

Acorn Life Designated Activity Company
Directors' report and financial statements



Year ended 31 December 2022
Registered No: 128945



Protection, Savings, Pensions, Investments

<i>Contents</i>	<i>Page</i>
Directors and other information	1
Chief executive's report	2
Directors' report	3
Statement of directors' responsibilities	7
Independent auditor's report to the member of Acorn Life Designated Activity Company	8
Profit and loss account: technical account – life assurance business	15
Profit and loss account: non-technical account	16
Statement of comprehensive income	17
Balance sheet	18
Statement of changes in equity	20
Notes forming part of the financial statements	21



Protection, Savings, Pensions, Investments

Directors and other information

Directors	Gerry O'Connell (Non-Executive) John Lyons (Independent Non-Executive) Brian Neilan (Independent Non-Executive) Brian O'Malley (Independent Non-Executive) Keith Butler (Executive)
Chairman	John Lyons
Secretary	Sarah Whelan
Registered office	St. Augustine Street Galway
Independent Auditor	PricewaterhouseCoopers Chartered Accountants and Statutory Audit Firm One Spencer Dock North Wall Quay Dublin 1
Head of Actuarial Function	Jennifer Loftus
Bankers	Allied Irish Bank
Solicitors	A & L Goodbody 25-28 North Wall Quay Dublin 1
Registered Number	128945



Protection, Savings, Pensions, Investments

Chief Executive's Report

I am pleased to report positive financial results for 2022 where we delivered a profit before tax of €5.4m. During the year, our solvency coverage ratio grew by 31% to 195%.

We made progress in our business development agenda during 2022. We repriced a number of our core products and sales of the repriced products are performing very well, supported by our expanding fund range. IORP II has imposed additional requirements on trustees for pension schemes across the market with a particular impact on One Member Arrangements (OMAs). Together with other market peers, we ceased selling these products in July 2022. We plan to resume our presence in this market by offering a Master Trust solution for new business. In 2023, we look forward to the launch of new products, including PRSAs which we hope will continue to support our growth agenda alongside other exciting initiatives.

In my 2021 Chief Executive's report I outlined how despite the challenges presented by the COVID-19 crisis, our people achieved extraordinary results and demonstrated resilience and an ability to adapt. These extraordinary results continued into 2022. We have progressed our culture of performance management and ensuring our people are appropriately remunerated and fairly treated. We have also successfully adapted to a hybrid working environment. Our culture continues to evolve, and this helps us to continue to progress as a responsible and sustainable business for our customers, employees, financial advisers and the communities we serve. In 2022, we were awarded the Deloitte Best Managed Company Award for the sixth consecutive year. We were also awarded the All-Ireland Financial Services Company of the Year Award for the fourth year in a row. These awards are testament to the roles that everyone in the Company performs every day. I would like to take the opportunity to acknowledge the contribution of all staff and financial advisers across the Company to our performance during 2022.

Customer experience defines our success as an organisation and for this reason we continue to optimise the way we do business. Following the COVID-19 crisis, our staff began to return to the office in the first quarter of 2022 and we operated a hybrid working model during the year. Ensuring that our customers are supported is a key factor we use in determining the right balance between working remotely and in the office. Our customers are at the centre of everything we do, and we know that enhancing customer experience requires us to strike a balance between meeting customer needs digitally while at the same time retaining our personal and professional approach to providing financial advice. We intend to continue to invest in digital customer services over the coming years.

Since our formation, we have become a multi-award-winning company, developing and selling protection, savings, pensions and investment products in the Irish market through our direct sales force. Acorn's brand strength is based on local distribution, product innovation, flexibility and strong investment performance. We are proud to be an Irish-owned family company and we remain committed to retaining this independent status. As products and technology evolve, our aim is to ensure that Acorn continues to thrive by positioning ourselves as our customers' financial friend under our one stop shop business model. To this end, we will continue to enhance our product offering and to drive efficiency so that we can continue to improve how we deliver value and choice to our customers in the future.

A handwritten signature in black ink that reads "Keith Butler".

Keith Butler
Chief Executive Officer

30 March 2023



Protection, Savings, Pensions, Investments

Directors' Report

The directors present their report and the audited financial statements for the year ended 31 December 2022.

Principal activities, business review and future developments

Acorn Life Designated Activity Company ("the Company") provides life, pensions and investment products to personal and small business customers in Ireland through its direct sales force.

2022 presented a challenging year for the Company but the business demonstrated resilience and an ability to adapt to the challenges that were presented. Despite facing challenges such as unfavourable investment performance, caused by macroeconomic conditions including the war in Ukraine, inflation concerns, and increasing interest rates, we delivered a profit before tax of €5.4 million (2021: €4.4 million). The profit for the year was driven by strong risk profits, the persistency of our customer base and sound expense management. Our Free Capital increased by €7.4 million to €31.9 million during the year. As at 31 December 2022 the Company was adequately capitalised at 195% (2021: 164%) of its Solvency Capital Requirement (SCR). The Company had policyholders' assets under management of €936 million at 31 December 2022 (2021: €1,027 million). Our staff began to return to the office in the first quarter of 2022 and we successfully adapted to a hybrid working model during the year while ensuring that effective controls and oversight were not compromised and that our customers could interact with us as normal. The Company is in a strong position to continue to progress its business strategy during 2023.

Key performance indicators which the Company monitors closely to measure the development, performance and financial position of the Company are profit on ordinary activities before tax, free capital and funds under management. These are detailed as follows:

	2022	2021
Profit on ordinary activities before tax	€5.4m	€4.4m
Free capital	€31.9m	€24.5m
Funds under management	€936m	€1,027m

Principal risks and uncertainties

Ultimate responsibility for the Company's internal controls and risk management, rests with the Board. Management has day-to-day responsibility for monitoring, measuring, controlling and reporting the risks connected with the Company's activities. The Board has established sub-committees to assist with the Governance of the Company including a Risk Committee, an Audit Committee and a Remuneration Committee. The risk management activity of the Company is orientated towards measuring and controlling risk to reduce any risk that could affect the solvency of the Company and its assets under management. A risk appetite statement and risk management framework have been approved by the Board. The over-arching risk appetite of the Company is a level of risk such that the Board is confident that the Company will not breach its Solvency Capital Requirement and Own Solvency Needs Capital during a one-year period. The Company places great importance on reducing capital volatility and ensuring capital levels are maintained at levels that allow for stressed scenarios without compromising the solvency position and the protection of policyholders.

The directors consider that the following are the principal risk factors that could materially affect the Company's future operating profits and financial position:

Directors' report *(continued)*

Principal risks and uncertainties *(continued)*

- Insurance risk refers to the risk of loss resulting from changes in the level, trend, or volatility of insurance risk drivers. As an insurance undertaking we are in the business of accepting underwriting risks within a quantified appetite.
- Credit or counterparty risk is the risk that an issuer of debt securities or a borrower may default on its obligations, or that the payment may not be made on a negotiable instrument. Exposure to this risk occurs any time funds are extended, committed or invested through actual or implied contractual agreements.
- The Company is exposed to various investment risks including market risks and liquidity risks. The Russia/Ukraine crisis is a situation of concern which we continue to monitor. Adverse impacts on global financial markets as a result of this crisis could impact future income through management charge margins generated by policyholder assets.
- The Company is exposed to general economic risk, including changes in the economic outlook in the Irish market and government changes to fiscal or regulatory policies.
- Operational risk is the risk of losses or reputational damage arising from inadequate or failed internal process, people and systems or from external events. The Company has a low appetite for operational risk.
- Lapse risk is the risk that lapses are higher than our best estimate assumptions resulting in financial loss.
- Long-term sustainability risk is the risk that our business model results in a long-term trend of falling profits without a viable alternative business strategy.
- Product design and development risk is the risk that unviable or unsuitable products are developed and offered for sale resulting in financial loss, customer detriment or regulatory breach.
- IT Security and Cyber Risk is the risk that customer or company data is compromised as a result of unauthorised access to systems resulting in customer detriment, financial loss or regulatory breach.
- The Company's products are distributed solely through its Direct Sales Force. The market for the Company's products is characterised by rapidly changing technology, changes in customer requirements and preferences and the introduction of new products and services embodying new technologies and distribution methods.
- We recognise that environmental degradation, social risk issues and climate change, may impact the long-term sustainability of the business. We also recognise an expectation of customers and other stakeholders that the firm will act in a responsible and sustainable manner. We aim to align our business strategy with our environmental, social and governance objectives.

Going concern

The financial statements have been prepared on a going concern basis. This assumes that the Company will continue in operational existence for the foreseeable future. The annual Own Risk and Solvency Assessment (ORSA) process provides oversight and governance over the assessment of the Company's ability to continue as a going concern. The ORSA is the primary risk assessment process which identifies the business risks relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern, assesses the significance of those risks, including the likelihood of their occurrence and their potential impact and describes how risks can be addressed or mitigated. The key message from the 2022 ORSA process was that the balance sheet remains resilient to future stressed scenarios and there is no material uncertainty about solvency or liquidity over the medium term. Based on the Directors assessment of the Company's financial position, the Directors have a reasonable expectation that the Company will have adequate resources to continue in operational existence for the foreseeable future. Accordingly, the Directors continue to adopt the going concern basis in preparing the financial statements.

Results and dividends

The results for the year are set out on pages 14 to 16 and in the related notes. No dividends were paid during the year (2021: Nil).

Directors' report (continued)

Directors, secretary and their interests

The directors are not required to retire by rotation. Membership of the Board shall continue to be reviewed particularly with respect to the Corporate Governance Requirements for Insurance Undertakings. The names of the persons who were directors during the year are Gerry O'Connell, John Lyons, Brian Neilan, Brian O'Malley and Keith Butler. They served as directors for the entire year. The company secretary is Sarah Whelan. The directors and secretary who held office at 31 December 2022 had no interests other than those shown below in the share capital, debentures and loan stock of the Company or of group companies.

