OCTIUM

Annual Report 2022

CONTENTS

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

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

2022 - Continued growth in spite of new challenges

Having weathered the difficulties to the business as a consequence of Covid, 2022 continued to see strong growth with a significant increase in the level of new business, increased market share and a movement away from reliance on some key relationships. This was all achieved against the background of difficult global circumstances, primarily as a result of the war in Ukraine, which were outside the control of the Company. Additional acquisitions were initiated, and the company was a key part of the continued growth of the wider Octium Group.

2022 saw the continuation of increased premium being written compared to previous years, with a total of €360m of premiums in 2022. This reflected the highest level of premium written by Octium Life DAC ("the Company") since the change of ownership in May 2017. Furthermore, the source of new business is spread over a higher number of counterparties, mitigating against any concentration risk. Once again, this has been achieved primarily because of our unique hybrid distribution approach, where we can offer a holistic experience through our tied agency, Octium International Insurance Agent in Liechtenstein, while in parallel continuing to work with other intermediaries who are seeking the best solutions for their clients.

In parallel to supporting the integration of Octium Assurance AG into the Group, there was further development of acquisition targets for the Company. As announced in November 2022, Octium Group is acquiring, subject to regulatory approval, the PPLI business of Insurevolution. With almost €1.0 bn in policyholder assets transferring to the Company in Ireland, and €2.5 bn to the Group as a whole, it is anticipated that with regulatory approval in Q2, the year ahead will see an increase in assets for the Company to in excess of €5 bn and, for the Group, to over €11 bn.

Jean-François Willems, Chairman

Dara Hurley, CEO

The ongoing war in Ukraine has led to new challenges in 2022 and will continue into 2023. In addition to the negative market performance, associated inflationary pressures have resulted in costs being higher than expected. The Company has seen its Assets under Life Insurance reduce by almost 10% and its cost base increase which has led to a reduction of profitability for the year. As anticipated, interest rates rose during the year which had an impact on global economies and personal finances. However, those rises led to the PPLI market becoming a more attractive proposition in the wealth planning area compared to the more traditional guaranteed return products. This was a factor in the rise in premiums and it is anticipated that 2023 will maintain the upward trend in new business being written.

In spite of the difficulties faced during the year, the Company maintains a strong financial position with a solvency position in excess of 225% as at December 2022. This brings a significant level of comfort not only to our policyholders but also to other key stakeholders such as the Financial Regulator. It is also a level that is significantly ahead of some of our key competitors and cements our status as a disruptor to the more traditional providers in the market.

Octium will continue to develop its systems, its client tools, its products, markets and its people during 2023 to ensure it can attract new counterparties, key talent to work in the organisation and new clients who will all benefit from the philosophy of continual investment in the business.

Directors' Report

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Independent Auditor's Report

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Financial Statements

Directors

Jean-François Willems, Chairman and Non-Executive Director (Belgian)
Dara Hurley, CEO and Executive Director
Seamus Hughes, Independent Non-Executive Director
Massimoluca Mattioli, Non-Executive Director (Italian)
Joan Collins, Independent Non-Executive Director

Secretary

Ruth Quinn
1st Floor College Park House
South Frederick Street
Dublin 2

Registered Office

1st Floor College Park House
South Frederick Street
Dublin 2

Independent Auditors

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

Solicitors

A&L Goodbody
North Wall Quay
Dublin 1

Banks

UBS Switzerland AG, Bahnhofstrasse 45, 8001 Zurich, Switzerland
UBS Europe SE, Bockenheimer Landstrasse 2-4, D-60306 Frankfurt am Main, Germany
Bank of Ireland, St. Stephen's Green, Dublin 2
Allied Irish Banks, 10 Molesworth Street, Dublin 2
Banque Havilland, 35a Avenue J F Kennedy, Luxembourg
LGT Bank AG, Herrengasse 12, FL-9490 Vaduz, Liechtenstein

DIRECTORS' REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

The directors present their report and the audited financial statements of Octium Life DAC (the "Company" or "Octium") for the financial year ended 31 December 2022.

Principal Activity

The Company, which is a wholly owned subsidiary undertaking of Octium Holding Limited, is authorised in Ireland to transact life assurance business under the Solvency II Directive (2009/138/EC) as introduced into domestic Irish Legislation by the EU (Insurance and Reinsurance) Regulations 2015, effective 1 January 2016. The principal activity of the Company is the transaction of cross border life assurance in Europe through the sale of single premium policies under which the risk related to the underlying investments is carried by the policyholders.

