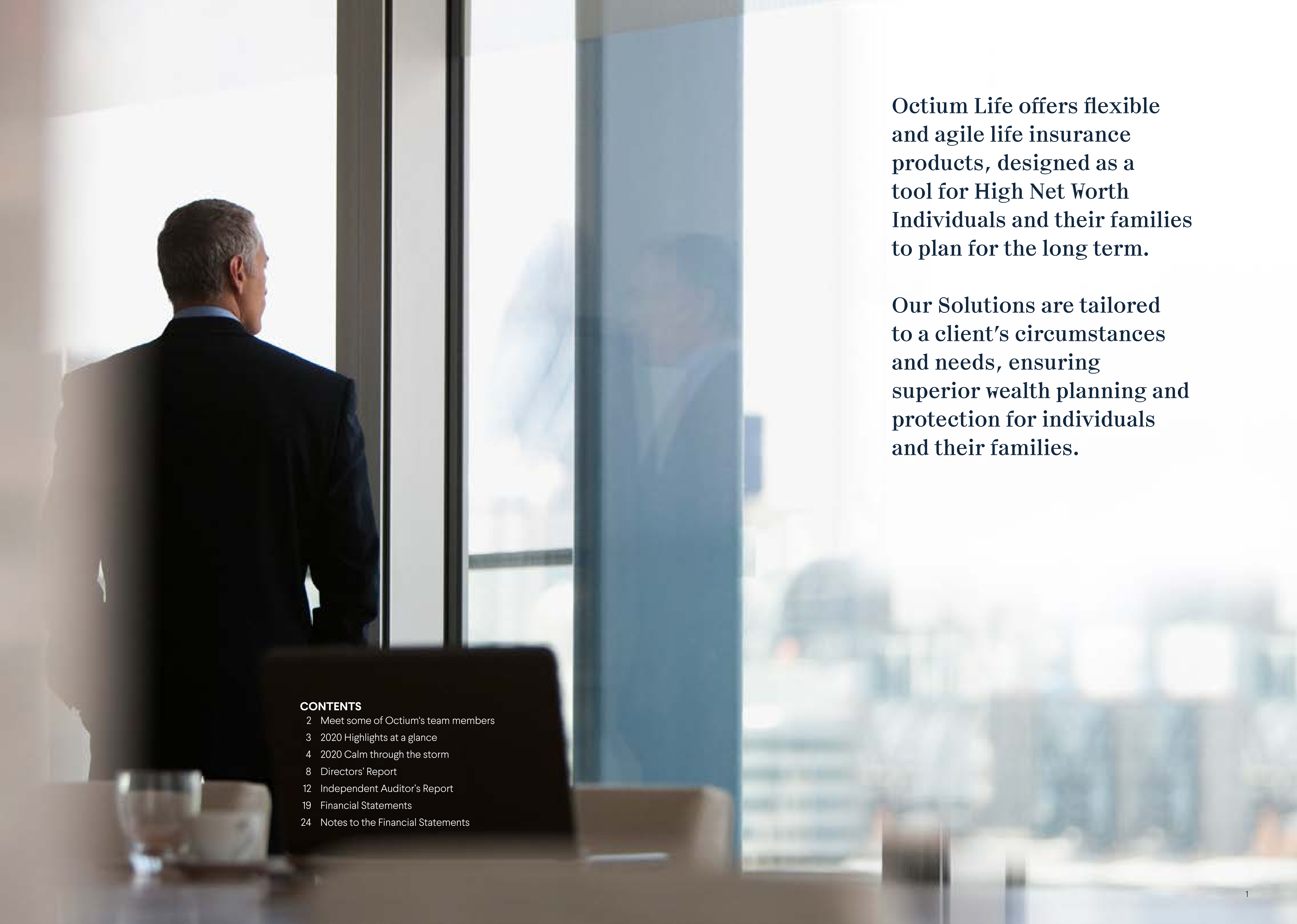
OCTIUM

Annual Report 2020



Octium Life offers flexible and agile life insurance products, designed as a tool for High Net Worth Individuals and their families to plan for the long term.

Our Solutions are tailored to a client's circumstances and needs, ensuring superior wealth planning and protection for individuals and their families.

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MEET SOME OF OCTIUM'S TEAM MEMBERS

Miguel Robaina
Head of Operations

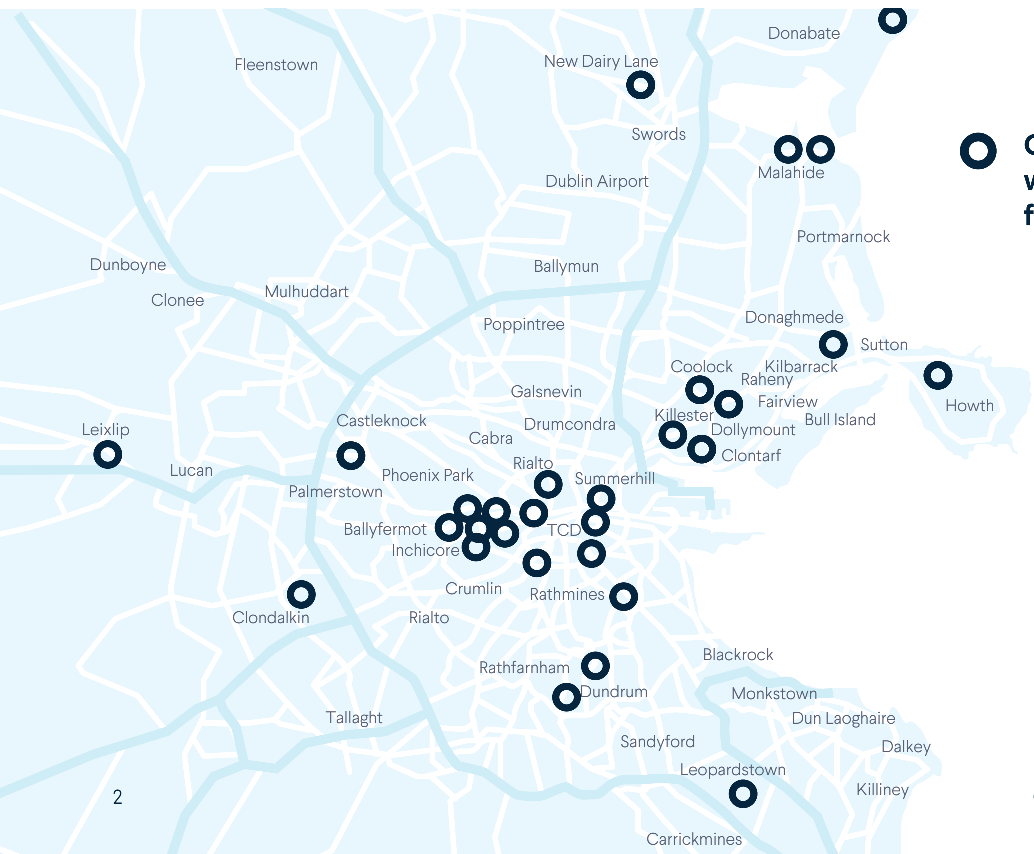
Gwen Graham
Head of Change

Paul Sherlin
Head of Product Solutions

Nora Fay
Senior Product Specialist

Ciaran Carr
Finance Manager

Jacqueline Glackin
Business Analyst



Octium staff worked remotely for you in 2020

2020 HIGHLIGHTS AT A GLANCE

20+

Average of over 20 years experience in Financial Services for Management team. Average experience of over 15 years in Financial Services for all staff