Director/secretary	Name of Company and shares held	Interest at 31 December 2022	Interest at 31 December 2021
Gerry O'Connell	Acorn Life Group Limited Ordinary shares of Stg£1.00 each	3,969,486	3,969,486

Accounting records

The directors believe that they have complied with the requirements of Sections 281 to 285 of the Companies Act 2014 with regard to adequate accounting records by employing accounting personnel with appropriate expertise and by providing adequate resources to the finance function. These accounting records are maintained at the Company's registered office.

Relevant audit information

The directors believe that they have taken all steps necessary to make themselves aware of any relevant audit information and have established that the Company's statutory auditor is aware of that information. In so far as they are aware, there is no relevant audit information of which the Company's statutory auditor is unaware.

Audit Committee

The Company has established an Audit Committee with responsibility for monitoring the financial reporting process; monitoring the effectiveness of the Company's systems of internal control, internal audit and risk management; monitoring the statutory auditors and in particular the provision by the auditors of additional services to the Company.

Directors' compliance statement

The directors, in accordance with section 225(2) of the Companies Act 2014, acknowledge that they are responsible for securing the Company's compliance with certain obligations specified in that section arising from the Companies Act 2014 and Tax Laws (relevant obligations). The directors confirm that:

- a compliance policy statement had been drawn up setting out the Company's policies with regard to such compliance;
- appropriate arrangements and structures that are, in our opinion, designed to secure material compliance with the Company's relevant obligations, have been put in place; and
- a review has been conducted, during the financial year, of the arrangements and structures that have been put in place to secure the Company's compliance with its relevant obligations.



Protection, Savings, Pensions, Investments

Directors' report *(continued)*

Political contributions

The Company made no political donations and incurred no political expenditure during the year.

Charitable contributions

The Company made charitable donations of €54k during the year (2021: €32k).

Post balance sheet events

There have been no significant post balance sheet events which affect the financial statements of the Company.

Compliance with Corporate Governance Requirements for Insurance Undertakings 2015

The Company is in compliance with the Corporate Governance Requirements for Insurance Undertakings 2015 issued by the Central Bank of Ireland. The Company is not required to comply with the additional requirements for high impact designated insurance undertakings as a low impact insurance undertaking under the Central Bank of Ireland's Probability Risk Impact System (PRISM).

Statutory auditor

PricewaterhouseCoopers, Chartered Accountants and Statutory Audit Firm, was first appointed as statutory auditor for the year commencing 1 January 2021. PricewaterhouseCoopers has signified its willingness to continue in office in accordance with the provisions of section 383(2) of the Companies Act 2014.

On behalf of the board

Handwritten signature of Keith Butler in black ink.

Keith Butler
Director

Handwritten signature of Brian Neilan in black ink.

Brian Neilan
Director

30 March 2023



Protection, Savings, Pensions, Investments

Statement of directors' responsibilities

The directors are responsible for preparing the directors' report and the financial statements in accordance with the Companies Act 2014 and applicable law and regulations.

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 Generally Accepted Accounting Practice in Ireland (accounting standards issued by the Financial Reporting Council of the UK, including Financial Reporting Standard 102, The Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102") and Financial Reporting Standard 103, Insurance Contracts ("FRS 103").

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 these financial statements, the directors are required to:

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

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, which enable them to ensure that the financial statements comply with the Companies Act 2014 and the European Union (Insurance Undertakings: Financial Statements) Regulations 2015 and which enable the financial statements to be audited. They are responsible for such internal controls as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and 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.

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

On behalf of the board

A handwritten signature in black ink that reads "Keith Butler".

Keith Butler
Director

A handwritten signature in black ink that reads "Brian Neilan".

Brian Neilan
Director

30 March 2023



Independent auditors' report to the members of Acorn Life Designated Activity Company

Report on the audit of the financial statements

Opinion

In our opinion, Acorn Life Designated Activity Company's financial statements:

- give a true and fair view of the company's assets, liabilities and financial position as at 31 December 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with Generally Accepted Accounting Practice in Ireland (accounting standards issued by the Financial Reporting Council of the UK, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and Irish law); and
- have been properly prepared in accordance with the requirements of the Companies Act 2014.

We have audited the financial statements, included within the Directors' Report and Financial Statements, which comprise:

- the balance sheet as at 31 December 2022;
- the profit and loss account and statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended; and
- the notes to the financial statements, which include a description of the significant accounting policies.

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

Basis for opinion

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

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

Independence

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

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

Other than those disclosed in note 7 to the financial statements, we have provided no non-audit services to the company in the period from 1 January 2022 to 31 December 2022.

Our audit approach

Overview



Overall materiality

- €346,294 (2021: €298,110) – based on circa 1% of shareholder funds.

Performance materiality

- €259,721 (2021: €223,580)

Scope

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

Key audit matters

- Methodologies and assumptions used in the valuation of the life assurance provision
- Existence and valuation of investments for the benefit of life assurance policyholders who bear the investment risk

The scope of our audit

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

Key audit matters

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

Key audit matter	How our audit addressed the key audit matter
<p data-bbox="268 1518 858 1574"><i>Methodologies and assumptions used in the valuation of the life assurance provision</i></p> <p data-bbox="268 1585 858 1675"><i>Refer to Note 3.11 (Accounting policies – Life assurance provision) and Note 22 (Insurance risk and technical provisions) to the financial statements</i></p> <p data-bbox="268 1686 858 1798">The calculation of the life assurance provision involves the use of complex actuarial models, assumptions about future events, both internal and external to the business, and significant amounts of data.</p> <p data-bbox="268 1809 858 1921">The setting of assumptions requires the use of significant judgement by management and small changes in assumptions can result in material impacts on the valuation of the provision.</p> <p data-bbox="268 1933 858 2096">We focused on this area because it represents a complex key estimate in the financial statements where significant judgement is exercised by management in the setting of the assumptions - particularly in the setting of the mortality and expense assumptions.</p>	<p data-bbox="874 1686 1477 1776">We gained an understanding of management's processes and controls relating to the valuation of the life assurance provision.</p> <p data-bbox="874 1787 1477 1899">We tested the design and operating effectiveness of selected key controls over the actuarial methodology, data and assumptions used by management in calculating the life assurance provision.</p> <p data-bbox="874 1910 1477 2096">With the assistance of our life actuarial specialists, we independently assessed the reasonableness of the assumptions, including the mortality and expense assumptions, applied by reference to the company's historical experience, our knowledge of life assurance industry and external benchmarks where possible.</p>



<i>Key audit matter</i>	<i>How our audit addressed the key audit matter</i>
	<p>We reviewed the actuarial report and challenged management’s judgements and assumptions.</p> <p>We compared the methodologies and models used by the company’s actuaries in the calculation of the life assurance provision to recognised actuarial practices and standards.</p> <p>We tested the completeness and accuracy of underlying data used by the company’s actuaries in calculating the life assurance provision by agreeing the data to underlying source documentation on a sample basis.</p> <p>Based on the work performed and the evidence obtained, we determined the methodologies and assumptions used in the valuation of the life assurance provision to be reasonable.</p>
<p><i>Existence and valuation of investments for the benefit of life assurance policyholders who bear the investment risk</i></p> <p><i>Refer to Note 3.10 (Accounting policies – Financial instruments) and Note 12 (Financial instruments) to the financial statements</i></p> <p>For unit linked policies, the value of the company’s liability to the policyholders is directly linked to the value of the assets held by the company, for the benefit of its policyholders.</p> <p>The assets held to cover unit linked liabilities, included in the Balance Sheet at 31 December 2022, are classified as investments for the benefit of life assurance policyholders who bear the investment risk and are valued at fair value.</p> <p>As set out in note 12 to the financial statements, the assets held to cover unit linked liabilities at 31 December 2022 primarily comprise investments in unit trusts and deposits with credit institutions.</p> <p>We considered the existence and valuation of these investments as a key audit matter on the basis that it represents a significant element of the financial statements and requires a high level of audit effort to address.</p>	<p>We gained an understanding of management’s processes and controls relating to the existence and valuation of investments for the benefit of life assurance policyholders who bear the investment risk.</p> <p>We obtained independent confirmations from the custodians of the holdings at 31 December 2022 and reconciled the holdings per the confirmations to the accounting records on a sample basis.</p> <p>For those holdings where observable prices and price inputs were available, we compared the prices applied by management to prices independently obtained from third party vendor sources on a sample basis.</p> <p>For those holdings where observable prices or inputs were not available we independently obtained, on a sample basis, valuations from fund managers. These valuations included external expert valuation reports.</p> <p>Based on the work performed and the evidence obtained, we were satisfied with the existence and valuation of the investments for the benefit of life assurance policyholders who bear the investment risk.</p>

How we tailored the audit scope

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



Materiality

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

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

Overall materiality	€346,294 (2021: €298,110)
How we determined it	circa 1% of shareholder funds
Rationale for benchmark applied	We have selected this benchmark as, in our view, shareholder funds is the most appropriate benchmark given the circumstances and the nature of the entity's business and is a generally accepted benchmark. In selecting the benchmark, we have also given consideration to the key users of the financial statements. We applied a 1% rule of thumb to the shareholder funds benchmark to determine overall materiality.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% of overall materiality, amounting to €259,721.

In determining the performance materiality, we considered a number of factors - the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls - and concluded that an amount at the upper end of our normal range was appropriate.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above €17,315 (2021: €14,900) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

In accordance with guidance on the audit of insurers issued by the Financial Reporting Council, which is generally accepted in Ireland, we have applied a higher materiality threshold of €9,356,860 (2021: €10,265,690) solely for the purpose of identifying and evaluating the effect of misstatements that are likely only to lead to a reclassification between line items within assets and liabilities.

Conclusions relating to going concern

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

- obtaining management's going concern assessment for the going concern period which covers a year from the date of approval of the financial statements;
- considering management's assessment of the regulatory solvency coverage and liquidity position including under the forward-looking scenarios set out in the company's Own Risk & Solvency Assessment;
- checking the consistency of the scenarios included in management's going concern assessment with those included in the board approved Own Risk & Solvency Assessment; and
- considering the company's available financing and asset and liability maturity profile to assess liquidity through the going concern assessment period.

