Utmost Life and Pensions Limited

ANNUAL REPORT
AND
FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

Contents

THE UTMOST GROUP OF COMPANIES COMPLETED 13 ACQUISITIONS OVER SIX YEARS TO BUILD A SPECIALIST LIFE ASSURANCE BUSINESS WITH COMBINED ASSETS UNDER ADMINISTRATION OF C. £37BN AND OVER 510,000 CUSTOMERS.

OUR FOCUSED EXPERTISE
WE PURCHASE LONG-ESTABLISHED BUSINESSES AND BOOKS OF BUSINESS FROM MAJOR INSURANCE GROUPS. WE PROVIDE A SAFE HOME FOR THEIR EXISTING CUSTOMERS AND POLICIES

History of Utmost Life and Pensions

5 October 2020

Utmost Life and Pensions and Utmost International businesses brought together under a single UK holding company, Utmost Group Limited.

OCT 2020

1 January 2020

Completion of the transfer of all of the business of Equitable Life to Utmost Life and Pensions Limited, except for certain excluded policies such as German and Irish policies that will remain with Equitable Life, which has become a subsidiary of Utmost.

JAN 2020

MAR 2019

4 March 2019

Reliance Life re-brands as Utmost Life and Pensions.

15 June 2018

Reliance Life announces that it has signed an agreement with Equitable Life under which it is proposed that Equitable Life and all of its life and pensions business will transfer to Reliance Life.

This transfer is expected to happen towards the end of 2019, following the re-branding of Reliance Life as Utmost Life and Pensions.

JUN 2018

APR 2018

1 April 2018

The Utmost Group of Companies (previously known as LCCG) become the new owners of Reliance Mutual Insurance Society Limited and all of Reliance Mutual's business transfers to Reliance Life.

Highlights for 2020

- Completion of the Equitable Life Assurance Company Acquisition on 1 January 2020.
- Conversion of Equitable Life policies from With-profits to Unit Linked policies with customers being given a one-off uplift of at least 75% of their policy value, compared to the existing uplift of 35%.
- Launch of new Unit Linked Fund range with our strategic investment partner, JP Morgan Asset Management for existing customers of Utmost Life and Pensions and ex-Equitable life Customers.
- The majority of ex-Equitable Life customers were included in the Secure Cash Fund as part of the Age Related Strategy until June 2020, avoiding market volatility as a result of the COVID-19 pandemic. In weekly tranches from July 2020 to December 2020, customers were migrated from the Secure Cash Fund to Multi-Asset Funds managed by JP Morgan Asset Management.
- A "virtual" Customer Contact Centre was set up in April 2020 to make sure that we could be in contact with customers despite the National Lockdowns.
- A Flexible Drawdown product was launched in March 2020 for existing customers.
- Utmost Life and Pensions was financially strong throughout 2020, starting the year with a Solvency Coverage Ratio of 180% on 1 January 2020 paid dividends of £40m, and ended the year with a Solvency Coverage Ratio of 176%.

Corporate Information

Directors

Chairman	Michael J Merrick
Chief Executive	Stephen Shone
Chief Financial Officer	Jeremy S Deeks
Independent Non-Executive Directors	Duncan A Finch Lord Daniel W Finkelstein Susan P Kean Feilim Mackle
Group Non-Executive Directors	A Paul Thompson Ian G Maidens
Secretary	C Mark Utting

Independent Auditors

PricewaterhouseCoopers LLP
Chartered Accountants
7 More London Riverside
London
SE1 2RT

Registered Address

Walton Street
Aylesbury
Buckinghamshire
HP21 7QW

Registered in England No: 10559664

Strategic Report

The Directors present Utmost Life and Pensions Limited ("ULP", "the Company")'s Strategic Report for the year ended 31 December 2020. The Directors have prepared the Financial Statements in accordance with the UK financial reporting framework, FRS 102 and FRS 103.

Executive summary

2020 was a year of change for ULP. We completed the acquisition of Equitable Life Assurance Society ("Equitable Life") on 1 January 2020, and the main focus of the year has been the integration of that new business into ULP's operating model. The integration was successfully managed against a background of significant uncertainty driven by the COVID-19 pandemic and the requirement to adapt our working practices. As a result of the integration, ULP has significantly reduced its cost base run rate by 37% with a similar reduction in staff during the year resulting in a much more efficient operating model going forward.

In addition, the Utmost Group, of which ULP is part, completed a reorganisation to brings together its UK and International businesses under one UK holding company, Utmost Group Limited ("UGL").

The Equitable Life transaction was the culmination of significant work during 2019, with customers of Equitable Life voting in favour of both a Scheme of Arrangement to uplift with-profits policy values, remove investment guarantees and convert with-profits policies to unit linked policies, and a Scheme of Transfer to ULP. The deal construct helped maximise the capital distribution to customers, providing uplifts in excess of 75% compared to the existing 35% uplift that was being offered on with-profits business with guarantees. Approval to both schemes was received from the UK High Court in December 2019.

In line with our objective of developing products and services to provide better client outcomes, ULP launched a new unit linked fund range for its existing policyholders and transferring Equitable Life policyholders with its strategic partner, JP Morgan Asset Management (JPMAM). In addition, in preparation for the transfer, an Age Related Strategy was put in place for those policyholders who did not make an investment choice. All customers are now benefitting from enhanced security as a result of ULP's strong capital position and efficient operational management.

The completion of this complex transaction cements UGL and ULP's positions as established buyers of assets in the UK insurance market. Further detail regarding the activities of 2020 are included in the Review of Business section below.

Throughout 2020, we have maintained a strong solvency position. We began the year with an estimated solvency coverage ratio of 180% (adjusted for the acquisition of Equitable Life), and ended it with an estimated solvency coverage ratio of 176%, having also paid a dividend of £40m to Utmost Group.

The outbreak of COVID-19 had a significant impact in the UK in 2020, including on market volatility. Since the announcement of the first national lockdown in March 2020, we have sought to ensure the safety of our staff and have operated throughout 2020 in line with Government guidance. We have made our offices "COVID-Secure" and ensured that we have the ability to continue the majority of our operations with staff working from home. We have also implemented a virtual contact centre to allow our customers to remain in telephone contact with us.

In regards to the market volatility caused by COVID-19, it is important to note that as a closed book life company consolidator, we are not reliant on new business for generating the majority of our earnings. Most of our business is unit linked, and we are not significantly exposed to volatility within the investment markets apart from through Annual Management Charges. We do have exposure to a small number of products with guarantees and have sought to manage these risks through reassurance agreements or the close matching of assets to minimise the impact on our solvency. Therefore, we have continued to operate with a strong Balance Sheet throughout 2020 and with a Solvency Ratio comfortably well above required capital levels. We remain in a strong and resilient position, able to meet our capital requirements and ready for the next acquisition.

Our purpose and strategy

We purchase long-established businesses and books of business from major insurance groups. We provide a safe home for their existing customers and policies, due to our strong capital position and efficient operational management. Built upon the combined strengths of trusted sector expertise, secure financial foundations and commitment to customer focus, we are here to help every customer in our care achieve future peace of mind with their life and pension policies.

Strategic Report continued

Our purpose and strategy continued

Our vision is to become a successful medium-sized UK life and pension consolidator. We acquired the business of Reliance Mutual Insurance Society in 2018 and Equitable Life in January 2020. In conjunction with UGL, our ultimate UK holding company, we will continue to look for and evaluate further acquisition opportunities.

Looking to the future, we believe that significant opportunities exist as UK Life and Pensions companies continue to consider their operating models, and we are best-placed to provide a variety of solutions to meet these needs.

Our business model

We are able to achieve economies of scale, pool risk and maintain capital strength due to our experience and expertise, so we can continue to provide easily accessible solutions to customers, and we can create value for our stakeholders.

Review of the Business

Throughout 2020, we have actively executed our strategy, primarily by focusing upon the integration of the Equitable Life business following its acquisition at the beginning of the year, including delivering the infrastructure required to support this.

Acquisition of Equitable Life Assurance Society

On 1 January 2020, we acquired the vast majority of the business of Equitable Life through a Part VII Transfer sanctioned by the High Court. In addition, Equitable Life became a subsidiary of the Company and all their employees were transferred to Utmost Life and Pensions Services Limited (ULPS), under Transfer of Undertakings (Protection of Employment) Regulations (TUPE). At the point of acquisition, Equitable Life had circa. 300,000 customers and £6.4bn of assets.

Approximately 3,000 unit linked and with-profits customers in Ireland and Germany, with £79.1m of assets, and policies sold under Irish or German law, were retained in Equitable Life. On 1 January 2020, as a result in a change to the Articles of Equitable Life, the Company became its sole member.

In preparation for the acquisition, Equitable Life undertook a Scheme of Arrangement in accordance with Part 26 of the Companies Act 2006 ("the Scheme"), which also became effective on 1 January 2020, immediately ahead of the Part VII transfer. As a result of the Scheme, eligible with-profits policies were converted to unit linked policies with no investment guarantees. Customers were initially invested in a Secure Cash Fund prior to transfers to the relevant unit linked funds, either through customer choice or, if no choice was made, through the Age Related Strategy.

For customers in the Age Related Strategy, their monies were initially invested in a Secure Cash Fund for the first six months of 2020 and then transferred into Unit-Linked Managed Funds managed by JPMAM through the second half of 2020 in weekly tranches with the choice of which Managed Fund determined by their age. ULP guaranteed that the price of the Secure Cash Fund would not drop below the initial price set on 1 January 2020. As a result of the Age Related Strategy, a significant number of customers that transferred from Equitable Life were protected from market falls in the second quarter of 2020 caused by the uncertainty relating to the COVID-19 pandemic. The funds were then migrated into Unit Linked Funds during a period of market recovery in the six months from July 2020 onwards.

As part of the conditions of the Part VII Transfer, Utmost injected additional capital to ensure it had own funds at least equal to 150% of SCR. In addition, as mentioned above, ULP undertook a number of integration activities in the year, and these were successfully concluded despite the COVID-19 pandemic. These activities included the migration of all operational work and relevant IT infrastructure from the Utmost office in Tunbridge Wells to the ex-Equitable office in Aylesbury. The Tunbridge Wells office was closed in Quarter Two 2020, and Aylesbury became the registered office of the Company in June 2020. Listed below are other notable examples of the Integration activity completed in the year:

Product Development and Marketing

In March 2020, the Company launched a Flexible Drawdown proposition available to existing customers. New business written in 2020 included the new Flexible Drawdown product and annuities sold to existing customers on the vesting of their pension savings contracts (including contracts with guaranteed annuity options). We continue to consider ways to enhance the product offering for our existing customers.

Strategic Report continued

Review of the Business continued

Fund Accounting and Custodian

During 2020, we ran a tender process to rationalise the two existing providers of fund accounting and custody services following the acquisition of Equitable Life. HSBC were chosen as the provider across the combined organisation and a project was initiated to deliver the transition. The project completed successfully in November 2020.

Investment Management

In January 2020, all assets previously managed by the Equitable Life's main Investment manager were transferred to ULP's strategic investment manager partners – JPMAM for Unit Linked and Goldman Sachs Asset Management (GSAM) for Non-Linked Assets. In addition, the unit linked investments currently invested with Equitable Life's unit linked asset manger will be transferred to JPMAM in 2022.

During Quarter Four 2020, Utmost Portfolio Management Limited, a fellow subsidiary of UGL, was appointed as investment manager to manage the shareholder assets of the Company. This arrangement went live in January 2021.

Retention

Although the underlying guarantees on Equitable Life policies were exchanged for uplifted fund values as a result of the Scheme of Arrangement, we are pleased to report that we have retained the vast majority of Equitable Life individual customers with the lapse rate similar to our long term assumptions. We have seen that trend continue into 2021. As expected, we have seen a number of Group Schemes seek to consolidate their pension provision by moving their AVCs away from ULP in 2020. Overall, ULP continues to maintain a high customer retention rate, helped by the launch of Flexible Drawdown.

Further detail on the acquisition is provided in Note 33 Business combinations in the financial statements.

Group Reorganisation and Structure

ULP, formed in 2017, is part of the Utmost Group of Companies, a specialist life insurance group founded in 2013, with circa. £37 billion assets under administration and more than 510,000 customers. The Company is a wholly owned subsidiary of Utmost Life and Pension Holdings Limited ("ULPH"), whose other subsidiaries include ULPS. ULPS employs all staff for the ULPH group of companies. All our business and corporate teams operate from Aylesbury.

On 5 October 2020, the Utmost Group announced a reorganisation, where its two businesses, Utmost International and ULP, were brought together under a single UK holding company, Utmost Group Limited (UGL), effective 1 October 2020. UGL is a UK registered company subject to group regulation by the PRA.

As a result, a number of changes were made to the capital position of the Company during Quarter Four 2020. The existing internal £60m Tier 2 loan was repaid to the parent company in November 2020, following the injection of £60m Tier 1 Ordinary Share Capital from the Company's parent company, ULPH.

Subsequently, a capital reduction was initiated so that a balance of £102.6m of Ordinary Share Capital was transferred to Distributable Reserves to leave Ordinary Share Capital of £100m made up of 100 million £1 ordinary shares. The capital reduction was effective as of 23 December 2020, once processed by Companies House. Approval for the capital reduction was sought and obtained from the PRA.

Property Funds

In March 2020 our two unit-linked Utmost Property Funds suspended trading. This was as a result of Aberdeen Standard Investors (ASI) and Schroders suspending the underlying Property funds in line with the rest of the Property Fund market. Market volatility caused by the COVID-19 pandemic had made it impossible for the investment managers to provide a fair valuation of property assets. The funds were subsequently re-opened in October 2020 (Schroders) and November 2020 (ASI), and trading in our Property funds has re-commenced. The Property Funds are a small percentage of our Unit Linked Funds and the suspensions did not have a significant impact on the Company or customers.

Strategic Report continued

Our stakeholders continued

Customers

In line with our mission statement, customer interests, from both existing and acquired businesses, are at the forefront of our business model. Our strategy, to consolidate existing books of business, results in servicing long-standing customers. We do this by focusing on meeting their needs, delivering on the commitments made to them and enhancing, with sound financial management and capital security, benefits to them, where possible.

A key objective for us is to achieve great customer outcomes. All customer services continued to be successfully provided during the COVID-19 pandemic.

We consistently monitor asset performance, including that of the unit-linked funds, particularly in relation to the Multi-Asset funds operated by JP Morgan Asset Management (JPMAM), where the majority of the unit-linked business will be invested going forwards.

One of our areas of focus for 2021 is the completion of a project to develop further online capability for customers, which will allow customers to perform a range of currently telephone- or paper-based activities online via our website, allowing greater flexibility for the customer.

People

Our people play a pivotal role in achieving our purpose, so are at the heart of our business. In 2020, we have concentrated on caring for our staff during the challenges resulting from the COVID-19 pandemic, integrating the newly-acquired Equitable Life businesses, and ensuring that we have the skills to grow our business.

As highlighted above, a key area of focus for the Directors and senior management this year was the ongoing situation resulting from the COVID-19 pandemic, including ensuring staff were able to work successfully from home and ensuring their continued mental and physical well-being. We did not place any employees on the UK Government-initiated "furlough" schemes and made sure employees had the necessary equipment to work from home successfully. We also undertook a number of surveys during 2020, particularly focussing on these aspects, in order to take action on any further points identified. The results from these surveys have been exceptionally positive.

We are committed to diversity and equality, and are dedicated to empowering people to develop professionally and personally. We undertake, in conjunction with UGL, community volunteering initiatives in order to make a positive difference.

We believe in open and fair communication with employees and, during the year, delivered this through a combination of all employee briefings, regular team meetings and regular performance management discussions.

Strategic Partners

We utilise the support of a number of strategic partners to deliver our services to our customers. It is important that we establish and maintain strong, robust working relationships with our partners in order to preserve our existing high standard of delivery.

We have an internal third party framework and conduct regular reviews of all key suppliers. The Board (through the Investment Committee) met virtually with the three key investment management providers JPMAM, GSAM and ASI to analyse and monitor performance on a regular basis during the year.

In addition, regular governance meetings were held throughout the year with each key strategic partner, where scorecards were maintained and monitored. This included a meeting held virtually between the Non-executive directors and Atos, our IT strategic partner, to discuss performance and the ongoing initiatives to develop further online capability.

An agreement was signed in December 2019 with Atos to migrate, following the acquisition, ELAS's IT systems and develop a more cost efficient set of IT operating systems. Work completed on the migration and the system-wide cost efficiencies in 2020 and the project to transfer the existing policy administration systems from a mainframe environment to a server environment is nearing completion. This last step provides the final element of the significant synergies.