3

3 Octium Group offices in Dublin, Luxembourg and Liechtenstein

€4.2bn

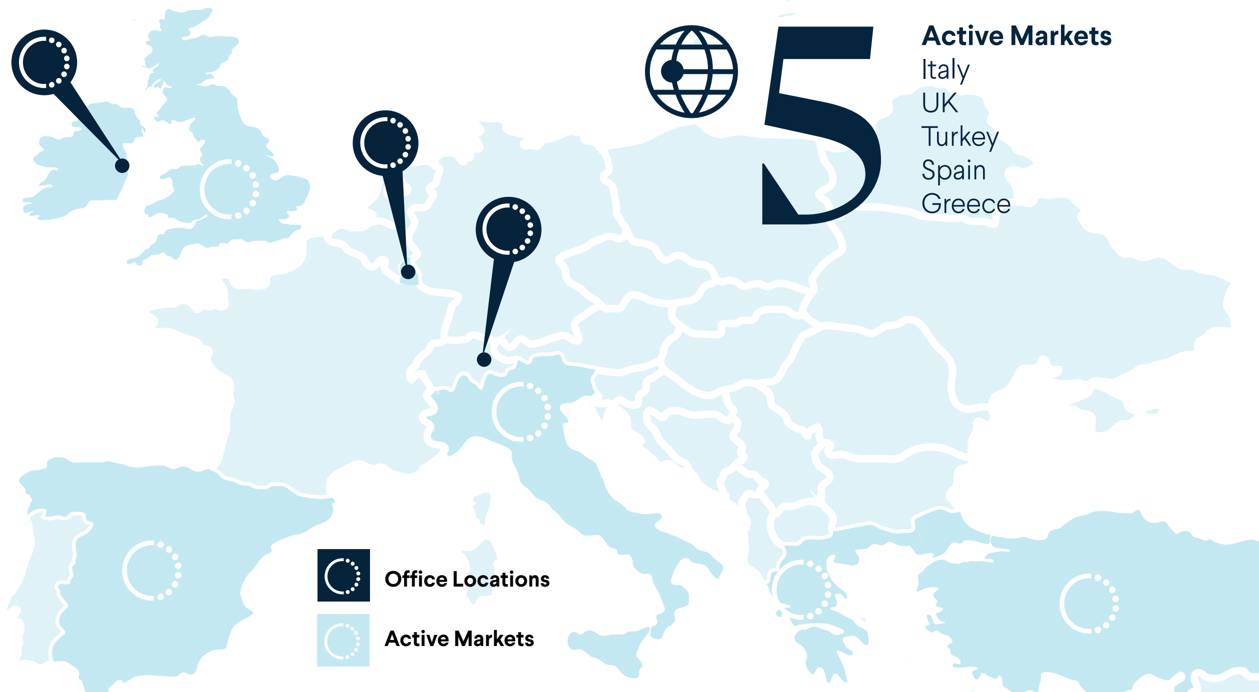
We have assets under management of approx. €4.2 billion with policyholders all over the world

206 %

206% Solvency Capital Ratio as at year end 2020

5

Active Markets
Italy
UK
Turkey
Spain
Greece



2020 Calm through the storm

2020 was a very challenging year. The global events that unfolded were not unique to Octium, but they tested our resilience like never before. In spite of the challenges of the continuing evolution of the Group and the Insurance Carrier, Octium was able to protect the needs of all its stakeholders – Policyholders, Asset Managers, Custodians, Brokers, Regulators, Employees and Shareholders.

A common phrase in capital adequacy testing for Insurance Companies is “a 1-in-200 year event”. While pandemics have occurred before, the global impact has never been felt in modern times to the same extent as that with Covid-19. Financial impact aside, the toll on humanity has been one not seen in many generations and we would hope not to be experienced for many more to come. There are very few of us who have not been affected, either personally or through family or friends. We all know people who work on the frontline and we are indebted to them for their dedication.

Equity markets have endured a significant level of fluctuations throughout the year. Firstly there was a strong start to 2020, which then saw an end to the Bull market in February and March as the Covid-19 pandemic unfolded. In May the recovery started to materialise helped by robust policymaker support. Over the summer, the strengthening Euro dampened returns while in September and October the markets paused for breath. Finally we saw the markets rally in November and December in a reaction to the US election and vaccine clarification.

Octium’s Business Continuity Program had more than adequately prepared us for such eventualities and we were able to invoke immediate remote working conditions for employees once mandated by Government lockdown requirements. Almost a year later, and having experienced varying degrees of lockdown, we have continued to work uninterrupted and maintained the high level of service that is at the core of our value proposition to both policyholders and partners.


Jean-François Willems, Chairman


Dara Hurley, CEO

In spite of the year that was, Octium achieved solid results with new business exceeding that of 2019, which as a consequence ensured we maintained policyholder assets of €4.2bn, consistent with the prior year. This was in part due to the strong performance of the Asset Managers we work with. Octium’s Solvency Capital Ratio of 206% remains one of the strongest in our industry. The company also completed rigorous regulatory reviews to assess a number of stress scenarios which confirmed that it could withstand such shocks, which is of paramount importance to the company as well as to our Regulators and Policyholders.

2020 also heralded the next stage of the strategic development of the Group, with the establishment of Octium International Insurance Agent in Liechtenstein and launching new markets. By having its own intermediary within the Octium Group, Octium is able to offer a holistic approach when required, but also continuing to work with other intermediaries. This hybrid approach to distribution is somewhat unique and takes advantage of Liechtenstein’s unique status within the EEA and bilateral agreement with Switzerland.

The Agency has welcomed a number of internationally renowned, high calibre professionals into the Group, who in turn are enhancing the existing experience and professionalism of the organisation.

New colleagues, new markets, new solutions. It promises to be an exciting year in 2021. We look forward to a return to normality within that timeframe and Octium continues to be a calming force in looking after its clients’ needs.

Directors' Report – Independent Auditor's Report – Financial Statements

Directors

Ciarán McGettrick, Independent Non-Executive Director (resigned 31 December 2020)
Dara Hurley, CEO and Executive Director
Jean-François Willems, Non-Executive Director (Belgian)
Seamus Hughes, Independent Non-Executive Director
Massimoluca Mattioli, Non-Executive Director (Italian)
Joan Collins, Independent Non-Executive Director (appointed 1 October 2020)

Secretary

Ruth Quinn

Registered Office

1st Floor College Park House
South Frederick Street
Dublin 2

Auditors

Deloitte Ireland LLP
Chartered Accountants and Statutory Audit Firm
Deloitte & Touche House
Earlsfort Terrace
Dublin 2

Solicitors

A&L Goodbody
North Wall Quay
Dublin 1

Bankers

UBS Switzerland AG, Zurich, Switzerland
UBS Europe SE, Succursale Italia, Milan, Italy
Bank of Ireland, St. Stephen's Green, Dublin 2
Allied Irish Banks, Bankcentre, Ballsbridge, Dublin 4
Banque Havilland, 35a Avenue J F Kennedy, Luxembourg

DIRECTORS' REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

The directors present their report and the audited financial statements of Octium Life DAC (the "Company" or "Octium") for the financial year ended 31 December 2020.

