the Company in line with the Investment policy and risk appetite statements approved by the Board.

The primary goal of the Company's investment strategy is to maximise investment returns within the Board approved Risk Appetite Statement. The investment management philosophy is implemented through both internal investment management decisions and the assistance of external investment managers to best achieve the objectives of the Investment policy. The majority of investments are held at fair value, with changes in fair value recorded through the profit or loss because their performance is actively monitored and they are managed on a fair value basis.

Interest rate risk
Interest rate risk is the risk that the value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Company is exposed to interest rate risk as it invests in long term investments at both fixed and floating interest rates. The risk is managed by the Company by maintaining an appropriate mix between fixed and floating rate investments.

Notes to the financial statements (continued)

28 Financial risk management – continued

The sensitivity analysis below have been determined based on the exposure to interest rates for investments held at the balance sheet date. A 1% increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates. Financial instruments designated as measured at fair value through profit or loss, measured at amortised cost and measured at cost are included in this calculation (note 14).

	Pre-tax profit		Shareholder's equity	
	2019	2018	2019	2018
	€000	€000	€000	€000
1% increase	(9,152)	(8,385)	(8,008)	(7,336)
1% decrease	9,152	8,385	8,008	7,336

Foreign exchange risk

The Company undertakes certain transactions denominated in foreign currencies. Hence, exposures to exchange rate fluctuations arise. The risk of exposing the Company assets or liabilities to exchange rate fluctuations is managed by broadly matching liabilities with assets in the same currencies.

The Company reviews assets and liabilities by currency each month to ensure they are matched where possible and that cash is available to discharge liabilities in their respective currencies. From time to time, the Company may utilise foreign currency forward contracts as part of its overall foreign currency risk management strategy or to obtain exposure to a particular financial market, as well as for yield enhancement. These derivatives are not designated as hedging investments.

The most significant currency to which the Company is exposed is pounds Sterling (2018: Euro). At 31 December 2019, if Euro had weakened/strengthened by 20% against pounds Sterling, with all other variables held constant, shareholder's funds would have been €1.5 million (2018: €1 million) higher/lower.

Other price risk

The Company is exposed to price risk arising from fluctuations in the value of financial instruments as a result of changes in the market prices and the risks inherent in all investments. The Company has no significant concentration of price risk. The risk is managed by the Company by maintaining an appropriate mix of investment instruments.

The Company's sensitivity to a 1% increase and decrease in market prices is as follows:	2019	2018
	€000	€000
1% increase		
Movement in fair value of shares and other variable securities in unit trusts	**66**	66
Movement in fair value of debt securities and other fixed income securities	**1,497**	1,410
Movement in fair value of investments in group undertakings	**87**	67
Equities	**47**	108
1% decrease		
Movement in fair value of shares and other variable securities in unit trusts	**(66)**	(66)
Movement in fair value of debt securities and other fixed income securities	**(1,497)**	(1,410)
Movement in fair value of investments in group undertakings	**(87)**	(67)
Equities	**(47)**	(108)

(c) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. The key areas of exposure to credit risk for the Company are in relation to its investment portfolio, reinsurance programme and to a lesser extent amounts due from intermediaries. The objective of the Company in managing its credit risk is to ensure risk is managed in line with the Company's risk appetite. The Company has established policies and procedures in order to manage credit risk and methods to measure it.

Notes to the financial statements (continued)

28 Financial risk management – continued

The Company monitors the credit risk in relation to its investment portfolio and reinsurance programme by monitoring external credit ratings for the investments and reinsurance assets held by the Company on a regular basis. The Company's intra-group reinsurance arrangement is protected by collateral held in a trust fund at a level equivalent to at least 110% of the Company's Solvency II technical provisions. The following table shows aggregated credit risk exposure for assets with external credit ratings. The financial instruments carrying amount best represents the maximum exposure to credit risk. The table also shows the carrying value of assets that are neither past due nor impaired, the ageing of assets that are past due but not impaired and assets that have been impaired. The factors considered in determining whether the value of an asset is impaired are: analysis of impairment, ageing of balances, past loss experience, current economic conditions and other relevant circumstances.

