Acorn Life Designated Activity Company

Directors' report and financial statements

Year ended 31 December 2021
Registered No: 128945

Protection, Savings, Pensions, Investments

Contents *Page*

Acorn Life
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, appointed 27 January 2021) Keith Butler (Executive) Paddy Byrne (Non-Executive, resigned 27 January 2021) Paul Shelly (Independent Non-Executive, resigned 27 January 2021) James Kehoe (Independent Non-Executive, resigned 27 January 2021) Tony Johnstone (Independent Non-Executive, resigned 1 February 2021)
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	AIB Bank Lynch's Castle Galway
Solicitors	A & L Goodbody 25-28 North Wall Quay Dublin 1
Registered Number	128945

Protection, Savings, Pensions, Investments

Chief Executive's Report

Heritage

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.

Performance

I am pleased to report strong financial results for 2021 where we reported a profit before tax of €4.4m. Our profit for 2021 was driven by strong investment market performance, the persistency of our customer base and sound expense management. Policyholders' assets under management grew by 20% to €1,027m during 2021. Our policyholders benefited from strong investment returns during the year. Our approach to capital preservation since the onset of the COVID-19 crisis has put us in a strong position to progress our business strategy during 2022. This strategy will enable us to invest in increasing our scale and to continue to improve how we deliver value to our customers in the future. Our Solvency Coverage was 164% of the Solvency II Capital Requirement at 31 December 2021.

In 2021, we were awarded the Deloitte Best Managed Company Award for the fifth consecutive year. We were also awarded the All-Ireland Financial Services Company of the Year Award for the third 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 in what has been another challenging pandemic year.

Customer

Customer experience defines our success as an organisation and for this reason we continue to optimise the way we do business. During the COVID-19 crisis we successfully used our Business Continuity Plans to protect our employees to ensure support for our customers and to remain operationally resilient. Our staff have begun to return to the office in the first quarter of 2022 and we will operate a hybrid working model from now on. Ensuring that our customers are supported is a key factor we use in determining the right balance between working remotely and in the office. We are very aware that enhancing customer experience in the future will require us to meet customers' needs digitally while at the same time retaining our personal and professional approach to providing financial advice. We intend to invest in this area over the coming years.

People and Culture

Despite the challenges presented by the COVID-19 crisis during 2021, our people achieved extraordinary results and demonstrated resilience and an ability to adapt. In my 2020 Chief Executive's report, I outlined that we had embarked on a Voluntary Parting Scheme (VPS) to support a strategic reduction in our cost base. The VPS enabled us to critically look at our organisational structure. The response of our people during 2021 to our new organisational structure and ways of working has been inspiring. This has ensured that the VPS has realised its strategic objective, and it helps us to continue to progress as a responsible and sustainable business for our customers, employees, financial advisers and the communities we serve.

Outlook

As products and technology evolve, our aim is to ensure that Acorn continues to thrive by positioning ourselves as our customers' financial friend. To this end, we will continue to enhance our product offering and to drive efficiency so that we can accelerate the implementation of our business strategy in 2022.

Keith Butler

Keith Butler
Chief Executive Officer **1 April 2022**

Acorn Life

Protection, Savings, Pensions, Investments

Directors' Report

The directors present their report and the audited financial statements for the year ended 31 December 2021.

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. Its brand strength is based on local distribution, product innovation, flexibility and strong investment performance.

2021 presented another challenging year for the Company but the business demonstrated resilience and an ability to adapt to the challenges that the COVID-19 crisis presented. Remote working arrangements for most staff remained in place during the year and we took measures to minimise risks to the health and wellbeing of our staff while ensuring that effective controls and oversight are not compromised and that our customers could interact with us as they would under normal conditions. We progressed our strategic cost optimisation initiatives and our approach to capital preservation during the year has put us in a strong position to progress our business strategy during 2022.

As at 31 December 2021 the Company was adequately capitalised at 164% (2020: 157%) of its Solvency Capital Requirement (SCR). We reported a profit on ordinary activities before tax during the year of €4.4 million (2020: €2.7 million). The profit for 2021 was driven by strong investment market performance, the persistency of our customer base and sound expense management. Our policyholders benefited from strong investment returns during the year. The Company had policyholders' assets under management of €1,027 million at 31 December 2021 (2020: €857 million).