Principal Activity

The principal activity of the Company, which is a wholly owned subsidiary undertaking of Octium Holding Limited, is the transaction of cross-border life assurance business.

Results and Dividends

The result for the financial year ended 31 December 2020 is set out on page 20 of the financial statements. A dividend of €5m was declared and paid during the financial year (2019: €4.7m).

Corporate Governance

The Company is committed to high standards of corporate governance and is subject to The Corporate Governance Requirements for Insurance Undertakings 2015 ("the Code"), as issued by the Central Bank of Ireland. As Octium is not designated High Impact, it is not required to comply with the additional requirements of the Code.

The following Board-appointed Committees are established to assist it in discharging its obligations and operated throughout the year under review. Each Committee operates under defined terms of reference and reports to the Board at each Board meeting.

- Audit Committee
  (Chairperson: Seamus Hughes)
- Risk Committee
  (Chairperson: Joan Collins)

Review of the Business

The Company is authorised and regulated by the Central Bank of Ireland. On 20 February 2003, the Company received its Class III life assurance licence and commenced trading on 1 April 2003. The Company also holds licenses for Class I and Class VI but does not currently conduct business under these authorisations.

COVID-19 continues to have a significant effect on global economic activity and has created extensive social disruption. While financial market volatility and restricted business activity can both have an adverse impact, Octium's business model has demonstrated a high level of resilience and a strong capital position and performance have been maintained throughout the year.

The Company continues to closely monitor the situation to ensure it is well positioned to respond appropriately as required.

The Company will continue to explore growth opportunities in the international life assurance market in furtherance of its strategic objectives.

Key Performance Indicators

	2020 €'000	2019 €'000
Other technical income	15,600	16,404
Net operating expenses	9,655	9,753
Assets held to cover linked liabilities	4,173,094	4,233,604

Other technical income decreased year-on-year, primarily due to lower average asset values during 2020 compared to 2019.

Net operating expenses remained steady year-on-year.

Assets held to cover linked liabilities have decreased relative to the previous financial year-end. These decreases occurred due to net business outflows.

There was no valuation adjustment recognised on the Italian substitute tax asset during the financial year (2019: €1.1m gain).

Profit before taxation for 2020 amounted to €5.9m (2019: €7.8m).

Principal Risks and Uncertainties

The Company's risk management policy in relation to financial risks is outlined in note 19 of the financial statements.

The principal risks and uncertainties facing the business are: life insurance business risk, valuation risk, liquidity risk, market risk, reinsurance risk, operational risk and regulatory risk.

Life insurance business risk

Mortality risk is largely mitigated by the use of reinsurance. To date, the Company's products typically offer a standard death benefit in addition to the policy value itself. The majority of these benefits are reinsured with Swiss Re Europe S.A. ("Swiss Re"), with the remaining portion borne by the Company.

Valuation risk

This is the risk of incorrect valuation of assets and liabilities. Policyholder liabilities are independently calculated by the Reporting Actuary. Asset valuations are verified through periodic price testing on a sample of securities.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. Detailed investment and disinvestment policies and guidelines are in place and updated periodically. Projected cash flows incorporating obligations as a withholding tax agent and actuarial stress testing are part of the Own Risk and Solvency Assessment (ORSA) carried out by the Company. Continuous focus is given to the liquidity position of the Company through updated projections.

Market risk

Shareholders' funds are held in short-term cash deposits with institutions approved by the Board and have limited exposure to credit and interest rate risk. The Company's principal transactions are carried out in Euro and its exposure to foreign exchange risk arises primarily with respect to US Dollar, Swiss Franc and British Pound. Foreign currency balances are converted into Euro periodically to minimise this exposure.

The Company is exposed to market risk on unit-linked investments to the extent that adverse movements in the value of these assets would reduce the future profitability of the Company through a decline in policy administration fees.

Reinsurance risk

Octium ensures reinsurance arrangements are only affected with highly rated companies. Swiss Re is the chosen reinsurer which has a credit rating of A+ (2019: A+), as rated by A.M. Best as at 31 December 2020. Overall, the exposures and amounts involved are not material.

Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external causes. Octium has an Operational Risk Framework designed to identify and manage operational risk in the business.

Regulatory risk

Regulatory risk is the risk of financial loss due to regulatory fines or penalties, restriction or suspension of business, or costs of mandatory corrective action, incurred by not adhering to applicable laws, rules, regulations and accounting standards, local or international best practice (including ethical standards), and Octium's own internal standards and policies. Octium has a Risk Management Framework which is designed to identify and manage these risks.

Subsequent Events

There were no significant events affecting the Company since 31 December 2020.

Directors' and Company Secretary's Interests

The directors who served during the financial year were as follows (all directors served for the entire financial year unless otherwise noted on page 7):
Ciarán McGettrick
Dara Hurley
Jean-François Willems
Seamus Hughes
Massimoluca Mattioli
Joan Collins

Company secretary:
Ruth Quinn

The directors and the company secretary did not have any disclosable interest in the shares of the Company, or any other group company, at the beginning of the financial period, or at the date of appointment to the Board if later, and end of the financial period or at any time during the financial period.

Political Donations

The Company did not make any political donations during 2020 (2019: €nil).

Own Shares

There were no shares of the Company held by the Company at any point during the financial year.

Accounting Records

The measures that the directors have taken to secure compliance with the requirements of Sections 281 to 285 of the Companies Act 2014, with regard to the keeping of accounting records, include the provision of appropriate resources to maintain adequate accounting records, including the appointment of personnel with appropriate qualifications, experience and expertise.

The Company's accounting records are maintained at the Company's registered office at 1st Floor College Park House, South Frederick Street, Dublin 2.

Going Concern

The directors have reasonable expectations that Octium Life DAC 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 annual financial statements.

Auditors

The independent auditors Deloitte Ireland LLP, Chartered Accountants and statutory audit firm, have signified their willingness to continue in office in accordance with the provisions of Section 383(2) of the Companies Act 2014.

Statement on Relevant Audit Information

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

On behalf of the directors

Seamus Hughes
Director

Dara Hurley
Director

Date: 23rd March 2021

DIRECTORS' RESPONSIBILITIES STATEMENT

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with the Companies Act 2014.

Irish company law requires the directors to prepare financial statements for each financial year. Under the law the directors have elected to prepare the financial statements in accordance with FRS 102, the Financial Reporting Standard applicable in the UK and Republic of Ireland and FRS 103 Insurance Contracts, issued by the Financial Reporting Council of the UK and promulgated by the Institute of Chartered Accountants in Ireland. 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 as at the end of the financial year, and the profit or loss of the company for the financial year, and otherwise comply with the Companies Act 2014.