Strategic Report continued

Our stakeholders continued

Communities

We strive to contribute to all of the communities in which we operate through local volunteering and fundraising projects, as we recognise the importance of doing so and the value that it adds.

Utmost Group Limited operates a matching donation scheme, the Utmost Challenge, providing the opportunity for employees across the Group to get extra support for their favourite charities. Matched donations of up to £200 can be provided either to match or top-up personal fundraising efforts.

Our Environment

ULP has a responsibility to reduce its environmental impact and to protect the environment. Our business and our employees take this responsibility seriously. As an insurance business, our environmental impact is lower than other industries. Nonetheless, ULP is committed to reducing and minimising the environmental impact of our operations and embedding a sustainable mind set into our corporate philosophy.

Our business has delivered various initiatives in order to lower our carbon footprint. These include enabling our employees to reduce their impact on the environment, such as encouraging the "reduce, reuse, recycle" philosophy and discouraging the use of single-use plastics.

As an asset owner of c£7bn of assets under administration, our approach to managing investments can have a positive impact on the environment. UGL takes a pro-active approach to sustainable investing and are embedding a responsible investment approach throughout our portfolio. We are introducing a target to maintain a minimum average Environmental, Social and Corporate Governance ("ESG") score across our shareholder asset portfolio and are working to provide additional sustainable investment options to our customers.

In 2021, we are preparing to launch a new Unit Linked fund in conjunction with our Unit Linked strategic partner, JPMAM, which will focus on investing in a sustainable way and will be made available to our customers as an addition to our existing Unit Linked fund range.

We continue to take committed action to reduce our environmental impact. As ULP continues to grow, we will continue to identify ways to work more efficiently and reduce our impact further.

UGL are undertaking an exercise to identify areas where we can reduce our environmental impact and promote environmental awareness to our employees with a view to having a net zero carbon emissions operational footprint within 5 years.

Regulators

We are subject to regulation across all the areas in which we operate and we maintain an open and collaborative approach with all our regulators. Regulators were consulted throughout 2020, including for the purchase of Equitable Life, the ongoing uncertainty created by the COVID-19 pandemic and the capital changes following the Group reorganisation. We have also been in dialogue with our regulators regarding the impacts of Brexit.

Shareholders

We engage with the shareholder through regular dialogue with Utmost Group Limited.

Strategic Report continued

Key Performance Indicators

We use a number of financial metrics to help the Board and senior management assess performance against our strategic vision. These metrics are reviewed regularly to ensure that they remain appropriate. Key Performance Indicators (KPIs) reflect the vision and mission of our Company in respect of profitability, growth and financial strength. The most important indicators are shown in the table below. The KPIs at 31 December were as follows:

	2020	2019
Increase in assets under administration	261%	9%
Solvency coverage ratio (estimated)	176%	467%
Dividend and interest*	£44m	£2m
Economic value**	£383m	£280m

*This relates to Dividend and interest paid to ULPH.
** Economic Value is calculated by adjusting Solvency II Own Funds for Risk Margin, Reinsurer default and Contract boundaries.

The increase in assets in administration reflects the transfer of £6.4bn of investments from Equitable Life on 1 January 2020.

The Solvency Coverage Ratio at 31 December 2019 was high, driven by additional capital received in connection with the acquisition of Equitable Life in December 2019, but prior to the transfer of the Equitable Life business on 1 January 2020. The Solvency Coverage Ratio at 31 December 2020 is stated after the payment of a £40m dividend during the year.

The increase in Economic Value reflects the integration activities undertaken during 2020, including the migration of work to Aylesbury, the closure of Tunbridge Wells office, the reduction in cost base and the efficiencies generated from the Equitable Life acquisition on 1 January 2020.

Key Results and Analysis of Performance

The Profit and Loss Account on pages 30 and 31 reflects an improvement from a post-tax profit of £6.0m in 2019 to £33.9m in 2020. The key drivers of this net change of £27.9m were as follows:

- Change in Expense Assumptions as a result of the successful integration;
- Run off of the in-force book, releasing reserves; and
- Increase in Unit Linked book of business post acquisition driving an overall increase in Annual Management Charges.

The Statement of Changes in Equity on page 35 reflects an increase in the shareholders' equity from £156.7m to £210.6m driven by £33.9m post tax profit for the year and a capital reduction, £102.6m, offset by the payment of two interim dividends, totalling £40m, to UGL. Amounts owed between group entities are presented in Notes 17 and 25.

Capital Management

Capital is determined and monitored for the Company on the regulatory basis as stipulated in the PRA rulebook. This primarily focusses upon the Available Financial Resources ("AFR") and Solvency Capital Requirement ("SCR") of the Company. The SCR was determined on a monthly basis and impact of market volatility is monitored daily, ensuring that adequate capital requirements are met. The Company's capital position was formally reviewed and approved on a quarterly basis by delegated authority from the Board of Directors to the management and the solvency position monitored by the Asset and Liability Committee ("ALCO"). The total available financial resources for the year end 31 December 2020 were £306.3m (2019: £302.6m). The Company had a SCR of £173.9m at year end 2020 (2019: £53.9m), with an estimated Solvency Coverage Ratio of 176% (2019: 467%). The 2019 solvency coverage ratio reflected the injection of capital received in December 2019 ahead of the Equitable Life transfer, but ahead of the transfer itself on 1 January 2020.

Following the acquisition of Equitable Life the SCR requirements of the Company increased from £53.8m to £171.4m, the AFR from £251.4m to £309.2m, resulting in an estimated Solvency Coverage Ratio of 180%, as at 1 January 2020 for the combined business.

Strategic Report continued

Capital Management continued

The Company seeks to have a Solvency Capital Ratio (Available Financial Resources/SCR) in excess of 135% at all times, and targets a Solvency Capital Ratio of at least 150% immediately after a payment of a dividend or loan interest.

Financial Instruments

The Company has a low appetite for liquidity risk and a medium appetite for market and credit risk driven by investment policy of the assets adopted. The fixed-income assets held are matched to the liabilities by duration and are sterling denominated, investment grade securities. The ALCO provides oversight to the monitoring, systems and controls required to manage and control the risks, and reported to the Board on a quarterly basis, within a risk based capital framework.

The external environment

We anticipate the following long-term trends facing our industry, resulting in challenges and opportunities for which we are prepared:

- Political and macroeconomic: Continued focus on interest rates and taxation changes to enable governments to recover the support provided during the COVID-19 pandemic;
- Regulation: Introduction of IFRS 17 accounting regulations, which impacts the Company's reporting to its ultimate UK parent, and potential amendments to the Solvency II regime following the ongoing PRA review post departure from the EU;
- Advancements in technology: Including the speed/convenience of services and the ethical use of data; and
- Continued focus on climate change initiatives.

Principal Risks and Uncertainties

The Company operates within a dynamic business environment, which is continually influenced by the external environment, including economic, political and industrial, competitive, demographic, health/lifestyle, legal and regulatory factors. By operating within this environment, the Company is exposed to risks. Part of the Company's success is dependent on managing these risks appropriately.

The Company's Enterprise Risk Management ("ERM") Framework provides the framework for the management of these risks and supports attainment of the Company's strategic objectives. The ERM Framework is designed to support the identification of all material risks, including medium and long-term risks. The ERM Framework further sets out the Company's overall strategy towards and appetite for risk, the risk governance and management processes, and the Company's approach to risk classification, monitoring and analysis.

As part of the ERM Framework mechanisms, risks are quantified and are subject to stress test and scenarios analysis. Non-quantifiable risks are fully covered within the framework and are monitored and managed through the Company's risk reporting and risk governance structures.

The four principal risks to the business are:

Underwriting risk	Primarily in the form of longevity, expense, and persistency risks and the take up of guaranteed options
Market risk	Primarily in the form of currency, interest rate, equity and the financial risks from climate change
Credit risk	Primarily from spread risk on corporate bonds and counterparty default risk on risk mitigating contracts e.g. reinsurance.
Operational risk	The Company has identified 11 operational risk categories, as follows:- Business Operations,Financial/Actuarial,Legal/Regulatory,Outsourcing,Investment,Governance, People, IT, Cyber Security, Financial Crime and External

Strategic Report continued
Principal Risks and Uncertainties continued

Looking back at 2020, the COVID-19 pandemic led to challenges in regards to financial market volatility and operational impacts in regards to administering the business. Our Business Continuity procedures have helped ensure that our people and technical resources can work remotely, in order to minimise the impact on operational activity and ensure that we are able to provide essential services to our customers. This includes working with our outsourcers to ensure continuity of service. We continue to be focused on the health and well-being of staff, following all Public Health advice measures.

Looking forwards, equity and persistency risk associated with unit-linked business are large financial risks because they can reduce the main source of future income – future annual management charges ("AMC"s). Persistency risks also reduce the number of policies over which to spread overhead costs.

A key factor that will affect future equity performance will be the effectiveness of the global recovery to the COVID-19 pandemic. With the recent development of vaccines to prevent COVID-19, the path that the pandemic will take is expected to be better than what has been seen over most of 2020. We will continue to monitor the impacts as the COVID-19 pandemic develops.
The largest underwriting risk is expense risk. As a closed book consolidator, managing expenses is critical to the success of ULP due to fixed expenses becoming a larger proportion of total expenses as policies run-off. The business model relies on ULP continuing to obtain and efficiently integrate a steady stream of acquisitions. In the absence of future acquisitions, there is a risk that diseconomies of scale will require additional cost savings to be made, which may result in a subsequent challenge to retain top talent. A key part of the ongoing strategy will be to find further opportunities to improve the Company's efficiency and reduce costs in an appropriate and controlled manner.

Cyber risk is the risk of financial loss, disruption or reputational damage due to breaches of or attacks on ULP's information technology ("IT") systems. With the COVID-19 pandemic this year, and the move to work from home, the risks from a cyber-attack have increased due to the increased activity of attackers and the evolving ways in which cyber-attacks can happen.

To manage this risk, the Company ensures that staff are made aware of risk areas (e.g. phishing emails) and ensures that systems are regularly kept up to date with security software. In addition, the Company outsources IT services to Atos who have a dedicated security team and a Security Operations Centre. In the event of a cyber-attack the Security Operations Centre would manage investigation and resolution of a cyber-attack.

Climate change risk has been an emerging risk for many years and this year has seen increased guidance from regulators on how the Company needs to consider and address the financial risks from climate change. Given changes externally, and our increased understanding of the potential risks associated with the transition to a low carbon economy, we have moved this risk from an emerging risk into a principal risk of the Company.

The Company has been actively working to ensure that climate risk is integrated effectively within the Company's risk management. This includes:

- Effective management and oversight from the Board including appropriate allocation of senior management responsibility.
- Development of a framework to better understand Board's preferences and ultimately appetite to climate change risk Board-approved risk preferences.
- Embedding controls into relevant processes covering risk identification, assessment, acceptance or approval, monitoring, and reporting through the Company's Risk Control Self-Assessment process.
- The existing set of Policies has been enhanced through the addition of an Investment ESG Policy which includes policy objectives for ESG scores.
- We have taken positive steps in assessing the sensitivity of the Company's financial positions to climate transition risk based on results from scenario analysis.

The Company will continue to monitor closely the significant advisory, legal, and regulatory developments in respect of climate change risk and related disclosures.

Strategic Report continued
Principal Risks and Uncertainties continued

Brexit

From 31 December 2020, the Brexit transition period ended and EU law no longer applies in the UK. The Company and its subsidiary, Equitable Life, like many financial services businesses, has had to make some changes to adjust to the new regulatory requirements. The Company has contacted all relevant policyholders where required. Although Brexit is not expected to have a significant impact on the Company's operational activity, the uncertainty of ongoing discussion between the UK and EU regarding financial services, leads to a lack of clarity on how the EU and UK will interact, and the impact on financial services. It also could lead to volatility in financial markets, which can increase certain risks. The Company has in place controls to minimise the impact of any volatility. The Company is also considering the longer term impact of Brexit on its subsidiary, Equitable Life, which may require further review in 2021. The Company believes that it has adequate mitigating controls and procedures in place to address these risk areas.

Taxation

As a proprietary life assurance company, the Company was required to pay UK corporation tax at two rates during 2020. Firstly, it was required to pay tax at the main UK corporation tax rate (currently 19%) on the profits earned by its shareholders from conducting life assurance business. Secondly, it was required to pay tax at the 'policyholder rate'- (currently 20%) on investment returns accruing to the benefit of the holders of certain categories of customers.

The Company's total tax charge in the year was £8.7m (2019: tax charge of £3.5m). This comprised a tax charge of £8.6m in respect of tax payable at the policyholder rate (2019: tax charge of £2.0m) and a charge in respect of tax payable at the main corporation tax rate of £0.1m (2019: tax charge of £1.5m.) The primary driver of the increased tax charge in 2020 was the higher level of investment gains enjoyed by the Company.

On 3 March 2021 the UK Government announced that Finance Bill 2021 will increase UK corporation tax from its current rate of 19% to 25% with effect from April 2023. The legislation implementing the latter change had not been substantially enacted at the balance sheet date of 31 December 2020 and, accordingly, no account of the proposed rate increase was made in calculating the Company's tax charge. However, if the rate increase had been enacted prior to the balance sheet of 31 December 2020, then it would have had the effect of increasing the Company's closing deferred tax liability by £12,000.

Section 172(1) statement and our stakeholders

We report here on how our directors have performed their duty under section 172 (s172) of the Companies Act 2006. S172 sets out a series of matters to which the directors must have regard in performing their duty to promote the success of the Company for the benefit of its shareholders, which includes having regard for its other stakeholders. Where this statement draws upon information included in other sections of the Strategic Report, this is signposted accordingly.

Strategic decisions made in 2020

For each matter which comes before the Board, the Board considers the likely consequences of any decision in the long-term and identifies stakeholders who may be affected, and carefully considers their interests and any potential impact as part of the decision-making process.

During 2020, decisions have been made in line with achieving the strategy to become a successful medium-sized UK life and pension consolidator. This has included the integration of the business of Equitable Life, as set out in the Review of the Business section. Our key financial decisions made during the year included the declaration and payment of two interim dividends, totalling £40m, after careful consideration of all the consequences for other stakeholders, including customers. A more detailed account of our financial performance is included in the 'Key Performance Indicators', 'Review of the Business' and 'Capital Management' sections of this report.

Strategic Report continued

Section 172(1) statement and our stakeholders continued

Stakeholder engagement

The table below sets out our approach to stakeholder engagement during the year.

Stakeholder	How we engaged them
Customers	- The Board regularly receives and monitors customer-related reporting and details of any initiatives. - The Board engages frequently with senior leadership to understand and follow up on our investment performance. - The Board oversee any material IT platform developments which allow us to better support our customers. - Examples of areas of Board focus in 2020 include the conversion of Equitable Life With-Profit customers to Unit-Linked. More details of these and other areas of focus are included in the 'Stakeholders – Customers' section of this report.
People	- The Board engages with our people through regular informal meetings and internal communications on a wide range of topics. - ULP carry out regular employee surveys and act on findings. - Together with our ultimate UK parent company, we sponsor mentorships and volunteering opportunities. - This year, a focus for the Board included the well-being of our staff during the COVID-19 pandemic. More details of this and other areas of focus are included in the 'Stakeholders – People' section of the report.
Strategic Partners	- Members of the Board maintain oversight of the management of our main Strategic Partners, and our senior management regularly review and report on performance. - This year the Board met with the Company's asset managers and IT services provider. More details of this are included in the 'Stakeholders – Strategic Partners' section of this report.
Communities	- ULP are engaged in becoming resilient against climate change, and promote a working environment which support this, including recycling. More details of this are included in the 'Stakeholders – Communities and Environment' section of this report.
Regulators	- The Board maintains an open and engaging relationship with our regulators. - The directors meet regularly with them, and 2020 included discussions around business changes. More details are included in the 'Stakeholders – Regulators' section of this report.
Shareholders	- The Board engages regularly with its shareholder, and is consistently focused on generating a successful outcome for this stakeholder. - Key financial decisions made by the Board which directly impact the shareholder include the payment of interim dividends,

Overall, the Board considers that it has given due regard to stakeholders' needs when performing its duty under section 172 of the Companies Act 2006.

Looking ahead

We ended 2020 having completed all the integration activities we set out to do in 2020, despite the COVID-19 Pandemic. We have also maintained our strong Solvency Coverage position through 2020, despite the market volatility from COVID-19. We therefore start 2021 in a strong position, well-aligned behind our strategy to face the opportunities and challenges for the year end and continuing to deliver successful outcomes for our customers, shareholder and other stakeholders.

We are ready for further acquisitions to continue our strategy and to grow.