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:

	2021	2020
Profit on ordinary activities before tax	**€4.4m**	€2.7m
Free capital	**€24.5m**	€17.3m
Funds under management	**€1,027m**	€857m

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:

- Insurance risk refers to the risk of loss to the Company 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 though actual or implied contractual agreements. The Company has a low appetite for credit risk.
- The Company is exposed to various investment risks including market risks and liquidity risks. The Company pursues a policy of matching policyholder liabilities. Shareholder funds are invested in liquid assets.
- 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.
- 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.
- The Russia/Ukraine crisis is a situation of concern which the Company continues to monitor. Adverse impacts on global financial markets as a result of this crisis may impact future income through management charge margins generated by policyholder assets.
- The Coronavirus Disease (COVID-19) pandemic may continue to impact the Company through its ability to acquire new business. Even though restrictions are almost fully removed and social engagement is back to reasonably normal levels, the Company recognises that an economic downturn impacting our customers may follow the removal of stimulus from the economy.
- 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.

For further details of the risks facing the Company, see notes 22 and 29.

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 2021 ORSA process was that the balance sheet remains resilient to future stressed scenarios and there is no material threat to 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 (2020: 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 (appointed 27 January 2021), Keith Butler, Paddy Byrne (resigned 27 January 2021), Paul Shelly (resigned 27 January 2021), James Kehoe (resigned 27 January 2021) and Tony Johnstone (resigned 1 February 2021). The company secretary is Sarah Whelan. Except where indicated, they served as directors for the entire year. The directors and secretary who held office at 31 December 2021 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 2021	Interest at 31 December 2020
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.

Political contributions

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

Charitable contributions

The Company made charitable donations of €32k during the year *(2020: €17k)*.

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, were first appointed as statutory auditor for the year commencing 1 January 2021. PricewaterhouseCoopers have signified their willingness to continue in office in accordance with the provisions of section 383(2) of the Companies Act 2014.

On behalf of the board

Keith Butler	**Brian Neilan**	**1 April 2022**
Director	***Director***	

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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

Keith Butler ***Director***	**Brian Neilan** ***Director***	**1 April 2022**

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 2021 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 2021;
- 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 2021 to 31 December 2021.

Our audit approach

Overview

Materiality

- €298,110
- Based on circa 1% of shareholder funds

Audit 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***
Methodologies and assumptions used in the valuation of the life assurance provision *Refer to Note 3.11 (Accounting policies – Life assurance provision) and Note 22 (Insurance risk and technical provisions) to the financial statements* 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. 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. 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.	We gained an understanding of management's processes and controls relating to the valuation of the life assurance provision. 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. 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. We reviewed the actuarial report and challenged management's judgements and assumptions.

Key audit matter	*How our audit addressed the key audit matter*
	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. 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. 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.
Existence and valuation of investments for the benefit of life assurance policyholders who bear the investment risk *Refer to Note 3.10 (Accounting policies – Financial instruments) and Note 12 (Financial instruments) to the financial statements* 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. The assets held to cover unit linked liabilities, included in the Balance Sheet at 31 December 2021, are classified as investments for the benefit of life assurance policyholders who bear the investment risk and are valued at fair value. As set out in note 12 to the financial statements, the assets held to cover unit linked liabilities at 31 December 2021 primarily comprise investments in unit trusts and deposits with credit institutions. 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.	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. We obtained independent confirmations from the custodians of the holdings at 31 December 2021 and reconciled the holdings per the confirmations to the accounting records. 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. 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. 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.

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	€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 agreed with the Audit Committee that we would report to them misstatements identified during our audit above €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 €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 2021 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.

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. This is therefore our first year of uninterrupted engagement.

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

5 April 2022

- The maintenance and integrity of the Acorn Life Designated Activity Company website is the responsibility of the directors; the work carried out 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.

Acorn Life
Protection, Savings, Pensions, Investments

Profit and loss account: technical account – life assurance business

for the year ended 31 December 2021

	Note	2021 €'000	2020 €'000
Earned premiums, net of reinsurance			
Gross insurance premiums written		**45,057**	43,483
Outward reinsurance premiums		**(15,817)**	(15,872)
		29,240	27,611
Total investment return	*4*	**147,516**	694
Other technical income, net of reinsurance	*5*	**10,441**	10,992
Total technical income		**187,197**	39,297
Claims incurred, net of reinsurance			
Insurance claims paid			
Gross amount	*22*	**(25,036)**	(26,513)
Reinsurers' share	*22*	**9,659**	10,194
Changes in provision for claims			
Gross amount	*22*	**(4,535)**	(704)
Reinsurers' share	*22*	**2,401**	190
Claims incurred, net of reinsurance		**(17,511)**	(16,833)
Changes in life assurance provision, net of reinsurance	*22*	**(21,632)**	3,773
Investment return related to investment contract liabilities	*4,12*	**(122,949)**	(587)
Net operating expenses	*6*	**(20,752)**	(22,965)
		(182,844)	(36,612)
Balance on the technical account - life assurance business		**4,353**	2,685

The notes on pages 20 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 2021

	Note	2021 €'000	2020 €'000
Balance on the technical account - life assurance business		**4,353**	2,685
Profit on ordinary activities before tax	*7*	**4,353**	2,685
Tax charge on profit on ordinary activities	*9*	**(341)**	(681)
Profit on ordinary activities after tax		**4,012**	2,004
Profit for the financial year	*19*	**4,012**	2,004

All results were generated by continuing activities.