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 the date on which the financial statements are authorised for issue.

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.

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

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



Reporting on other information

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

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

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

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

- In our opinion, based on the work undertaken in the course of the audit, the information given in the Directors' Report for the year ended 31 December 2022 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.
- Based on our knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

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

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

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

Auditors' responsibilities for the audit of the financial statements

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.



Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to breaches of Irish insurance laws and regulations and in particular the Solvency II Regulations, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements such as the Companies Act 2014 and relevant tax legislation. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting manual journal entries to manipulate financial performance and management bias in accounting estimates and judgemental areas of the financial statements. Audit procedures performed by the engagement team included:

- Discussions with the Audit Committee and management, including consideration of whether there are known or suspected instances of non-compliance with laws and regulation and fraud;
- Inspecting relevant correspondence with the Central Bank of Ireland ('CBI'), including those in relation to compliance with laws and regulations;
- Reading relevant meeting minutes including those of the Board, Audit Committee and Risk Committee;
- Challenging assumptions made by management in accounting estimates and judgements, in particular in relation to the methodologies and assumptions used in the valuation of the life assurance provision as described in the related key audit matter;
- Identifying and testing journal entries based on risk criteria; and
- Designing audit procedures to incorporate unpredictability around the nature, timing or extent of our testing.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

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

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

This description forms part of our auditors' report.



Use of this report

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

Other required reporting

Companies Act 2014 opinions on other matters

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

Other exception reporting

Directors' remuneration and transactions

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

Appointment

We were appointed by the directors on 21 August 2021 to audit the financial statements for the year ended 31 December 2021 and subsequent financial periods. The period of total uninterrupted engagement is 2 years, covering the years ended 31 December 2021 to 31 December 2022.

Shane McDonald
for and on behalf of PricewaterhouseCoopers
Chartered Accountants and Statutory Audit Firm
Dublin

7 April 2023

- The maintenance and integrity of the Acorn Life Designated Activity Company website is the responsibility of the directors; the work carried out the by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.
- Legislation in the Republic of Ireland governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Profit and loss account: technical account – life assurance business for the year ended 31 December 2022

	<i>Note</i>	2022 €'000	2021 €'000
Earned premiums, net of reinsurance			
Gross insurance premiums written		45,258	45,057
Outward reinsurance premiums		(16,720)	(15,817)
		<hr/> 28,538	<hr/> 29,240
Net investment results	4	(115,963)	147,516
Other technical income, net of reinsurance	5	11,110	10,441
Claims incurred, net of reinsurance			
Insurance claims paid			
Gross amount	22	(33,096)	(25,036)
Reinsurers' share	22	10,974	9,659
Changes in provision for claims			
Gross amount	22	1,339	(4,535)
Reinsurers' share	22	(1,933)	2,401
		<hr/> (22,716)	<hr/> (17,511)
Claims incurred, net of reinsurance		(22,716)	(17,511)
Changes in life assurance provision, net of reinsurance	22	20,993	(21,632)
Investment result related to investment contract liabilities	4,12	102,475	(122,949)
Net operating expenses	6	(19,016)	(20,752)
		<hr/> 5,421	<hr/> 4,353
Balance on the technical account - life assurance business		5,421	4,353

The notes on pages 21 to 52 are an integral part of these financial statements.



Protection, Savings, Pensions, Investments

Profit and loss account: non-technical account
for the year ended 31 December 2022

	<i>Note</i>	2022 €'000	2021 €'000
Balance on the technical account - life assurance business		5,421	4,353
Profit on ordinary activities before tax	6, 7	5,421	4,353
Tax charge on profit on ordinary activities	9	(736)	(341)
Profit on ordinary activities after tax		4,685	4,012
Profit for the financial year	19	4,685	4,012

All results were generated by continuing activities.

The notes on pages 21 to 52 are an integral part of these financial statements.



Protection, Savings, Pensions, Investments

Statement of comprehensive income
for the year ended 31 December 2022

	<i>Note</i>	2022 €'000	2021 €'000
Profit for the financial year	<i>19</i>	4,685	4,012
Other comprehensive income / (loss)			
Remeasurement of defined benefit asset	<i>27</i>	244	(8)
Other comprehensive income / (loss) for the year		244	(8)
Total comprehensive income for the year	<i>20</i>	4,929	4,004

The notes on pages 21 to 52 are an integral part of these financial statements.

Balance sheet as at 31 December 2022

	<i>Note</i>	2022 €'000	2021 €'000
Assets			
Investments			
Land and buildings	11	1,695	1,340
Other financial investments			
Bonds	12	2,154	2,423
Cash and cash equivalents	12	52,372	49,027
Investments for the benefit of life assurance policyholders who bear the investment risk	12	935,686	1,026,569
Reinsurer's share of technical provisions			
Claims outstanding	22	4,520	6,453
Life assurance provision	22	7,035	4,399
Debtors			
Debtors arising out of direct insurance operations		337	266
Debtors arising out of reinsurance operations		-	530
Other debtors including tax and social insurance	13	489	234
Other assets			
Tangible assets	14	556	378
Prepayments and accrued income			
Accrued interest and rent		78	83
Other prepayments and accrued income		773	606
Deferred acquisition costs	16	27,172	24,611
Total assets		1,032,867	1,116,919
Pension surplus	27	228	-
		1,033,095	1,116,919

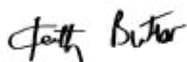


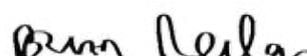
Protection, Savings, Pensions, Investments

Balance sheet as at 31 December 2022 (continued)

Liabilities and shareholder funds	Note	2022 €'000	2021 €'000
Capital and reserves			
Share capital	17	3,912	3,912
Share premium	17	507	507
Capital contribution	18	703	703
Capital reserves	18	29,505	24,576
Profit and loss reserve	19	-	-
		<hr/>	<hr/>
Shareholder funds	20	34,627	29,698
		<hr/>	<hr/>
Investment contract liabilities	12	815,895	889,592
Technical provisions			
Life assurance provision – gross amount	22	135,684	154,041
Claims outstanding	22	12,992	14,331
Other provisions			
Net pension obligations	27	-	16
Creditors			
Creditors arising out of direct insurance operations		1,897	1,782
Creditors arising out of reinsurance operations		1,693	-
Other creditors including tax and social insurance	23	2,845	2,667
Deferred tax liability	15	1,281	917
Accruals and deferred income			
Accruals		4,202	3,500
Deferred income liability	21	21,979	20,375
		<hr/>	<hr/>
Total liabilities		998,468	1,087,221
		<hr/>	<hr/>
Total liabilities and shareholder funds		1,033,095	1,116,919
		<hr/> <hr/>	<hr/> <hr/>

On behalf of the board


Keith Butler
Director


Brian Neilan
Director

30 March 2023

The notes on pages 21 to 52 are an integral part of these financial statements.

Statement of changes in equity for the year ended 31 December 2022

	€'000	€'000	€'000	€'000	€'000	€'000
	Share capital	Share Premium	Capital contribution	Capital reserves	Profit and Loss Reserve	Total
At 1 January 2021	3,912	507	703	20,572	-	25,694
Profit for the financial year	-	-	-	-	4,012	4,012
Other comprehensive loss	-	-	-	-	(8)	(8)
Transfer from profit and loss	-	-	-	4,004	(4,004)	-
At 31 December 2021	3,912	507	703	24,576	-	29,698
Profit for the financial year	-	-	-	-	4,685	4,685
Other comprehensive income	-	-	-	-	244	244
Transfer from profit and loss	-	-	-	4,929	(4,929)	-
At 31 December 2022	3,912	507	703	29,505	-	34,627

Notes forming part of the financial statements

1 General information

Acorn Life Designated Activity Company (“the Company”) is a designated activity company limited by shares and incorporated, registered and domiciled in Ireland. The registered number of the Company is 128945 and the address of its registered office is St. Augustine Street, Galway. The Company is authorised by the Central Bank of Ireland to carry out life insurance business.

The presentation and functional currency of these financial statements is euro. All amounts in the financial statements have been rounded to the nearest €1,000.

The financial statements have been prepared on a going concern basis. The annual Own Risk and Solvency Assessment (ORSA) process provides oversight and governance over the assessment of the Company's ability to continue as a going concern. The ORSA is the primary risk assessment process which identifies the business risks relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern, assesses the significance of those risks, including the likelihood of their occurrence and their potential impact and describes how risks can be addressed or mitigated. The key message from the 2022 ORSA process was that the balance sheet remains resilient to future stressed scenarios and there is no material uncertainty about solvency or liquidity over the medium term.

The financial statements have been prepared in accordance with Financial Reporting Standards 102 and 103 (FRS 102 and 103) applicable in the UK and the Republic of Ireland. The Company is also subject to the requirements of the Companies Act 2014 and the European Union (Insurance Undertakings: Financial Statements) Regulations, 2015. There are no material departures from the Standards.

The Company's ultimate parent undertaking, Acorn Life Group Limited includes the Company in its consolidated financial statements. The consolidated financial statements of Acorn Life Group Limited are prepared in accordance with FRS 102, are available to the public and may be obtained from the Company's registered office at St. Augustine Street, Galway. In these financial statements, the Company is considered to be a qualifying entity and has applied the exemptions available under FRS 102 in respect of the following disclosures:

- Reconciliation of the number of shares outstanding from the beginning to the end of the period.
- Cash flow statement and related notes; and
- Key management personnel compensation.

2 Use of estimates and judgements

The preparation of financial statements in conformity with FRS 102 requires the use of certain key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting date. It also requires the directors to exercise their judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or areas where assumptions and estimates have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed in note 22, insurance risk and technical provisions: estimation uncertainty around mortality rates and the timing and amount of claims as well as morbidity and other demographic assumptions, expense and expense related assumptions and unit-linked investment return and discount rate assumptions.

Notes forming part of the financial statements (continued)

2 Use of estimates and judgements (continued)

A primary area in which the Company uses judgement in applying accounting policies lies in the classification of contracts between insurance and investment business. Insurance contracts are contracts which transfer significant insurance risk. Contracts that do not transfer significant insurance risk are treated as investment contracts.