S. Shone

Stephen Shone
Chief Executive

1 April 2021

Report of the Directors

The Directors present their report together with the audited Financial Statements for the year ended 31 December 2020.

Principal activities

The principal activity of Utmost Life and Pensions Limited is the provision of life and pensions policies by pursuing its strategy of acquiring and consolidating businesses in the UK.

Directors

The following Directors and secretary served throughout the year except where otherwise noted:

Chairman:	Michael J Merrick	
Chief Executive:	Stephen Shone	
Chief Financial Officer	Jeremy S Deeks	
Independent Non-Executive Directors:	Seamus Creedon	(resigned 2 April 2020)
	Duncan A Finch	
	Lord Daniel W Finkelstein	(appointed 13 January 2020)
	Susan P Kean	
	Timothy K M Madigan	(resigned 2 April 2020)
	Nigel A Sherry	(resigned 2 April 2020)
	Feilim Mackle	(appointed 29 April 2020)
Group Non-Executive Directors	A Paul Thompson	
	Ian G Maidens	
Company Secretary	C Mark Utting	

Directors' Interests

As at 31 December 2020 the Directors and Secretary, and their spouses and dependent children, had no beneficial interest in the shares of the Company.

Going Concern

The financial position of the Company is presented in the primary financial statements and disclosure notes on pages 30 to 71 The Directors have made an assessment of the Company's going concern, considering both the Company's current performance and its outlook for a period of at least 12 months from the date of approval of these financial statements, which takes into account, amongst others, the impact of the COVID-19 pandemic, using the information available up to the date of issue of the Company's financial statements.

The Company manages and monitors its capital and liquidity, and various assessments and stresses are applied to those positions to understand potential impacts of market downturns. These stresses, including the additional considerations applied in response to COVID-19, do not give rise to any material uncertainties over the ability of the Company to continue as a going concern. Based upon the available information, the Directors consider that the Company has the plans and resources to manage its business risks successfully and that it remains financially strong.

The Directors have assessed the principal risks and uncertainties discussed in the Strategic Report on pages 11 to 13, both in light of COVID-19 and the current economic climate, and have taken into consideration the guidance provided by the Financial Reporting Council ("FRC") on 'Going Concern and Liquidity Risk' published in April 2016. The Directors are confident that the Company will have sufficient funds to continue to meet its liabilities as they fall due for a period of, but not limited to, 12 months from the date of approval of the financial statements. Therefore, they have considered it appropriate to continue to adopt the going concern basis of accounting when preparing the financial statements.

Report of the Directors continued

Review of the business

Key events during the year include:

- The acquisition of Equitable Life Assurance Society on 1 January 2020; and
- The reorganisation of the Utmost Group, in October 2020, to bring together its two businesses, ULP and Utmost International, under one UK holding company;

Further detail on the above is included in the Strategic Report on pages 5 to 14.

Results and dividend

The result for the year is shown in the Profit and Loss Account and Statement of Comprehensive Income. The Company made a profit after tax £33,9m, an increase of £27.9m from 2019.

In 2020, interim dividends totalling £40m were paid.

Employees

The Company has no employees, and all services are undertaken by employees seconded to the Company from Utmost Services under a secondment agreement. Utmost Services remains the employer during the secondment term. Utmost Services makes a management charge for secondment services in accordance with the agreement.

Financial Risk Management

The Company's exposure to financial risk through its financial assets and liabilities is provided in detail in Note 4 of the Financial Statements.

Liability Insurance

From 1 January 2020 to 28 February 2021, directors' and officers' liability insurance was held by the Society's UK parent undertaking Utmost Life and Pensions Holdings Limited and covered all subsidiaries in the Group, as permitted by the Companies Act 2006. From 1 March 2021, this cover was held at an Utmost Group level.

SECR Reporting

Streamlines Energy and Carbon Reporting (SECR) legislation came into effect in April 2019, requiring all large and/or quoted UK companies to report on their annual energy use and energy efficiencies taken. The Company is exempt from this reporting in its individual financial statements as it is included in the SECR statement included in the consolidated financial statements of its ultimate UK parent, Utmost Group Limited.

Post Balance Sheet Events

There are no adjusting or non-adjusting post balance sheet events between 31 December 2020 and the approval of the Report and Accounts of the Company which require disclosure.

Political and Charitable Donations

The Company made no political or charitable donations during 2020 (2019: £nil).

Pension Schemes

The Company operates a defined contribution pension scheme for the employees of Utmost Services. In addition, the Company continues to operate the Reliance Pension Scheme, a defined benefit scheme, which has been closed to future accruals for all members since 31 December 2015. The Company remains the principal employer of the scheme following the flexible apportionment arrangement on 1 April 2018.

Independent Auditors

PricewaterhouseCoopers has indicated its willingness to continue as the Company's independent auditors.

Report of the Directors continued

Disclosure in the Strategic Report

As permitted by paragraph 1A of Schedule 7 to the Large and Medium sized Companies and Groups (Accounts and Reports) Regulations 2008, certain matters which are required to be disclosed in the Directors' Report have been omitted and included in the Strategic Report on pages 5 to 14. These matters relate to:

- Details of subsequent events;
- Future developments; and
- Indication of principal risk exposure and management.

Statement of Directors' responsibilities

The Directors are responsible for the preparation of the Annual Report and Financial Statements in accordance with applicable laws and regulations.

Company law requires the Directors to prepare Financial Statements for each financial year. Under that law, the Directors have prepared the Financial Statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland', and applicable law). 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 state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing the Financial Statements, the Directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- State whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed in the Financial Statements; and
- Prepare the Financial Statements on a going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the Financial Statements comply with the Companies Act 2006. 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.

The Directors are responsible for the maintenance and integrity of the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The Directors confirm that their responsibilities have been fulfilled.

Statement of Disclosure of Information to Auditors

The Directors at the date of the approval of this report confirm that, so far as each Director is aware, there is no relevant audit information of which the Company's auditor is unaware; and each Director has taken all the steps that they ought to have taken in their duty as a Director in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of the information.

By order of the Board

C. Mark Utting
Company Secretary
1 April 2021

Independent auditors' report to the members of Utmost Life and Pensions Limited

Report on the audit of the financial statements

Opinion

In our opinion, Utmost Life and Pensions Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the Balance Sheet as at 31 December 2020; the Profit and Loss Account; the Statement of Comprehensive Income; and 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 (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) 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 the UK, which includes the FRC'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 the FRC's Ethical Standard were not provided.

Other than those disclosed in note 8, we have provided no non-audit services to the company in the period under audit.

Our audit approach

Overview

Audit scope

- We have performed a full scope audit of the complete financial information of the entity in accordance with our materiality and risk assessment.

Key audit matters

- Valuation of insurance liabilities - Longevity assumptions
- Valuation of insurance liabilities - Expense assumptions
- Equitable Life Assurance Society ('ELAS') - Part VII transfer
- Actuarial model migration
- Impact of COVID-19

Materiality

- Overall materiality: £2,100,000 (2019: £18,800,000) based on 1% of Net Assets (2019: 1% of Total Assets).
    - Performance materiality: £1,575,000.

- Specific materiality for assets held to cover linked liabilities, technical provision for linked liabilities (non-insurance) and associated income statement line items: Overall materiality £54,637,000 (2019: there is no comparative) based on 1% of assets held to cover linked materiality.
    - Performance materiality: £40,977,000
- Specific materiality for the amounts included in the business combination note, refer to Note 33 Business Combination: Overall materiality £7,900,000 (2019: there is no comparative) based on 1% Excess Assets (included in the balance sheet transferred).
    - Performance materiality: £5,925,000

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.

Capability of the audit in 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 in the Auditors' responsibilities for the audit of the financial statements section, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to breaches of regulatory principles, such as those governed by the Prudential Regulation Authority and the Financial Conduct Authority, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries, and management bias in accounting estimates and judgemental areas of the financial statements such as the valuation of insurance liabilities, goodwill, and intangible assets. Audit procedures performed by the engagement team included:

- Discussions with management and Internal Audit, including consideration of any known or suspected instances of non-compliance with laws and regulation and fraud.
- Reading key correspondence with the Prudential Regulation Authority and the Financial Conduct Authority in relation to compliance with laws and regulations.
- Reviewing relevant meeting minutes including those of the Audit Committee, Risk and Compliance Committee and Investment Committee.
- Challenging assumptions and judgements made by management in their significant accounting estimates, in particular in relation to insurance liabilities and balances arising from the Part VII transaction (see related Key Audit Matter below).
- Identifying and testing journal entries, in particular any journal entries posted with unusual account combinations and those posted by unexpected users.
- Designing audit procedures to incorporate unpredictability around the nature, timing or extent of our testing.
- Reviewing the Company's register of litigation and claims, Internal Audit reports, and Compliance reports in so far as they related to non-compliance with laws and regulations and fraud.

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

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.

"Valuation of insurance liabilities - Longevity assumptions", "Valuation of Insurance liabilities - Expense assumptions", and "Impact of COVID-19" are existing KAMs that have been renamed for clarity.

"Equitable Life Assurance Society ('ELAS') - Part VII transfer" and 'Actuarial model migration" are new key audit matters this year.

"Impact of acquisition of Equitable Life Assurance Society subsequent events", which was a key audit matter last year, is no longer included because of its relation to a KAM that is no longer applicable in the current period.

Otherwise, the key audit matters below are consistent with last year.

Key audit matter	How our audit addressed the key audit matter
Valuation of insurance liabilities - Longevity assumptions Refer to Accounting policy 2(i) subsection (a) Long term business provision and subsection (b) Technical provisions for linked liabilities (insurance contracts only) and note 20 Technical provisions. Longevity assumptions are an area of significant management judgement, due to the inherent uncertainty involved. Whilst Utmost Life and Pensions manages the extent of its exposure to longevity risk through reinsurance, we consider these assumptions underpinning gross insurance contract liabilities to be a key audit matter given the Utmost Life and Pensions exposure to annuity business. The longevity assumption has two main components: *Base mortality assumption* This part of the assumption is mainly driven by internal experience analyses, but judgement is also required. For example, in determining the most appropriate granularity at which to carry out the analysis; the time window used for historic experience, or whether data should be excluded from the analysis; and in selecting an appropriate industry mortality table to which management overlays the results of the experience analysis. *Rate of mortality improvements* This part of the assumption is more subjective given the lack of data and the uncertainty over how life expectancy will change in the future. The allowance for future mortality improvements is inherently subjective, as improvements develop over long timescales and cannot be captured by analysis of internal experience data. The Continuous Mortality Investigation Bureau (CMIB) provides mortality projection models which are widely used throughout the industry and contain a standard core set of assumptions including initial rates of improvement, calculated by the CMIB based on the most recent available population data.	We performed the following to test the longevity assumptions (including base mortality assumptions, future mortality improvements and prudential margins): • Validated the appropriateness of the methodology used to perform the annual experience studies. This involved the assessment of key judgements with reference to relevant rules, actuarial guidance and by applying our industry knowledge and experience; • Tested the controls in place around the performance of annuitant mortality experience analysis studies, approval of the proposed assumptions and implementation within actuarial models; • Validated the appropriateness of areas of expert judgments used in the development of the mortality improvement assumptions, including the selection and parameterisation of the CMI model including the choice of the smoothing parameter, initial rate, long term rate and tapering at older ages; • Assessed the appropriateness of the prudence margin and its consistency over time; • Compared the annuitant mortality assumptions selected by management against those used by peers using our annual survey of the market; • In respect of the Covid-19 pandemic, we have assessed management's considerations of potential changes in current and future expected rates of annuitant mortality and their conclusion not to include any short-term or long-term adjustments to their longevity assumptions in relation to this; and • Assessed the disclosure of the annuitant mortality assumptions, changes in these assumptions over 2020 and their sensitivities. Based on the audit procedures performed and evidence obtained, we consider the longevity assumptions used in the valuation of insurance contract liabilities to be appropriate.
Valuation of insurance liabilities - Expense assumptions Refer to Accounting policy 2(i) subsection (a) Long term business provision and subsection (b) Technical provisions for linked liabilities (insurance contracts only) and note 20 Technical provisions.	We performed the following procedures over maintenance expenses: • We understood and tested the governance process in place to determine the maintenance

Future maintenance expenses and expense inflation assumptions are used in the measurement of the insurance contract liabilities and in addition, the methodology includes an allowance for diseconomies of scale as the business volumes decline. These all require significant judgement.	expense, expense inflation assumptions and allowance for diseconomies of scale; • We tested the methodology used by management to derive the assumptions with reference to relevant rules and actuarial guidance and by applying our industry knowledge and experience; • We tested and challenged the 2021 budget expenses by comparing the 2020 actuals against the 2020 budget, assessing the split of expenses between ongoing and one-off costs and those that are fixed or variable to supporting evidence; • We tested that the assumptions appropriately reflect the expected future expenses for maintaining policies in force at the balance sheet date, which includes consideration of the allowance for project costs; and • We have reviewed and challenged significant judgements and assumptions used, particularly relating to the allowance for spreading of fixed costs over the reducing portfolio of business as it runs-off. Based on the work performed and the evidence obtained, we consider the expense assumptions to be appropriate.
Equitable Life Assurance Society ('ELAS') - Part VII transfer On 1 January 2020, the UK business of Equitable Life Assurance Society transferred to Utmost Life and Pensions Limited under Part VII of the Financial Services and Markets Act 2000 ('FSMA') (the 'Part VII transfer'). The Part VII transfer has been accounted for in accordance with Section 19 Business Combinations of FRS 102. In accounting for the transfer the fair value of the insurance liabilities has been determined based on an adjusted Solvency II measure with 50% of the risk margin. A "gross" presentation of the fair value of the liabilities has been adopted which involves holding the carrying amount of the statutory liabilities and an acquired value of in-force business ("AVIF") which together represent the fair value of the liabilities. There is significant judgement in the method and assumption used in determining the AVIF.	We have performed the following audit procedures to obtain comfort that the fair value of the insurance liabilities in respect of the transferred ELAS is appropriate: • We have tested the adjustments to the gross of reinsurance long-term technical provisions and reinsurance assets for non-linked business to the opening 1 January 2020 Utmost statutory basis, considering the differing economic and non-economic assumptions on each basis; • We have tested the adjustments required to the gross of reinsurance long-term technical provisions and reinsurance assets on an Utmost statutory basis to the Solvency II basis considering the differing methodologies, economic and non-economic assumptions on each basis; • We have checked the calculation of the Solvency II risk margin, including the supporting non-hedgeable risk capital requirements, and have tested the inputs, assumptions, capital projections and aggregation of the combined ex-ELAS and ULP business; and • Reviewed the appropriateness of the methodology used to derive the Acquired Value in Force (AVIF), the fair value adjustments required

	to Solvency II and the completeness and appropriateness of the accounting alignment adjustments applied to derive the AVIF. Based on the work performed and the evidence obtained, we consider the valuation of the insurance liabilities transferred from ELAS to be appropriate.
Actuarial model migration Refer to note 1(h) subsection (a) Long Term Business Provision and subsection (b) Technical Provisions for linked liabilities (insurance only). Management uses proprietary software to calculate insurance contract liabilities and reinsurance assets for the majority of products. During 2020, management migrated to a new model for the valuation of the insurance contract liabilities. There is a risk that the new model used as at 31 December 2020 did not calculate the liabilities accurately following migration.	Given the complexity of the calculations performed by these models, we have undertaken procedures to ensure that the model migration has been undertaken such that no material errors have arisen as a result of the migration and that the accuracy of the calculations within the model are materially appropriate for each material product. At 31 December 2020, we have undertaken the following procedures: • Assessed the results between the old and new actuarial models for consistency, including reviewing key changes in methodology between models; • Assessed whether subsequent developments of the new model during the year are appropriate; • Reviewed the materiality of management's residual model limitations and concluded on the appropriateness of these limitations; and • Reviewed the model baselining performed by the actuarial function for a sample of policies and product features to ensure that the cash flows generated by the model are accurate and follow management's stated methodology. We have tested the calculations performed in the sample against our expectations and stated accounting policies. Based upon the results of our testing, we have not identified any issues in respect of the new actuarial model.
Impact of COVID-19 Refer to Strategic Report and Going Concern in the Directors' Report, note 4 Financial risk management and note 20 Technical provisions. The impacts of the global pandemic due to the Coronavirus COVID-19 continue to cause significant social and economic disruption up to the date of reporting. We have identified the following key impacts: **Ability of the entity to continue as a going concern** There are a number of potential matters in relation to COVID-19 which could impact on the going concern status of Utmost Life and Pensions. Using	In assessing management's consideration of the impact of COVID-19 on the Company we have performed the following procedures: • Obtained management's updated going concern assessment and challenged the rationale for the downside scenarios adopted and material assumptions made using our knowledge of performance, review of regulatory correspondence and obtaining further corroborating evidence; • Considered information obtained during the course of the audit to identify any evidence that

downside scenarios driven by the required Own Risk and Solvency Assessment (ORSA) process, the Directors have considered the ability of Utmost Life and Pensions to remain solvent with sufficient liquidity to meet future obligations. The Directors have also considered its requirements in respect of regulatory capital under Solvency II, including performing reverse stress testing with falls in equity and interest rates. The Directors' have concluded that Utmost Life and Pensions is a going concern. **Impact on estimation uncertainty in the financial statements** The pandemic has increased the level of estimation uncertainty in the financial statements. The Directors have therefore considered how COVID-19 has impacted the key estimates that determine the valuation of material balances, particularly insurance contract liabilities and financial investments. **Qualitative Disclosures in the Annual Report and Financial Statements** In addition, the Directors have considered the qualitative disclosures included in the Annual Report in respect of COVID-19 and the impact that the pandemic has had, and continues to have, on Utmost Life and Pensions.	would contradict management's assessment of the impact of COVID-19; • Inquired and understood the actions taken by management to mitigate the impacts of COVID-19; • Assessed the impact of COVID-19 on the design and operating effectiveness of the control environment; • Challenged management's judgements in the valuation of the insurance contract liabilities, including longevity and expense assumptions, in the light of the emerging COVID-19 experience and by comparing these relative to industry peers; and • Reviewed the appropriateness of disclosures within the Annual Report and Financial Statements with respect to COVID-19 and, where relevant, considered the material consistency of this other information to the audited financial statements and the information obtained in the audit. Based on the work performed, we: • Agree with the Directors' conclusions in respect of going concern; • Have audited the balances impacted by estimation uncertainty and believe the values presented in the Financial Statements to be reasonable; and • Consider the disclosure of COVID-19 in the financial statements to be appropriate.