The notes on pages 20 to 52 are an integral part of these financial statements.

Acorn Life

Protection, Savings, Pensions, Investments

Statement of comprehensive income

for the year ended 31 December 2021

	Note	**2021** **€'000**	2020 €'000
Profit for the financial year	*19*	**4,012**	2,004
Other comprehensive loss			
Remeasurement of defined benefit asset, net of tax	*28*	**(8)**	(68)
Other comprehensive loss for the year, net of tax		**(8)**	(68)
Total comprehensive income for the year	*20*	**4,004**	1,936

The notes on pages 20 to 52 are an integral part of these financial statements.

Acorn Life
Protection, Savings, Pensions, Investments

Balance sheet as at 31 December 2021

	Note	2021 €'000	2020 €'000
Assets			
Investments			
Land and buildings	*11*	**1,340**	1,325
Other financial investments			
Bonds	*12*	**2,423**	2,564
Cash and cash equivalents	*12*	**49,027**	36,039
Derivative financial instruments	*12*	**-**	192
Investments for the benefit of life assurance policyholders who bear the investment risk	*12*	**1,026,569**	857,361
Reinsurer's share of technical provisions			
Claims outstanding	*22*	**6,453**	4,052
Life assurance provision	*22*	**4,399**	4,367
Debtors			
Debtors arising out of direct insurance operations		**266**	280
Debtors arising out of reinsurance operations		**530**	-
Other debtors including tax and social insurance	*13*	**234**	481
Other assets			
Tangible assets	*14*	**378**	664
Prepayments and accrued income			
Accrued interest and rent		**83**	43
Other prepayments and accrued income		**606**	477
Deferred acquisition costs	*16*	**24,611**	24,693
Total assets		**1,116,919**	932,538
Pension surplus, net of tax	*28*	**-**	1
		1,116,919	932,539

Acorn Life

Protection, Savings, Pensions, Investments

Balance sheet as at 31 December 2021 *(continued)*

Liabilities and shareholder funds	*Note*	**2021 €'000**	2020 €'000
Capital and reserves			
Share capital	*17*	**3,912**	3,912
Share premium	*17*	**507**	507
Capital contribution	*18*	**703**	703
Capital reserves	*18*	**24,576**	20,572
Profit and loss reserve	*19*	**-**	-
Shareholder funds	*20*	**29,698**	25,694
Investment contract liabilities	*12*	**889,592**	736,923
Technical provisions			
Life assurance provision – gross amount	*22*	**154,041**	132,377
Claims outstanding	*22*	**14,331**	9,796
Other provisions			
Net pension obligations	*28*	**16**	-
Creditors			
Creditors arising out of direct insurance operations		**1,782**	2,076
Creditors arising out of reinsurance operations		**-**	1,101
Other creditors including tax and social insurance	*23*	**2,667**	2,313
Deferred tax liability	*15*	**917**	1,640
Accruals and deferred income			
Accruals		**3,500**	1,951
Deferred income liability	*21*	**20,375**	18,668
Total liabilities		**1,087,221**	906,845
Total liabilities and shareholder funds		**1,116,919**	932,539

On behalf of the board

Keith Butler
Director

Brian Neilan
Director

1 April 2022

The notes on pages 20 to 52 are an integral part of these financial statements.

Acorn Life
Protection, Savings, Pensions, Investments

Statement of changes in equity for the year ended 31 December 2021

	€'000 Share capital	€'000 Share Premium	€'000 Capital contribution	€'000 Capital reserves	€'000 Profit and Loss Reserve	€'000 Total
At 1 January 2020	3,912	507	703	18,636	-	23,758
Profit for the financial year	-	-	-	-	2,004	2,004
Other comprehensive loss	-	-	-	-	(68)	(68)
Transfer from profit and loss	-	-	-	1,936	(1,936)	-
At 31 December 2020	**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**

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 2021 ORSA process was that the balance sheet remained resilient to future stressed scenarios and there is no material threat to 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 and 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. The COVID-19 pandemic could lead to adverse outcomes arising which are different to the current best estimate view.