3 Accounting policies

The significant accounting policies adopted by the Company are set out below.

3.1 Measurement convention

The financial statements are prepared on the historical cost basis except for financial instruments classified at fair value through the profit or loss and investments in land and buildings, which are stated at their fair value.

3.2 Foreign currency

Transactions in foreign currencies are translated to the Company's functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined. Foreign exchange differences arising on translation are recognised in the profit and loss account.

3.3 Premium income

Premiums earned in respect of insurance contracts are accounted for in the profit and loss account in the same period which the liabilities arising from these premiums are established.

Investment contract premiums are reflected as deposits on the balance sheet within the investment contract liability.

3.4 Reinsurance

The Company cedes insurance premiums and risk in the normal course of business. Outwards reinsurance premiums are accounted for in the same accounting period as the related premiums for the direct reinsurance business being reinsured. Amounts recoverable from reinsurers are estimated in a manner consistent with the claim liability associated with the reinsured policy and recorded as a debtor under reinsurers' share of technical provisions. Creditors arising out of reinsurance operations include balances arising from reinsurance ceded.

3.5 Fee and charges income / other technical income

Fees charged for services related to the management of investment contracts are recognised as revenue as the services are provided.

Notes forming part of the financial statements (continued)

3 Accounting policies (continued)

3.6 Deferred income liability

In respect of investment contracts, initial fees which exceed the level of recurring fees and relate to the future provision of services are deferred by the creation of a deferred income liability ("DIL"). The initial DIL is calculated from any front-end loading in the policy charges. Different scales of DIL have been applied to each of the main classes of business to reflect differences in the underlying contract structure. The DIL on each tranche of business is then amortised on a straight-line basis over the same period as the deferred acquisition costs on investment contracts.

3.7 Investment return

Investment return comprises investment income and realised gains and losses on investments at fair value through the profit and loss account. Investment income includes dividends and interest. Dividends are accrued on an ex-dividend basis. Interest is accounted for on an effective interest basis. Unrealised gains and losses on investments at fair value through the profit and loss account are disclosed separately in the notes to the financial statements.

3.8 Claims incurred

For insurance contracts, claims incurred comprise claims paid in the year and changes in provisions for outstanding claims, together with any other adjustments to claims from previous years. Claims incurred include maturities, deaths and surrenders. For investment contracts, benefits paid are not included in the profit and loss account, as the risk is borne by the policyholder. They are reflected as withdrawals on the balance sheet from the investment contract liability.

3.9 Acquisition costs

For insurance contracts, acquisition costs comprise direct costs such as initial commission and the indirect costs of obtaining and processing new business. Acquisition costs which are incurred during a financial year are deferred by use of an explicit asset which is amortised over the period during which the costs are expected to be recoverable and in accordance with the incidence of future related margins.

For investment contracts, only directly related acquisitions costs, which vary with and are related to securing new contracts and securing increments to existing contracts, are deferred to the extent that they are recoverable out of the future revenue. Deferred acquisitions costs are amortised on a straight-line basis over the average lifetime of the Company's investment contracts. All other costs are recognised as expenses when incurred.

Notes forming part of the financial statements (continued)

3 Accounting policies (continued)

3.10 Financial instruments

Recognition

The Company has elected to apply the provisions of both Section 11 and 12 of FRS 102 for all financial instruments including investments for the benefit of life assurance policyholders who bear the investment risk. The Company's basic financial instruments include debt and equity investments, cash and cash equivalents, trade and other debtors and creditors. The Company offers unit-linked products that are referred to as unit-linked funds. The Company's non-basic financial instruments are comprised of unit-linked fund assets and liabilities which arise from contracts where all financial risks associated with the related assets are borne by the unit-linked policyholders. These are presented separately in the balance sheet at fair value. Investment income and changes in fair value of the unit-linked fund assets are offset by a corresponding change in the unit-linked fund liabilities. Purchases of financial assets are recognised on the trade date, which is when the Company commits to purchase the asset.

Gains and losses arising from changes in the fair value of financial assets at fair value through the profit and loss account, are included in the profit or loss in the period in which they arise. Financial assets and liabilities are offset, and the net amount reported in the balance sheet when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

Classification

a) Basic financial instruments

When a financial asset or financial liability is recognised initially it is measured at the transaction price (including transaction costs except in the initial measurement of financial assets and liabilities that are measured at fair value through profit and loss). Subsequent to initial recognition, investments in debt and equity instruments that can be measured reliably are measured at fair value with changes recognised in profit or loss. Fair value is measured in accordance with the fair value hierarchy disclosed in the notes to the financial statements. Cash and cash equivalents comprise cash balances, call deposits and the Company's own unit-linked investments other than investments for the benefit of life assurance policyholders who bear the investment risk. Trade and other debtors are recognised initially at transaction price plus attributable transaction costs. Trade and other creditors are recognised initially at transaction price less attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors.

b) Other financial instruments

Investment contracts consist of unit linked contracts for life assurance policies where the investment risk is borne by the policyholders. Unit linked liabilities are measured at fair value by reference to the value of the underlying net asset value of the Company's unitised investment funds at the balance sheet date. For unit linked contracts, the fair value is equal to the unit fund value. The basis of this designation is that the financial assets and liabilities are managed and evaluated together on a fair value basis. This designation significantly reduces a measurement inconsistency that would otherwise arise if these financial liabilities were not measured at fair value since the assets held to back the investment contract liabilities are also measured at fair value.

Notes forming part of the financial statements (continued)

3 Accounting policies (continued)

3.10 Financial instruments (continued)

c) Derivative financial instruments

Derivative financial instruments are recognised at fair value. The gain or loss on re-measurement is recognised immediately in the profit and loss account.

De-recognition of financial assets and liabilities

Financial assets are de-recognised when contractual rights to receive cash flows from the investments expire, or where the investments, together with substantially all the risks and rewards of ownership have been transferred. A financial liability is derecognised when the obligation specified in the contract is discharged, cancelled or expires.

Impairment

Financial assets not carried at fair value through profit and loss are assessed at each reporting date to determine whether there is objective evidence that they are impaired. A financial asset is impaired if an event occurs after initial recognition that has a negative impact on estimated future cash-flows.

An impairment loss for a financial asset measured at amortised cost is the difference between the carrying amount of the asset and the present value of the estimated future cash-flows discounted at the asset's original effective interest rate.

An impairment loss for a financial asset measured at cost less impairment is the difference between the carrying amount and the best estimate of what the asset could be sold for at the reporting date.

Impairment losses are recognised in the profit and loss account.

3.11 Life assurance provision

Life assurance provisions are determined following an annual actuarial investigation of the long-term fund in accordance with appropriate actuarial techniques.

3.12 Taxation

Tax on the profit or loss 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 or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively 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. Deferred tax is not recognised on permanent differences arising.

Notes forming part of the financial statements (continued)

3 Accounting policies (continued)

3.12 Taxation (continued)

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax balances are not discounted. Deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

3.13 Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. The Company assesses whether the tangible fixed assets are impaired at each reporting date.

Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of tangible fixed assets. The estimated useful lives are as follows:

Motor vehicles, fixtures and fittings	over 4 years
Computer hardware	over 4 years

3.14 Buildings

Buildings are stated at fair value less any subsequent accumulated depreciation and impairment losses.

An individual freehold property is revalued by independent valuers every year. Gains on revaluation are recognised in other comprehensive income and accumulated in the revaluation reserve. To the extent that gains on revaluation reverse a previous revaluation decrease, gains are recognised in the profit and loss account. Losses arising on revaluation are recognised in other comprehensive income to the extent of any previous valuation increase accumulated in the revaluation reserve. Any excess is recognised in the profit and loss.

Depreciation on revalued buildings is charged as an expense to the profit and loss account. On subsequent sale or retirement of revalued property, the attributable revaluation surplus remaining in the property's revaluation reserve is transferred directly to the profit and loss account. The charge for depreciation on buildings is calculated to write down the revalued amount by equal annual instalments over the expected useful life of 50 years.

3.15 Retirement benefit obligations

The Company operates a defined contribution scheme for its employees. The Company's contributions to this scheme are charged to the profit and loss account in the period which they are incurred.

The Company provided pensions to its employees under a defined benefit scheme. This scheme is closed to new members and future accruals. The Company's net obligation in respect of defined benefit plans is calculated by estimating the amount of future benefit that employees have earned in return for their service in prior periods discounted to determine its present value. The fair value of plan assets is deducted. The Company determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate as determined at the beginning of the annual period to the net defined benefit liability (asset) taking account of changes arising as a result of contributions and benefit payments.

Notes forming part of the financial statements (continued)

3 Accounting policies (continued)

3.15 Retirement benefit obligations (continued)

The discount rate is the yield at the balance sheet date on AA credit rated bonds denominated in the currency of and having maturity dates approximating to the terms of the Company's obligations. A valuation is performed annually by a qualified actuary using the projected unit credit method. The Company recognises net defined benefit plan assets to the extent that it is able to recover the surplus either through reduced contributions in the future or through refunds from the plan.

Changes in the net defined benefit liability arising from employee service rendered during the period, net interest on net defined benefit liability, and the cost of the plan introductions, benefit changes, curtailments and settlements during the period are recognised in profit and loss. Re-measurement of the net defined benefit liability/asset is recognised as actuarial gains and losses in the statement of comprehensive income.

3.16 Leases

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

3.17 Research and development

Expenditure on research activities is recognised in the profit and loss account as an expense as incurred.

3.18 Dividends

Interim dividends are recorded in the period in which they are paid. Final dividends are recorded in the period in which they are approved by the shareholders.

3.19 Termination benefits

Termination benefits are payable when employment is terminated by the Company before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The Company recognises termination benefits when the Company can no longer withdraw the offer of those benefits. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

3.20 Annual bonus plan

The Company operates an annual bonus plan for employees. An expense is recognised in the profit and loss account when the Company has a legal or constructive obligation to make payments under the plan as a result of past events and a reliable estimate of the obligation can be made.