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.

The company is a regulated insurance entity. The investment administration function is outsourced.

Our audit work focused on the testing of transactions and balances to appropriate supporting evidence. Where required we obtained confirmation from the relevant third parties with regards to cash and debtors balances.

In respect of the outsourced investment administration service providers, we were able to obtain appropriate evidence through a review of assurance reports on internal control that monitor the procedures carried out by the service providers.

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 company materiality	• Overall materiality: £2,100,000 (2019: £18,800,000), based on 1% of net assets for all balances other than assets held to cover linked liabilities, technical provision for linked liabilities (non-insurance) and associated income statement line items. The benchmark applied in the current year has been amended from 1% of total assets applied in the prior period to 1% of net assets. • Specific materiality for assets held to cover linked liabilities, technical provision for linked liabilities (non-insurance) and associated income statement line items: £54,637,000 (2019: there is no comparative) based on 1% of assets held to cover linked liabilities. • Specific materiality for the amounts included in the business combination note, refer to Note 33 Business Combination: £7,900,000 (2019: there is no comparative) based on 1% Excess Assets (included in the balance sheet transferred).
How we determined it	1% of Net Assets, and specific materialities as described above.
Rationale for benchmark applied	We believe that net assets, which drives the entity's ability to generate surplus and pay dividends, is the primary measure used by the relevant stakeholders in assessing performance, as well as being a generally accepted materiality benchmark. Regarding specific materiality for assets held to cover linked liabilities, technical provision for linked liabilities (non-insurance) and associated income statement line items, the benchmarks applied is Assets Held to Cover Linked Liabilities which is equal to the technical provisions for linked liabilities (non-insurance only) and reflects the primary measure used by the relevant stakeholders as it is a key performance indicator of the business. Regarding specific materiality for the amounts included in the business combination note, the benchmark applied is Excess Assets (Fund for Future Appropriation) which reflects the primary measure used by the relevant stakeholders in assessing the performance of the transferred ELAS UK business.

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

- £1,575,000 for the company financial statements;
- Also at 75% of specific overall materiality for assets held to cover linked liabilities, technical provision for linked liabilities (non-insurance) and associated income statement line items our specific performance materiality was: £40,977,000; and
- Also at 75% of specific overall materiality for specific performance materiality for the amounts included in the business combination note, refer to Note 33 Business Combination our specific performance materiality was: £5,925,000 based on 1% Excess Assets (included in the balance sheet transferred).

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

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above:

- £105,000 (2019: £890,000) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons;
- Specific de-minimis level for assets held to cover linked liabilities, technical provision for linked liabilities (non-insurance) and associated income statement line items: capped at £105,000; and
- Specific materiality for the amounts included in the business combination note, refer to Note 33 Business Combination: £395,000.

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:

- Obtained the directors' going concern assessment and challenged the rationale for downside scenarios adopted and material assumptions made using our knowledge of the Group's business performance, review of regulatory correspondence and obtaining further corroborating evidence;
- Considered management's assessment of the regulatory solvency coverage and liquidity position in the forward looking scenarios considered;
- Assessed the impact of severe, but plausible, downside scenarios;
- Assessed liquidity of Utmost Life and Pensions Limited, including the Company's ability to pay policyholder obligations, suppliers and creditors as amounts fall due;
- Assessed the ability of the Utmost Life and Pensions to comply with covenants;
- Enquired and understood the actions taken by management to mitigate the impacts of COVID-19; and
- Reviewed the disclosures included in the financial statements, including the Basis of Preparation.

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.

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 Annual Report 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 Strategic report and Report of the Directors, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic report and Report of the Directors

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Report of the Directors for the year ended 31 December 2020 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Report of the Directors.

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, 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 (UK) 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 FRC's website at: www.frc.org.uk/auditorsresponsibilities. 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 Chapter 3 of Part 16 of the Companies Act 2006 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 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not obtained all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Appointment

Following the recommendation of the Audit Committee, we were appointed by the directors on 29 August 2018 to audit the financial statements for the year ended 31 December 2018 and subsequent financial periods. The period of total uninterrupted engagement is 3 years, covering the years ended 31 December 2018 to 31 December 2020.

Gary Shaw (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
1 April 2021

Profit and Loss Account

For the year ended 31 December 2020

Technical account – long-term business	Notes	2020 £m	2019 £m
Gross premiums written	5	**13.6**	10.6
Outward reinsurance premiums		**(22.4)**	(19.3)
Earned premiums, net of reinsurance		**(8.8)**	(8.7)
Investment income	6	**65.8**	41.9
Realised (losses)/gains	6	**(118.6)**	45.8
Gain on investment in subsidiary	6	**0.7**	-
Unrealised gains on investments	6	**324.7**	73.7
Other technical income	7	**26.0**	3.1
		298.6	164.5
Claims incurred, net of reinsurance			
Claims paid			
Gross amount		**(132.8)**	(79.9)
Reinsurers' share		**35.6**	18.0
		(97.2)	(61.9)
Change in provision for claims			
Gross amount		**8.2**	(0.4)
Total claims incurred		**(89.0)**	(62.3)
Transfer from/(to) the fund for future appropriations		**6.0**	(6.5)
Change in other technical provisions, net of reinsurance			
Long-term business provision			
Gross amount	20	**(7.4)**	24.8
Reinsurers' share	20	**10.8**	(22.6)
		3.4	2.2
Technical provision for linked liabilities, net of reinsurance	21	**(142.1)**	(64.5)
		(132.7)	(68.8)
Net operating expenses	8	**(17.9)**	(9.4)
Investment expenses and charges	6	**(5.2)**	(2.6)
Tax attributable to the long-term business	11	**(8.6)**	(4.1)
		(31.7)	(16.1)
Balance on the long-term business technical account		**36.4**	8.6

Profit and Loss Account

For the year ended 31 December 2020

Non-technical account	Notes	2020 £m	2019 £m
Balance on the long-term business technical account		**36.4**	8.6
Tax credit attributable to balance on long-term business technical account	11	**8.6**	2.0
Shareholders' pre-tax profit from long-term business		**45.0**	10.6
Investment income	6	**1.3**	1.1
Investment expenses and charges	6	**-**	(0.1)
Unrealised gain/(loss)	6	**0.4**	(0.1)
Realised gain	6	**0.5**	-
Interest payable	10	**(3.6)**	(2.4)
Other charges	7	**(1.7)**	(1.7)
Profit on ordinary activities before tax		**41.9**	7.4
Tax on profit on ordinary activities	11	**(8.0)**	(1.4)
Profit after tax for the year	19	**33.9**	6.0

Statement of Comprehensive Income

For the year ended 31 December 2020

	Notes	2020 £m	2019 £m
Profit for the financial year	19	**33.9**	6.0
Other comprehensive (expense)/income:			
Fair value movements of owner occupied land and buildings	14	**(0.2)**	0.1
Remeasurements of net defined benefit obligations	27	**0.3**	2.8
Total tax on components of other comprehensive (expense)/ income	11	**(0.1)**	(0.5)
Other comprehensive income for the year, net of tax	19	**-**	2.4
Total comprehensive income for the year		**33.9**	8.4

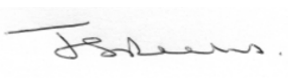
Balance Sheet
As at 31 December 2020

	Notes	2020 £m	2019 £m
Assets			
Present value of acquired in-force business	12	**129.7**	53.9
Negative goodwill	12	**(109.0)**	(30.8)
Intangible assets		**20.7**	23.1
Investment in subsidiaries	13	**5.2**	-
Tangible assets	14	**3.4**	3.6
Financial investments	15	**1,208.8**	1,115.6
Assets held to cover linked liabilities	16	**5,463.8**	644.1
Reinsurers' share of long-term business provision	20	**380.7**	17.4
Reinsurer's share of linked liabilities		**6.4**	-
Debtors	17	**21.0**	10.2
Prepayments and accrued income		**12.7**	11.5
Cash at bank and in hand		**91.9**	61.7
Total assets		**7,214.6**	1,887.2

Balance Sheet
As at 31 December 2020

	Notes	2020 £m	2019 £m
Equity and liabilities			
Capital and reserves			
Share capital	18	**100.0**	142.6
Profit and loss account	19	**110.6**	14.1
Total equity		**210.6**	156.7
Fund for future appropriations		**64.8**	70.8
Technical provisions			
Long-term business provision	20	**1,344.6**	888.8
Long-term reinsurance business provision	20	**40.5**	34.9
Total claims outstanding		**33.7**	8.9
		1,418.8	932.6
Technical provisions for linked liabilities	21	**5,453.7**	640.9
Provisions for other risks and charges	24	**8.1**	2.0
Deposits received from reinsurers		**5.4**	5.8
Creditors: amounts falling due within one year	25	**33.7**	12.3
Borrowings	26	**-**	60.0
Accruals and deferred income		**17.2**	2.8
Total liabilities excluding pension scheme net liability		**7,001.7**	1,727.2
Defined benefit pension net liability	27	**2.3**	3.3
Total liabilities including pension scheme net liability		**7,004.0**	1,730.5
Total equity and liabilities		**7,214.6**	1,887.2

The notes on pages 36 to 71 form an integral part of these financial statements. The financial statements were approved by the Board of Directors on 31 March 2021 and were signed on its behalf on 1 April 2021 by:



Jeremy S Deeks
Director

Statement of Changes in Equity
For the year ended 31 December 2020

	Called up share capital £m	Profit and loss account £m	Total £m
Balance as at 1 January 2019	30.0	5.7	35.7
Profit for the year	-	6.0	6.0
Other comprehensive income for the year	-	2.4	2.4
Total comprehensive income for the year	-	8.4	8.4
Share capital issued	112.6	-	112.6
Balance as at 31 December 2019	**142.6**	**14.1**	**156.7**
Profit for the year	**-**	**33.9**	**33.9**
Other comprehensive income for the year	**-**	**-**	**-**
Total comprehensive income for the year	**-**	**33.9**	**33.9**
Share capital issue	**60.0**	**-**	**60.0**
Share capital reduction	**(102.6)**	**102.6**	**-**
Dividends paid	**-**	**(40.0)**	**(40.0)**
Balance as at 31 December 2020	**100.0**	**110.6**	**210.6**

Notes to the Financial Statements

1. General information

The Company is a life regulated entity incorporated (as a limited liability company under the laws of England and Wales) in the UK. The Registered Office is located at Walton Street, Aylesbury, HP21 7QW.

The principal activity of the Company is the provision of life and pensions policies by pursuing its strategy of acquiring and consolidating businesses in the UK.

The Financial Statements are presented in sterling (£) which is the functional and presentational currency of the Company and rounded to the nearest £m, except where otherwise stated.

2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation

These financial statements have been prepared in accordance with FRS102 and FRS103 and with the applicable requirements of the Companies Act 2006. The Financial Statements have been prepared under the historical cost convention, as modified by the revaluation of certain assets and liabilities to the extent required or permitted under accounting standards as set out in the relevant accounting policies.

The Company has taken advantage of section 400 of the Companies Act 2006 from the requirement to prepare group financial statements, as its results, and that of its subsidiaries RMIS (RTW) Limited and The Equitable Life Assurance Society (ELAS), are included in the group financial statements of Utmost Life and Pensions Holdings Limited (ULPH). These consolidated financial statements are prepared in accordance with UK GAAP and are publicly available from Walton Street, Aylesbury, HP21 7QW.

In these consolidated financial statements, the Company is considered to be a qualifying entity (for the purposes of this FRS). In the preparation of the individual financial statements, the Company has applied the exemptions available under FRS 102 in respect of the following disclosures:

- The requirement to prepare a cash flow statement and related notes;
- Related party disclosures;
- Key management compensation;
- Reconciliation of the number of shares outstanding at the beginning and end of the year; and
- Presentation of share-based payments disclosure as per FRS102 paragraphs 26.18(b), 26.19 to 26.21 and 26.23.

(b) Going concern

The financial position of the Company is presented in the primary financial statements and disclosure notes on pages 30 to 71. The Directors have made an assessment of the Company's going concern, considering both the Company's current performance and its outlook for a period of at least 12 months from the date of approval of these financial statements, which takes into account, amongst others, the impact of the COVID-19 pandemic, using the information available up to the date of issue of the Company's financial statements.

The Company manages and monitors its capital and liquidity, and various assessments and stresses are applied to those positions to understand potential impacts of market downturns. These stresses, including the additional considerations applied in response to COVID-19, do not give rise to any material uncertainties over the ability of the Company to continue as a going concern. Based upon the available information, the Directors consider that the Company has the plans and resources to manage its business risks successfully and that it remains financially strong.

Notes to the Financial Statements continued

2. Summary of significant accounting policies continued

(b) Going concern continued

The Directors have assessed the principal risks and uncertainties discussed in the Strategic Report on pages 11 to 13, both in light of COVID-19 and the current economic climate, and have taken into consideration the guidance provided by the Financial Reporting Council ("FRC") on 'Going Concern and Liquidity Risk' published in April 2016. The Directors are confident that the Company will have sufficient funds to continue to meet its liabilities as they fall due for a period of, but not limited to, 12 months from the date of approval of the financial statements. Therefore, they have considered it appropriate to continue to adopt the going concern basis of accounting when preparing the financial statements.

(c) Foreign currency translation

Foreign currency monetary items are translated using the year end closing rate and any exchange differences are recognised in the income statement.

(d) Business combinations, negative goodwill and acquired value of in-force policies

Business combinations are accounted for using the purchase method, under which the acquirer recognises the acquiree's fair value of the identifiable assets, liabilities and contingent liabilities at the acquisition date. The excess of any purchase consideration transferred over the fair value of the identifiable net assets is recorded as goodwill. Negative goodwill arises when the purchase consideration is less than the fair value of the identifiable assets and liabilities, and is recognised on the Balance Sheet as a negative intangible asset.

The present value of future profits on a portfolio of long-term insurance and investment contracts acquired is recognised as an acquired value of in-force business ('AVIF') intangible on acquisition. AVIF arises primarily from the expected emergence of profits from the policies acquired due to a more prudent assessment of policy liabilities compared to a fair value approach. On acquisition, the insurance contract liability is measured in accordance with the accounting policies for insurance contracts. The difference between the fair value of the acquired contracts and the value attributed to the insurance contract liability is the AVIF.

AVIF is amortised through the Profit and Loss over the useful lifetime of the related contracts in the chosen portfolio on a systematic basis. The rate of amortisation is chosen by considering the profile of the value of the in-force business acquired and the expected depletion in its value. Negative goodwill is released to Profit and Loss over the expected benefit period, which is in line with the amortisation rate of the related AVIF. Any acquisition-related costs are recognised in Profit or Loss as incurred.