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

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

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF OCTIUM LIFE DAC

Report on the audit of the financial statements

Opinion on the financial statements of Octium Life DAC (the 'company')

In our opinion the financial statements:

- give a true and fair view of the assets, liabilities and financial position of the company as at 31 December 2020 and of the profit for the financial year then ended;
- have been properly prepared in accordance with the relevant financial reporting framework and, in particular, with the requirements of the Companies Act 2014.

The financial statements we have audited comprise:

- the Income Statement;
- the Statement of Financial Position;
- the Statement of Changes in Equity;
- the Statement of Cash Flows;
- the related notes 1 to 25, including a summary of significant accounting policies as set out in note 1.

The relevant financial reporting framework that has been applied in their preparation is the Companies Act 2014, FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", FRS 103 "Insurance Contracts" issued by the Financial Reporting Council and the European Union (Insurance Undertakings: Financial Statements) Regulations, 2015 ("the relevant financial reporting framework").

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 described below in the *"Auditor's responsibilities for the audit of the financial statements"* section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Ireland, including the Ethical Standard issued by the Irish Auditing and Accounting Supervisory Authority (IAASA), as applied to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We confirm that the non-audit services prohibited by IAASA's Ethical Standard were not provided and that we remained independent of the company in conducting the audit.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Summary of our audit approach

Key audit matters	The key audit matters that we identified in the current year were: • *Valuation of Assets Held to Cover Linked Liabilities* • *Revenue recognition: Policy Administration Fees* • *Italian Substitute Tax Asset*
Materiality	The materiality that we used in the current year was €2.4m which was determined on the basis of Total Equity.
Scoping	Our scoping involved obtaining an understanding of the company, its environment and assessing the risks of material misstatement within the company.
Significant changes in our approach	There were no significant changes to our approach in the current period. However, as a result of the Covid-19 pandemic, our audit was conducted remotely.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our evaluation of the directors' assessment of the company's ability to continue to adopt the going concern basis of accounting included the following procedures:

- We obtained an understanding of the processes in place over the solvency capital requirements and year-end solvency ratio;
- We obtained the Directors Assessment of Going Concern and challenged the key assumptions used in determining the company's ability to continue as a going concern;
- We obtained and read the Own Risk and Self-Assessment ("ORSA") Report 2020, as one of the key inputs in the solvency process, and considered the forward looking scenarios identified by the Board and management in accordance with the relevant Solvency II preparation guidelines;
- We obtained management's Proposed 2021 Budget and assessed the projections for consistency with our understanding of the business as well as considering the accuracy of previous forecasts.
- We performed an assessment of the current year performance and year-end position of the company including profitability, loss ratios and solvency capital required to ensure the company can demonstrate sufficient liquidity to meet potential claims as they arise and confirmed that information was consistent with information used in the ORSA and other relevant projections; and
- We evaluated the adequacy of the relevant disclosures made in the financial statements.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Key Audit Matters

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

Valuation of Assets Held to Cover Linked Liabilities	
Key audit matter description	Assets are held by the company to match the Technical Provisions for Linked Liabilities and therefore the valuation of these assets has been identified as a key audit matter. As a result, and given the significant portfolio held, a significant portion of audit effort was directed towards the audit of the investments balance. Assets held to cover linked liabilities amounted to €4.17 billion as at 31 December 2020. Refer to the accounting policy on page 24 and the disclosure in notes 10 and 20 of the financial statements.
How the scope of our audit responded to the key audit matter	We designed our audit procedures to address the key audit matter described above in relation to the valuation of the Assets Held to Cover Linked Liabilities. Procedures included the following: We obtained an understanding of valuation and reconciliation process for investments and assessed the design and implementation of the relevant controls identified within. We performed substantive procedures over the valuation of the assets by independently obtaining prices from pricing services and comparing to valuation included in the financial statements. Where independent prices were not available we obtained details of management's pricing and evaluated for sufficiency and appropriateness. We considered if the company's valuation policy for investments is in accordance with the relevant financial reporting framework and also tested the disclosures made in respect of the valuation of investments to ensure compliance with the requirements set out within.

Revenue recognition: Policy Administration Fees	
Key audit matter description	ISA 240 states that when identifying and assessing the risks of material misstatement due to fraud, the auditor shall, based on a presumption that there are risks of fraud in revenue recognition, evaluate which types of revenue, revenue transactions or assertions give rise to such risks. The primary sources of revenue in the company is recurring policy administration fees, included within other technical income. Policy Administration fees amounted to €15.6 million for the financial year ended 31 December 2020. Refer to the accounting policy on page 25 and the disclosure in note 3 of the financial statements
How the scope of our audit responded to the key audit matter	The procedures performed to address the key audit matter of the revenue recognition of fee income included the following: We obtained an understanding of the process over the calcualtion of the policy administration fee income and assessed the design and implementation of the relevant controls identified within. We assessed the accounting policies regarding revenue recognition for compliance with the relevant financial reporting framework. We re-calculated the fee income for a sample of policies using rates as set out in the product technical specifications or communications provided to the policyholder.
Italian Substitute Tax Asset	
Key audit matter description	The Italian substitute tax asset is a significant asset on the Balance Sheet of the company and its calculation involves management judgement given the use of a discount rate applied. The company is a withholding tax agent for substitute tax since 2012 whereby it recognises a prepaid tax asset on all contributions to the Italian tax authorities less the tax on gains due on policies surrendering or on death. Italian substitute tax asset amounted to €43.7 million for the financial year ended 31 December 2020. Refer to the accounting policy on page 25 and the disclosure in note 12 of the financial statements.
How the scope of our audit responded to the key audit matter	The procedures performed to address the key audit matter of the Italian substitute tax asset included the following: We obtained an understanding of process undertaken to calculate the Italian substitute tax asset and assessed the design and implementation of the relevant controls identified within. We audited management's calculation by comparing to the prescribed calculation set out in the legislation, obtaining sufficient and appropriate audit evidence of calculation inputs and challenging the assumptions used including the discount rate. We assessed the appropriateness of the accounting policy considering the requirements set out in the relevant financial reporting framework.

Our audit procedures relating to these matters were designed in the context of our audit of the financial statements as a whole, and not to express an opinion on individual accounts or disclosures. Our opinion on the financial statements is not modified with respect to any of the risks described above, and we do not express an opinion on these individual matters.

Our application of materiality

We define materiality as the magnitude of misstatement that makes it probable that the economic decisions of a reasonably knowledgeable person, relying on the financial statements, would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

We determined materiality for the company to be €2,400,000, which is approximately 3% of Shareholder's funds. We consider shareholder's funds to be the critical component for calculating materiality as it is placed under scrutiny by local regulators and is therefore a key financial metric regularly assessed by Management and Shareholders. We determined performance materiality for the company to be €1,920,000, which is 80% of Materiality. We have considered quantitative and qualitative factors such as the size of the company's recurring policy administration fees which is its principal revenue source, our understanding the company and its environment, history of misstatements, complexity of the company and reliability of control environment therein.