3.21 Capital and Reserves

Share capital represents the nominal value of ordinary shares that have been issued. Share premium includes any premiums received on the issue of share capital. Capital contributions include capital introduced into the Company by its member without taking ordinary shares in return and without creating debt. Capital reserves include all current and prior period retained profits which have not been declared as distributable.

Notes forming part of the financial statements (continued)

4 Net investment results	2022	2021
	€'000	€'000
Investment income from financial assets designated upon initial recognition as fair value through the profit and loss	3,653	1,239
Realised (losses) / gains on investments	(52,370)	23,126
Unrealised (losses) / gains on investments	(67,246)	123,151
	<hr/>	<hr/>
Total investment result	(115,963)	147,516
Investment result related to investment contract liabilities	102,475	(122,949)
	<hr/>	<hr/>
Investment result	(13,488)	24,567
	<hr/> <hr/>	<hr/> <hr/>
5 Other technical income, net of reinsurance	2022	2021
	€'000	€'000
Investment policy charges	12,714	12,148
Change in deferred income liability (note 21)	(1,604)	(1,707)
	<hr/>	<hr/>
Total other technical income, net of reinsurance	11,110	10,441
	<hr/> <hr/>	<hr/> <hr/>
6 Net operating expenses	2022	2021
	€'000	€'000
Commissions on direct insurance business - acquisition	4,033	4,078
Commissions on direct insurance business - renewal	1,588	1,528
Other acquisition costs	11,616	10,426
Change in deferred acquisition costs (note 16)	(2,561)	82
Administration expenses	4,340	4,633
Termination benefits	-	5
	<hr/>	<hr/>
Net operating expenses	19,016	20,752
	<hr/> <hr/>	<hr/> <hr/>

Notes forming part of the financial statements (continued)

7 Expenses and auditor's remuneration	2022	2021
	€'000	€'000
<i>Included in the profit/loss are the following:</i>		
Profit on disposal of fixed assets	13	15
	<hr/>	<hr/>
<i>Auditor's remuneration</i>		
- audit of these financial statements	137	137
- other assurance services	62	55
	<hr/>	<hr/>
	199	192
	<hr/>	<hr/>
8 Directors' remuneration and transactions	2022	2021
	€'000	€'000
Directors' remuneration		
Emoluments	618	571
Contribution to the defined contribution pension scheme	5	47
Amounts receivable under long term incentive schemes	91	71
	<hr/>	<hr/>
	714	689
	<hr/>	<hr/>

Directors' emoluments include benefits paid on behalf of one of the directors to the defined contribution scheme during 2022 (2021: two directors). There were no contributions to the defined benefit scheme related to directors' emoluments during 2022 and 2021. There are no retirement benefits paid or payable to either scheme on behalf of past directors. There are no loans, quasi loans or credit transactions with directors that require disclosure.

Notes forming part of the financial statements (continued)

9 Tax charge on profit on ordinary activities	2022	2021
	€'000	€'000
<i>Current tax</i>		
Current corporation tax	365	1,283
Tax under / (over) provided in previous years	7	(219)
	<hr/> 372	<hr/> 1,064
<i>Deferred tax</i>		
Deferred tax charge / (credit)	364	(723)
	<hr/> 736	<hr/> 341
	<hr/> <hr/> 736	<hr/> <hr/> 341

Factors affecting the tax charge for year

The tax assessed for the year is different than the standard rate of corporation tax in the Republic of Ireland. The differences are explained below:

	2022	2021
	€'000	€'000
Profit on ordinary activities before tax	5,421	4,353
	<hr/> 678	<hr/> 544
Profit on ordinary activities before tax multiplied by the standard rate of corporation tax in the Republic of Ireland of 12.5%		
<i>Effect of:</i>		
Adjustment for taxable de-reservation to shareholder	51	16
Tax under/ (over) provided in previous years	7	(219)
	<hr/> 736	<hr/> 341
Total tax charge for year	<hr/> <hr/> 736	<hr/> <hr/> 341

10 Dividends paid	2022	2021
	€'000	€'000
Interim dividends paid	-	-
	<hr/> -	<hr/> -
	<hr/> <hr/> -	<hr/> <hr/> -

Dividends, in respect of issued equity share capital, are recognised in the financial statements when they have been approved by the shareholders and are no longer at the discretion of the Company. Interim dividends declared by the directors are recognised when paid.

Notes forming part of the financial statements (continued)

11 Land and Buildings	Buildings €'000
Valuation	
At beginning of year	1,340
Revaluation in the year	355
	<hr/>
At end of year	1,695
	<hr/> <hr/>
Accumulated depreciation	
At beginning of year	-
Charge for the year	(27)
Eliminated on revaluation	27
	<hr/>
At end of year	-
	<hr/> <hr/>
Net book value	
At 31 December 2022	1,695
	<hr/> <hr/>
At 31 December 2021	1,340
	<hr/> <hr/>

The buildings were revalued on 4 November 2022. The valuation was carried out by Patrick Seymour MCSI and was made in accordance with the appropriate sections of the current practice statements contained within the Royal Institute of Chartered Surveyors Valuation – Professional Standards Global Standards 2020.

The original cost of the buildings was approximately €2.2m in 1999. Under the historical cost model, the carrying amount recognized would be €1.2m (2021: €1.2m).

Notes forming part of the financial statements (continued)

12 Financial instruments

The table provides an analysis of the fair value measurement used by the Company to fair value the instruments in its financial statements through the profit and loss. FRS 102 establishes a fair value hierarchy that prioritises the input to valuation techniques used to measure fair value.

	2022	2021
	€'000	€'000
Bonds	2,154	2,423
Cash and cash equivalents	52,372	49,027
	<hr/>	<hr/>
	54,526	51,450
Financial assets – policyholder unit linked funds		
Unit trusts	905,986	983,627
Deposits with credit institutions	29,700	42,942
	<hr/>	<hr/>
	935,686	1,026,569
	<hr/>	<hr/>
Financial assets on balance sheet	990,212	1,078,019
	<hr/> <hr/>	<hr/> <hr/>

A fair value measurement is categorised based on the lowest level input that is significant to the fair value measurement in its entirety. 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. The Company had no assets in this category as at 31 December 2022 and 2021.

Level 2: Inputs other than quoted prices included within Level 1 that are observable and developed using market data for the asset or liability, either directly or indirectly. Level 2 assets are valued using standard market pricing sources, which use mathematical modelling and multiple source validation in order to determine consensus prices. In normal market conditions, we would consider these market prices to be observable market prices. However, we have considered that these prices are not from a suitably active market and have classified them as level 2. There were no transfers between level 1 and level 2 during 2022 or 2021.

Level 3: Inputs are unobservable (i.e., market data is unavailable) for the asset. Assets in this category represent a very small proportion of assets to which the Company is exposed. The underlying assets in this category are predominantly policyholder loan notes and investment property within Self Directed Pension Plans. Loan notes are valued based on third party fund managers pricing. Investment property valuations are carried out in accordance with the latest edition of the Valuation Standards published by the Royal Institute of Chartered Surveyors and are undertaken by appropriately qualified valuers as defined therein to reflect market value. This requires the valuer to reflect the realities of the current market rather than historic market sentiment.

Notes forming part of the financial statements (continued)

12 Financial instruments (continued)

	Level 1 €'000	Level 2 €'000	Level 3 €'000	Total 2022 €'000
Unit trusts	-	898,158	7,828	905,986
Government bonds	-	2,052	-	2,052
Corporate bonds	-	102	-	102
	<hr/>	<hr/>	<hr/>	<hr/>
Total financial assets measured at FVTPL	-	900,312	7,828	908,140
	<hr/>	<hr/>	<hr/>	<hr/>
Deposits with credit institutions				29,700
Cash and cash equivalents				52,372
				<hr/>
Financial assets on balance sheet				990,212
				<hr/>
				<hr/>
	Level 1 €'000	Level 2 €'000	Level 3 €'000	Total 2021 €'000
Unit trusts	-	974,950	8,677	983,627
Government bonds	-	2,307	-	2,307
Corporate bonds	-	116	-	116
	<hr/>	<hr/>	<hr/>	<hr/>
Total financial assets measured at FVTPL	-	977,373	8,677	986,050
	<hr/>	<hr/>	<hr/>	<hr/>
Deposits with credit institutions				42,942
Cash and cash equivalents				49,027
				<hr/>
Financial assets on balance sheet				1,078,019
				<hr/>

Notes forming part of the financial statements (continued)

12 Financial instruments (continued)

	Level 1 €'000	Level 2 €'000	Level 3 €'000	Total 2022 €'000
Financial liabilities measured at FVTPL				
Investment contract liabilities	-	815,895	-	815,895

	Level 1 €'000	Level 2 €'000	Level 3 €'000	Total 2021 €'000
Financial liabilities measured at FVTPL				
Investment contract liabilities	-	889,592	-	889,592

Reconciliation of movement in investment contract liabilities

	2022 €'000	2021 €'000
Balance at 1 January	889,592	736,923
Premium income	92,865	88,970
Encashments	(51,373)	(47,102)
Investment return related to investment contract liabilities	(102,475)	122,949
Fee income	(12,714)	(12,148)
Balance at 31 December	815,895	889,592

13 Other debtors including tax and social insurance

	2022 €'000	2021 €'000
Amounts due from employees	143	158
Amounts due from fellow group undertakings	61	76
Corporation tax repayable	285	-
	489	234

Loans are advanced to employees from time to time. Interest is payable on these loans at a rate of 4% per annum in respect of home loans and 13.5% per annum in respect of all other loans on the reducing loan balance. Amounts due from employees are repayable on demand. Amounts due from fellow group undertakings are interest free and repayable on demand.