AVIF is tested for impairment by reference to the present value of estimated future profits, which is considered to be a representation of fair value. Significant estimates include forecast cash flows and discount rates.

(e) Investments in subsidiary undertakings

Investments in subsidiaries are measured at fair value through profit and loss.

The fair value approach applied by the Company is to measure the economic value of the subsidiary based on a Solvency II (SII) assessment of the value of the business, adjusted for other components where management view that SII does not reflect the commercial value of the business. One such component is to adjust the 'risk margin' (an amount required under SII rules which represents the potential cost of transferring insurance obligations to a third party should an insurer fail), calculated using a cost of capital of 6% under regulatory rules. For determining fair value in accordance with UK GAAP, Management have applied 50% of this Risk Margin as an adjustment (2019: 50%), to more appropriately reflect management's view of economic value.

Notes to the Financial Statements continued

2. Summary of significant accounting policies continued

(f) Tangible assets

Tangible assets include land and buildings, which are measured at fair value. Full valuations are made annually by independent, professionally qualified valuers. Revaluation gains and losses (to the extent that they reverse previous gains) on owner occupied properties are taken to Other Comprehensive Income.

(g) Financial investments

The Company has chosen to apply the recognition and measurement provisions of IAS 39 Financial Instruments: Recognition and Measurement and the disclosure requirements of FRS 102.

The Company classifies its financial assets into the following categories:

- Shares and other variable yield securities – Fair Value through Profit and Loss (FVTPL);
- Units in unit trusts – FVTPL;
- Derivatives – at Held-for-Trading (HFT);
- Debt securities and other fixed-income securities – at FVTPL; and
- Deposits with credit institutions – Loans and Receivables

a. Financial assets – Fair Value through Profit and Loss

The fair values of financial assets traded in active markets are based on quoted bid prices on the balance sheet date.

The fair values of financial assets that are not traded in an active market are established by the directors using valuation techniques which seek to arrive at the price at which an orderly transaction would take place between market participants. More detail is provided on these valuation models is provided in Note 4.

Net gains or losses arising from changes in the fair value of financial assets at FVTPL are presented in the Profit and Loss Account within Investment Income in the period in which they arise.

b. Financial assets – Held for Trading

Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at their fair value. Net gains or losses arising from the change in fair value are presented in the Profit and Loss Account within Investment Income. All derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

The Company receives and pledges cash as collateral in respect of certain derivative contracts to reduce the credit risk of these transactions. The amount of the collateral required is dependent upon the credit risk of the counterparty. The collateral received is segregated from the Company, and is recognised as an asset in the Balance Sheet with a corresponding liability for repayment.

c. Financial assets – Loans and Receivables

Deposits with credit institutions are initially recognised at the fair value of the consideration paid including transaction costs that are directly attributable to the acquisition or issue of the financial asset. Subsequently they are measured at amortised cost, using the effective interest method.

Receivables arising from insurance contracts are also classified in this category and are reviewed for impairment as part of the impairment review of loans and receivables. .

For financial assets not at FVTPL, the Company assesses at each balance sheet date, whether there is objective evidence that a financial asset is impaired. The impairment losses are incurred only if there is evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset and the loss event has an impact on the estimated future cash flows of the financial asset that can be reliably estimated.

Notes to the Financial Statements continued

2. **Summary of significant accounting policies continued**

(h) Reinsurance

The Company cedes reinsurance in the normal course of business in order to limit the potential for losses and to provide financing. Such contracts are accounted for as insurance contracts, provided the risk transfer is significant.

The amounts recoverable from reinsurers, recognised as assets on the Balance Sheet, are estimated in a manner consistent with the claim liability associated with the reinsured policy. Reinsurance receivables are reviewed for impairment at each reporting date.

The reinsurers' share of claims incurred, in the Profit and Loss Account, reflects the amounts received or receivable from reinsurers in respect of those claims incurred during the year.

Any deposit received from reinsurers is recorded on the Balance Sheet as a current asset with a corresponding current liability to reflect that this is due back to the reinsurer. Net reinsurance payable amounts represent mortality swaptions in respect of annuity payments.

(i) Product classification - Insurance contracts

Contracts which transfer significant insurance risk to the Company at the inception of the contract are classified as insurance contracts. Any contracts not considered to be insurance contracts are classified as investment contracts (see Note 2(j)).

Insurance contract liabilities are included in the Long term business provision and the Technical provisions for linked liabilities on the Balance Sheet.

a. Long term business provision

The long-term business provision is determined on the basis of recognised actuarial methods and in accordance with the regulations contained in the Prudential Regulation Authority (PRA) Rulebook, with adjustments to align to FRS 103 requirements. All relevant guidance from the Board of Actuarial Standards has been followed. The long-term provision also includes the non-unit liabilities in respect of unit-linked insurance contracts.

All long-term business technical provisions are determined in accordance with the Solvency II regulatory valuation adjusted as follows:

- The removal of the impact of Transitional Measures on Technical Provisions ("TMTPs"), if applicable;
- The use of discount rates based on swap rates with an additional margin for annuity business to allow for an illiquidity premium;
- The addition of a margin to best estimate expense, mortality and longevity assumptions as well as the take-up of Guaranteed Annuity Options ("GAOs") to ensure sufficient prudence in the provisions and no allowance is made for lapses;
- Confirmation that, at an individual policy level, the provision calculated will not be less than the guaranteed amount immediately due (this applied primarily to unit-linked insurance policies); and
- The removal of future final bonuses from with-profit provisions because these are not guaranteed. The excess of assets over liabilities in the with-profits funds shall be used to enhance the bonuses in these funds.

Notes to the Financial Statements continued

2. **Summary of significant accounting policies continued**

(i) Product classification - Insurance contracts continued

b. Technical provisions for linked liabilities

Liabilities under unit-linked contracts are recognised as and when the units are created and are dependent on the value of the underlying financial assets, derivatives and/or investment property.

Unit-linked contracts which transfer significant insurance risk, including guaranteed benefits, are classified as insurance contracts and are carried in the balance sheet at an amount determined by the valuation of the related units on the valuation date.

The Technical provisions for linked liabilities also includes amounts in respect of unit-linked contracts which principally involve the transfer of financial risk (see Note 21).

The change in insurance liability reflects the assumption changes relating to claims expectations, expenses, the addition of business acquired and the unwind of the previous year's expectations. It also includes the reduction in liability due to the payment of claims in the year.

Premiums, including reinsurance premiums, and consideration for annuities are recognised as income when due for payment, except for unit-linked insurance premiums, which are recognised when units are created.

Maturity claims and annuity benefit payments are recognised when due for payment.

Surrenders are accounted for when paid or, if earlier, on the date the policy ceases to be included within the calculation of the long term business provision and/or the technical provision for linked liabilities.

Death claims are recognised on the basis of notifications received.

Claims payable include the related internal and external claims handling costs.

(j) Product classification - Investment contracts

Contracts which transfer financial risk (e.g. Change in interest rate), but not significant insurance risk are classified as investment contracts.

Amounts received in respect of unit-linked investment contracts which principally involve the transfer of financial risk are accounted for under deposit accounting, with amounts collected credited directly to the Balance Sheet.

Financial liabilities in respect of unit-linked investment contracts are measured at fair value, determined by reference to the value of the underlying net asset values of the unitised investment funds at the balance sheet date. These are presented in the Balance Sheet within 'Technical provisions for linked liabilities'.

Fees receivable from unit-linked investment contracts (included in 'Other technical income') as well as investment income and interest payable on contract balances are recognised in the Profit and Loss Account in the year they are accrued.

Claims are not included in the Income Statement but are deducted from investment contract liabilities. The movement in investment contract liabilities (included in Change in other technical provisions, net of reinsurance) consists of claims incurred in the year less the corresponding elimination of the policyholder liability originally recognised and the investment return credited to policyholders.

(k) Cash

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. These are valued at amortised cost.

Notes to the Financial Statements continued

2. Summary of significant accounting policies continued

(l) Debtors

Debtors' balances arise from the normal operating activities of the Company. Debtors that are expected to be received within one year of the balance sheet date are recorded at their undiscounted amounts. Balances greater than one year or which constitute financing transactions are recorded at fair value less transaction costs and subsequently at amortised cost, net of impairment.

(m) Creditors

Creditors are initially recognised when due and are measured at fair value of the consideration received less directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost.

(n) Borrowings

Interest-bearing borrowings are recognised initially at fair values less any attributable transaction costs. Subsequently, they are recognised at amortised cost using the effective interest method.

(o) Taxation

Taxation comprises of current tax and deferred tax.

Current tax is the expected tax payable or receivable on current year profits adjusted for non-tax deductible and non-taxable items, using tax rates enacted or substantively enacted at the balance sheet date.

Deferred tax is calculated on the differences between the accounting value of assets and liabilities and their respective tax values. Deferred tax is also recognised in respect of unused tax losses to the extent that it is probable that future taxable profits will arise against which the losses can be utilised. It is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Both Current tax and Deferred tax are recognised in the Profit and Loss Account unless they relate to items which are recognised in Other Comprehensive Income or directly through Equity.

(p) Leases

Leases are classified as finance leases whenever the terms of the lease transfers substantially all the risks and rewards of ownership of the leased asset to the Company. All other leases are classified as operating leases. The Company has no finance leases throughout the reporting year.

Rental payments under operating leases are charged to the income statement on a straight line basis over the lease term. The aggregate benefit of lease incentives is recognised as a reduction to the expense recognised over the lease term on a straight line basis.

(q) Provisions and contingencies

(i) Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount of the obligation can be estimated reliably.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation as well as any material impact of the time-value of money.

Notes to the Financial Statements continued

2. **Summary of significant accounting policies continued**

(q) Provisions and contingencies continued

(ii) Defined benefit pension scheme

The Company has a defined benefit pension scheme, which was transferred from RMIS (RTW) Limited (RMIS) on 1 April 2018. The scheme has been closed to future accruals since June 2010.

The liability recognised in the balance sheet in respect of the defined benefit scheme is the present value of the defined benefit obligation at the reporting date less the fair value of the plan assets.

The defined benefit obligation is calculated by an independent actuary each year using the projected unit credit method. The present value is determined by discounting the estimated future cash flows. The discount rate used is based on market yields on high quality corporate bonds that are denominated in sterling and have terms approximating the estimated period of future payments.

The fair value of scheme assets is measured in accordance with the Company's policy for similarly held assets. This includes the use of appropriate valuation techniques.

Included on the balance sheet are the present value scheme liabilities less the aggregate plan assets, net of deferred tax. The change in the net liability, less net interest, of the scheme is recognised in Other Comprehensive Income as 'Remeasurements of net defined benefit obligations'. Net interest is recognised in operating expenses in the Technical account – long term business within the Profit and Loss Account.

The cost of the defined benefit scheme includes the increase in the pension liability arising from employee service during the period and the cost of benefit changes, curtailments and settlements. This is recognised in Other expenses in the Profit and Loss Account.

(iii) Contingencies

Contingent liabilities arise as a result of past events when it is not probable that there will be an outflow of resources or that amount cannot be reliably measured at the reporting date, or when the existence will be confirmed by the occurrence or non-occurrence of uncertain future events not wholly within the Company's control.

Contingent liabilities are not recognised on the Balance Sheet, unless acquired in a business combination, but are disclosed, unless the probability of an outflow of resources is remote.

Contingent assets are not recognised. Contingent assets are disclosed in the Financial Statements when an inflow of economic benefits is probable.

(r) Investment return

Investment return comprises investment income, including realised investment gains and losses and movements in unrealised gains and losses on investments designated as fair value through profit or loss, net of investment expenses and charges.

Interest income is recognised as it accrues, taking into account the effective yield on investments.

Dividends are included as investment income on the date when the right to receive has been established.

(s) Distributions to equity holders

Dividends and other distributions to the Company's shareholder are recognised as a liability in the Balance Sheet in the year they are approved by the shareholders.

(t) Funds for Future Appropriation

The Funds for Future Appropriation (FFA) represent the accumulated excess funds yet to be allocated to with-profits policyholders.

Notes to the Financial Statements continued

3. **Critical accounting estimates and judgements**

The preparation of the financial statements which conform to UK GAAP FRS 102 requires the use of certain critical accounting estimates. It also requires Management to exercise judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed below.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances and are reflected in the judgements made about carrying amounts of assets and liabilities that are not objectively verifiable. Actual results may differ from the estimates made. Estimates and underlying assumptions are reviewed regularly by Management and the Board, and, where necessary, are revised to reflect current conditions.

Critical accounting estimates

(a) Insurance and investment contract liabilities

The calculation of insurance and investment contract liabilities is a critical estimate, based on the fact that although the process for the establishment of these liabilities follows specified rules and guidelines, the provisions, and any related AVIF, that result from the process are the subject of estimations. As a consequence, the eventual claims could vary from the amounts provided to cover future claims. The Company seeks to provide appropriate levels of contract liabilities taking known facts, market conditions and past experience into account but, regardless, such liabilities remain uncertain. The calculation methodology is discussed further in accounting policy note 1(i) and 1(j) and sensitivities arising from significant non-economic assumptions are detailed in note 4.

(b) Fair value of financial assets and liabilities

Where possible, financial assets and liabilities are valued on the basis of listed market prices, without any deduction for transaction costs. These are categorised as Level 1 financial instruments and do not involve estimates.

If prices are not readily determinable, fair values are determined using valuation techniques including pricing models or broker quotes. Financial instruments valued where valuation techniques are based on observable market data at the period end are categorised as Level 2 financial instruments.

Financial instruments valued where valuation techniques are based on non-observable inputs are categorised as Level 3 financial instruments. Level 2 and Level 3 financial instruments, therefore, involve the use of estimates.

(c) Recoverability of acquired value of in-force business and related negative goodwill

AVIF is tested for impairment by reference to the present value of estimated future profits. Significant estimates include forecast expenses, charges, persistency rates, guarantee costs and discount rates.

The amortisation and testing for impairment of related negative goodwill is closely linked to the recoverability of the underlying assets acquired, of which AVIF is one, and, therefore, is also subject to uncertainty. The recoverability is measured by calculating the fair value less costs to sell.

(d) Defined benefit pension scheme

The Company, as a principal employer, has a net liability in respect of the Reliance Pension Scheme. The present value of the liability recognised on the Balance Sheet is calculated actuarially each year using the projected unit method, which is dependent upon a number of factors, including: life expectancy, salary increases, asset valuations and the discount rates for corporate bonds. Management estimates these factors in determining the net pension obligation in the balance sheet. The assumptions reflect historical experience and current trends.

(e) Fair value of land and buildings

The property valuations, carried out by independent property valuation specialists, are subject to a degree of uncertainty and are made on the basis of assumptions which may not prove to be accurate, particularly in periods of volatility or low transaction flow in the property market. (See Note 14 for the carrying value).

Notes to the Financial Statements continued

3. Critical accounting estimates and judgements continued

(f) Taxation

The Company establishes provisions based on reasonable estimates, for possible consequences of audits by the tax authorities. The amount of such provisions are based on various factors including interpretations of tax regulations.

Estimation is required by management to determine the amount of deferred tax assets that can be recognised, based upon the likely timing of future taxable profits together with an assessment of the effect of future tax planning strategies.

Critical judgements

(i) Product classification

The Company's classification between which products are insurance contracts and which are investments contracts is a critical judgement as the classification dictates the relevant presentation and measurement that is applied to each type of contract in the financial statements.

Insurance contracts are defined as those containing significant insurance risk if, and only if, an insured event could cause the insurer to make significant additional payments. These contracts may also include the transfer of financial risk. As a general guideline, the Company defines significant insurance risk as the possibility of having to pay benefits on the occurrence of an insured event that are at least 10% more than the benefits payable if the insured event did not occur. Any contracts not considered to be insurance contracts are classified as investment contracts.

4. Financial risk management

The Company is exposed to both insurance and financial risk as a consequence of its business activities. These are managed in accordance with the Enterprise Risk Management (ERM) Framework which sets out the Company's overall strategy towards and appetite for risk. This has been approved by the Board of Directors. The principal risks in the light of the COVID-19 are discussed in the Strategic report.

The risks arising from the insurance and investment activities that the Company is exposed to at the end of the reporting period are discussed as follows:

(a) Insurance risk

This is defined as the uncertainty attaching to the occurrence, amount and timing of insurance liabilities. The Company's principal insurance risks are as follows:

- Longevity risk, which arises primarily on the Company's significant in-force book of in-payment annuities;
- Expense risk, which arises because the majority of the Company's operational activity is carried out in-house; and
- Persistency and option take-up risk, which arises primarily on the large block of in-force unit-linked business.