	2019 €000	2018 €000
Equities	**4,692**	10,785
Investment in group undertakings	**8,741**	6,686
Shares and other variable yield securities in unit trusts	**6,593**	6,538
Debt securities	**149,660**	140,988
Loans and receivables	**22,989**	18,127
Loans to group undertakings	**15,583**	5,308
Forward currency contracts	**2**	-
Assets arising from reinsurance contracts held	**300,751**	232,411
Debtors arising out of direct insurance operations	**12,439**	6,953
Accrued interest	**2,012**	1,705
Cash and cash equivalents	**4,781**	39,210
Total assets bearing credit risk	**528,243**	468,711
AAA	**42,849**	39,225
AA	**8,181**	9,774
A	**58,877**	35,925
BBB	**46,464**	48,974
Below BBB or not rated	**371,872**	334,813
Total assets bearing credit risk	**528,243**	468,711
Neither past due nor impaired	**528,023**	468,711
Past due less than 30 days	**7**	-
Past due less 31 to 60 days	**213**	-
Past due less 61 to 90 days	**-**	-
Past due more than 90 days	**-**	-
Past due and impaired	**-**	-
Total assets bearing credit risk	**528,243**	468,711

(d) Liquidity risk

Liquidity risk is the risk that the Company cannot meet its obligations associated with financial liabilities as they fall due. The Company manages liquidity risk by monitoring forecast and actual cash flows and matching the maturity profiles of assets and liabilities. Liquidity management ensures that the Company has sufficient access to funds necessary to cover insurance claims. Most of the Company's assets are marketable securities which could be converted into cash when required.

The following table shows details of the expected maturity profile of the Company's undiscounted obligations with respect to its financial liabilities and estimated cash flows of recognised insurance contract liabilities. Unearned premiums are excluded from this analysis. The table includes both interest and principal cash flows.

Notes to the financial statements (continued)

28 Financial risk management – continued

Financial liabilities and claims outstanding	Less than 1 year 2019 €000	1 – 5 years 2019 €000	5+ years 2019 €000	Total 2019 €000
Subordinated loan notes	**-**	**-**	**23,429**	**23,429**
Creditors arising out of direct insurance operations	**32,206**	**-**	**-**	**32,206**
Creditors arising out of reinsurance operations	**39**	**-**	**-**	**39**
Other creditors	**251**	**-**	**-**	**251**
Financial liabilities	**32,496**	**-**	**23,429**	**55,925**
Claims outstanding – undiscounted	**43,210**	**103,064**	**228,464**	**374,738**
	75,706	**103,064**	**251,893**	**430,663**

Financial liabilities and claims outstanding	2018 €000	2018 €000	2018 €000	2018 €000
Subordinated loan notes	-	-	23,358	23,358
Creditors arising out of direct insurance operations	1,506	-	-	1,506
Creditors arising out of reinsurance operations	22	-	-	22
Other creditors	224	-	-	224
Financial liabilities	1,752	-	23,358	25,110
Claims outstanding – undiscounted	62,802	143,525	215,035	421,362
	64,554	143,525	238,393	446,472

29 Insurance risk management

The principal risk the Company faces under insurance contracts is that the actual claims and benefit payments or the timing thereof, differ from expectations. This is influenced by the frequency of claims, severity of claims, actual benefits paid and subsequent development of long–term claims. Therefore, the objective of the Company is to ensure that sufficient reserves are available to cover these liabilities. The Company's business lines are all in run-off.

The above risk exposure is mitigated by diversification across a portfolio of insurance contracts and geographical areas. The insurance liabilities, net of external reinsurance, are protected by a collateralised intra-group reinsurance arrangement. Furthermore, strict claim review policies are in place to assess all new and ongoing claims, regular detailed review of claims handling procedures and frequent review of all claims are the key policies and procedures put in place to reduce the risk exposure of the Company. The Company further enforces a policy of actively managing and promptly pursuing claims, in order to reduce its exposure to unpredictable future developments that can negatively impact the business. Inflation risk is mitigated by taking expected inflation into account when estimating insurance contract liabilities.

The concentration of non-life insurance and reinsurance by the location of the underlying risk is summarised below by reference to liabilities.

	Gross		**Reinsurance**		**Net**	
	2019 €000	**2018 €000**	**2019 €000**	**2018 €000**	**2019 €000**	**2018 €000**
UK	**97,133**	52,552	**92,821**	34,378	**4,312**	18,174
Italy	**3,108**	3,213	**3,108**	3,213	**-**	-
Ireland	**53**	52	**34**	34	**19**	18
Germany	**273,742**	296,489	**204,321**	192,718	**69,421**	103,771
Other	**702**	2,982	**456**	1,938	**246**	1,044
	374,738	355,288	**300,740**	232,281	**73,998**	123,007

Notes to the financial statements (continued)

29 Insurance risk management – continued

The concentration of non-life insurance and reinsurance by type of contract is summarised below by reference to liabilities.