Notes forming part of the financial statements (continued)

14 Tangible assets

	Motor vehicles €'000	Computer equipment €'000	Fixtures & fittings €'000	Total €'000
Cost				
At beginning of year	546	2,374	839	3,759
Additions during the year	179	313	-	492
Disposals	(183)	-	-	(183)
	<hr/>	<hr/>	<hr/>	<hr/>
At end of year	542	2,687	839	4,068
	<hr/>	<hr/>	<hr/>	<hr/>
Accumulated depreciation				
At beginning of year	304	2,238	839	3,381
Charged for the year	137	167	-	304
Disposals	(173)	-	-	(173)
	<hr/>	<hr/>	<hr/>	<hr/>
At end of year	268	2,405	839	3,512
	<hr/>	<hr/>	<hr/>	<hr/>
Net book value				
31 December 2022	274	282	-	556
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
31 December 2021	242	136	-	378
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

15 Deferred tax liability

	2022 €'000	2021 €'000
(a) Deferred tax asset	32	55
Attributable to;		
Timing differences	32	55
	<hr/>	<hr/>
(b) Deferred tax liability	1,313	972
Attributable to;		
Undistributed life business surpluses	1,313	972
	<hr/>	<hr/>
Net deferred tax liability	1,281	917
	<hr/> <hr/>	<hr/> <hr/>

Notes forming part of the financial statements (continued)

16 Reconciliation of movements in deferred acquisition costs

	Insurance contracts 2022 €'000	Insurance contracts 2021 €'000	Investment contracts 2022 €'000	Investment contracts 2021 €'000
Balance at 1 January	4,380	6,109	20,231	18,584
Acquisition costs incurred	3,566	2,841	3,991	3,362
Amounts amortised	(3,154)	(4,570)	(1,842)	(1,715)
	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 31 December	4,792	4,380	22,380	20,231
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

17 Share capital and share premium

	2022 €'000	2021 €'000
Authorised		
6,800,000 Ordinary shares of €1.27 each	8,636	8,636
340,375 Convertible deferred shares of €0.64 each	218	218
169,627 Convertible ordinary shares of €0.64 each	108	108
	<hr/>	<hr/>
	8,962	8,962
	<hr/> <hr/>	<hr/> <hr/>
Allotted, called up and fully paid		
3,000,000 Ordinary shares of €1.27 each	3,810	3,810
159,625 Convertible ordinary shares of €0.64 each	102	102
	<hr/>	<hr/>
	3,912	3,912
	<hr/> <hr/>	<hr/> <hr/>
Share premium	2022 €'000	2021 €'000
At beginning and end of year	507	507
	<hr/> <hr/>	<hr/> <hr/>

There is only one class of share capital. The ordinary shares have rights to dividends, are entitled to surplus on winding up and have full voting rights.

Notes forming part of the financial statements (continued)

18 Capital reserves	2022	2021
	€'000	€'000
Opening balance	24,576	20,572
Transfer from the profit and loss account (note 19)	4,929	4,004
	<hr/>	<hr/>
Closing balance	29,505	24,576
	<hr/> <hr/>	<hr/> <hr/>

Capital reserves are those reserves which have not been declared as distributable by the board of directors. The reserves include those amounts which are required to be held in respect of the solvency requirements set by the Central Bank of Ireland.

	2022	2021
	€'000	€'000
Capital contribution	703	703
	<hr/> <hr/>	<hr/> <hr/>

Tanis Limited introduced capital into the Company in 2003 without taking ordinary shares in return and without creating debt.

19 Profit and loss reserve	2022	2021
	€'000	€'000
Opening balance	-	-
Profit for the financial year	4,685	4,012
Remeasurement of defined benefit asset (note 27)	244	(8)
Transfer to capital reserve (note 18)	(4,929)	(4,004)
	<hr/>	<hr/>
Closing balance	-	-
	<hr/> <hr/>	<hr/> <hr/>

Notes forming part of the financial statements (continued)

20 Reconciliation of movements in shareholder funds	2022	2021
	€'000	€'000
Opening shareholder funds	29,698	25,694
Total comprehensive income for the year	4,929	4,004
	<hr/>	<hr/>
Closing shareholder funds	34,627	29,698
	<hr/> <hr/>	<hr/> <hr/>
21 Deferred income liability	2022	2021
	€'000	€'000
Deferred income liability at 1 January	20,375	18,668
Initial fees during the year	3,568	3,497
Amortisation to income	(1,964)	(1,790)
	<hr/>	<hr/>
Deferred income liability at 31 December	21,979	20,375
	<hr/> <hr/>	<hr/> <hr/>

22 Insurance risk and technical provisions

The Company has documented a risk management framework to ensure risk is managed in line with the Company's risk appetite. This framework is subject to annual review and approval by the Board of Directors and ongoing review by the Executive Risk Committee, to ensure its appropriateness, in line with the Central Bank of Ireland's Corporate Governance requirements for Insurance Undertakings (2015).

The Company's risk management framework comprises:

- risk strategy and risk appetite.
- corporate governance framework.
- a suite of risk policies.
- organisational relationships and accountabilities; and
- risk management processes.

The Company proactively identifies risk events, assesses their impact on the business and plans the management of their outcomes. Consequently, the risk management framework is underpinned by principles for the effective identification, measurement, management, monitoring and reporting of risk. Insurance risk refers to the risk of loss, or of adverse change in the value of insurance liabilities, resulting from changes in the level, trend, or volatility of insurance risk drivers. The Company adopts a cautious approach to the management of insurance risk through its approach to product design and the use of reinsurance to minimise solvency risk and profit volatility. The Company has an appetite for insurance and retaining insurance risk, within defined limits.

Notes forming part of the financial statements (continued)

22 Insurance risk and technical provisions (continued)

The variability of insurance risks is improved using careful selection, a cautious underwriting strategy and reinsurance arrangements. Total sums at risk at 31 December 2022 were €7.0 billion (2021: €7.1 billion). Sums at risk after reinsurance were €2.6 billion (2021: €2.7 billion).

In determining its strategy with regard to the mitigation and management of insurance risk, the Company considers the entire range of its business activities, products and internal processes, in order to establish its universe of insurance risks and set its appetite, tolerances and limits for insurance risk; correlations within insurance risk and with risk in other risk classes; the most cost-effective approach to mitigating specific risk exposures; appropriate management and risk management information; residual risk and requirements for appropriate business continuity contingency plans in the event of an extreme insurance risk exposure; adoption of a unit-linked and reviewable premium approach to product design; and the use of reinsurance to minimise solvency risk and profit volatility.

The Company manages insurance risk by assessing risk drivers and implementing the following controls:

- Mortality and morbidity risk: This is controlled by the use of reinsurance and by monitoring the experience of business compared to expectations. Product design provides the ability to revise charges for risk if required.
- Underwriting, retention and reinsurance: The Company has identified and specified maximum insurance risk retention levels for mortality and morbidity risks. Risks in excess of approved limits are reinsured.
- Expense risk: The Company continuously monitors management information and sets expense assumptions to cover per policy expenses. High expenses may lead to management actions.
- Persistency risk: The Company continuously monitors the persistency of its products and considers this in the product design process.

Sensitivities

Sensitivity to mortality and morbidity / underwriting and retention risks: This is the risk of adverse outcomes arising which are different to the current best estimate view. A major pandemic or epidemic could lead to a significant increase in death claims. A shock death rate of 1.5 persons per mille could adversely impact profit and equity by €4.0 million net of reinsurance (2021: €4.0 million). The Company adopts a cautious approach to the management of these risks by using reinsurance and having reviewable charges which can be changed if experience is not in line with what is expected.

The table overleaf highlights the effect that a 10% increase in expected claims, net of reinsurance, would have on the Company's profit and loss and equity. The impact of a 10% decrease in expected claims on profit and equity would be equal and opposite to the impact of the 10% increase in expected claims shown in the table for both financial years.

Notes forming part of the financial statements (continued)

22 Insurance risk and technical provisions (continued)

€'000	Life cover	Critical illness	Accidental death benefit	Hospital cash cover	Surgical cash cover	Accidental injury benefit	Personal accident benefit	Total
Impact of a 10% increase in expected claims on profit and equity								
2022	(366)	(441)	(22)	(41)	(125)	(20)	(36)	(1,051)
2021	(358)	(409)	-	(43)	(106)	(18)	(33)	(967)

Sensitivity to expenses: Expense risk is the risk that expenses increase either through unit cost or inflation. Policy charges aim to cover expenses. A large proportion of the cost base is fixed in nature and the Company's ability to cover its cost base depends on having a sufficient number of policies in-force. The Company manages expense risk by controlling its costs and endeavouring to increase its policy count. A 10% increase or decrease in expected expenses would impact profit and equity adversely or favourably by €1.5 million (2021: €1.1 million).

Sensitivity to Persistency: Persistency risk is the risk that insurance contracts lapse at a different rate than expected. Future profits are exposed to persistency risk as variances in income can occur when lapses are greater or less than expected. Persistency risk is managed by experience and behaviour monitoring, stress testing, validation of assumptions and changes to product design. A 10% increase or decrease in expected lapses would impact profit and equity adversely or favourably by €0.1 million (2021: €0.1 million).

Technical Provisions

The technical provision for life assurance policies where the investment risk is borne by the policyholder is determined based on the full value of all units notionally allocated to policies in accordance with policy rules plus the proportion of any future entitlement to bonus units which had accrued at the date of the valuation. The life assurance provision was calculated using discounted cash flow methods with the principal assumptions outlined below.

Realistic assumptions regarding future experience are reviewed annually. They are set with reference to reinsurer data, industry data and recent observed trends in the Company's own experience plus a margin for prudence. Expenses are assumed to increase in future by 3% per annum (2021: 2.25% per annum). No credit is taken for voluntary discontinuance of policies.