Results And Dividends

The results for the financial year ended 31 December 2022 are set out on page 17 of the financial statements. A dividend of €1.8m was declared and paid during the financial year (2021: €20.5m).

Corporate Governance

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

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

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

Review of the Business

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

In November 2022 the Company agreed to acquire Insurevolution's PPLI portfolio in Ireland which consists of approximately CHF900m of unit-linked business with mostly EU policyholders. The transaction is part of a larger transaction between Octium Group and Insurevolution and is subject to regulatory approval by the Liechtenstein Regulatory Authority (FMA). At the date of approval of the financial statements the regulatory approval process is ongoing, and the transaction has yet to close.

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

Key Performance Indicators

	2022 €'000	2021 €'000
Other technical income	16,049	16,875
Net operating expenses	11,310	11,810
Assets held to cover linked liabilities	4,178,520	4,610,184

Other technical income decreased year-on-year, primarily due to lower asset values during 2022 compared to 2021. Cost management remains a focus of the business and net operating expenses decreased during the financial year.

Assets held to cover linked liabilities have decreased relative to the previous financial year-end. The decrease was largely due to negative asset performance which was somewhat offset by net business inflows.

Profit before taxation for 2022 amounted to €4.7m (2021: €5.0m).

Note 18 to the financial statements confirms that the Company had a satisfactory surplus over regulatory Solvency II capital requirements at year end.

The ongoing uncertainty in the macro-economic environment caused by Russia's invasion of Ukraine, high inflation and a fast-changing interest rate environment, continues to prove challenging. In particular, volatile market conditions have had a negative impact on AUM and revenues during the financial year. Notwithstanding this, the Company limited the impact on profitability by reducing costs and delivered net business inflows in 2022 and year-on-year premium growth, demonstrating its operational resilience.

Principal Risks and Uncertainties

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

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

Life insurance business risk

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

Valuation risk

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

Liquidity risk

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

Market risk

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

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

Credit risk

Credit risk on shareholders' funds deposited with financial institutions is managed in accordance with Octium's Credit Risk Policy which sets risk-based limits on the amounts that can be deposited with banking counterparties. Octium ensures reinsurance arrangements are only affected with highly rated companies. Swiss Re is the chosen reinsurer which has a credit rating of A+ (2021: A+), as rated by A.M. Best as at 31 December 2022.

Operational risk

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

Regulatory risk

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

Subsequent Events

A dividend of €4m was declared on 24 February 2023.

At the date of approval of the financial statements the regulatory approval process for the acquisition of Insurevolution's PPLI portfolio in Ireland is ongoing and the transaction has yet to close.

On 9 March 2023 the Irish Revenue decided in favour of an application by the Company for VAT-exempt treatment of expenses relating to its policy administration system. The decision will result in a reclaim of €955k of VAT paid in the period from 2016 to 2022. This will be recognised in the 2023 financial statements.

There were no other significant events affecting the Company since 31 December 2022.

Directors' and Company Secretary's Interests

The directors who served during the financial year were as follows (all directors served for the entire financial year):
Jean-François Willems
Dara Hurley
Seamus Hughes
Massimoluca Mattioli
Joan Collins

Company secretary:
Ruth Quinn

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

Political Donations

The Company did not make any political donations during 2022 (2021: €nil).

Own Shares

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

Accounting Records

The measures that the directors have taken to secure compliance with the requirements of Sections 281 to 285 of the Companies Act 2014, with regard to the keeping of accounting records, include the provision of appropriate resources to maintain adequate accounting records, including the appointment of personnel with appropriate qualifications, experience and expertise.
The Company's accounting records are maintained at the Company's registered office at 1st Floor College Park House, South Frederick Street, Dublin 2.

Going Concern

The Company has assessed the future performance of the business to provide assurance that it has the resources in place to meet its ongoing regulatory requirements. The assessment is based on business plans which contain future forecasts of profitability as well as projections of future liquidity and capital requirements. This also includes the impact of stress testing scenarios on the liquidity and capital requirement forecasts.

This assessment showed that the Company had sufficient capital in place to support its future business requirements and remained above its regulatory requirements in the stress test scenarios. It also showed that it can continue to meet its liquidity requirements. The Directors concluded that there was a reasonable expectation that the Company has adequate resources to continue as a going concern for the foreseeable future and that it is appropriated to continue to adopt the going concern basis in preparing the annual financial statements.