	Gross		Reinsurance		Net	
	2019	**2018**	**2019**	**2018**	**2019**	**2018**
	€000	**€000**	**€000**	**€000**	**€000**	**€000**
Motor	**89,742**	44,262	**88,018**	28,989	**1,724**	15,273
Liability	**281,819**	307,696	**209,570**	200,003	**72,249**	107,693
Property	**53**	78	**34**	50	**19**	28
Other direct insurance	**3,108**	3,213	**3,108**	3,213	**-**	-
Reinsurance	**16**	39	**10**	26	**6**	13
	374,738	355,288	**300,740**	232,281	**73,998**	123,007

Assumptions and sensitivities

The risks associated with the non-life insurance contracts are complex and subject to a number of variables which complicate quantitative sensitivity analysis. The Company uses several statistical and actuarial techniques based on past claims development experience. This includes indications such as average claims cost, ultimate claims numbers and expected loss ratios. The key methods used by the Company for estimating liabilities are:

- chain ladder;
- expected loss ratio;
- Bornhuetter-Ferguson;
- trending;
- benchmarking; and
- the Bootstrap technique.

The principal assumption underlying the liability estimates is that the Company's future claims development will follow past claims development experience. This includes assumptions in respect of average claim costs, claim handling costs, claim inflation factors and claim numbers for each accident year. Additional qualitative judgements are used to assess the extent to which past trends may not apply in the future, for example: once–off occurrence; changes in market factors such as public attitude to claiming, economic conditions, as well as internal factors such as portfolio mix, policy conditions and claims handling procedures.

Judgement is further used to assess the extent to which external factors such as judicial decisions and government legislation affect the estimates. Other key circumstances affecting the reliability of assumptions include variation in interest rates, delays in settlement and changes in foreign currency rates. The Company considers that the liability for non-life insurance claims recognised in the balance sheet is adequate. However, actual experience will differ from the expected outcome.

Some results of sensitivity testing are set out below, showing the impact on profit before tax and shareholder's equity gross and net of reinsurance. For each sensitivity the impact of a change in a single factor is shown, with other assumptions unchanged.

	Pre-tax profit		Shareholder's equity	
	2019	**2018**	**2019**	**2018**
	€000	**€000**	**€000**	**€000**
5% increase in claims outstanding				
- Gross	**(18,737)**	(17,764)	**(16,395)**	(15,544)
- Net	**(3,700)**	(6,150)	**(3,238)**	(5,381)
5% decrease in claims outstanding				
- Gross	**18,737**	17,764	**16,395**	15,544
- Net	**3,700**	6,150	**3,238**	5,381

The Company's method for sensitivity testing has not changed significantly from the prior year.

Notes to the financial statements (continued)

29 Insurance risk management – continued

Claims development tables

The following tables show the development of claims over a period of time on both a gross and net of reinsurance basis. The tables show changes in the gross and net loss reserves in subsequent years from the prior loss estimates based on experience as of the end of each succeeding year. The estimate is increased or decreased as more information becomes known about the frequency and severity of losses for individual years. A redundancy means the original estimate was higher than the current estimate; a deficiency means that the current estimate is higher than the original estimate. The "Reserve redundancy" line represents, as of the date indicated, the difference between the latest re-estimated liability and the reserves as originally estimated. The "Cumulative payments to date" line represents total claim payments on the reserves since they were originally estimated.

	2011 €000	2012 €000	2013 €000	2014 €000	2015 €000	2016 €000	2017 €000	2018 €000	2019 €000
Gross claims development									
Reserves held at end of year	62,056	47,562	27,534	21,456	272,123	142,723	102,382	355,288	374,738
One year later	56,145	37,295	25,316	18,769	210,763	125,118	92,022	428,802	
Two years later	45,878	35,077	22,629	13,238	193,158	114,759	144,139		
Three years later	43,660	32,390	17,098	13,850	182,798	166,875			
Four years later	40,973	26,859	17,710	13,622	234,915				
Five years later	35,442	27,471	17,482	13,607					
Six years later	36,055	27,243	17,467						
Seven years later	35,826	27,228							
Eight years later	35,811								
Reserve redundancy	26,244	20,333	10,067	7,849	37,209	(24,152)	(41,757)	(73,514)	-
Cumulative payments to date	*32,634*	*24,051*	*14,290*	*10,430*	*140,895*	*72,856*	*50,119*	*54,064*	-