We agreed with the Audit Committee that we would report to them any audit differences in excess of €120,000 as well as differences below that threshold which, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

An overview of the scope of our audit

Our audit was scoped by obtaining an understanding of the company and its environment, including the controls operating within the company, and assessing the risks of material misstatement related to the financial statements of the company. The risks of material misstatement that had the greatest effect on our audit are identified as key audit matters in the table above.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report , other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of directors

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view and otherwise comply with the Companies Act 2014, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

As part of an audit in accordance with ISAs (Ireland), we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of the auditor's report. However, future events or conditions may cause the company (or where relevant, the group) to cease to continue as a going concern;
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that the auditor identifies during the audit.

For listed entities and public interest entities, the auditor also provides those charged with governance with a statement that the auditor has complied with relevant ethical requirements regarding independence, including the Ethical Standard for Auditors (Ireland) 2016, and communicates with them all relationships and other matters that may be reasonably be thought to bear on the auditor's independence, and where applicable, related safeguards.

Where the auditor is required to report on key audit matters, from the matters communicated with those charged with governance, the auditor determines those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. The auditor describes these matters in the auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, the auditor determines that a matter should not be communicated in the auditor's report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

This 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 this report, or for the opinions we have formed.

Report on other legal and regulatory requirements

Opinion on other matters prescribed by the Companies Act 2014

Based solely on the work undertaken in the course of the audit, we report that:

- We have obtained all the information and explanations which we consider necessary for the purposes of our audit;
- In our opinion the accounting records of the company were sufficient to permit the financial statements to be readily and properly audited;
- The financial statements are in agreement with the accounting records;
- In our opinion the information given in the directors' report is consistent with the financial statements and the directors' report has been prepared in accordance with the Companies Act 2014.

Matters on which we are required to report by exception

Based on the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the directors' report.

We have nothing to report in respect of the provisions in the Companies Act 2014 which require us to report to you if, in our opinion, the disclosures of directors' remuneration and transactions specified by law are not made.

Other matters

We were appointed by the Board of Directors on 8 May 2017 to audit the financial statements for the financial year ended 31 December 2017 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is 4 years, covering the years ended 31 December 2020.

Our audit opinion is consistent with the additional report to the audit committee we are required to provide in accordance with ISA (Ireland) 260.

Matthew Foley
For and on behalf of Deloitte Ireland LLP
Chartered Accountants and Statutory Audit Firm
Deloitte & Touche House, 29 Earlsfort Terrace, Dublin 2
Date: 01 April 2021

Financial Statements

INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2020

Technical account – Life assurance business

	Notes	**2020 €'000**	2019 €'000
Investment return	2	79,814	317,283
Other technical income, net of reinsurance	3	15,600	16,404
Other income	12	-	1,133
Total Technical Income		**95,414**	**334,820**
Change in other technical provisions, net of reinsurance			
Technical provisions for linked liabilities	15	79,814	317,283
Net operating expenses	4	9,655	9,753
Balance on the technical account – life assurance business		**5,945**	**7,784**

Non-Technical account

		€'000	€'000
Balance on the technical account – life assurance business		**5,945**	**7,784**
Investment expense	5	(19)	(15)
Profit on ordinary activities before taxation	6	5,926	7,769
Taxation on profit on ordinary activities	9	(766)	(856)
Profit for the financial year after taxation		**5,160**	**6,913**

There are no recognised gains or losses for 2020 or 2019 other than the profit for the financial year after taxation shown above.

All of the amounts above are in respect of continuing operations.

STATEMENT OF TOTAL COMPREHENSIVE INCOME

There are no components of other comprehensive income recognised as a part of total comprehensive income outside the income statement.

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2020

Assets

	Notes	**2020 €'000**	2019 €'000
Investments			
Assets held to cover linked liabilities	10	4,173,094	4,233,604
Other financial investments		3	6
Debtors			
Debtors arising out of direct insurance operations – policyholders		52	17
Other debtors and receivables		48	84
Other Assets			
Tangible assets	11	378	421
Italian stamp duty tax asset		2,917	1,487
Italian substitute tax asset	12	43,725	49,727
Cash at bank and in hand		38,464	33,741
Prepayments and Accrued Income			
Deferred acquisition cost	13	77	-
Other prepayments		111	138
Total Assets		**4,258,869**	**4,319,225**

Liabilities

	Notes	**2020 €'000**	2019 €'000
Capital and Reserves			
Called up share capital	14	1,000	1,000
Capital contribution		5,000	5,000
Retained earnings		77,519	77,360
Total Capital and Reserves		**83,519**	**83,360**
Technical Provisions			
Technical provisions for linked liabilities	15	4,173,094	4,233,604
Other Provisions			
Other provisions		240	-
Creditors			
Other creditors including taxation and social security	16	124	129
Accruals and Deferred Income			
Accruals		1,892	2,132
Total Liabilities		**4,258,869**	**4,319,225**

Approved by the Board of Directors on 23rd March 2021 and signed on its behalf by:

Seamus Hughes

Dara Hurley

Directors

STATEMENT OF CHANGES IN EQUITY

AS AT 31 DECEMBER 2020

	Share Capital €'000	Capital Contribution €'000	Retained Earnings €'000	Total Equity €'000
At 1 January 2019	1,000	5,000	75,146	81,146
Profit for the financial year	-	-	6,913	6,913
Dividends paid	-	-	(4,700)	(4,700)
At 31 December 2019	1,000	5,000	77,360	83,360
Profit for the financial year	-	-	5,161	5,161
Dividends paid	-	-	(5,000)	(5,000)
At 31 December 2020	1,000	5,000	77,519	83,519

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2020

	2020 €'000	2019 €'000
Profit for the year before taxation	5,926	7,769
Adjustments to reconcile profit for the year to net cash flow from operating activities:		
Depreciation of tangible assets	107	94
Movement in other provisions	240	-
Movement in deferred acquisition cost	(77)	-
Italian tax asset discounting	-	(1,133)
Decrease in debtors	27	118
(Decrease) in creditors	(212)	(504)
Payments net of recoveries of stamp duty	(1,429)	1,157
Payments net of recoveries of substitute tax	6,001	6,536
Fair value gains and losses	3	(1)
Taxation		
Corporation tax paid	(799)	(848)
Net cash generated from operating activities	**9,787**	**13,188**
Investing activities		
Purchase of tangible assets	(69)	(13)
Disposals of fixed assets	5	-
Net Cash from investing activities	**(64)**	**(13)**
Financing activities		
Payment of dividends	(5,000)	(4,700)
Net Cash from financing activities	**(5,000)**	**(4,700)**
Net increase in cash and cash equivalents	4,723	8,475
Cash and cash equivalents at the beginning of the year	33,741	25,266
Cash and cash equivalents at the end of the year	**38,464**	**33,741**

1. Accounting policies

Statement of compliance

Octium Life DAC is a limited liability company incorporated in the Republic of Ireland. The Registered Office is 1st Floor, College Park House, South Frederick Street, Dublin 2.

The Company's financial statements have been prepared in accordance with FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland', FRS 103 Insurance Contracts, issued by the Financial Reporting Council of the UK and promulgated by the Institute of Chartered Accountants in Ireland, the Companies Act 2014 and the European Union (Insurance Undertakings: Financial Statements) Regulations 2015.

Basis of preparation

The financial statements are prepared under FRS 102.