Auditors

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

Statement on Relevant Audit Information

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

On behalf of the directors

Seamus Hughes
Director

Dara Hurley
Director

Date: 31st March 2023

DIRECTORS' RESPONSIBILITIES STATEMENT

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

Irish company law requires the directors to prepare financial statements for each financial year. Under the law the directors have elected to prepare the financial statements in accordance with FRS 102, the Financial Reporting Standard applicable in the UK and Republic of Ireland and FRS 103 Insurance Contracts, issued by the Financial Reporting Council of the UK and promulgated by the Institute of Chartered Accountants in Ireland. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the assets, liabilities and financial position of the company as at the end of the financial year, and the profit or loss of the company for the financial year, and otherwise comply with the Companies Act 2014.

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

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

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

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

Report on the audit of the financial statements

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

In our opinion the financial statements:

- give a true and fair view of the assets, liabilities and financial position of the company as at 31 December 2022 and of the profit for the financial year then ended; and
- have been properly prepared in accordance with the relevant financial reporting framework and, in particular, with the requirements of the Companies Act 2014.

The financial statements we have audited comprise:

- the Income Statement – Technical Account- Life Insurance Business;
- the Statement of Financial Position
- the Statement of Changes in Equity
- the Statement of Cash Flows; and
- the related notes 1 to 25, including a summary of significant accounting policies as set out in Note 1.

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

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (Ireland) (ISAs (Ireland)) and applicable law. Our responsibilities under those standards are described below in the "Auditor's responsibilities for the audit of the financial statements" section of our report.

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

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

Summary of our audit approach

Key audit matters	The key audit matters that we identified in the current year were: • *Valuation of Assets Held to Cover Linked Liabilities* • *Revenue recognition: Policy Administration Fees*
Materiality	The materiality that we used in the current year was €2.0m which was determined on the basis of Total Equity.
Scoping	Our scoping involved obtaining an understanding of the company, its environment and assessing the risks of material misstatement within the company.
Significant changes in our approach	There were no significant changes to our approach in the current period.

Conclusions relating to going concern

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

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

- We obtained an understanding of the processes in place over the solvency capital requirements and year-end solvency ratio;
- We obtained the Directors Assessment of Going Concern and challenged the key assumptions used in determining the company's ability to continue as a going concern;
- We obtained and read the Own Risk and Self-Assessment ("ORSA") Report 2022, as one of the key inputs in the solvency process, and considered the forward looking scenarios identified by the Board and management in accordance with the relevant Solvency II preparation guidelines;
- We obtained the 2023 Budget as approved by the Board of Directors and assessed the projections for consistency with our understanding of the business as well as considering the accuracy of previous forecasts.
- We performed an assessment of the current year performance and year-end position of the company including profitability, assets under management and solvency capital required to ensure the company can demonstrate sufficient liquidity to meet its liabilities as they fall due and confirmed that information was consistent with information used in the ORSA and other relevant projections; and
- We evaluated the adequacy of the relevant disclosures made in the financial statements.

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

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current financial year and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of Assets Held to Cover Linked Liabilities	
Key audit matter description	Assets are held by the company to match the Technical Provisions for Linked Liabilities and therefore the valuation of these assets has been identified as a key audit matter. As a result, and given the significant portfolio held, a significant portion of audit effort was directed towards the audit of the investments balance. Assets held to cover linked liabilities amounted to €4.1 billion as at 31 December 2022. Refer to the accounting policy in Note 1 and the disclosure in notes 10 and 20 of the financial statements.
How the scope of our audit responded to the key audit matter	We designed our audit procedures to address the key audit matter described above in relation to the valuation of the Assets Held to Cover Linked Liabilities. Procedures included the following: We obtained an understanding of valuation and reconciliation process for investments and assessed the design and implementation of the relevant controls identified within. We performed substantive procedures over the valuation of the assets by independently obtaining prices from pricing services and comparing to valuation included in the financial statements. Where independent prices were not available we obtained details of management's pricing and evaluated for sufficiency and appropriateness. We considered if the company's valuation policy for investments is in accordance with the relevant financial reporting framework and also tested the disclosures made in respect of the valuation of investments to ensure compliance with the requirements set out within.
Revenue recognition: Policy Administration Fees	
Key audit matter description	ISA 240 states that when identifying and assessing the risks of material misstatement due to fraud, the auditor shall, based on a presumption that there are risks of fraud in revenue recognition, evaluate which types of revenue, revenue transactions or assertions give rise to such risks. The primary sources of revenue in the company is recurring policy administration fees, included within other technical income. Policy Administration fees amounted to €16.04 million for the financial year ended 31 December 2022. Refer to the accounting policy in Note 1 and the disclosure in Note 3 of the financial statements.
How the scope of our audit responded to the key audit matter	The procedures performed to address the key audit matter of the revenue recognition of fee income included the following: We obtained an understanding of the process over the calculation of the policy administration fee income and assessed the design and implementation of the relevant controls identified within. We assessed the accounting policies regarding revenue recognition for compliance with the relevant financial reporting framework. We re-calculated the fee income for a sample of policies using rates as set out in the product technical specifications or communications provided to the policyholder. We also tested the disclosures made to ensure compliance with the requirements set out within.