Males		Females	
Mortality	84% of Reinsurers' rates (2021: 84%)	84% of Reinsurers' rates (2021: 84%)	
Morbidity	144% Reinsurers' rates (2021: 129%)	144% Reinsurers' rates (2021: 129%)	
Life		Pensions	
Unit growth	3.2% pa before charges (2021: 2.0% pa)	4.0% pa before charges (2021: 2.5% pa)	
Discount Rate	Net funds	Gross funds	
	1.9% p.a. (net funds) (2021: -0.3%)	2.4% pa (gross funds) (2021: -0.4%)	

Notes forming part of the financial statements (continued)

22 Insurance risk and technical provisions (continued)

	2022	2021
<u>Renewal expenses</u>	<u>(Annual, per policy)</u>	<u>(Annual, per policy)</u>
Life regular premium	€69.64	€80.54
Pensions regular premium	€108.09	€100.67
Executive pensions regular premiums (pre 2009)	€108.09	€100.67
Executive pensions regular premiums (post 2009)	€146.24	€136.20
Single premium investments	€52.93	€49.29
Single premium pensions	€82.15	€76.51

The movements in gross and net life assurance and claims outstanding provisions during the year are outlined below.

Reconciliation of movement in net life assurance provision	2022	2021
	€'000	€'000
Balance at 1 January	149,642	128,010
Premium allocations	18,321	11,917
Claims	(22,716)	(17,511)
Investment growth	(13,642)	24,567
Movement in non-unit linked life insurance provision	(2,956)	2,659
	<hr/>	<hr/>
Balance at 31 December	128,649	149,642
	<hr/> <hr/>	<hr/> <hr/>
<i>The net life assurance provision is comprised of;</i>		
Gross amount	135,684	154,041
Reinsurers' share	(7,035)	(4,399)
	<hr/>	<hr/>
Balance at 31 December	128,649	149,642
	<hr/> <hr/>	<hr/> <hr/>

Notes forming part of the financial statements (continued)

22 Insurance risk and technical provisions (continued)

(a) Reconciliation of movement in claims outstanding – gross amount	2022	2021
	€'000	€'000
Balance at 1 January	14,331	9,796
Insurance claims incurred	31,757	29,571
Insurance claims paid	(33,096)	(25,036)
	<hr/>	<hr/>
Balance at 31 December	12,992	14,331
	<hr/> <hr/>	<hr/> <hr/>
(b) Reconciliation of movement in claims outstanding – reinsurers' share	2022	2021
	€'000	€'000
Balance at 1 January	6,453	4,052
Reinsurance claims incurred	9,041	12,060
Claims paid by reinsurers	(10,974)	(9,659)
	<hr/>	<hr/>
Balance at 31 December	4,520	6,453
	<hr/> <hr/>	<hr/> <hr/>
23 Other creditors including tax and social insurance	2022	2021
	€'000	€'000
Amounts payable under employee long term incentive scheme	1,166	877
PAYE/PRSI	1,434	907
Government levy	165	176
Corporation Tax	-	464
Trade creditors	52	176
Other creditors	28	67
	<hr/>	<hr/>
	2,845	2,667
	<hr/> <hr/>	<hr/> <hr/>

Trade and other creditors are payable at various date in the three months after the end of the financial year in accordance with the creditors usual and customary credit terms. Creditors for tax and social insurance are payable in the timeframe set down in the relevant legislation.

Notes forming part of the financial statements (continued)

24 Operating lease commitments

Non-cancellable operating lease rentals are payable as follows:

	2022	2021
	Land and buildings	Land and buildings
	€'000	€'000
Not later than one year	244	274
Between two and five years	559	477
Later than five years	9	103
	812	854

During the year €457k (2021: €448k) was recognised as an expense in the profit and loss account in respect of operating leases.

25 Employees

The average number of persons employed by the Company during the year was 94 (2021: 93). Employee costs during both financial years were as follows:

	2022	2021
	€'000	€'000
Wages and salaries	6,521	6,539
Amounts payable under employee long term incentive scheme	289	877
Social insurance costs	679	688
Retirement benefit costs – defined contribution	454	468
Termination benefits	-	5
	7,943	8,577

None of the aggregate staff costs were capitalised during the year (2021: Nil).

Notes forming part of the financial statements (continued)

26 Related party transactions

Directors and key management personnel have life assurance and other policies with the Company. Total premium paid to the Company in respect of these policies during the year was €10k (2021: €20k). As at 31 December 2022, balances in respect of investment products were €0.9 million (2021: €1.1 million) and life sums assured were €1.0 million net of reinsurance (2021: €1.1 million). These policies were issued in the ordinary course of business on substantially the same terms as those prevailing at the time for comparable transactions with other persons of similar standing not connected with the Company.

The balance on loans repayable from one member of key management of the Company was €128k at 31 December 2022 (2021: €143k). There were no allowances made or amounts waived against the outstanding balances during the year. There were no loans advanced to directors or members of key management of the Company during the year. €15k was repaid during the year (2021: Nil). The aggregate value of loan arrangements with key management personnel expressed as a percentage of net assets as at 31 December 2022 is 0.4% (2021: 0.5%).

There are no loans, quasi loans or credit transactions with directors.

Acorn Life Group Limited owns 100% of the ordinary share capital of the Company's direct parent Tanis Limited. Gerry O'Connell is the beneficial owner of Acorn Life Group Limited and a director of the Company.

The Company has availed of the exemptions in Financial Reporting Standard 102 from disclosing key management personnel compensation and transactions with wholly owned group companies.

27 Retirement benefit obligations

The Company operates a defined contribution pension scheme for employees. The charge to the profit and loss account for the year amounted to €454k (2021: €468k).

The Company previously operated a contributory defined benefit pension scheme. The defined benefit scheme is closed to new members and was closed to future accrual with effect from 31 March 2010. The assets of the defined benefit scheme are held in separate trustee-administered funds. The advice of independent professionally qualified actuaries is taken in assessing pension costs and liabilities at three yearly intervals. Actuarial valuations are carried out every 3 years. The most recent comprehensive actuarial valuation was carried out as at 31 March 2022. The value of the accrued liability was calculated using the projected unit method by firstly projecting the accrued benefits payable in the future, making assumptions in relation to financial matters such as salary and pension increase rates and demographic matters such as mortality rates. The resultant projected benefit cash-flows were then discounted to the valuation date to arrive at a single capitalised value.

The valuations as at 31 December 2022 and 2021, for the purpose of Financial Reporting Standard 102 (FRS 102) disclosures are based on the most recent actuarial valuations and updated by independent actuaries to take account of the requirements of FRS 102 in order to assess the liabilities at each balance sheet date. The Scheme is stated at its market value at each balance sheet date. The net pension asset after tax was €228k as at 31 December 2022 (2021: net pension deficit of €16k). The actuarial report is not available for public inspection, but the results are advised to members of the scheme. During the year, the Company gave notice to terminate its liability to pay contributions to the Scheme. This is likely to trigger a windup of the Scheme in 2023.

Notes forming part of the financial statements (continued)

27 Retirement benefit obligations (continued)

Net pension asset / (deficit):	2022	2021
	€'000	€'000
Fair value of plan assets	809	911
Defined benefit obligation	(581)	(927)
Net pension asset / (deficit)	228	(16)
	<hr/>	<hr/>
	<hr/>	<hr/>
Movement in fair value of plan assets	2022	2021
	€'000	€'000
Opening balance 1 January	911	1,001
Settlements	-	(121)
Interest income	10	-
Actuarial (losses) / gains	(112)	31
Closing balance 31 December	809	911
	<hr/>	<hr/>
	<hr/>	<hr/>
Movement in present value of defined benefit obligation	2022	2021
	€'000	€'000
Opening balance 1 January	927	1,000
Settlements	-	(121)
Interest cost	10	9
Remeasurement of the DBO	(356)	39
Closing balance 31 December	581	927
	<hr/>	<hr/>
	<hr/>	<hr/>

Notes forming part of the financial statements (continued)

27 Retirement benefit obligations (continued)

Amounts recognised in the profit and loss account arising from the defined benefit scheme are as follows:

	2022 €'000	2021 €'000
Net interest on net defined benefit liability	-	9
	<hr/>	<hr/>
Total charge recognised in profit and loss	-	9
	<hr/> <hr/>	<hr/> <hr/>

Amounts recognised in other comprehensive income in respect of the defined benefit scheme are as follows:

	2022 €'000	2021 €'000
Return on plan assets less / (greater) than discount rate	112	(31)
Experience (gain) / loss on scheme liabilities	(356)	39
	<hr/>	<hr/>
Remeasurement of the defined benefit asset in OCI	(244)	8
	<hr/> <hr/>	<hr/> <hr/>

Historical information

	2022 €'000	2021 €'000	2020 €'000	2019 €'000	2018 €'000
Present value of scheme liabilities	(581)	(927)	(1,000)	(960)	(3,240)
Value of fund assets	809	911	1,001	1,025	3,897
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Asset / (Deficit)	228	(16)	1	65	657
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Experience adjustments on liabilities	(356)	39	(29)	(265)	20
Experience adjustments on assets	112	(31)	(46)	211	(229)
	<hr/> <hr/>				

Notes forming part of the financial statements (continued)

28 Financial risk management

Other than the insurance risks discussed in Note 22, the key categories of financial risk faced by the Company are credit risk, market risk, liquidity risk, and operational risk. These risk categories are derived from the Company's risk identification and assessment process and are described below, together with the approach to managing the risks.

Risk management framework

The Board of Directors approves overall policy in relation to the types and levels of risk that the Company is permitted to assume in the implementation of its strategic and business plans. Accountable to the Board, the Board Risk Committee has responsibility for oversight of the Company's principal risks and reports to the Board on such matters it has reviewed, including the assessment of Chief Risk Officer and Risk Function performance, compliance with the Company's Risk Management Framework, risk appetite, risk policies, and the effective alignment of risk management objectives and remuneration policies sufficient to embed and maintain a supportive corporate culture in relation to risk management. The Board Risk Committee supports the Board in ensuring that the Company's business strategy is consistent with risk appetite. The Board Risk Committee is responsible for monitoring adherence to the Company's risk appetite statement. Where risk exposures exceed levels established in the risk appetite statement, the Board Risk Committee is responsible for reviewing the appropriate responses developed for the Company. The Board Risk Committee is supported in its role of monitoring and oversight of risk by executive level risk committees accountable to it.

Credit risk

Credit risk is the risk that an issuer of debt securities or a borrower may default on its obligations, or that payment may not be made on a negotiable instrument. Credit risk is managed by the Company in line with requirements set out in Board approved policies. There are three principal sources of credit risk for the Company.