The financial statements are prepared in Euro which is the presentational and functional currency of the Company and rounded to the nearest €'000.

Judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the financial year. However, the nature of estimation means that actual outcomes could differ from those estimates. The areas that involve judgements and estimations and that have had the most significant effect on amounts recognised in the financial statements are described in the Investments section below.

Investments

Product Classification

Contracts under which the Company accepts significant insurance risk from another party by agreeing to compensate the policyholder if a specified uncertain future event adversely affects the policyholder are classified as insurance contracts in accordance with FRS 103 Insurance Contracts.

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

Where risk is primarily borne by the policyholder, the contract is deemed to be an investment contract. The majority of contracts issued by the Company are deemed to fall into this category, where the insurance risk remaining with the Company is limited to a small percentage of the value of the policy. Where the terms of an existing contract have been substantially modified the financial liability is extinguished and replaced with a liability reflecting the updated terms of the contract. This may result in the reclassification of a contract from an investment contract to an insurance contract.

In cases where an insurance contract contains both an insurance and deposit component, the Company unbundles these components if the deposit component can be measured reliably. Subsequently, the deposit component is accounted for under FRS 102 and the insurance component is accounted for under FRS 103.

The Company has a product feature which offers the option of a level of premium protection in the event of death. Because of the potential for significant insurance risk, these contracts are accounted for as insurance contracts when the option is selected.

Valuation of investments and assets held to cover linked liabilities

Investments are valued at the balance sheet date as follows:

- Listed securities are valued at the bid market price;
- Unit trust units are valued at bid price;
- Short term deposits are valued at cost, exclusive of accrued interest;
- Loans are valued at fair value.

Derivative financial instruments are valued at market rates ruling at the balance sheet date and the gain or loss on these contracts is recorded in the technical account.

Assets held to cover linked liabilities are held at fair value to back the underlying liabilities to which these relate. See note 20 for details of the policy for classification of investments into the fair value hierarchy.

1. Accounting policies (continued)

Initial recognition and measurement of financial assets

Financial assets are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of its financial assets at initial recognition.

All financial assets are recognised initially at fair value plus, in the case of investments not at fair value through profit and loss, directly attributable transaction costs.

Financial assets at fair value through profit and loss are carried in the balance sheet at fair value with changes in fair value recognised in the income statement.

Derecognition of financial assets and financial liabilities

A financial asset or financial liability is derecognised when the contract that gives rise to it is settled, sold, cancelled or expires.

Technical provision for linked liabilities

Linked liabilities are established by reference to the value of the underlying assets which are held to meet those liabilities.

Unit-linked contracts that are investment contracts (i.e. do not involve the transfer of significant insurance risk) are accounted for by using the 'deposit accounting' basis.

Italian substitute tax asset

Payments to the Italian Revenue as a result of the Company becoming a withholding tax agent for substitute tax are recognised as a prepaid tax asset. All Italian substitute tax on gains due on policies surrendering, or on death from 2016, is charged against the asset. The recoverable amount of this asset is reviewed each year by the Board of Directors and is discounted to reflect a value in use valuation.

The Italian substitute tax asset was initially recognised on 13 November 2012.

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and short term, highly liquid investments that are subject to insignificant changes in value and are readily convertible into known amounts of cash.

Investment return and investment income and expenses

Investment return included in the life assurance business technical account relates to life assurance business and includes dividends, interest, gains and losses on the realisation of investments, unrealised gains and losses and related expenses.

Dividends are included as investment income on the date that the dividend is received. Interest is included on an accruals basis.

Other investment income and expenses are included in the non-technical account.

Other technical income

Other technical income includes recurring policy administration fees, net of reinsurance and retrocession fees, and is recognised to the extent that it is probable that the economic benefits will flow to the Company and the income can be reliably measured, regardless of when the payment is being made. Fees receivable from policyholders on unit-linked investment contracts are recognised as 'Other technical income' in the Technical account - life assurance business and represent the turnover of the Company.

Deferred acquisition costs

The costs directly associated with the acquisition of new investment and insurance contracts are deferred to the extent that they are expected to be recoverable out of future revenues to which they relate. Such amounts are amortised through the Income Statement over the period in which the related revenues are expected to be earned. Deferred acquisition costs are reviewed for impairment on an annual basis. Should the circumstances which justified the deferral of costs no longer apply, costs that are deemed irrecoverable are written off to the Income Statement.

1. Accounting policies (continued)

Foreign currencies

Transactions denominated in foreign currencies are initially recorded in the functional currency at the exchange rate ruling at the date of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate ruling on the balance sheet date.

Non-monetary items denominated in a foreign currency, measured at fair value, are translated into the functional currency using the exchange rate ruling at the date when the fair value was determined.

Current tax

Current tax liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the income statement.

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date.

Deferred tax assets are recognised only to the extent that it is considered more likely than not that there will be suitable taxable profits in the future against which the asset can be offset.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which the timing differences reverse.

Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and any provision for impairment.

Depreciation is provided on a straight-line basis to write off the cost of the assets over their expected useful lives as follows:

Fixtures and fittings:	10 years or premises lease term if shorter
Computer equipment:	5 years

NOTES TO THE FINANCIAL STATEMENTS
AT 31 DECEMBER 2020

2. Investment return

	2020 €'000	2019 €'000
Investment performance of assets held to cover linked liabilities	103,079	295,442
Foreign currency (loss) on revaluation of assets held to cover linked liabilities from the currency in which the liability arises to Euro	(23,265)	21,841
Total investment return	79,814	317,283

3. Other technical income, net of reinsurance

	2020 €'000	2019 €'000
Recurring policy administration fees	15,736	16,688
Retrocessions received	-	1
Reinsurance fees (net of claims)	(136)	(285)
Total other technical income, net of reinsurance	15,600	16,404

4. Net operating expenses

	2020 €'000	2019 €'000
Acquisition and administration costs	7,091	7,272
Death claims paid	354	124
Commissions	2,204	2,357
Change in deferred acquisition cost	7	-
Total net operating expenses	9,655	9,753

5. Non-technical account – investment income / (expense)

	2020 €'000	2019 €'000
Bank deposit interest	(19)	(15)
Total investment expense	(19)	(15)

6. Profit on ordinary activities before taxation

The profit before taxation is stated after charging:

	2020 €'000	2019 €'000
Auditor's remuneration (including irrecoverable VAT; see note 8)	87	67
Depreciation of tangible assets	107	94

7. Employees and remuneration

The Company had an average of 29 employees during the year (2019: 26).

(a) Staff costs (including directors' remuneration)
The aggregate payroll cost of these employees was as follows:

	2020 €'000	2019 €'000
Salaries and bonus	2,641	2,390
Social welfare costs	283	247
Other pension costs	311	263
Employee insurances	133	116
Other personnel costs	5	17
	3,373	3,033

(b) Directors' remuneration

	2020 €'000	2019 €'000
Aggregate emoluments in respect of qualifying services	540	546
Aggregate contributions to a retirement benefit scheme in respect of one director's qualifying service – defined contributions schemes	100	95
	640	641

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Company. Only the directors of the Company are considered to meet this definition.