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

Our application of materiality

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

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

Materiality	EUR 2,000,000 (2021: EUR 2,000,000)
Basis for determining materiality	3% of Shareholders Equity.
Rationale for the benchmark applied	We have considered shareholders equity to be the critical component for determining materiality because it is a key financial metric regularly assessed by the shareholders. We have considered quantitative and qualitative factors such the principal elements of the financial statements, whether there are items on which the attention of the users of the particular company's financial statements tends to be focused, the nature of this company, and the industry and economic environment in which the company operates and the company's ownership structure and the way it is financed.

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole. Performance materiality was set at 80% of materiality for the 2022 audit. In determining performance materiality, we considered the following factors:

- our understanding of the company;
- the quality of the Entity's Internal Control over financial reporting;
- the nature and extent of misstatements identified in previous audits; and
- our expectations in relation to misstatements in the current period.

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of EUR 100,000 (2021: EUR 100,000), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

An overview of the scope of our audit

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

Other information

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

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

We have nothing to report in this regard.

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on IAASA's website at: https://iaasa.ie/publications/description-of-the-auditors-responsibilities-for-the-audit-of-the-financial-statements/.This description forms part of our auditor's report.

Extent to which the audit was considered capable of detecting irregularities, including fraud

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

Identifying and assessing potential risks related to irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:

- the nature of the industry and sector, control environment and business performance;
- results of our enquiries of management and those charged with governance about their own identification and assessment of the risks of irregularities;
- any matters we identified having obtained and reviewed the company's documentation of their policies and procedures relating to:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
  - the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations;
- the matters discussed among the audit engagement team regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud in the following area: the risk of fraud in revenue recognition relating to policy administration fees. In common with all audits under ISAs (Ireland), we are also required to perform specific procedures to respond to the risk of management override.

We also obtained an understanding of the legal and regulatory framework that the company operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included the Companies Act 2014 and the relevant accounting framework.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty. These included the company's regulatory solvency requirements under the Solvency II Directive.

Audit response to risks identified

As a result of performing the above, including considering the identification of key audit matters, we considered our key audit matters related to Policy Administration Fees as appropriately addressing the risk of fraud or non-compliance with laws and regulations related to revenue recognition.

Our procedures to respond to risks identified included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- enquiring of management and those charged with governance concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance, reviewing internal audit reports and reviewing correspondence with the Central Bank of Ireland, and;
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Report on other legal and regulatory requirements

Opinion on other matters prescribed by the Companies Act 2014

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

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

Matters on which we are required to report by exception

Based on the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the directors' report. We have nothing to report in respect of the provisions in the Companies Act 2014 which require us to report to you if, in our opinion, the disclosures of directors' remuneration and transactions specified by law are not made.

Other matters which we are required to address

We were appointed by the Board of Directors on 08 May 2017 to audit the financial statements for the financial year end 31 December 2017. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is 6 years, covering the years ending 31 December 2017 to 31 December 2022.

The non-audit services prohibited by IAASA's Ethical Standard were not provided and we remained independent of the company in conducting the audit.

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

Use of our report

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

Glenn Gillard
For and on behalf of Deloitte Ireland LLP
Chartered Accountants and Statutory Audit Firm
Deloitte & Touche House, 29 Earlsfort Terrace, Dublin 2

05 April 2023

Financial Statements

INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2022

Technical account – Life assurance business

	Notes	**2022 €'000**	2021 €'000
Investment return	2	(504,897)	362,482
Other technical income, net of reinsurance	3	16,049	16,875
Total Technical Income		**(488,848)**	**379,357**
Change In Other Technical Provisions, Net Of Reinsurance			
Technical provisions for linked liabilities	15	(504,897)	362,482
Net operating expenses	4	11,310	11,810
Balance on the Technical Account – Life Assurance Business		4,739	5,066

Non-Technical account

		€'000	€'000
Balance on the Technical Account – Life Assurance Business		4,739	5,066
Investment expense	5	(2)	(21)
Profit on Ordinary Activities Before Taxation	6	4,737	5,044
Taxation on profit on ordinary activities	9	(609)	(684)
Profit for the Financial Year After Taxation		**4,128**	**4,360**

There are no recognised gains or losses for 2022 or 2021 other than the profit for the financial year after taxation shown above.