2 Use of estimates and judgements *(continued)*

A primary area in which the Company applies 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.

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 the 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 (“DAC”) 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 note 4 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 financial instruments include the following basic financial instruments, 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 note 12. 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 current 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 eliminates or significantly reduces a measurement inconsistency that would otherwise arise if these financial liabilities were not measured at fair value since the assets held to back the investment contract liabilities are also measured at fair value. The fair value of the Company's unit linked investment contract liabilities is based on the fair value of the financial assets held within the appropriate unit linked funds.

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 because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

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 is it 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 was closed to future accruals with effect from 31 March 2010. 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; that benefit is discounted to determine its present value. The fair value of any 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.

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	**Investment return**	**2021**	2020
		€'000	€'000
	Investment income from financial assets designated upon initial recognition as fair value through the profit and loss	**1,239**	251
	Realised gains / (losses) on investments	**23,126**	(19,284)
	Unrealised gains on investments	**123,151**	19,727
	Total investment return	**147,516**	694
	Investment return related to investment contract liabilities	(122,949)	(587)
	Investment return	**24,567**	107

5	**Other technical income, net of reinsurance**	**2021**	2020
		€'000	€'000
	Investment policy charges	**12,148**	11,924
	Change in deferred income liability (note 21)	**(1,707)**	(932)
	Total other technical income, net of reinsurance	**10,441**	10,992

6	**Net operating expenses**	**2021**	2020
		€'000	€'000
	Commissions on direct insurance business - acquisition	**4,078**	3,217
	Commissions on direct insurance business - renewal	**1,528**	1,324
	Other acquisition costs	**10,426**	8,928
	Change in deferred acquisition costs (note 16)	**82**	2,066
	Administration expenses	**4,633**	4,892
	Termination benefits	**5**	2,538
	Net operating expenses	**20,752**	22,965

7 Expenses and auditor's remuneration

	2021	2020
	€'000	€'000
Included in the profit/loss are the following:		
Profit on disposal of fixed assets	**15**	16
	PwC	KPMG
Auditor's remuneration		
- audit of these financial statements	**137**	141
- other assurance services	**55**	91
- tax services	**-**	40
	192	272

8 Directors' remuneration and transactions

	2021	2020
	€'000	€'000
Directors' remuneration		
Emoluments	**571**	566
Contribution to the defined contribution pension scheme	**47**	32
Amounts receivable under long term incentive schemes	**71**	-
	689	598

Directors' emoluments include benefits paid on behalf of two of the directors to the defined contribution scheme during 2021. There were no contributions to the defined benefit scheme related to directors' emoluments during 2021 and 2020. 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.

Acorn Life
Protection, Savings, Pensions, Investments

Notes forming part of the financial statements (continued)

9 Tax charge on profit on ordinary activities

	2021 €'000	2020 €'000
Current tax		
Current corporation tax	**1,283**	643
Tax (over) / under provided in previous years	**(219)**	64
	1,064	707
Deferred tax		
Deferred tax credit	**(723)**	(26)
Tax charge on profit	**341**	681
Tax in statement of comprehensive income		
Deferred tax credit on remeasurement of defined benefit asset (note 28)	**-**	8

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:

	2021 €'000	2020 €'000
Profit on ordinary activities before tax	**4,466**	2,685
Profit on ordinary activities before tax multiplied by the standard rate of corporation tax in the Republic of Ireland of 12.5%	**558**	336
Effect of:		
Adjustment for taxable de-reservation to shareholder	**2**	281
Tax (over) / under provided in previous years	**(219)**	64
Total tax charge for year	**341**	681

10 Dividends paid

	2021 €'000	2020 €'000
Interim dividends paid	**-**	-

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 Buildings

	Buildings €'000
Valuation	
At beginning of year	1,325
Revaluation in the year	15
At end of year	**1,340**
Accumulated depreciation	
At beginning of year	-
Charge for the year	(22)
Eliminated on revaluation	22
At end of year	**-**
Net book value	
At 31 December 2021	**1,340**
At 31 December 2020	1,325

The buildings were revalued on 12 November 2021. The valuation was carried out by Patrick Seymour MSCSI 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 *(2020: €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.