	2011 €000	2012 €000	2013 €000	2014 €000	2015 €000	2016 €000	2017 €000	2018 €000	2019 €000
Net claims development									
Reserves held at end of year	25,359	20,480	9,737	8,680	251,647	48,301	34,244	123,007	73,998
One year later	24,468	16,633	9,019	7,891	233,472	42,070	30,583	133,646	
Two years later	20,621	15,915	8,230	7,691	227,241	38,409	35,608		
Three years later	19,902	15,125	8,029	7,837	223,580	43,434			
Four years later	19,113	14,925	8,175	7,721	228,605				
Five years later	18,913	15,071	8,060	7,714					
Six years later	19,059	14,956	8,053						
Seven years later	18,944	14,949							
Eight years later	18,937								
Reserve redundancy	6,423	5,531	1,684	966	23,041	4,866	(1,364)	(10,639)	-
Cumulative payments to date	*18,913*	*14,925*	*8,029*	*7,690*	*60,485*	*38,884*	*31,058*	*59,648*	-

30 Dividends

	2019 €000	2018 €000
No interim dividends were paid during the year (2018: €0.12 per share)	-	5,562

Notes to the financial statements (continued)

31 Lease commitments

	2019 €000	2018 €000
Total future minimum lease payments under non-cancellable operating leases are as follows:		
Within one year	**50**	48
Between one and five years	**87**	132

The lease is accounted for within net operating expenses.

32 Cash flow statement

As the Company is a wholly owned subsidiary undertaking, its results will be consolidated in the financial statements of Catalina Foxtrot Holdings Limited, a Company incorporated in England. As Catalina Foxtrot Holdings Limited is preparing a consolidated cash flow statement, the Company is availing of the exemption under FRS102.3.17(d) not to present a cash flow statement.

33 Related party transactions

The Company is availing of the exemption under FRS102.33.1A not to disclose details of transactions with companies within the Catalina Holdings (Bermuda) Ltd. group.

34 Ultimate parent undertaking

The Company's ultimate parent undertaking is Catalina Holdings (Bermuda) Ltd., a company incorporated in Bermuda. The largest group in which the results of the Company are consolidated is that headed by Catalina Holdings (Bermuda) Ltd.

The Company is a wholly owned subsidiary of Catalina Foxtrot Holdings Limited, a company incorporated in England. The smallest group in which the results of the Company are consolidated is that headed by Catalina Foxtrot Holdings Limited and those consolidated financial statements may be obtained from The Secretary, Catalina Foxtrot Holdings Limited, 1st Floor, 1 Alie Street, London, United Kingdom, E1 8DE.

35 Subsequent Events

The outbreak of COVID-19 in China and its subsequent spread to other countries and containment measures are having a significant adverse effect on the global economy. The future effects of the outbreak of COVID-19 are unclear at this time. A significant rise in the number of COVID-19 infections, infections in a wide range of countries and regions, or a prolongation of the outbreak could significantly adversely affect economic growth, capital markets, specific industries and countries as well as affect the Company's employees and business operations. Any of these developments may adversely affect the Company's business or financial results. At this time, observed volatilities in the capital markets are expected to have an impact on the Company's investment results, however, the impact of current circumstances on gross loss reserves and the run-off thereof is estimated not to be material, and the Company is expected to be able to maintain its operations. The Company's solvency and liquidity are assessed to be adequate and the current circumstances are not considered to be challenging the Company's ability to continue as a going concern for the foreseeable future. The Company closely monitors developments and the potential impact of the spread of infection on asset valuations, insurance exposures and the overall financial and operational situation.

The Company is also impacted by the recent sharp decline in oil prices. The Company has a €10 million investment in an energy related company. This investment's creditworthiness has deteriorated during March 2020 as a result of the OPEC+ dispute. The directors believe it is prudent to prepare for the likelihood that this company will file for bankruptcy. A potential full write down of the investment would reduce the Company's 2019 solvency coverage from 196% to 179%.

The directors have assessed both events and neither necessitate a revision of the figures included in the financial statements.

Notes to the financial statements (continued)

36 Approval of financial statements

The board of Directors approved these financial statements on 13 May 2020.