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

STATEMENT OF TOTAL COMPREHENSIVE INCOME

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

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2022

Assets

	Notes	**2022 €'000**	2021 €'000
Investments			
Assets held to cover linked liabilities	10	4,178,520	4,610,184
Other financial investments		2	2
Debtors			
Debtors arising out of direct insurance operations – policyholders		34	69
Other debtors and receivables		547	363
Other Assets			
Tangible assets	11	247	308
Italian stamp duty tax asset		814	2,464
Italian substitute tax asset	12	30,660	37,793
Cash at bank and in hand		39,119	28,473
Prepayments and Accrued Income			
Deferred acquisition cost	13	51	71
Other prepayments		376	117
Total Assets		4,250,369	4,679,843

Liabilities

	Notes	**2022 €'000**	2021 €'000
Capital and Reserves			
Called up share capital	14	1,000	1,000
Capital contribution		5,000	5,000
Retained earnings		63,707	61,379
Total Capital and Reserves		69,707	67,379
Technical Provisions			
Technical provisions for linked liabilities	15	4,178,520	4,610,184
Other Provisions			
Other provisions		240	240
Creditors			
Other creditors including taxation and social security	16	246	323
Accruals and Deferred Income			
Accruals		1,656	1,717
Total Liabilities		4,250,369	4,679,843

Approved by the Board of Directors on 31 March 2023 and signed on its behalf by:

Seamus Hughes   Dara Hurley

Directors

STATEMENT OF CHANGES IN EQUITY
AS AT 31 DECEMBER 2022

	Share Capital €'000	Capital Contribution €'000	Retained Earnings €'000	Total Equity €'000
At 1 January 2021	1,000	5,000	77,519	83,519
Profit for the financial year	–	–	4,360	4,360
Dividends paid	–	–	(20,500)	(20,500)
At 31 December 2021	1,000	5,000	61,379	67,379
Profit for the financial year	–	–	4,128	4,128
Dividends paid	–	–	(1,800)	(1,800)
At 31 December 2022	1,000	5,000	63,707	69,707

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2022

	2022 €'000	2021 €'000
Profit for the year before taxation	4,737	5,044
Adjustments to reconcile profit for the year to net cash flow from operating activities:		
Depreciation of tangible assets	105	109
Movement in other provisions	–	–
Movement in deferred acquisition cost	19	6
(Increase) in debtors	(408)	(337)
(Decrease) in creditors	(139)	(30)
Payments net of recoveries of stamp duty	1,651	452
Payments net of recoveries of substitute tax	7,133	5,932
Fair value gains and losses	–	1
Taxation		
Corporation tax paid	(608)	(630)
Net cash generated from operating activities	**12,491**	**10,548**
Investing activities		
Purchase of tangible assets	(45)	(39)
Disposals of fixed assets	–	–
Net Cash from investing activities	**(45)**	**(39)**
Financing activities		
Payment of dividends	(1,800)	(20,500)
Net Cash from financing activities	**(1,800)**	**(20,500)**
Net increase in cash and cash equivalents	10,646	(9,991)
Cash and cash equivalents at the beginning of the year	28,473	38,464
Cash and cash equivalents at the end of the year	**39,119**	**28,473**

1. Accounting policies

Statement of compliance

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

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

Basis of preparation

The financial statements are prepared under FRS 102.

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

Judgements and key sources of estimation uncertainty

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

Investments

Product Classification

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

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

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

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

The Company has a product feature which offers the option of a level of premium protection in the event of death. Because of the potential for significant insurance risk, these contracts are accounted for as insurance contracts when the option is selected. The Company has €408m (2021: €260m) worth of these contracts at the financial year-end. The net income associated with these contracts was €54k with premiums of €153k and reinsurance premiums of €99k, and is included in Other technical income, net of reinsurance (2021: €15k, premiums of €47k, reinsurance premiums of €32k).

