Utmost Life and Pensions Limited

ANNUAL REPORT
AND
FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

Contents

INTRODUCTION TO UTMOST

Utmost Life and Pensions (formerly Reliance Life) is part of the Utmost Group of Companies, a specialist life assurance group.

Built upon the combined strengths of trusted sector expertise, secure financial foundations and customer focus, we're here to help our policy holders achieve future peace of mind.

By being **simply smart** and **cautiously confident,** we can assure our customers, colleagues and partners that we'll do our utmost to protect their interests and help them secure their financial future.

With Utmost Life and Pensions, everyone can **rest assured.**

OUR PRINCIPLES (THE VALUES THAT DEFINE WHO WE ARE)

Our principles reflect the different strengths we bring together as a business and guide us in everything we do.

CAUTIOUSLY CONFIDENT

We are a safe pair of hands, backed by secure financial foundations and dependable products.

Our proven experience and expertise gives us the confidence to make trusted decisions, challenge convention and innovate to make a positive difference.

SIMPLY SMART

We strive to make the life and pensions journey easier and more user-friendly for everyone involved.

We use our specialist knowledge and trusted financial experience to deliver the smartest possible outcomes.

OUR PERSONALITY (WHAT MAKES US WHO WE ARE)

Our clients can ASSURE themselves that they're with the right people.

APPROACHABLE

We are friendly and engaging. Making customers feel comfortable and secure is at the very heart of our business.

STRAIGHTFORWARD

We believe clarity beats complexity. We are here to make your journey with us as easy as possible and make a positive difference.

SECURE

We use our knowledge and insight to provide our customers with financial peace of mind. We act as trusted guardians of their financial futures.

UNDERSTANDING

We treat our customers with empathy and respect, especially at difficult times for them. We place great importance in guiding and supporting all stakeholders in our business.

RELIABLE

We are dependable people who take our responsibilities seriously and act with integrity. We are here to support you for the long-term and be there when it matters.

EXPERIENCED

We bring longstanding life and pensions expertise to the table and strive to use it wisely. We are experienced in providing the highest levels of customer service and support.

REST ASSURED

utmost
GROUP OF COMPANIES

THE UTMOST GROUP OF COMPANIES HAS COMPLETED THIRTEEN ACQUISITIONS OVER FIVE YEARS TO BUILD A SPECIALIST LIFE ASSURANCE GROUP WITH COMBINED ASSETS UNDER ADMINISTRATION OF C. £36BN (€42bn) AND OVER 600,000 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

JAN 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.

Click on the link for further information:

Information about the Equitable Life Scheme and Transfer

MAR 2019

4 March 2019

Reliance Life re-brands as Utmost Life and Pensions.

JUN 2018

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.

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.

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
Group Non-Executive Directors	A Paul Thompson Ian G Maidens
Secretary	C Mark Utting

Auditors

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

Registered Address

Utmost House
6 Vale Avenue
Tunbridge Wells
Kent
TN1 1RG
Registered in England No: 10559664

Strategic Report

The Directors present their Strategic Report and Financial Statements of Utmost Life and Pensions Limited ("the Company") for the year ended 31 December 2019. The Directors have prepared the Financial Statements in accordance with the UK financial reporting framework, FRS 102 and FRS 103.

History and Principal Activities

The Company is part of the Utmost Group of Companies, a specialist life insurance group founded in 2013, with the aim of acquiring and managing life insurance business across the UK and Europe with circa. £36 billion assets under administration and more than 600,000 customers. The Company is a wholly owned subsidiary of Utmost Life and Pension Holdings Limited ("Utmost Holdings"), whose other subsidiaries include Utmost Life and Pensions Services Limited ("Utmost Services"). Utmost Services employs all staff for the Utmost Holdings group of companies.