	2021	2020
	€'000	€'000
Bonds	**2,423**	2,564
Cash and cash equivalents	**49,027**	36,039
Derivative financial instruments	**-**	192
	51,450	38,795
Financial assets – policyholder unit linked funds		
Unit trusts	**983,627**	823,748
Derivative financial instruments	**-**	1,860
Deposits with credit institutions	**42,942**	31,753
	1,026,569	857,361
Financial assets on balance sheet	**1,078,019**	896,156

A fair value measurement is categorised in its entirety on the basis of 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 2021 and 2020.

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 2021 or 2020.

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.

12 Financial instruments *(continued)*

	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
Total financial assets measured at FVTPL	**-**	**977,373**	**8,677**	**986,050**
Deposits with credit institutions				42,942
Cash and cash equivalents				49,027
Financial assets on balance sheet				**1,078,019**

	Level 1 €'000	Level 2 €'000	Level 3 €'000	Total 2020 €'000
Unit trusts	-	814,309	9,439	823,748
Government bonds	-	2,442	-	2,442
Corporate bonds	-	122	-	122
Derivative financial instruments	-	2,052	-	2,052
Total financial assets measured at FVTPL	**-**	**818,925**	**9,439**	**828,364**
Deposits with credit institutions				31,753
Cash and cash equivalents				36,039
Financial assets on balance sheet				**896,156**

Notes forming part of the financial statements (continued)

12 Financial instruments *(continued)*

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

	Level 1 €'000	Level 2 €'000	Level 3 €'000	**Total 2020 €'000**
Financial liabilities measured at FVTPL				
Investment contract liabilities	-	**736,923**	-	**736,923**

Reconciliation of movement in investment contract liabilities	**2021 €'000**	2020 €'000
Balance at 1 January	**736,923**	723,432
Premium income	**88,970**	72,655
Encashments	**(47,102)**	(47,827)
Investment return related to investment contract liabilities	**122,949**	587
Fee income	**(12,148)**	(11,924)
Balance at 31 December	**889,592**	736,923

13 Other debtors including tax and social insurance

	2021 €'000	2020 €'000
Amounts due from employees	**158**	169
Amounts due from fellow group undertakings	**76**	62
Corporation tax repayable	**-**	250
	234	481

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 in line with the benefit in kind rates specified by the Department of Finance. Amounts due from employees are repayable on demand. Amounts due from fellow group undertakings are interest free and repayable on demand.

Acorn Life
Protection, Savings, Pensions, Investments

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	739	2,364	839	3,942
Additions during the year	71	10	-	81
Disposals	(264)	-	-	(264)
At end of year	**546**	**2,374**	**839**	**3,759**
Accumulated depreciation				
At beginning of year	362	2,086	830	3,278
Charged for the year	139	152	9	300
Disposals	(197)	-	-	(197)
At end of year	**304**	**2,238**	**839**	**3,381**
Net book value				
31 December 2021	**242**	**136**	**-**	**378**
31 December 2020	377	278	9	664

15 Deferred taxation

	2021 €'000	2020 €'000
(a) Deferred tax asset	**55**	70
Attributable to;		
Timing differences	55	70
(b) Deferred tax liability	**972**	1,710
Attributable to;		
Undistributed life business surpluses	972	1,710
Net deferred tax liability	**917**	1,640

16 Reconciliation of movements in deferred acquisition costs

	Insurance contracts 2021 €'000	Insurance contracts 2020 €'000	**Investment contracts 2021 €'000**	Investment contracts 2020 €'000
Balance at 1 January	**6,109**	8,355	**18,584**	18,404
Acquisition costs incurred	**2,841**	3,537	**3,362**	1,755
Amounts amortised	**(4,570)**	(5,783)	**(1,715)**	(1,575)
Balance at 31 December	**4,380**	6,109	**20,231**	18,584

17 Share capital and share premium

	2021 €'000	2020 €'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
	8,962	8,962
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
	3,912	3,912

Share premium	**2021 €'000**	2020 €'000
At beginning and end of year	**507**	507

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.

18 Capital reserves

	2021	2020
	€'000	€'000
Opening balance	**20,572**	18,636
Transfer from the profit and loss account (note 19)	**4,004**	1,936
Closing balance	**24,576**	20,572

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.