Valuation of investments and assets held to cover linked liabilities

Investments are valued at the balance sheet date as follows:

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

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

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

1. Accounting policies (continued)

Initial recognition and measurement of financial assets

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

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

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

Derecognition of financial assets and financial liabilities

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

Technical provision for linked liabilities

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

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

Italian substitute tax asset

Payments to the Italian Revenue as a result of the Company being a withholding tax agent for substitute tax are recognised as a tax receivable. All Italian substitute tax on gains due on policies surrendering, or on death from 2016, is charged against the asset. The asset is initially recognised at cost with its recoverable amount assessed annually for impairment by the Board of Directors.

This reflects a change from the accounting policy previously applied which was to discount to reflect a value-in-use valuation. The new accounting policy is considered to provide reliable and more relevant information as it is more consistent with market practice and more aligned with the required treatment of other tax assets, explicitly addressed under FRS 102, with which it shares similar considerations and characteristics.

The change in treatment does not have an impact on the current or prior year financial statements as the application of the previous policy had no impact on the carrying value of the asset due to the negative yield curve at that time.

Cash and cash equivalents

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

Investment return and investment income and expenses

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

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

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

Other technical income

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

Deferred acquisition costs

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

1. Accounting policies (continued)

Foreign currencies

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

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

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

Current tax

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

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

Deferred taxation

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

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

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

Tangible fixed assets

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

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

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

2. Investment return

	2022 €'000	2021 €'000
Investment performance of assets held to cover linked liabilities	(489,771)	333,275
Foreign currency (loss)/gain on revaluation of assets held to cover linked liabilities from the currency in which the liability arises to Euro	(15,126)	29,207
Total investment return	(504,897)	362,482

3. Other technical income, net of reinsurance

	2022 €'000	2021 €'000
Recurring policy administration fees	16,440	17,119
Reinsurance fees (net of claims)	(391)	(243)
Total other technical income, net of reinsurance	16,049	16,875

4. Net operating expenses

	2022 €'000	2021 €'000
Acquisition and administration costs	8,211	8,559
Death claims paid	170	419
Commissions	2,910	2,817
Change in deferred acquisition cost	19	15
Total net operating expenses	11,310	11,810

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

	2022 €'000	2021 €'000
Bank deposit interest	(2)	(21)
Total investment expense	(2)	(21)

6. Profit on ordinary activities before taxation

The profit before taxation is stated after charging:

	2022 €'000	2021 €'000
Auditor's remuneration (including irrecoverable VAT; see Note 8)	88	82
Depreciation of tangible assets	105	109

7. Employees and remuneration

The Company had an average of 33 employees during the year (2021: 30).

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

	2022 €'000	2021 €'000
Salaries and bonus	3,173	2,842
Social welfare costs	340	309
Other pension costs	291	414
Employee insurances	188	144
Other personnel costs	14	17
	4,006	3,725

(b) Directors' remuneration

	2022 €'000	2021 €'000
Aggregate emoluments in respect of qualifying services	552	546
Aggregate contributions to a retirement benefit scheme in respect of one director's qualifying service – defined contributions schemes	52	169
	604	715

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

8. Auditor's remuneration

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

	2022 €'000	2021 €'000
Audit of financial statements	77	74
Other assurance services	28	26
	105	100

9. Taxation

a) Taxation on profit on ordinary activities

	2022 €'000	2021 €'000
Current tax	609	684
Tax on profit on ordinary activities	609	684

b) Factors affecting current tax charge for the year

	2022 €'000	2021 €'000
Profit on ordinary activities before tax	4,737	5,044
Current tax charge at standard Irish corporation tax rate of 12.5% (2021 – 12.5%)	592	631
Effects of:		
Depreciation for the year in excess of capital allowances	4	5
Income tax payable on health insurance	14	12
Items not deductible for tax purposes	(1)	36
	609	684

10. Assets held to cover linked liabilities

	2022 €'000	2021 €'000
Investments designated at fair value through profit or loss		
Investment funds	2,960,666	3,538,668
Equities	224,301	219,485
Fixed income securities	403,674	340,304
Deposits, cash and cash equivalents and others	335,935	310,134
Structured products	250,769	199,738
Loans	1,581	1,610
Derivatives	1,199	(244)
Other	395	489
	4,178,520	4,610,184

11. Tangible assets

	Computer Equipment €000	Fixtures and Fittings €000	Total €000
Cost:			
At 1 January 2022	270	535	805
Additions	45	–	45
Disposals	(172)	–	(172)
As at 31 December 2022	143	535	678
Depreciation and impairment:			
At 1 January 2022	192	306	497
Depreciation	42	64	105
Depreciation on disposal	(172)	–	(172)
As at 31 December 2022	61	370	431
Carrying amount at 1 January 2022	78	229	308
Carrying amount at 31 December 2022	82	166	247

12. Italian substitute tax asset

	2022 €'000	2021 €'000
Italian substitute tax asset at beginning of the year	37,793	43,725
Recovery through exit taxes	(6,722)	(5,092)
Italian stamp duty offset	(411)	(840)
	30,660	37,793

The Company is not required to make a payment in respect of 2022 due to available 5-year offset credits covering the tax on mathematical reserves due.