Notes to the Financial Statements continued

4. Financial risk management continued

(a) Insurance risk continued

The Company manages these risks by:

- Setting and monitoring appropriate risk appetite limits;
- Monitoring the amount of economic capital it holds;
- Use of reinsurance;
- Assumption setting;
- Claims underwriting; and
- Cost control and budget reforecasting.

The long term business provisions are sensitive to the assumptions used in respect of these risks, which are set periodically by the Board of Directors, with appropriate levels of prudence based on analysing actual experience.

While the impact of a short-term variation in the experience may not be material, if these assumptions were to be changed, this would impact on the long term business provisions, which would generate a profit or a loss in the calendar year in which the change to assumptions was applied.

The table below illustrates the impact of the increase in long term business provisions assumptions:

Sensitivities	2020
	Loss
5% increase in GAO take-up rates	£2.7m
10% decrease in annuitants mortality rates	£2.0m

Governance framework

The Board determines the level of insurance risk through the business planning process and sets the risk appetite. Insurance risk is controlled through the local or Utmost Risk and Capital Committee ("RCC"), which approve all new insurance risks within the context of the risk appetite, including the launch of new products and cover types. The performance of the in-force book is monitored by the RCC with specific risks tracked for remedial actions where needed. Stress and scenario testing is carried out as part of the Own Risk and Solvency

Assessment ("ORSA") process to consider the impact of larger risk events and how they would be managed by the Company.

General mitigation of insurance risks

In addition to the specific risks above, insurance risk is mitigated through the design of the policies with specific exclusions and limits on the size and durations of benefits which are set out in their Terms and Conditions.

(b) Market risk

Market risk is the adverse financial impact from changes in fair values or cash flows of the Company's assets and liabilities from fluctuations in interest rates, movement in credit spreads and changes due to equity risk.
It is recognised that market risk is part of managing the portfolios and that a certain level of market risk is acceptable in order to deliver benefits to the Company. The Company is exposed to market risk from owning a portfolio of invested assets and has a low/medium appetite for this type of risk. The Company does not actively pursue a trading strategy in financial instruments that are vulnerable to gains or losses from fluctuations in interest rates or other economic values.

Interest rate risk arises primarily from investments in fixed interest securities. In addition to the extent that claims costs are related to interest rates, liabilities to policyholders are exposed to interest rate risk.

Notes to the Financial Statements continued

4. Financial risk management continued

(b) Market risk continued

The market risk to which the company is exposed include:

- Reduction in returns on assets, due to a sustained fall in yields on fixed income investments;
- Impact to solvency margins driven by rise in yields on fixed interest investments from a rise in interest rates and spreads; and the
- Loss of investment income or market value of the portfolio from an adverse shock to a specific sector.

A variety of risk management techniques are utilised to control and mitigate the market risks to the business is exposed to, including:

- Asset liability matching strategy. The Company's investment portfolio is managed in such a way that the maturities have a duration that is matched to the estimated liability cash out flow profile, Matching is achieved in total by portfolio and fund.
- Regular review of the Sector diversification of the portfolio.
- Solvency monitoring though regular reviews of unrealised gains and losses.
- Timely market updates and forecasts from the investment advisors covering interest rates, credit spreads and market development by sectors.

The average duration target for the investment portfolio is 9-10 years for various with-profits funds and for the annuity assets. A quarterly mismatch report is presented to the Asset Liability Committee, who would decide to take remedial action, if required.

Credit spreads
The Company exposure to credit spreads is driven by market price and cash flow variability associated with changes in credit spreads. A widening of the credit spreads will result in increase in unrealised losses for our investment portfolio while a tightening of credit spreads will reduce our net investment income.

(c) Credit risk

The Company has exposure to credit risk which is the risk, that a counterparty will be unable to pay amounts in full when due. The Company is exposed to the following credit risks:

- Amounts due from debt securities;
- Amounts due from collective investment schemes and money markets;
- Amounts due from insurance and other receivables; and
- Reinsurers' share of insurance liabilities and of claims paid.

The Company manages these risks by:

- Setting and monitoring appropriate risk appetite limits;
- Monitoring the amount of economic capital it holds;
- Investment guidelines/limit structures;
- Asset optimisation; and
- Collateral arrangements.

Notes to the Financial Statements continued

4. Financial risk management continued

The assets bearing credit risk are summarised below, together with an analysis by credit rating.

	2020 £m	2019 £m
Non-linked assets subject to credit risk		
Sovereign debt	510.3	457.7
AAA	1.0	-
AA	77.5	83.0
A	677.6	251.5
BBB	203.0	217.3
BB and below or not rated	8.3	17.1
Total assets bearing credit risk	**1,477.7**	1,026.6
Derivative financial instruments	21.9	17.1
Debt securities	1,067.3	991.1
Loans and receivables	1.5	0.7
Assets arising from reinsurance contracts held	387.0	17.4
Deposits with credit institutions	-	0.3
Total assets bearing credit risk	**1,477.7**	1,026.6

Reinsurance has been included with those non-linked assets with a credit rating of AA, A or not rated.

The Investment Committee sets exposure limits and assesses them periodically. The Investment Committee is also responsible for reviewing actual exposure against limits on a regular basis and for monitoring the performance of the Investment Managers. Reinsurance credit risk is managed by the RCC, which operates under direction from the Board and approves new reinsurance agreements. There are no financial assets that are either past due or impaired during the year.

The key area where the Company is exposed to credit risk is through its investment in corporate bonds. The Company manages the level of risk via sector and rating analysis and uses this analysis to help define the optimal balance between the risk taken and the returns earned on the underlying assets.

A quarterly database is prepared analysing the Company's invested assets by market value, issuer, credit rating, sector and geographical region, in order to assess the risk of concentration within the portfolio. This database allows the Company to regularly monitor exposure to the default risk of a given issuer and performance of an individual sector.

Through regular meetings with the Company's Investment Managers and monthly watch lists, the risk of a fall in the value of fixed-interest securities from changes in the perceived credit worthiness of the issuer is considered. In addition, sector and geographical exposure is monitored to ensure diversification and that there is no concentration in either sector or geographical region. In cases where the Company is particularly exposed to credit risk (e.g. sector concentration), this risk is actively managed through the investment guidelines.

Notes to the Financial Statements continued

4. Financial risk management continued

The table below shows the sector diversification of the debt portfolio as at 31 December 2020 and 2019 respectively.

Sector	2020 % Holding	2019 % Holding
Government Bonds	36%	34%
Corporate Bonds Financial	25%	27%
Corporate Bonds Industrial	26%	25%
Government Index Linked	10%	10%
Government Guaranteed	0%	1%
Other Index Linked Bonds	1%	1%
Public Authorities	1%	1%
Supranational Bonds	1%	1%

(d) Operational risk

The Company is exposed to the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. This is managed through the RCC who review and monitor operational risks and report on these to the Board.

A risk manager carries out a review of operational risks, and works with stakeholders to implement action plans to mitigate the risks.

An application of a Risk and Control Self-Assessment ("RCSA") process, where operational risk exposures are identified and assessed as part of a periodical cycle is in place within the Company. This includes a description of risks; the causes and consequences, a gross risk assessment of impact and likelihood; a list of 'prevention and detection' controls; and a 'net' assessment, taking into consideration the effectiveness of the controls in place. Furthermore, the RCSA process also captures risk ownership, assurance and further actions, and an identified risk owner (usually the functional head) is responsible for the management of the risk, including control effectiveness, and any remedial actions required to mitigate the risk.

The Company maintains and tracks daily, an internal incident monitor and capture process, which identifies, quantifies and monitors risk events that have occurred across the business. The IT and Change Director is fully responsible for monitoring and resolving all incidents reported, including escalation and change management. Controls are attested on a quarterly basis with a summary reported to the Board.

Changes in tax interpretation
There are established processes in place to file company returns accurately in line with UK tax laws, although there is a risk that the local tax authorities' views may differ from those of the Company.

(e) Liquidity risk

The Company's liquidity risk stems from the need to have sufficient liquid assets to meet policyholder and third party payments as they fall due. This is managed by weekly cash forecasts and also by holding sufficient cash and other assets in investments which are readily marketable in a sufficiently short timeframe to be able to settle liabilities as they fall due.

The Company has significant internal sources of liquidity, which are sufficient to meet all our expected cash requirements for a period of 12 months from approval date, without having to resort to external sources of funding.

The uses and sources of liquidity are reviewed by ALCO on a quarterly, on a base and stressed basis. The Company has various mitigation of liquidity risk in place, as follows:

- Our liquidity risk policy;
- Access to Group short term loans;
- Risk appetite, triggers levels and limits in place;
- Weekly formal cash reporting; and
- Regular stress testing.

Notes to the Financial Statements continued

4. Financial risk management continued

The tables below provides a maturity analysis of the Company's financial liabilities.

2020	On demand £m	Up to 1 year £m	Between 1-5 years £m	>5 years £m	Total £m
Financial liabilities under non-profit investment contracts	4,798.7	-	-	-	4,798.7
Creditors	11.3	22.5	1.8	3.5	39.1
Financial liabilities at amortised cost	4,810.0	22.5	1.8	3.5	4,837.8
Financial liabilities under with profits investment contracts included in long term business provision	6.6	-	-	-	6.6
At 31 December 2020	**4,816.6**	**22.5**	**1.8**	**3.5**	**4,844.4**

2019	On demand £m	Up to 1 year £m	Between 1-5 years £m	>5 years £m	Total £m
Financial liabilities under non-profit investment contracts	465.6	-	-	-	465.6
Creditors	7.8	5.1	1.0	5.9	19.8
Financial liabilities at amortised cost	473.4	5.1	1.0	5.9	485.4
Financial liabilities under with profits investment contracts included in long term business provision	7.0	-	-	-	7.0
At 31 December 2019	480.4	5.1	1.0	5.9	492.4

Although Brexit is not expected to have a significant impact on the Company's operational activity, the uncertainty leads to a lack of clarity on how the EU and UK will interact in the future and the impact on financial services. It also could lead to volatility within financial markets, which can increase certain risks. The Company has in place controls to minimise the impact of any volatility. The Company believes that it has adequate mitigating controls and procedures in place to address these risk areas.

(f) Fair value estimation

The fair values of debt securities and other fixed income securities were determined using a market approach, income approach or a combination of both depending on the type of instrument and availability of information.

The Company utilised certain third-party data providers when determining fair value.

For pricing services, the Company analysed the prices provided by its primary pricing services to other readily available pricing services and performed a detailed review of the assumptions and inputs from each pricing service to determine the appropriate fair value when pricing differences exceed certain thresholds.
It also evaluated changes in fair value that are greater than 10% each month to further aid its review of the accuracy of fair value measurements and its understanding of changes in fair value, with more detailed reviews performed by the asset managers responsible for the related asset class associated with the security being reviewed.

Notes to the Financial Statements

4. Financial risk management continued

(g) Valuation

In general, valuations from pricing services were obtained in the first instance. If a price was not supplied by a pricing service, a broker quote was sought for public or private fixed maturity securities. The prices obtained are classified as follows:

- Level 1: fair value measurements derived from quoted market prices (unadjusted) in active markets for identical assets and liabilities.
- Level 2: fair value measurements derived from inputs other than quoted prices included within level 1 that are observable for the asset or liability either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: fair value measurements derived from valuation techniques that include inputs for the asset and liability that are based on unobservable market data.

The following tables present the Company's assets measured at fair value.

	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss	**£m**	**£m**	**£m**	**£m**
2020				
Shares and other variable-yield securities and units in unit trusts	**113.6**	**-**	**4.5**	**118.1**
Debt securities and other fixed income securities	**510.3**	**557.0**	**-**	**1,067.3**
Derivative financial investments	**-**	**21.9**	**-**	**21.9**
	623.9	**578.9**	**4.5**	**1,207.3**
Financial assets held to cover linked liabilities	**5 455.8**	**0.3**	**0.8**	**5,456.9**
	6 079.7	**579.2**	**5.3**	**6,664.2**

	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss	**£m**	**£m**	**£m**	**£m**
2019				
Shares and other variable-yield securities and units in unit trusts	-	106.3	4.4	110.7
Debt securities and other fixed income securities	-	986.7	-	986.7
Derivative financial investments*	-	17.2	-	17.2
	-	1,110.2	4.4	1,114.6
Financial assets held to cover linked liabilities	-	642.1	1.2	643.5
	-	1,752.3	5.6	1,758.1

Notes to the Financial Statements continued

4. Financial risk management continued

The following table presents the changes in Level 3 instruments for the year:	Shares, variable yield securities & unit trusts £m	Derivatives* £m	Linked assets £m	Total Level 3 Assets £m
At 1 January 2020	**4.4**	**-**	**1.2**	**5.6**
Gains and losses recognised in Profit and Loss	**0.1**	**-**	**(0.4)**	**(0.3)**
Assets sold/matured in the year	**-**	**-**	**-**	**-**
At 31 December 2020	**4.5**	**-**	**0.8**	**5.3**

*Derivative assets have been correctly represented in Level 2 from Level 3, where it had been included in 2019. The Company has reassessed the classification on derivative assets and concluded that the significant inputs were observable and deem it more appropriate for these to be classified under Level 2 rather than Level 3.

Total Financial Investments (£1,208.8m) include £1.5m loans which are not held at fair value. Total Financial assets held to cover linked liabilities (£5,463.8m) include £6.9m cash and current assets.

The Level 3 share asset (£4.5m) represents an equity holding in an investment company which holds a portfolio of onshore UK wind farms and wind finance companies. The investment company values the wind farms at fair value, using discounted cash flow valuation techniques, and the investment in finance entities at fair value, based on the fair value of loan notes and a share of net current assets.

The significant unobservable inputs into the fair value model for the wind farms include the discount rate, energy yield, power price and inflation rate. The below analysis is provided in order to illustrate the sensitivity of the fair value of investments to the energy yield, while all other variables remain constant.

Significant unobservable input	Range	Average	Change in input	Change in fair value of investment	ULP share	% change in fair value
Energy yield	20.71%-35.98%	30.85%	P50 +10%	£6.9m	£0.5m	11.5%
			P50 – 10%	(£7.1m)	£0.5m	(11.6%)

The above sensitivity information is based on the latest available information from the investment company.

Notes to the Financial Statements continued

5. Gross Premiums

(a) Gross Premiums Written

All premiums relate solely to long-term insurance contracts.

	2020 £m	2019 £m
Gross premiums written comprise		
Direct insurance	**13.6**	10.6
Gross direct premiums written in respect of insurance contracts and with profits investment contracts		
Periodic premiums	**7.3**	3.1
Single premiums	**6.3**	7.5
	13.6	10.6
Gross premiums written comprise		
Life insurance contracts	**6.2**	2.4
Pensions contracts	**7.4**	8.2
	13.6	10.6
Gross premiums written comprise		
Unit linked insurance contracts	**2.9**	1.6
Non linked insurance contracts	**10.7**	9.0
	13.6	10.6
Geographical analysis		
UK	**13.5**	10.6
Overseas	**0.1**	-
	13.6	10.6

In addition to the premiums disclosed above in relation to insurance contracts and investment contracts with discretionary participating features, the following premiums were received in relation to investment contracts. These are accounted for using deposit accounting as additions to investment contract liabilities in the Statement of Financial Position (Note 21) rather than as premiums in the long-term technical account.

	2020 £m	2019 £m
Unit-linked investment contracts comprise		
Life	**0.3**	-
Pensions	**34.0**	1.8
	34.3	1.8

There were no premiums for non-linked investment contracts.

Notes to the Financial Statements continued

5. Gross Premiums continued

(b) Gross new business premiums

New business premiums for insurance contracts include contractual pension vesting and investment contracts with discretionary participating features were as follows:

	2020 £m	2019 £m
Single premiums which were pension contracts and non linked insurance contracts	**6.3**	7.5
Geographical analysis		
UK	**6.3**	7.5

In classifying new business premiums the following bases of recognition have been adopted:

- Pensions vested from existing policies into annuity contracts during the year are included as new annuity single premium business at the annuity purchase price;

6. Investment Return

	2020 £m	2019 £m
Investment return: long-term business technical account		
Income from financial assets at fair value through profit or loss	**65.9**	42.1
Net return on pension scheme	**(0.1)**	(0.2)
	65.8	41.9
Net (losses)/gains on the realisation of investments	**(118.6)**	45.8
	(52.8)	87.7
Investment expenses and charges		
Other investment management expenses	**(5.2)**	(2.6)
Investment expenses	**(5.2)**	(2.6)
Gain on investment in subsidiary	**0.7**	-
Net unrealised gains on investments	**324.7**	73.7
Investment gains retained in the long-term business technical account	**267.4**	158.7
Investment return: non-technical account		
Income from financial assets at fair value through profit or loss	**1.3**	1.1
Unrealised gain/(loss)	**0.4**	(0.1)
Realised gains	**0.5**	-
Other investment management expenses	**-**	(0.1)
Investment return: non-technical account	**2.2**	0.9

Notes to the Financial Statements continued

7. Other Income and Charges

Other income includes fees for policy administration and asset management services arising from non-participating investment contracts.