NOTES TO THE FINANCIAL STATEMENTS
AT 31 DECEMBER 2020

8. Auditor's remuneration

The remuneration of the statutory auditor is analysed as follows (excluding VAT). No tax advisory or other non-audit services were provided:

	2020 €'000	2019 €'000
Audit of financial statements	75	70
Other assurance services	25	43
	100	113

9. Taxation

a) Taxation on profit on ordinary activities

	2020 €'000	2019 €'000
Current tax	766	856
Tax on profit on ordinary activities	766	856

b) Factors affecting current tax charge for the year

	2020 €'000	2019 €'000
Profit on ordinary activities before tax	5,926	7,769
Current tax charge at standard Irish corporation tax rate of 12.5% (2019 – 12.5%)	741	971
Effects of:		
Depreciation for the year in excess of capital allowances	5	4
Income tax payable on health insurance	11	11
Italian substitute tax asset discount	-	(142)
Items not deductible for tax purposes	9	12
	766	856

10. Assets held to cover linked liabilities

	2020 €'000	2019 €'000
Investments designated at fair value through profit or loss		
Investment funds	3,259,754	3,389,931
Equities	169,545	143,826
Fixed income securities	348,972	377,867
Deposits, cash and cash equivalents and others	208,188	218,110
Structured products	183,554	103,708
Loans	1,610	-
Derivatives	1,471	111
	4,173,094	4,233,604

11. Tangible assets

	Computer Equipment €000	Fixtures and Fittings €000	Total €000
Cost:			
At 1 January 2020	209	497	706
Additions	32	37	69
Disposals	-	(8)	(8)
As at 31 December 2020	241	526	767
Depreciation and impairment:			
At 1 January 2020	97	189	286
Depreciation	47	60	107
Depreciation on disposal	-	(4)	(4)
As at 31 December 2020	144	245	389
Carrying amount at 1 January 2020	112	309	421
Carrying amount at 31 December 2020	97	281	378

12. Italian substitute tax asset

	2020 €'000	2019 €'000
Italian substitute tax asset at beginning of the year	49,727	55,130
Recovery through exit taxes	(6,001)	(6,536)
Change in asset discounting	-	1,133
	43,725	49,727

The key factors which determine the amount of asset discounting are the face value of the asset, the expected timing of the recoveries and the discount rate applied. There was no change in the discount in 2020 due the level of unrealised gains in the relevant polices as well as a largely negative discount rate curve. The decrease in the discount during 2019 was due to a decrease in the expected recovery period mainly due to positive investment performance as well as a decrease in the discount rate.

The Company is not required to make a payment in respect of 2020 due to a cap on the overall level of the asset and an offset relating to the payment made 5-years prior.

13. Deferred acquisition cost

	2020 €'000	2019 €'000
Balance at 1st January	-	-
Deferred during the year	84	-
Charged to the Technical Account	(7)	-
	77	-

14. Called up share capital

	2020 €'000	2019 €'000
Authorised, allotted and fully paid:		
1,000,000 ordinary shares of €1 each	1,000	1,000

15. Technical provisions for linked liabilities

The technical provisions in respect of linked business are equal to the value of the assets to which the contracts are linked.

	2020 €'000	2019 €'000
At 1 January	4,233,604	4,166,062
Deposits received from policyholders	193,495	146,652
Payments made to policyholders	(318,037)	(329,672)
Fees deducted in respect of management services	(15,782)	(16,721)
Investment return	79,814	317,283
At 31 December	4,173,094	4,233,604

The fair value hierarchy of the technical provisions for linked liabilities follows those for the unit linked assets as disclosed in note 20.

16. Other creditors including taxation and social security

	2020 €'000	2019 €'000
Commissions payable	10	10
Corporation tax	-	33
Other	114	86
	124	129

17. Related party transactions

The Company is a wholly owned subsidiary of Octium Holding Limited. Its ultimate parent undertaking is Albany Settlements Limited, a company incorporated in the British Virgin Islands.

During the financial year the Company received professional services from Octium Holding S.A, a related party, and incurred expenses of €120k. The Company also incurred expenses of €75k payable to Octium Holding S.A for its share of group statutory and regulatory reporting expenses. The total amount outstanding to Octium Holding S.A. at 31 December was €102k. The Company provided financial and IT support services to Octium International Insurance Agent AG, a related party, for which it earned €28k. This amount is included in net operating expenses. The Company incurred expenses of €53k for professional services from Octium International Insurance Agent AG. The total amount outstanding to Octium International Insurance Agent AG at 31 December was €24k. There were no other related party transactions during the financial year.

18. Capital management

The Company is regulated by the Central Bank of Ireland (CBI) which sets and monitors regulatory capital requirements in respect of the Company's operations.

The Company is required to hold sufficient capital to meet the Solvency Capital Requirement (SCR) calculated using the Solvency II standard formula. As at 31 December 2020 the Company held capital in excess of its requirement.

	2020 €'000	2019 €'000
Total shareholders' funds	83,519	83,360
Regulatory adjustments:		
Italian substitute tax asset valuation adjustment	-	-
Deferred tax liability	(3,325)	(3,998)
Deferred acquisition cost	(77)	
Technical Provisions	28,209	32,478
Foreseeable dividends	-	(5,000)
Reinsurance recoverables	(1,531)	(489)
Total available capital resources (Solvency II Standard Formula)	106,795	106,350
Solvency Capital Requirement	51,890	50,770
Overall surplus capital over regulatory requirements	54,905	55,580
Ratio of own funds to SCR	206%	209%

The Company's policy is to manage the capital base so as to meet all legal and regulatory requirements relating to the level and type of capital held, and to ensure that capital is managed effectively in order to safeguard the financial soundness and support the strategic objectives of the Company.

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

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

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

The Company has not substantially changed the approaches adopted to manage its capital from the previous accounting period.

19. Financial risks and risk management

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

These risks are described below together with the risk management approaches adopted by the Company. The objective of the risk management approaches described is to operate within the risk appetite of the Company and to safeguard the Company's value and reputation.

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

Risks associated with investment assets and linked liabilities
The Company matches all the liabilities under investment contracts with the underlying assets and the liabilities are valued by reference to these asset values. The market and credit risk relating to policyholder financial assets is borne by policyholders as any change in the value of their assets results in an equivalent change in the amount of the Company's obligation to them. However, the Company does have exposure to persistency and an indirect exposure to market risk in respect of the contracts.

The Company's unit-linked products have offered a minimal death benefit equivalent to a small percentage of the underlying fund value, generally in the range of 0.1% to 5%.

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

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

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

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

These risks are managed on an ongoing basis by the investment managers who are responsible for monitoring the effect of changes in the fair value of the underlying assets.

Risks associated with the investment of own funds
The Company holds other financial assets that are not attributable to investment contracts, as backing for its general solvency requirements and to maintain an effective working capital level.

Octium takes a conservative position with regard to its investment policy relating to shareholder funds. Investments are limited to liquid assets with group companies and financial institutions with high credit ratings.

During the financial year 2020 Octium held short-term deposits with a number of domestic banks as well as with UBS in a number of countries. The main risk that the Company is exposed to for these deposits is credit risk with minimal market risk and liquidity risk.