13. Deferred acquisition cost

	2022 €'000	2021 €'000
Balance at 1st January	71	77
Deferred during the year	–	8
Charged to the Technical Account	(19)	(15)
	51	71

14. Called up share capital

	2022 €'000	2021 €'000
Authorised, allotted and fully paid:		
1,000,000 ordinary shares of €1 each	1,000	1,000

15. Technical provisions for linked liabilities

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

	2022 €'000	2021 €'000
At 1 January	4,610,184	4,173,094
Deposits received from policyholders	353,723	319,262
Payments made to policyholders	(263,995)	(227,443)
Fees deducted in respect of management services	(16,495)	(17,212)
Investment return	(504,897)	(362,482)
At 31 December	4,178,520	4,610,184

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

16. Other creditors including taxation and social security

	2022 €000	2021 €000
Commissions payable	5	120
Corporation tax	55	55
Other	186	149
	246	324

17. Related party transactions

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

During the financial year the Company received professional services from Octium Holding S.A, a related party, and incurred expenses of €120k. The amount payable to Octium Holding S.A. at 31 December was €32k.

The Company provided financial and IT support services to Octium International Insurance Agent AG, a related party, for which it earned €26k. This amount is included in net operating expenses. The Company incurred expenses of €500k for professional services from Octium International Insurance Agent AG. The Company also incurred commission expenses of €191k to Octium International Insurance Agent AG for distribution services. The related amount receivable from Octium International Insurance Agent AG at 31 December was €77k.

The Company provided financial and IT support services to Octium Assurance AG, a related party, for which it earned €150k. This amount is included in net operating expenses. The related amount receivable from Octium Assurance AG at 31 December was €150k.

There were no other related party transactions during the financial year.

18. Capital management

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

The Company is required to hold sufficient capital to meet the Solvency Capital Requirement (SCR) calculated using the Solvency II standard formula. As at 31 December 2022 the Company held capital in excess of its requirement.

	2022 **€000**	2021 €000
Total shareholders' funds	69,707	67,379
Regulatory adjustments:		
Deferred tax liability	(3,921)	(4,422)
Deferred acquisition cost	(51)	(71)
Technical Provisions	32,946	36,909
Foreseeable dividends	(4,000)	(1,800)
Reinsurance recoverables	(1,523)	(1,466)
Total available capital resources (Solvency II Standard Formula)	93,157	96,529
Solvency Capital Requirement	40,641	61,253
Overall surplus capital over regulatory requirements	52,516	35,276
Ratio of own funds to SCR	229%	158%

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

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

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

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

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

19. Financial risks and risk management

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

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

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

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

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

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

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

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

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

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

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

Octium takes a conservative position with regard to its investment policy relating to shareholder funds. Investments are limited to liquid assets with group companies, financial institutions with high credit ratings and non-rated financial institutions based on other relevant criteria.

During the financial year 2022 Octium held short-term deposits with a number of domestic banks as well as with other financial institutions approved by the Board. The main risk that the Company is exposed to for these deposits is credit risk with minimal market risk and liquidity risk.

19. Financial risks and risk management (continued)

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

Credit risk exposure and ratings of cash deposits held at 31 December 2022

	A+/A- €'000	BBB+ €'000	NR €'000	Total €'000
Cash deposits ‹ 1 month	24,104	-	-	24,104
Cash deposits between 1 and 3 months	10,000	-	5,015	15,015
	34,104	-	5,015	39,119

Credit risk exposure and ratings of cash deposits held at 31 December 2021

	A+/A- €'000	BBB+ €'000	NR €'000	Total €'000
Cash deposits ‹ 1 month	13,863	99	-	13,962
Cash deposits between 1 and 3 months	-	-	14,512	14,512
	13,863	99	14,512	28,473

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

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

The following deposits are exposed to interest rate risk:

	2022 €'000	2021 €'000
Cash deposits ‹ 1 month	24,104	13,962
Cash deposits between 1 and 3 months	15,015	14,512
	39,119	28,473

19. Financial risks and risk management (continued)

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

	2022 €'000	2021 €'000
Increase of 1% in overall rate:		
Impact on profit before tax	391	285

	2022 €'000	2021 €'000
Decrease of 1% in overall rate:		
Impact on profit before tax	(391)	(285)

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

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

In managing the Company's assets and liabilities, the Company seeks to ensure that cash is at all times available to settle liabilities as they fall due. Available funds are mainly invested in euro-denominated call or deposit accounts of up to 3 month's duration. The Company's treasury position is reviewed on a regular basis and cash balances are maintained to meet due liabilities.

The Company's main exposure to liquidity risk arises from its role as withholding tax agent for Italian substitute tax which requires it to make annual payments to the Italian tax authorities based on the value of Italian technical provisions and subject to certain offsets and limits. In order to mitigate this risk the Company maintains a high level of liquid assets to meet its liabilities and ensures that, as far as possible, it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions.

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

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

Risks associated with other financial assets
Amounts receivable from debtors are subject to a credit control process.

The balance remaining on the Italian substitute tax asset is recoverable from deductions made from gains made by policyholders on claims.

20. Fair value disclosures

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

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

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

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

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

Level 2 inputs include the following:
- Evaluated prices based on a compilation of primary observable market information or a broker quote in a non-active market
- Prices based on a Net Asset Value ("NAV") from a fund manager, other than those considered Level 3 below
- Quoted prices for similar (i.e. not identical) assets in active markets
- Inputs other than quoted prices that are observable for the asset (for example, benchmark yields, base spreads, adjustment for corporate actions and reported trades)

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

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

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

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

20. Fair value disclosures (continued)

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

	Fair value hierarchy		2022	
	Level 1 €'000	Level 2 €'000	Level 3 €'000	Total €'000
Assets held to cover linked liabilities				
Investment funds	699,688	2,015,280	245,697	2,960,666
Equities	209,301	–	15,000	224,301
Fixed income securities	274,232	81,539	47,902	403,674
Deposits, cash and cash equivalents and others	335,935	–	–	335,935
Structured products	30,766	216,980	3,024	250,769
Loans	–	–	1,581	1,581
Derivatives	-5	1,199	5	1,199
Other Investments	137	259	–	395
	1,550,055	2,315,257	313,209	4,178,520

	Fair value hierarchy		2021	
	Level 1 €'000	Level 2 €'000	Level 3 €'000	Total €'000
Assets held to cover linked liabilities				
Investment funds	882,574	2,437,410	218,684	3,538,668
Equities	219,414	71	–	219,485
Fixed income securities	220,001	76,306	43,998	340,304
Deposits, cash and cash equivalents and others	310,134	–	–	310,134
Structured products	46,471	152,431	836	199,738
Loans	–	–	1,610	1,610
Derivatives	–	(244)	–	(244)
Other Investments	118	371	–	489
	1,678,712	2,662,679	268,793	4,610,184

21. Financial commitments

The Company sub-leases its office under two separate operating leases. The sub-leases run until 31 August 2025 and are held with Lantern Structured Asset Management Ltd and Tabulatum Management Ltd.

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

	2022 €'000	2021 €'000
Less than one year	278	278
Between one and five years	464	742
	742	1,020

The lease payments are charged to the Income Statement over the term of the lease. In 2022, these expenses amounted to €278k (2021: €237k) excluding irrecoverable VAT.

The Company had no other financial commitments at 31 December 2022 (2021: €nil).

22. Contingent liabilities

There were no contingent liabilities at 31 December 2022 (2021: €nil).

23. Dividends

A dividend of €1.8m was declared and paid during the financial year (2021: €20.5m).

24. Subsequent events

At the date of approval of the financial statements the regulatory approval process for the acquisition of Insurevolution's PPLI portfolio in Ireland is ongoing and the transaction has yet to close.

A dividend of €4m was declared on 24 February 2023.

On 9 March 2023 the Irish Revenue decided in favour of an application by the Company for VAT-exempt treatment of expenses relating to its policy administration system. The decision will result in a reclaim of €955k of VAT paid in the period from 2016 to 2022. This will be recognised in the 2023 financial statements.

There were no other significant events affecting the Company since 31st December 2022.

25. Approval of financial statements

The Board of Directors approved these financial statements on 31st March 2023.

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