	2021	2020
	€'000	€'000
Capital contribution	**703**	703

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

19 Profit and loss reserve

	2021	2020
	€'000	€'000
Opening balance	**-**	-
Profit for the financial year	**4,012**	2,004
Remeasurement of defined benefit asset, net of tax (note 28)	**(8)**	(68)
Transfer to capital reserve (note 18)	**(4,004)**	(1,936)
Closing balance	**-**	-

20 Reconciliation of movements in shareholder funds

	2021 €'000	2020 €'000
Opening shareholder funds	**25,694**	23,758
Total comprehensive income for the year	**4,004**	1,936
Closing shareholder funds	**29,698**	25,694

21 Deferred income liability

	2021 €'000	2020 €'000
Deferred income liability at 1 January	**18,668**	17,736
Initial fees during the year	**3,497**	2,586
Amortisation to income	**(1,790)**	(1,654)
Deferred income liability at 31 December	**20,375**	18,668

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 of the following elements:

- Company risk strategy and appetite.
- Company corporate governance framework.
- Company risk policy suite.
- Organisational relationships and accountabilities; and
- Company 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 the Company's principles for the effective identification, measurement, management, monitoring and reporting of risk. Insurance risk refers to the risk of loss to the Company, 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 the solvency risk and profit volatility. The Company has an appetite for insurance and retaining insurance risk, within defined limits.

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 2021 were €7.1 billion (2020: €7.2 billion). Sums at risk after reinsurance were €2.7 billion (2020: €2.6 billion).

In determining its strategy with regard to the mitigation and management of insurance risk, the Company considers the entire range of business activities, products and internal processes in place in the Company, 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 and terms and conditions have the ability to revise charges for risk if significantly inconsistent.
- 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. Higher than assumed expense will lead to management actions, such as new product launches and strategies to control costs.
- Persistency risk: The Company continuously monitors persistency management information in order to influence changes in product design.

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, such as Coronavirus (COVID-19) could lead to a significant increase in death claims. A shock death rate of 1.5 persons per mille could arise in claims for the Company and an adverse impact on profit and equity of approximately €4.0 million net of reinsurance (2020: €3.9 million). There may also be some impact on Critical Illness and Hospital Cash claims, but this risk is not considered to be overly onerous. The Company adopts a cautious approach to the management of these risks by adopting reviewable charges which can be changed if experience is not in line with what is expected and the use of reinsurance.

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.

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								
2021	(358)	(409)	-	(43)	(106)	(18)	(33)	(967)
2020	(322)	(328)	(18)	(49)	(114)	(20)	(39)	(890)

Sensitivity to expenses: Expense risk is the risk that expenses increase either through unit cost or inflation. Policy charges aim to cover the Company's expenses. A large proportion of the Company's cost base is fixed 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 €1.1 million (2020: €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 (2020: €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 2.25% per annum (2020: 3% per annum*)*. No credit is taken for voluntary discontinuance of policies.

	Males	**Females**
Mortality	84% of Reinsurers' rates *(2020: 81%)*	84% of Reinsurers' rates *(2020: 81%)*
Morbidity	129% Reinsurers' rates *(2020: 129%)*	129% Reinsurers' rates *(2020: 129%)*
	Life	**Pensions**
Unit growth	2.0% pa before charges	2.5% pa before charges
	(2020: 2.0% pa)	*(2020: 2.5% pa)*
Discount Rate	**Net funds**	**Gross funds**
	-0.3% pa (net funds*) (2020: -0.4%)*	-0.4% pa (gross funds*) (2020: -0.5%)*

22 Insurance risk and technical provisions *(continued)*

Renewal expenses	**2021**	**2020**
	(Annual, per policy)	**(Annual, per policy)**
Life regular premium	€80.54	€80.06
Pensions regular premium	€100.67	€99.49
Executive pensions regular premiums (pre 2009)	€100.67	€99.49
Executive pensions regular premiums (post 2009)	€136.20	€134.61
Single premium investments	€49.29	€48.71
Single premium pensions	€76.51	€75.61

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	**2021 €'000**	2020 €'000
Balance at 1 January	**128,010**	131,783
Premium allocations	**11,917**	15,207
Claims	**(17,511)**	(16,833)
Investment growth	**24,567**	107
Movement in non-unit linked life insurance provision	**2,659**	(2,254)
Balance at 31 December	**149,642**	128,010
The net life assurance provision is comprised of;		
Gross amount	**154,041**	132,377
Reinsurers' share	**(4,399)**	(4,367)
Balance at 31 December	**149,642**	128,010

22 Insurance risk and technical provisions *(continued)*

(a) Reconciliation of movement in claims outstanding – gross amount	**2021 €'000**	2020 €'000
Balance at 1 January	**9,796**	9,092
Insurance claims incurred	**29,571**	27,217
Insurance claims paid	**(25,036)**	(26,513)
Balance at 31 December	**14,331**	9,796

(b) Reconciliation of movement in claims outstanding – reinsurers' share	**2021 €'000**	2020 €'000
Balance at 1 January	**4,052**	3,862
Reinsurance claims incurred	**12,060**	10,384
Claims paid by reinsurers	**(9,659)**	(10,194)
Balance at 31 December	**6,453**	4,052