Other charges includes the amortisation (charged)/credited in the year on the acquired value of in-force business and negative goodwill on the acquisition of the assets and liabilities from RMIS.

	2020 £m	2019 £m
Other income: long-term business technical account		
Fee income from investment contracts	**26.0**	3.1
	26.0	3.1
Other charges: non-technical account		
Amortisation of negative goodwill	**8.1**	2.3
Amortisation of Present Value of AVIF	**(9.8)**	(4.0)
	(1.7)	(1.7)

8. Net operating expenses

	2020 £m	2019 £m
Administrative expenses[1]	**22.9**	9.4
Release of Integration and Retention provision[1]	**(5.0)**	-
	17.9	9.4

[1]On acquisition of ELAS, a provision was raised to support the integration of the business into the Company's existing infrastructure (see Note 24). Administrative expenses do not include balances relating to this provision.

The Company has no employees, and all services are undertaken by employees seconded to the Company by Utmost Services under a Secondment Agreement, which became effective from 1 April 2018. ULP incurs a management charge for secondment services in accordance with the Agreement.

Employee costs, incurred via the management charge, are:

	2020 £m	2019 £m
Wages and salaries (incl. fees paid to non-executive directors)	**12.5**	4.8
Social security costs	**1.5**	0.5
Pension costs	**0.8**	0.3
Non-contractual benefits	**0.1**	-
	14.9	5.6

The monthly average number of employees seconded to ULP during the year, including executive Directors, was 213 (Full time equivalent (FTE): 199) (2019: Headcount: 84; FTE: 84). The total staff number at the end of 2020, including contractors, was 178 (FTE: 165) (2019: Headcount: 71; FTE: 71).

The ULP cost base has increased following integration of the Equitable Life business. Successful integration of the business has led to an efficient operating model going forward

Notes to the Financial Statements continued

8. Net operating expenses continued

	2020	2019
	£'000	£'000
Included within administration expenses are:		
Audit services:		
Audit fees payable to the Company's auditors	**835**	318
Non-audit services:		
Audit-related assurance services	**150**	188
	985	506

Fees shown are net of VAT.

9. Directors' remuneration

The Directors' emoluments were as follows:

	2020	2019
	£'000	£'000
Aggregate remuneration	**1,108**	1,243
Highest paid Director (included in the above figures)	**511**	646

Executive Directors who are employees of ULPS and independent non-executive Directors are remunerated by ULPS; the cost for which is recharged to the Company and included within administrative expenses (Note 8).

No incremental emoluments were paid to any Group Non-executive Directors in respect of services to the Society (2019: nil).

The Company provides one director with a cash-settled long-term bonus plan. Amounts payable under the plan are dependent on an increase in Solvency II Economic Value over a five year period from 1 April 2018 to 31 March 2023 or earlier event as defined under the plan. The fair value of the plan was £1.4m (2019: £0.1m).

10. Interest payable and similar charges : Non-technical account

	2020	2019
	£m	£m
Interest payable and similar charges	**3.6**	2.4

On 16 December 2019, the Tier 2 loan of £35m from the Company's parent, including interest accrued, was repaid. A new Tier 2 loan of £60m was drawn down on the same day with interest payable bi-annually at the rate of 7% p.a. This was repaid on 9 November 2020.

Notes to the Financial Statements continued

11. Tax on profit on ordinary activities

Technical account – long-term business	**2020 £m**	**2019 £m**
UK corporation tax charge	**8.7**	3.5
Total current tax charge	**8.7**	3.5
Current year movement in deferred taxation	**(0.1)**	0.6
Total deferred tax (credit)/charge in the long term account	**(0.1)**	0.6
Tax charge in the Profit and Loss Account	**8.6**	4.1

The tax charge in the Technical account is comprised of a tax charge of £1.0m in respect of tax payable at the policyholder rate (2019 : tax charge of £1.9m) and a tax charge of £7.6m in respect of tax payable at the main UK corporation tax rate (2019: tax charge of £2.2m).

Non-technical account	**2020 £m**	**2019 £m**
Tax attributable balance on long-term business account	**8.6**	2.0
Tax attributable balance on long-term business account	**8.6**	2.0
Current year movement in current taxation	**(0.6)**	(0.6)
Total tax movement	**(0.6)**	(0.6)
Tax charge in the Profit and Loss Account	**8.0**	**1.4**

Reconciliation between standard and effective tax rate

	2020 £m	**2019 £m**
Profit before Tax	**41.9**	7.4
Income tax at main rate of UK corporation tax of 19% (2019: 19%)	**8.0**	1.4
Tax charge in the Profit and Loss Account	**8.0**	1.4

On 3 March 2021 the UK Government announced that Finance Bill 2021 will increase UK corporation tax from its current rate of 19% to 25% with effect from April 2023. The legislation implementing the latter change had not been substantially enacted at the balance sheet date of 31 December 2020 and, accordingly, no account of the proposed rate increase was made in calculating the Company's tax charge. However, if the rate increase had been enacted prior to the balance sheet of 31 December 2020, then it would have had the effect of increasing the Company's closing deferred tax liability by £12,000.

Notes to the Financial Statements continued

12. Intangible assets

	Goodwill	Present Value of Acquired in force Business	Total
	£m	£m	£m
Cost			
At 1 January 2020	**(34.9)**	**61.0**	**26.1**
Movement during the year	**(86.2)**	**85.6**	**(0.6)**
At 31 December 2020	**(121.1)**	**146.6**	**25.5**
Accumulated amortisation			
At 1 January 2020	**4.1**	**(7.1)**	**(3.0)**
Amortisation during year	**8.0**	**(9.8)**	**(1.8)**
At 31 December 2020	**12.1**	**(16.9)**	**(4.8)**
Net book value at 31 December 2020	**(109.0)**	**129.7**	**20.7**
Net book value at 31 December 2019	(30.8)	53.9	23.1

During the year, Present Value of Acquired In-force Business (PVIF) and Negative Goodwill was recognised on the acquisition of Equitable Life Assurance Society on 1 January 2020. More detail is provided in Note 33.

The Directors have assessed the useful life of the PVIF and useful economic value of the Negative Goodwill arising on this acquisition as 15 years, based on the period over which the value of the underlying business acquired is expected to exceed the value of the acquired identifiable net assets. The remaining amortisation period at 31 December 2020 is 14 years.

The PVIF and negative goodwill balances existing at the beginning of the year relate to the acquisition of RMIS in 2018, when the useful life at acquisition was 15 years. The remaining amortisation period is 12.25 years at 31 December 2020 (2019: 13.25y) for these balances.

13. Investments in subsidiaries

The Company has three subsidiaries, RMIS (RTW) Limited (RMIS), Equitable Life Assurance Society (ELAS) and Equitable Life Ireland DAC.

In 2018, under an agreement with RMIS, all its assets and liabilities were transferred to the Company. The Company holds 100% of the voting rights of RMIS. The value and cost held at the balance sheet date was £nil (2019: £nil).

The principal activity of RMIS is solely to make payments to its former members under the High Court sanctioned Part VII scheme. RMIS (registration number 00491580) is incorporated in England and Wales and the registered office is Walton Street, Aylesbury, HP21 7QW.

On 1 January 2020, the Company acquired, alongside the transfer of its UK business, the retained business of ELAS at a fair value of £4.5m. Further detail of the acquisition is provided in Note 33. The fair value at the balance sheet date is £5.2m. The principal activity of ELAS is the provision of life and pensions policies. ELAS is a UK private unlimited life assurance company without share capital and the registered office is Walton Street, Aylesbury, Buckinghamshire, HP21 7QW.

ELAS was the holding company for Equitable Life Ireland DAC. As part of the acquisition, these ownership of these companies was transferred to the Company. Equitable Life Ireland DAC is in the process of being liquidated. This is expected to finalise in 2021.

Notes to the Financial Statements continued

14. Tangible Assets

Tangible assets includes a freehold owner occupied land and building in Tunbridge Wells. There were no acquisitions or disposals during the year.

In July 2020, ULP relocated offices to Aylesbury. This building was advertised for sale at this point, with disposal expected to take place in 2021.

Land and buildings were revalued as at 31 December 2020 at open market value by chartered surveyors Aitchison Raffety. The valuation was prepared in accordance with RICS guidelines.

	£m
Cost	
At 1 January 2020	**3.1**
Movement during the year	**-**
At 31 December 2020	**3.1**
Accumulated Revaluation	
At 1 January 2020	**0.5**
Revaluation loss in period	**(0.2)**
At 31 December 2020	**0.3**
Net book value at 31 December 2020	**3.4**
Net book value at 31 December 2019	3.6

15. Financial investments

	2020 Market Value £m	2020 Cost £m	2019 Market Value £m	2019 Cost £m
Financial assets at fair value through profit or loss				
Designated upon initial recognition	**1,185.4**	**1,109.1**	1,097.4	1,104.0
Derivative financial instruments	**21.9**	**14.4**	17.2	14.4
	1,207.3	**1,123.5**	1,114,6	1,118.4
Loans and receivables	**1.5**	**1.5**	1.0	1.0
Total financial assets	**1,208.8**	**1,125.0**	1,115.6	1,119.4

Notes to the Financial Statements continued

15. Financial investments continued

Included in the Statement of Financial Position as follows:

	2020 Market Value £m	2020 Cost £m	2019 Market Value[1] £m	2019 Cost* £m
Shares and other variable yield securities and units in unit trusts	**118.1**	**116.7**	110.7	267.8
Debt securities and other fixed income securities	**1,067.3**	**992.4**	986.7	836.2
Other loans	**1.5**	**1.5**	0.7	0.7
Deposits with credit institutions	**-**	**-**	0.3	0.3
Derivative financial instruments	**21.9**	**14.4**	17.2	14.4
	1,208.8	**1,125.0**	1,115.6	1,119.4

Note [1] An asset, with a market value of £4.4m and cost of £4.7m, has been represented in 'Shares and other variable yield securities and units in unit trusts' from 'Debt securities and other fixed income securities', where it had been included in 2019.

(a) Other loans

Other loans are policy loans secured on policies with a cost and carrying value of £1.5m (2019: £0.7m).

(b) Derivative financial instruments

Included within the Company's Financial Investments are a series of sterling receiver swap options and equity hybrid receiver swap options with a fair value of £21.9m (2019: £17.2m) that cost £14.4m (2019: £14.4m).

The contracts are not listed on a recognised exchange, but are valued at the amount at which the independent counterparty would be prepared to close out the options. Each series is exercisable on a single fixed date up until 2040.

The effect of exercising sterling options at the exercise date would be to convert a fixed nominal amount of cash into a fixed-interest asset. In the case of the equity hybrid receiver swap options, the amount of cash convertible into a fixed-interest asset varies proportionately with the FTSE 100 Total Return Index subject to certain minima and maxima at the date of exercise. The cash which would be used to fund the swaptions is the expected future coupon and redemption receipts from part of the fixed-interest portfolio.

Movements in fair value arise due to actual and perceived future movements in interest rates and the FTSE 100 Total Return Index and are reflected in the long-term business technical account. Fair value gain in the year amounted to £4.8m (2019: £2.8m).

16. Assets held to cover linked liabilities

	2020 Market Value £m	2020 Cost £m	2019 Market Value[1] £m	2019 Cost* £m
Shares and other variable yield securities and units in unit trusts	**5,453.4**	**5,170.1**	643.4	630.6
Debt securities and other fixed income securities	**0.2**	**0.3**	-	-
Cash and cash equivalents	**3.0**	**3.0**	0.5	0.5
Derivative financial instruments	**0.3**	**-**	-	-
Current assets	**6.9**	**6.9**	0.2	0.2
	5,463.8	**5,180.3**	644.1	631.3

Notes to the Financial Statements continued

16. Assets held to cover linked liabilities

Assets held to cover linked liabilities' is stated gross of £12.2m (2019: £nil) relating to investments in the process of settlement and tax accrued on linked fund investment return within 'Other creditors including taxation and social security' (Note 23), and £4.3m (2019: £3.2m)Provision for outstanding claims and so matches Technical Provisions for linked liabilities.

17. Debtors

	2020 £m	2019 £m
Amounts owed by Group undertakings	**0.3**	0.3
Debtors arising out of direct insurance operations	**0.4**	0.2
Debtors arising out of reinsurance operations	**1.7**	0.3
Current tax receivable	**0.6**	-
Deferred tax asset	**0.4**	-
Collateral held for swaptions counterparty	**11.3**	7.8
Linked fund assets	**5.6**	-
Other debtors	**0.7**	1.6
	21.0	10.2

18. Share Capital

Ordinary Shares of £1 each allotted and fully paid

	Number	£m
At 1 January 2020	142,602,000	142.6
Shares issued during the year	60,000,000	60.0
Shares cancelled during the year	(102,602,000)	(102.6)
At 31 December 2020	100,000,000	100.0

On 9 November 2020, the Company issued 60m shares of £1 each to its holding company, ULPH. On 23 December 2020, the Company cancelled £102.6m shares of £1 each.

There is a single class of ordinary shares and there are restrictions on the distributions of dividends.

19. Profit and loss account and other comprehensive income

	2020 £m	2019 £m
At 1 January	**14.1**	5.7
Profit for the year	**33.9**	6.0
Other comprehensive income for the year	**-**	2.4
Capital reduction	**102.6**	-
Dividend paid	**(40.0)**	-
At 31 December	**110.6**	14.1

Notes to the Financial Statements continued

20. Technical Provisions

	Gross	Re-insurance	Net
	£m	£m	£m
At 1 January 2020	**888.8**	**17.5**	**906.3**
Equitable Life Acquisition	**448.3**	**(346.9)**	**101.4**
Premiums received	**10.7**	**(22.4)**	**(11.7)**
Claims paid	**(82.7)**	**35.6**	**(47.1)**
Model changes	**(38.0)**	**26.9**	**(11.1)**
Change in demographic assumptions	**(6.3)**	**5.1**	**(1.2)**
Change in expense assumptions	**113.4**	**(40.1)**	**73.3**
Change in economic assumptions and Other	**10.4**	**(15.9)**	**(5.5)**
At 31 December 2020	**1,344.6**	**(340.2)**	**1,004.4**

Analysis of technical provisions	**2020**	**2019**
	£m	**£m**
Movement in the period for technical provisions	**(7.4)**	23.3
Insurance risk transfer accounted under deposit accounting	**-**	1.5
Long-term business provision (charge)/credit for the year	**(7.4)**	24.8

Reinsurance Balances	**2020**	**2019**
	£m	**£m**
Assets	**380.7**	17.4
Liabilities	**(40.5)**	(34.9)

With-profits investment contracts
Included within the long-term business provision are amounts of £6.6m (2019: £6.2m) relating to liabilities under with profits investment contracts, where there is no transfer of significant insurance risk. These investment contracts contain a discretionary participatory feature which entitles the holder to receive, as a supplement to the guaranteed benefits, additional benefits or bonuses through participation in the surplus arising from the assets held in the relevant investment with profits fund. These supplemental discretionary participatory returns are subject to the discretion of the Company. The Company has the discretion within the constraints of the terms and conditions of the instruments and UK regulation, to allocate the surplus to the contract holders.

Notes to the Financial Statements continued

21. Technical provisions for linked liabilities

	Unit linked investment contracts		Unit linked insurance contracts		Total	
	2020	2019	2020	2019	2020	2019
	£m	£m	£m	£m	£m	£m
At 1 January	**461.1**	443.0	**179.8**	175.3	**640.9**	618.3
Acquisition	**5,527.4**	-	**239.8**	-	**5,767.2**	-
Deposits / premiums received	**34.3**	1.8	**2.9**	1.6	**37.2**	3.5
Withdrawals/ payments made to policyholders	**(1,130.1)**	(39.3)	**(50.4)**	(14.9)	**(1,180.5)**	(54.3)
Change in technical provision	**(97.0)**	55.6	**285.9**	17.8	**188.9**	73.4
At 31 December	**4,795.7**	461.1	**658.0**	179.8	**5,453.7**	640.9

Financial liabilities in respect of unit linked investment contracts are carried in the balance sheet at fair value.

Included in outstanding claims are £4.4m (2019: £3.2m) of unit linked liabilities.