Debt securities: The Company is exposed to credit risk of third parties where the Company holds debt securities, including sovereign debt. The Company has set individual counterparty limits for all investments in debt securities as well as aggregate concentration limits.

Cash and cash equivalents (including deposits with credit institutions): The Company is exposed to credit risk where it places assets on deposit with credit institutions. The Company has set individual counterparty limits for deposits with credit institutions as well as aggregate concentration limits.

Reinsurance counterparty risk: The Company is exposed to credit risk from its reinsurers since it remains liable for reinsured risks if the reinsurer fails to meet its contractual obligations. In the event of a reinsurance counterparty failure, the Company is at risk of financial loss from any increased cost of replacement reinsurance cover. The Company uses only reinsurers meeting minimum reinsurer financial strength ratings. The Company regularly monitors reinsurer financial strength ratings and the effectiveness of reinsurance programmes. Reinsurance counterparty risk is managed in accordance with the Company's Reinsurance Strategy.

Policyholders bear the investment risk in respect of the assets held in unit-linked funds, with changes in the underlying investments being matched by changes in the underlying contract liabilities. The underlying assets in the unit-linked funds are subject to credit risks. In the absence of any issued investment guarantee, the Company is not directly exposed to significant credit risk in respect of unit-linked funds where the policyholder bears the investment risk. A reduction of the capital value of unit-linked funds represents an indirect risk to the

Notes forming part of the financial statements (continued)

28 Financial risk management (continued)

Credit risk (continued)

Company as it would reduce the future investment management charges to be earned from the unit-linked business. Credit risks relating to unit-linked investments are excluded from this assessment of risks affecting the Company's business. The following table discloses the Company's exposure to credit risk arising from debt securities, cash and cash equivalents and reinsurance counterparty risk.

	2022		2021	
	Aa3 or greater	Baa3 to A1	Aa3 or greater	Baa3 to A1
	€'000	€'000	€'000	€'000
Company exposure				
Cash and cash equivalents	-	52,372	37,598	11,429
Government bonds	1,855	197	2,307	-
Corporate bonds	-	102	116	-
Reinsurers share of technical provisions	11,555	-	10,852	-
Total Shareholder	13,410	52,671	50,873	11,429

Market risk

The Company's investment and market risk management policy sets out the principles in respect of the management of market risk. The policy is subject to the annual approval of the Board and is designed to ensure that investment activity is carried out in a prudent and controlled manner, consistent with risk appetite. The policy takes into account the differing requirements and risk profiles of different classes of policyholder funds, business and the solvency requirements of the Company. Adherence to the policy is monitored by the Executive Risk Management Committee. Market risk is the risk of change in the fair value of a financial instrument due to changes in interest rates, equity prices, foreign exchange rates or other factors. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

Policyholders bear the investment risk in respect of the assets held in unit-linked funds, with changes in the underlying investments being matched by changes in the underlying contract liabilities. The underlying assets in the unit-linked funds are subject to market risks. In the absence of any issued investment guarantee, the Company is not directly exposed to significant market risk. A reduction of the capital value of unit-linked funds represents an indirect risk to the Company as it would reduce the future investment management charges to be earned from the unit-linked business. Market risks relating to unit-linked investments are excluded from this assessment of risks affecting the Company's business. There are three principal sources of market risk for the Company.

Interest rate risk: The Company's exposure to changes in fair value of financial assets related to unit-linked funds is mitigated by equal and opposite investment and insurance contract liabilities. The Company's primary exposure to interest rate risk is related to investments in interest bearing assets. A 1% decrease in interest rates globally would result in a loss through the profit and loss and a reduction to equity of approximately €1.0m (2021: €0.8m).

Foreign currency risk: this is the risk that the Company may be affected due to an adverse movement in foreign exchange rates. The Company has limited exposure to currency movements because the Company transacts predominantly in Euro currency. However, the Company is indirectly exposed to market movements in exchange rates via their potential effect on the capital value of unit-linked funds and any possible reduction in the future investment management charges to be earned from such unit-linked business.

Property risk: this is the risk of a significant devaluation of the Company's Head Office Property. The risk is mitigated by the Company's limited appetite for additional property investments. The Company is not exposed

Notes forming part of the financial statements (continued)

28 Financial risk management (continued)

Market risk (continued)

to property risk related to the sensitivity of the values of assets, liabilities and financial instruments to changes in the level or the volatility of market prices of common shares and real estate.

The following table sets out the duration of the Company's financial assets. Given the short-term nature of these assets there is no material interest rate risk based on contractual maturity dates as at 31 December 2022:

	Up to 1 year	1 - 5 years	Over 5 years	Total 2022
	€'000	€'000	€'000	€'000
Cash and cash equivalents	52,372	-	-	52,372
Government bonds	-	1,855	197	2,052
Corporate bonds	-	102	-	102
Investment property	-	-	1,695	1,695
Total Shareholder	52,372	1,957	1,892	56,221

	Up to 1 year	1 - 5 years	Over 5 years	Total 2021
	€'000	€'000	€'000	€'000
Cash and cash equivalents	49,027	-	-	49,027
Government bonds	-	2,066	241	2,307
Corporate bonds	-	116	-	116
Investment property	-	-	1,340	1,340
Total Shareholder	49,027	2,182	1,581	52,790

Liquidity risk

Liquidity Risk relates to the Company's ability to generate the necessary funds to meet its obligations as they fall due. Ongoing liquidity needs primarily arise from payment requirements to policyholders. In managing the Company's assets and liabilities, the Company seeks to ensure that cash is always available to settle liabilities as they fall due. The Company's treasury position is reviewed daily, and cash balances are maintained to meet liabilities as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

For unit linked policy redemptions, cash paid out is funded by the redemption of the linked assets supporting the contract liability. Liquidity risk for non-linked liabilities and daily liquidity needs is managed by maintaining adequate cash funds available on demand. The Company's free assets provide a source of funds to meet any unexpected liquidity demands because they are held in liquid assets. The Company's available liquidity is regularly tested against potential liquidity strains under extreme scenarios, to ensure sufficient liquidity is available.

A summary of the expected cash flows of the Company's contracts with policyholders is shown as follows. The following tables relate to contracts which can mature on demand or have a known fixed future date for maturity. The cash flows will be funded by the redemption of the linked assets supporting the contract liability.

Notes forming part of the financial statements (continued)

28 Financial risk management (continued)
Liquidity risk (continued)

At 31 December 2022	Estimated cash flows (undiscounted)			Total €'000
	0-1 year or on demand €'000	1 - 2 years €'000	2-5 years €'000	
Investment contracts	220,036	-	-	220,036
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

At 31 December 2021	Estimated cash flows (undiscounted)			Total €'000
	0-1 year or on demand €'000	1 - 2 years €'000	2-5 years €'000	
Investment contracts	235,183	-	-	235,183
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

At 31 December 2022	Estimated cash flows (undiscounted)			Total €'000
	0-1 year or on demand €'000	1 - 2 years €'000	2-5 years €'000	
Insurance contracts	86,361	-	-	86,361
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

At 31 December 2021	Estimated cash flows (undiscounted)			Total €'000
	0-1 year or on demand €'000	1 - 2 years €'000	2-5 years €'000	
Insurance contracts	99,876	-	-	99,876
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

Notes forming part of the financial statements (continued)

28 Financial risk management (continued)

Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. The Company accepts that some operational risk loss events will happen and has set a yearly tolerance for operational risk losses.

The Company manages operational risk to an acceptable level, through a combination of sound corporate and risk governance, strong systems and controls, strong resource management and where appropriate limit and tolerance structures. The Company has a robust system in place which includes written procedures, risk limits and the controls required to implement, measure, monitor, maintain and report on all material operations.

The below table summarises some key operational risk areas and methods of mitigation: -

Operational risk area	Mitigation measure
Claims and underwriting	Regular audits and experience investigations Individual underwriter acceptance limits
Systems	Robust business and continuity and disaster recovery plans Business sign off and peer reviews
Unit pricing	Daily valuations Strict processes, controls, peer reviews and checks
Mis-selling	Sales agents are regulated by the Central Bank of Ireland and they are required to be QFA qualified

29 Reinsurance

The Company has reinsurance agreements in place with its reinsurers under which it cedes a share of risk experience to its reinsurers.

Notes forming part of the financial statements (continued)

30 Capital management and capital position statement

At 31 December 2022 the Company's eligible own funds were €65.5m (2021: €62.6m) or 195% (2021: 164%) of the solvency capital requirement under Solvency II (SCR). The future development of the Solvency and Minimum Capital Requirements are forecast at regular intervals as part of business planning.

The table below outlines the valuation differences between shareholder funds and own funds.

	31 December 2022 €'000	31 December 2021 €'000
Shareholders' funds (note 20)	34,627	29,698
<i>Valuation Differences under Solvency II:</i>		
Deferred acquisition costs	(27,172)	(24,611)
Deferred income liability	21,979	20,375
Prudential reserve	9,472	10,334
Solvency II technical provisions	26,592	26,828
	<hr/>	<hr/>
Own funds under Solvency II	65,498	62,624
	<hr/> <hr/>	<hr/> <hr/>

31 Parent undertakings and controlling parties

The Company's ultimate parent undertaking and controlling party is Acorn Life Group Limited, a Company incorporated in the Republic of Ireland, which has its principal place of business at St. Augustine Street, Galway. The Company's immediate parent undertaking is Tanis Limited, a Company incorporated in Northern Ireland. The parent undertaking of the smallest and largest groups of which the Company is a member, and for which group financial statements are prepared is Acorn Life Group Limited. The financial statements of Acorn Life Group Limited are available at its registered office on St. Augustine Street, Galway.

32 Events after the reporting period

No significant events have occurred after the end of the reporting period.

33 Comparative information

Certain comparative amounts used in these financial statements have been reclassified to conform to current year presentation. Such reclassifications do not have an impact on previously reported shareholder funds reported in the balance sheet.

34 Approval of the financial statements

The financial statements were approved by the board of directors on 30 March 2023.