23 Other creditors including tax and social insurance	**2021 €'000**	2020 €'000
Termination benefits payable	**-**	1,326
Amounts payable under employee long term incentive scheme	**877**	-
Trade creditors	**176**	97
Other creditors	**67**	68
PAYE/PRSI	**907**	655
Corporation Tax	**464**	-
Government levy	**176**	167
	2,667	2,313

An agreement was reached with seventeen employees in October 2020 following the Company's offer of a compensation package under a Voluntary Parting Scheme (VPS). A provision of €1.3m remained at 31 December 2020 in respect of the VPS. This was fully utilised during 2021.

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:

	2021 Land and buildings €'000	2020 Land and buildings €'000
Not later than one year	**274**	253
Between two and five years	**477**	600
Later than five years	**103**	114
	854	967

During the year €448k (*2020*: €394k) was recognised as an expense in the profit and loss account in respect of operating leases.

25 Other commitments

As at the balance sheet date, the Company has commitments under contracts in respect of future software licence expenditure of €276k (*2020:* €576k) which is not provided for in the financial statements, all of which is payable within one year.

26 Employees

The average number of persons employed by the Company in various categories and the costs of employment during the year were as follows:

	2021 Number	2020 Number
Sales	**36**	41
Administration	**57**	63
Total	**93**	104

	2021 €'000	2020 €'000
Wages and salaries	**6,539**	6,154
Amounts payable under employee long term incentive scheme	**877**	-
Social insurance costs	**688**	647
Termination benefits	**5**	2,538
Retirement benefit costs – defined contribution	**468**	381
	8,577	9,720

None of the aggregate staff costs were capitalised during the year (2020: Nil).

27 Related party transactions

A number of 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 €20k (2020: €23K). As at 31 December 2021, balances in respect of investment products were €1.1m (2020: €0.9 million) and life sums assured were €1.1 million net of reinsurance (2020: €1.0 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 €149k at 31 December 2021 *(2020: €143k).* There were no allowances made or amounts waived against the outstanding balances during the year. There were no loans advanced to or loans repaid by directors or members of key management of the Company during the year. The aggregate value of loan arrangements with key management personnel expressed as a percentage of net assets as at 31 December 2021 is 0.5% (2020: 0.6%).

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.

28 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 €468k (*2020*: €381k*)*.

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 2019. 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 2021 and 2020, 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 deficit after tax was €16k as at 31 December 2021 *(2020: net pension asset of €1k)*. The actuarial report is not available for public inspection, but the results are advised to members of the scheme. The scheme has a small deficit. Projected future funding costs will be reviewed with the independent scheme actuaries following the next comprehensive actuarial valuation as at 31 March 2022.

Notes forming part of the financial statements (continued)

28 Retirement benefit obligations *(continued)*

Net pension (deficit) / asset:	**2021 €'000**	2020 €'000
Fair value of plan assets	**911**	1,001
Defined benefit obligation	**(927)**	(1,000)
Net pension (deficit) / asset	**(16)**	1

Fund assets	**2021 €'000**	2020 €'000
Equities	**119**	136
Debt securities	**647**	738
Other	**145**	127
Total	**911**	1,001

Movement in fair value of plan assets	**2021 €'000**	2020 €'000
Opening balance 1 January	**1,001**	1,025
Settlements	**(121)**	-
Interest income	**-**	22
Actuarial gains / (losses)	**31**	(46)
Closing balance 31 December	**911**	1,001

Movement in present value of defined benefit obligation	**2021 €'000**	2020 €'000
Opening balance 1 January	**1,000**	960
Settlements	**(121)**	-
Interest cost	**9**	11
Remeasurement of the DBO	**39**	29
Closing balance 31 December	**927**	1,000

Notes forming part of the financial statements (continued)

28 Retirement benefit obligations *(continued)*

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

	2021	2020
	€'000	€'000
Net interest on net defined benefit liability	**9**	(11)
Settlement (gain) / cost	**-**	-
Total charge / (credit) recognised in profit and loss	**9**	(11)

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

	2021	2020
	€'000	€'000
Return on plan assets (greater) / less than discount rate	**(31)**	47
Experience loss on scheme liabilities	**39**	29
Remeasurement of the defined benefit asset in OCI	**8**	76
Deferred tax credit	**-**	(8)
Remeasurement of the defined benefit asset, net of tax (OCI)	**8**	68