19. Financial risks and risk management (continued)

Credit risk
Credit risk occurs for assets if the counterparty is unable to pay amounts in full when due. The Company reduces credit risk by placing a limit on the amount of cash held with each bank. The Company monitors its risk by monitoring the credit quality of each counterparty. The following table is based on Moody's credit rating of these counterparties.

Credit risk exposure and ratings of cash deposits held at 31 December 2020

	Aa2 €'000	A2 €'000	NR €'000	Total €'000
Cash deposits ‹ 1 month	26,048	412	-	26,048
Cash deposits between 3 and 6 months	-	-	12,005	12,005
	26,048	412	12,005	38,464

Credit risk exposure and ratings of cash deposits held at 31 December 2019

	Aa3 €'000	A2 €'000	Total €'000
Cash deposits ‹ 1 month	23,768	9,973	33,741
	23,768	9,973	33,741

Market risk
Market risk is the risk of change in fair value of a financial instrument due mainly to fluctuations in interest rates, equity prices, and foreign currency rates. The Company's main market risks are interest rate risk and foreign currency risk.

a) Interest rate risk arises primarily from the Company's cash deposits. The change in interest yields is reviewed on a regular basis when the Company prepares projections of its solvency position.

The following deposits are exposed to interest rate risk:

	2020 €'000	2019 €'000
Cash deposits ‹ 1 month	26,459	33,741
Cash deposits between 3 and 6 months	12,005	-
	38,464	33,741

19. Financial risks and risk management (continued)

The carrying values of these deposits are not impacted by a change in interest rates as they have a term of one week or less and are valued on an accruals basis. The Company's profits will be impacted by interest rate movements. The following table illustrates the annual impact of an increase or decrease of 1.00% in the overall interest rate applied to these deposits.

	2020 €'000	2019 €'000
Increase of 1% in overall rate:		
Impact on profit before tax	385	337

	2020 €'000	2019 €'000
Decrease of 1% in overall rate:		
Impact on profit before tax	(385)	(337)

b) Foreign currency risk can arise due to fluctuations in foreign exchange rates. The Company does not have any significant exposure to such movements as its investments are mainly denominated in Euro.

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

In managing the Company's assets and liabilities, the Company seeks to ensure that cash is at all times available to settle liabilities as they fall due. Available funds are mainly invested in euro-denominated call or deposit accounts of up to one week's duration. The Company's treasury position is reviewed on a regular basis and cash balances are maintained to meet due liabilities.

The Company has a minimal exposure to liquidity risk as it maintains a high level of liquid assets to meet its liabilities and ensures that, as far as possible, it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions.

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

Valuation risk
This is the risk of incorrect valuation of assets and liabilities. Liabilities are reviewed on a quarterly basis by the Head of Actuarial Function and are subject to reasonableness and validation checks. Asset valuations are verified through periodic price testing on a sample of securities.

Risks associated with other financial assets
Amounts receivable from debtors are subject to a credit control process.
The balance remaining on the Italian substitute tax asset is recoverable from deductions made from gains made by policyholders on claims.

20. Fair value disclosures

Fair value methodology
For investments carried at fair value, we have categorised the measurement basis into a "fair value hierarchy" as follows:

Unadjusted quoted prices in active markets
Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities.

These are investments whose fair value is determined using observable, unadjusted quoted prices in active markets for identical assets. An active market is one in which transactions for the asset occurs with sufficient frequency and volume to provide pricing information on an ongoing basis. Listed debt and equities securities in active markets and quoted unit trusts in active markets would typically be classified within Level 1 of the fair value hierarchy.

Inputs other than quoted prices included within Level 1 that are observable
Level 2: Other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

These are investments whose fair value is determined using inputs other than quoted prices included within Level 1 inputs that are observable, either directly or indirectly through corroboration with market data.

Level 2 inputs include the following:

- Evaluated prices based on a compilation of primary observable market information or a broker quote in a non-active market;
- Prices based on a Net Asset Value ("NAV") from a fund manager, other than those considered Level 3 below
- Quoted prices for similar (i.e. not identical) assets in active markets;
- Inputs other than quoted prices that are observable for the asset (for example, benchmark yields, base spreads; adjustment for corporate actions and reported trades)

Money market vehicles, unlisted fixed income securities, valued using third-party fair value models, unlisted collective investment vehicles and most derivatives are generally classified within Level 2 of the fair value hierarchy.

Inputs are unobservable (i.e. for which market data is unavailable) for the asset/liability
Level 3: Techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

These are investments whose fair value is determined using inputs that are not observable, reflecting assumptions that the market participants may use in pricing an investment. Securities for which no indication or comparables are available and financial information is used to calculate the valuation, would typically be classified within Level 3 of the fair value hierarchy.

Investments which are classified as Level 3 include the following:

- Investment funds which invest in a significant level of Level 3 investments. Valuations are based on the NAV produced by the fund;
- Bonds with hybrid or perpetual features whereby the valuation model includes unobservable inputs such as the timing of conversion and call rights

20. Fair value disclosures (continued)

An analysis of investments according to fair value hierarchy is given below:

	Fair value hierarchy			2020
	Level 1 €'000	Level 2 €'000	Level 3 €'000	Total €'000
Assets held to cover linked liabilities				
Investment funds	801,907	2,316,025	141,822	3,259,754
Equities	169,118	85	342	169,545
Fixed income securities	247,694	70,745	30,533	348,972
Deposits, cash and cash equivalents and others	208,188	-	-	208,188
Structured products	42,377	140,062	1,114	183,554
Loans	-	-	1,610	1,610
Derivatives	-	1,471	-	1,471
	1,469,284	2,528,388	175,421	4,173,094

	Fair value hierarchy			2019
	Level 1 €'000	Level 2 €'000	Level 3 €'000	Total €'000
Assets held to cover linked liabilities				
Investment funds	899,292	2,382,152	108,485	3,389,929
Equities	143,412	13	400	143,826
Fixed income securities	270,260	85,535	22,072	377,867
Deposits, cash and cash equivalents and others	218,110	-	-	218,110
Structured products	31,314	71,797	596	103,708
Derivatives	-	164	-	164
	1,562,389	2,539,661	131,554	4,233,604

21. Financial commitments

The Company sub-leases its office under an operating lease. The sub-lease runs until 31 August 2025 and is held with Lantern Structured Asset Management Ltd.

Total future minimum lease payments under the operating lease are as follows:

	2020 €'000	2019 €'000
Less than one year	138	138
Between one and five years	550	550
Over five years	92	229
	780	917

The lease payments are charged to the Income Statement over the term of the lease. In 2020, these expenses amounted to €138k (2019: 138k) excluding irrecoverable VAT.

The Company had no other financial commitments at 31 December 2020 (2019: €nil).

22. Contingent liabilities

There were no contingent liabilities at 31 December 2020 (2019: €nil).

23. Dividends

A dividend of €5m was declared and paid during the financial year (2019: €4.7m).

24. Subsequent events

There are no subsequent events which require amendment to or disclosure in these financial statements.

25. Approval of financial statements

The Board of Directors approved these financial statements on 23rd March 2021.

Notes

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