Deferred tax is provided on certain unrealised gains/ (losses) and deemed disposals within the linked funds. This deferred tax asset is reflected in assets held to cover linked liabilities. The deferred tax balance in respect of the linked funds at 31 December 2020 is £nil (2019: £0.3m).

22. Capital management

The Company is required to hold capital at a level of financial resources that do not fall below a minimum as determined in accordance with the PRA regulations and EU directives for insurance and other PRA regulated business.

For the purposes of determining its Regulatory Capital, the Company uses the Solvency II Standard Formula without adjustment. The appropriateness of the Standard Formula approach has been reviewed by management and actuarial functions and approved by the Board.

The capital of the Company comprises ordinary shares, loan capital and retained earnings. The loan capital from the immediate parent company, qualifies as Tier 2 capital under Solvency II.

On 16 December 2019, the Company increased its issued ordinary share capital from £30m to £142.6m, and received loan capital from its immediate parent company Utmost Holdings. This was in advance of the Part VII transfer of business from Equitable Life on 1 January 2020 to meet the increase in the Company's regulatory capital obligations arising therefrom. On 9 November 2020, the Company issued 60m shares of £1 each to its holding company, ULPH and the proceeds were used to repay the loan capital received in 2019. On 23 December 2020, the Company cancelled £102.6m shares of £1 each.

In order to reconcile capital or available financial resources on a UK GAAP accounting basis to a Solvency II basis, a number of adjustments are required. In addition to Solvency II restrictions applicable to Tier 2 capital, adjustments include deductions for inadmissible intangible assets, valuation differences on policyholder liabilities (Solvency II only), and deferred tax arising on these adjustments. The following table sets out the reconciliation.

Notes to the Financial Statements continued

22. Capital management continued

	Available own funds £m	Restricted own funds £m	Eligible own funds £m
Equity under UK GAAP at 31 December 2020	**210.6**	**-**	**210.6**
Add: Fund for Future Appropriations	**64.8**	**-**	**64.8**
Goodwill and Other Intangible Assets	**(20.7)**	**-**	**(20.7)**
Difference in asset valuations	**1.2**	**-**	**1.2**
Difference in the measurement of technical provisions	**71.5**	**-**	**71.5**
Difference in net deferred taxation liabilities arising from above	**(21.1)**	**-**	**(21.1)**
Solvency II Eligible Own Funds at 31 December 2020	**306.3**	**-**	**306.3**
Solvency Capital Requirement at 31 December 2020			**173.9**
Solvency Capital Coverage Ratio*			**176%**

*Estimated

The level of capital (at both a sub-fund and overall Company level) required to maintain alignment with the Company's solvency related risk appetite limits provides a direct link between risk appetite and capital management. If the current level of capital cover falls below the target solvency cover ratios, this will indicate that the Company is outside risk appetite.

The approach to capital management is closely linked to the Company's risk appetite, since many of the most material risk exposures have the potential to lead to significant adverse capital impacts on its balance sheet. The Company considers its risk appetite in context of the Solvency II regulatory regime by maintaining a capital buffer above its Solvency II regulatory Solvency Capital Requirement ('SCR'). The SCR reflects a level of financial resources that enable insurance undertakings to absorb significant losses and provide reasonable assurance to its policyholders that payments will be made as they fall due.

The Company seeks to have a Solvency Capital Ratio (own funds/SCR) in excess of 135% at all times, and targets a Solvency Capital Ratio of at least 150% immediately after a payment of a dividend or loan interest.

The Company continually manages and monitors its capital position from a regulatory perspective, by reference to the performance of its assets and liabilities and by giving due consideration to:

(i) Its internal view of the operational and financial risks to which it is exposed (Note 4), both now and over the business planning period;
(ii) The capital needed to support delivery of the business plan and make progress towards the Company's long-term strategic objectives; and
(iii) Its regulatory capital requirements.

For further information on the Company's approach to risk and capital management and on its regulatory capital, see the 'Solvency & Financial Condition Report (SFCR)', which is available on the Company's website www.utmost.co.uk

Notes to the Financial Statements continued

23. Deferred taxation

	2020 £m	2019 £m
Deferred tax provisions:		
Undiscounted deferred tax liabilities (Note 24)	**(3.6)**	(0.3)
Deferred tax assets (Note 17)	**0.4**	-
Net deferred tax liability	**(3.2)**	(0.3)

The table below shows and the principal components on which the deferred tax arises.

	2020 £m	2019 £m
Unrealised losses on financial investments	**3.2**	(0.1)
Pension deficit	**0.4**	0.5
Acquired intangible asset	**(0.8)**	(0.7)
Losses carried forward asset	**0.4**	-
Total provision for deferred tax	**(3.2)**	(0.3)

In addition to the above balances, deferred tax is provided on certain unrealised gains/ (losses) and deemed disposals held within the linked fund. This deferred tax liability is reflected in assets held to cover linked liabilities. The deferred tax balance in respect of the linked funds at 31 December 2020 is a liability of £nil (2019: liability of £0.3m).

24. Provisions for other risks and charges

	Deferred Tax Liability[1] £m	Pension Mis-selling £m	Integration & Retention[2] £m	Total £m
1 January 2020	**0.3**	**1.7**	**-**	**2.0**
Acquired during the year	**2.5**	**-**	**25.4**	**27.9**
Amounts consumed during the year	**-**	**(0.2)**	**(17.4)**	**(17.6)**
Amount credited to Profit and Loss	**(0.1)**	**-**	**(5.0)**	**(5.1)**
Other movements	**0.9**			**0.9**
31 December 2020	**3.6**	**1.5**	**3.0**	**8.1**

[1]Other movement include the reclassification of a deferred tax asset that was previously netted off against deferred tax liabilities and the reduction of provisions held within the unit-linked funds in respect of unrealised gains to nil (2019: £273k).
[2]This provision arose following the acquisition of ELAS, to support the integration of the business into the Company's existing infrastructure.

Notes to the Financial Statements continued

25. Creditors: amounts falling due within one year

	2020 £m	2019 £m
Creditors arising out of direct insurance operations	**4.5**	0.1
Creditors arising out of reinsurance operations	**0.5**	0.6
Amounts owed to group undertakings	**0.4**	0.2
Collateral due for swaptions counterparty	**11.3**	7.8
Corporation Taxation and social security	**3.8**	2.5
Linked Liabilities	**12.2**	-
Other creditors	**1.0**	1.1
	33.7	12.3

26. Borrowings

	2020 £m	2019 £m
Amounts owed to Group undertakings	**-**	60.0

On 16 December 2019, the Company drew down a new £60m term loan facility. Ordinary Share Capital was issued on 9 November 2020 and the proceeds were used to repay this loan facility.

27. Post-employment benefits

Defined Benefit Scheme

On 1 April 2018, as part of the business transfer agreement all assets and liabilities of the scheme were transferred from RMIS to the Reliance Pension Scheme, at which date the Company became the principal employer to the defined benefit pension scheme. The scheme has been closed to future accrual since June 2010. The last full valuation of the scheme was carried out as at 31 March 2019. Following this the Trustee of the scheme and Utmost Life and Pension Limited (the employer) agreed that a revised schedule of contributions at £0.2m per quarter to cover the deficit and £0.04m per quarter to cover the expenses would be payable commencing in January 2020 and ending in July 2023. During the year from 1 January to 31 December 2020 the Company made contributions (including deficit funding) of £1.0m (2019: £1.0m).

The principal actuarial assumptions at the year-end were as follows:

	2020 %	2019 %
Discount rate	1.4	2.0
RPI inflation rate	2.9	3.1
CPI inflation rate	2.5	2.3

Pre and post-retirement mortality:	**2020**	**2019**
Base table	SAPS -S3	SAPS -S3
Mortality projections	CMI 2018	CMI 2018
Long term rate of improvement	1.25[M]	1.25[M]
	1.25[F]	1.25[F]

Notes to the Financial Statements continued

27. Post-employment benefits continued

	2020 Years	2019 Years
Life expectancies from age 65:		
Male currently aged 65	22.4	22.3
Female currently aged 65	24.6	24.6
Male currently aged 45	23.8	23.7
Female currently aged 45	26.1	26.0

Reconciliation of funded status to the Balance Sheet:

	2020 £m	2019 £m
Defined benefit obligation	**(41.7)**	(37.1)
Fair value of plan assets	**39.4**	33.9
Net defined benefit liability	**(2.3)**	(3.3)

Assets

	2020 £m	2020 % weight	2019 £m	2019 % weight
Diversified growth funds	**15.5**	**39.2**	14.3	42.4
Liability matching funds	**23.5**	**59.8**	19.3	56.9
Cash/other	**0.4**	**1.0**	0.3	0.7
Total	**39.4**	**100.0**	33.9	100.0

Analysis of profit and loss charge	2020 £m	2019 £m
Net interest expense	**0.1**	0.1
Pension scheme expenses (excluding investment related expenses)	**0.2**	0.3
Past service cost	**0.1**	0.6
Total pension expense recognised in profit and loss	**0.4**	1.0

Notes to the Financial Statements continued

27. Post-employment benefits continued

Reconciliation of defined benefit obligation over the year:	2020 £m	2019 £m
Defined benefit obligation at start of the year	**(37.1)**	(32.9)
Interest expense on defined benefit obligation	**(0.8)**	(0.9)
Remeasurement- effect of experience adjustments gain	**0.7**	2.1
Remeasurement- effect of changes in financial assumptions (loss) / gain	**(5.2)**	(5.0)
Remeasurement- effect of demographic assumptions gain	**-**	(0.5)
Benefits paid	**0.8**	0.7
Past service cost	**(0.1)**	(0.6)
Defined benefit obligation at the end of the year	**(41.7)**	(37.1)

Reconciliation of fair value of plan assets over the year

	2020 £m	2019 £m
Fair value of plan assets at the start of the year	**33.9**	29.5
Interest income on plan assets	**0.7**	0.8
Remeasurement –gain on plan assets excluding interest income	**4.8**	3.5
Contributions by the Company	**1.0**	1.0
Benefits paid	**(0.8)**	(0.7)
Pension scheme expenses (excluding investment related expenses)	**(0.2)**	(0.2)
Fair value of plan assets at the end of the year	**39.4**	33.9

Reconciliation of asset ceiling / onerous liability over the year	2020 £m	2019 £m
Onerous liability at start of the year	**-**	(2.7)
Transfer from RMIS 1 April 2018	-	-
Deficit reduction contributions	-	0.9
Interest expense		(0.1)
Remeasurement – change in onerous liability excluding interest loss	-	1.9
Onerous liability at the end of the year	**-**	-

Notes to the Financial Statements continued

27. Post-employment benefits continued

Remeasurements recognised in other comprehensive income (OCI)	2020 £m	2019 £m
Actuarial gain due to experience on defined benefit obligation	**0.7**	2.1
Actuarial loss due to changes in financial assumptions	**(5.2)**	(5.0)
Actuarial loss due to changes in demographic assumptions	**-**	(0.5)
Return on plan assets greater than discount rate	**4.8**	3.5
Change in onerous liability excluding interest	**-**	2.7
Total remeasurement gain recognised in OCI	**0.3**	2.8

Reconciliation of funded position	2020 £m	2019 £m
Net defined benefit liability at start of the year	**(3.3)**	(6.0)
Expense recognised in profit and loss	**(0.3)**	(1.1)
Gain recognised in OCI	**0.3**	2.8
Contributions by the Company	**1.0**	1.0
Net defined benefit liability at end of the year	**(2.3)**	(3.3)

The Company is exposed to a number of risks relating to the pension scheme, including assumptions not being borne out in practice. These include:

- Asset volatility: There is a risk that a fall in asset values is not matched by a corresponding reduction in the value of the Scheme liability.
- Change in bond yields: A decrease in corporate bond yields will increase the value placed on the Scheme liability, although this will be partially offset by an increase in the value of the Scheme's corporate bond holdings.
- Inflation risk: The majority of the Scheme liability is linked to inflation, where higher inflation will lead to a higher value in the liability, which is not offset by a corresponding increase in the assets.
- Life expectancy: An increase in life expectancy will lead to an increase in the Scheme liability.

Sensitivities

There are a number of actuarial assumptions included the calculation of the Scheme liability. Sensitivities to changes in the significant assumptions are presented below.

Scenario	Impact on value of liability £m	
Interest rates – up 50 bps/down 50 bps	(4.1)	4.1m
Inflation – up 100 bps/down 100 bps	(8.1)	8.1m
Mortality tables – add/subtract 5% to M and F multiplier	(0.6)	0.6

Notes to the Financial Statements continued

28. Capital and other commitments

	2020 £m	2019 £m
The Company had the following future minimum lease payments under non-cancellable operating lease for each of the following periods		
Not later than one year	**0.9**	0.1
Later than one year and not later than five years	**2.3**	0.1
	3.2	0.2

29. Related parties transactions

In accordance with Section 33 of FRS102, the Company is exempt from disclosing related party transactions within other companies that are wholly owned within the group. Excluding the parent company, there were no related party transactions with non-wholly owned companies with the Group.

No Directors nor senior managers were in receipt of loans from the Company at any time during the year.

30. Controlling party

The Company's immediate parent is Utmost Holdings Limited, a direct subsidiary of Utmost Group Limited (UGL), which is the Company's ultimate UK holding company.

The ultimate parent company which maintains a majority controlling interest in the Company is recognised by the Directors as OCM LCCG Holdings Limited: a Cayman Islands incorporated entity. Advantage has been taken of the exemption under section 33 of FRS 102 not to disclose transactions between entities wholly-owned within the Utmost UK Group Holdings Limited. OCM LCCG Holdings Limited is an investment vehicle owned by funds which are managed and advised by Oaktree Capital Management, L.P.: a subsidiary of the ultimate controlling party, Oaktree Capital Group LLC.

31. Contingent liabilities

There are no contingent assets or liabilities. (2019: £nil).

32. Event after the reporting period

There are no events which have occurred after the reporting date but before the signing of these Financial Statements, which requirements amendment of any balances or further disclosure.

33. Business combinations

At the beginning of the year, following policyholder, regulator and court approval, the Company completed its £nil cost acquisition of the remaining Equitable Life Assurance Society (ELAS) business, based across the United Kingdom (UK), Germany and Ireland.

After obtaining UK court scheme sanction under Part VII of the Financial Services and Markets Act 2000, effective from 1 January 2020, the policyholders of UK business were transferred from ELAS to the Company. On the same date, the Company became the sole member of ELAS, which continues to administer the German and Irish businesses. This is presented as an investment in subsidiary on the Company's Balance Sheet.

A summary of the fair value of the net assets acquired is presented below. Table (a) reflects the UK business, which has been incorporated into the Company's Balance Sheet on a line by line basis. This had a net fair value of £86.2m at acquisition. Table (b) presents a breakdown of the underlying assets and liabilities of ELAS. This had a net fair value at acquisition of £4.5m.

Notes to the Financial Statements continued

33. Business combinations continued

(a) Fair value of net assets acquired: UK business.

	£m
Assets	
Investments	137.0
Assets held to cover linked liabilities	5,764.2
Cash at bank and in hand	12.8
Reinsurer's share of technical provisions	346.9
Reinsurer's share of linked liabilities	7.4
Prepayments and accrued interest	4.0
Other debtors	7.2
Present value of in-force long-term business	85.6
	6,365.1
Liabilities	
Long-term business provision	448.3
Technical provisions for linked liabilities	5,767.2
Other creditors	13.2
Claims outstanding	22.3
Provisions for other risks and charges	27.9
	6,278.9
Net assets of business acquired	86.2

(b) Fair value of net assets acquired: ELAS

The fair value of ELAS at acquisition was £4.5m. This was based on its economic value. The fair value of its underlying assets at the same date were:

	£m
Assets	
Investments	20.1
Assets held to cover linked liabilities	47.7
Reinsurance recoverable	9.4
Current assets	1.9
	79.1
Liabilities	
Long-term technical provisions	27.3
Technical provisions for linked liabilities	47.7
Other liabilities	0.7
	75.7
Net assets of business acquired (Member's fund included within Fund for Future Appropriations)	3.4

Notes to the Financial Statements continued

33. Business combinations continued

Intangible assets acquired include the present value of in-force long-term business (£85.6m), representing the present value of anticipated future profits in acquired ELAS contracts. The useful life of this asset at acquisition was 15 years, being the expected lives of the acquired contracts.

The difference between the above net assets and the £nil cost, £86.2m, has been reflected as negative goodwill on the Company's Balance Sheet. The Directors have assessed the useful economic value of this goodwill arising on the transfer as 15 years, in line with the period over which the above business is being amortised.

A reconciliation of the Company's negative goodwill is included in Note 12.