Actuarial assumptions	**2021**	2020
The principal actuarial assumptions at the reporting date are as follows:		
Discount rate	**1.1%**	0.90%
Rate of increase in pay	**2.9%**	2.05%
Rate of increase in social security	**2.9%**	2.05%
Rate of increase of pensions in payment	**0.0%**	0.00%
Rate of increase for deferred pensioners	**1.9%**	1.05%
Price inflation	**1.9%**	1.05%
Active participants	**1**	1
Participants with deferred benefits	**15**	17
Participants receiving benefits	**0**	0

Mortality	**2021**	2020
Post-retirement	58% ILT(M)15+0.3% pa 62% ILT(F)15+0.25%pa	58% ILT(M)15+0.3% pa 62% ILT(F)15+0.25%pa

28 Retirement benefit obligations *(continued)*

Historical information

	2021 €'000	2020 €'000	2019 €'000	2018 €'000	2017 €'000
Present value of scheme liabilities	(927)	(1,000)	(960)	(3,240)	(3,330)
Value of fund assets	911	1,001	1,025	3,897	4,180
(Deficit)/asset	(16)	1	65	657	850
Experience adjustments on liabilities	39	(29)	(265)	20	(45)
Experience adjustments on assets	(31)	(46)	211	(229)	49

29 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.

29 Financial risk management *(continued)*
Credit risk (continued)

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 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.

	2021		2020	
	Aa3 or greater	**Baa3 to A1**	Aa3 or greater	Baa3 to A1
Company exposure	**€'000**	**€'000**	€'000	€'000
Cash and cash equivalents	**37,598**	**11,429**	-	36,039
Government bonds	**2,307**	**-**	122	2,320
Corporate bonds	**116**	**-**	122	-
Reinsurers share of technical provisions	**10,009**	**-**	8,419	-
Shareholder's trackers	**-**	**-**	-	192
Total Shareholder	**50,030**	**11,429**	8,663	38,551

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.

29 Financial risk management *(continued)*
Market risk (continued)

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 €0.8m (2020: €0.1m).

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 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 deposits there is no material interest rate risk based on contractual maturity dates as at 31 December 2021:

	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**

	Up to 1 year	**1 - 5 years**	**Over 5 years**	**Total 2020**
	€'000	**€'000**	**€'000**	**€'000**
Cash and cash equivalents	36,039	-	-	**36,039**
Government bonds	-	377	2,065	**2,442**
Corporate bonds	-	-	122	**122**
Shareholder's exposure to tracker bonds	192	-	-	**192**
Investment property	-	-	1,325	**1,325**
Total Shareholder	**36,231**	**377**	**3,512**	**40,120**

29 Financial risk management *(continued)*

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.

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

	Estimated cash flows (undiscounted)			
At 31 December 2020	**0-1 year or on demand €'000**	**1 - 2 years €'000**	**2-5 years €'000**	**Total €'000**
Investment contracts	207,098	-	-	207,098

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

29 Financial risk management *(continued)*
Liquidity risk (continued)

	Estimated cash flows (undiscounted)			
At 31 December 2020	**0-1 year or on demand €'000**	**1 - 2 years €'000**	**2-5 years €'000**	**Total €'000**
Insurance contracts	87,885	-	-	87,885

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

30 Reinsurance

As at 31 December 2021, the Company has a reinsurance financing treaty and a quota share reinsurance treaty in place with its reinsurers.

Under the reinsurance finance contract, the reinsurers accept lapse risks on the underlying business. There is a deficit account as at 31 December 2021 of €1.2m (*2020:* €1.7m). This expected outgoing is not shown as a liability on the balance sheet because the payments are contingent on the receipt of future premiums.

Under the quota share reinsurance this contract the Company cedes a 35% share of risk experience in its unit-linked protection portfolio over a 15-year period to SCOR.

31 Capital management and capital position statement

At 31 December 2021 the Company's eligible own funds were €62.6m (2020: €47.9m) or 164% (2020: 157%) 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 reconciles shareholder funds to available net assets for regulatory purposes.

	31 December 2021 €'000	**31 December 2020 €'000**
Shareholders' funds (note 20)	**29,698**	25,694
Valuation Differences under Solvency II:		
Deferred acquisition costs	**(24,611)**	(24,693)
Deferred income liability	**20,375**	18,668
Prudential reserve	**10,334**	9,282
Solvency II technical provisions	**26,828**	18,921
Own funds under Solvency II	**62,624**	47,872

32 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.

33 Events after the reporting period

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

34 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.

35 Approval of the financial statements

The financial statements were approved by the board of directors on 1 April 2022.