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 to deliver a safe home for its customers through our strong capital position and efficient operational management. The Company was formed on 12 January 2017 and acquired the business of Reliance Mutual Insurance Society on 1 April 2018. On 1 January 2020, the Company acquired the majority of the business of Equitable Life Assurance Society ("Equitable Life") through a Part VII Transfer sanctioned by the High Court. On this date, Equitable Life became a subsidiary of the Company. Details of the Equitable Life transaction are described below within the Review of the Business section and in Note 32. As a result, the Company now has circa. 390,000 customers and £8.2bn of assets.

The Company has no external new business, and the only new business written in 2019 were annuities sold to existing customers on the vesting of their pension savings contracts (including contracts with guaranteed annuity options).

Strategic Developments

The Company's vision is to become a successful medium-sized UK life and pension consolidator, and its mission statement is to improve customer and shareholder outcomes by looking after the interests of all our customers; both new from acquisitions and longstanding.

In conjunction with the Utmost Group of Companies, the Company will continue to look for further acquisitions. We believe that there are opportunities as Life and Pensions companies in the UK consider their future operating models and we have the ability to provide a variety of solutions to meet these needs. The Company continues to actively evaluate further acquisition opportunities.

Review of the Business and Key Post Balance Sheet Event

Throughout 2019, the Company has actively executed its strategy, primarily by focusing upon the completion of the Equitable Life acquisition and creating the infrastructure required for a successful integration.

On 15 June 2018, the Company announced that it had signed an agreement with Equitable Life under which it was proposed that Equitable Life and its business would transfer to the Company. The majority of Equitable Life customers are based in the UK, but a small number of unit linked and with-profits customers, sold under German and Irish law, are based in Ireland and Germany. This German and Irish business is being retained in Equitable Life and Equitable Life will become a subsidiary of the Company on 1 January 2020.

In preparation for the acquisition, Equitable Life undertook a Scheme of Arrangement in accordance with Part 26 of the Companies Act 2006 ("the Scheme"). For the Scheme to be effective, eligible with-profits policyholders were required to vote in favour of the Scheme. Voting took place at a Policyholder Meeting and EGM on 1 November 2019, and the results were overwhelmingly in favour of the proposed changes.

The High Court considered the Scheme and Transfer at two hearings:

- A Convening/Directions hearing to determine legal matters, including confirmation that with-profits policyholders were able to vote as a single class; and
- A Sanctions hearing that approved the Scheme and Part VII transfer.

The Scheme was sanctioned by the UK Court on 4 December 2019 with an effective date of 1 January 2020, at which point eligible with-profits policies were converted to unit-linked policies with no investment guarantees.

Strategic Report

Review of the Business and key Post Balance Sheet Event (continued)

The proposal subsequently transferred all policies (other than those covered by German and Irish law) to Utmost Life and Pensions by a Part VII Transfer under the Financial Services and Markets Act 2000 ("the Transfer"). On 1 January 2020 the Company became the sole member of Equitable Life.

In preparation for the Equitable Life transfer, on 16 December 2019, the Company issued an additional £112.6m of ordinary share capital to Utmost Holdings, increasing total issued share capital from £30m to £142.6m. On the same date, the Company repaid its £35m term loan facility from Utmost Holdings and new debt of £60m was drawn down. The new loan, which matures on 9 December 2030, qualifies as Tier 2 capital under Solvency II reporting guidelines.

An approval was sought from the Prudential Regulatory Authority ("PRA") in respect of the loan arrangements qualifying as Tier 2 debt, and this was received on 19 November 2019. On 15 November 2019, the PRA approved the change in control of Equitable Life to the Company on completion of transaction.

On 1 January 2020, Equitable Life transferred circa. £6.3 bn of Funds under Management to the Company, with £79m assets being retained within Equitable Life for the circa. 3000 German and Irish policyholders, with Utmost as sole member.

All employees of Equitable Life were transferred to Utmost Services, under Transfer of Undertakings (Protection of Employment) regulations (TUPE).

Branding Activity

During the first quarter of 2019, the Utmost Group reviewed its brand to consider how to better support the Group's strategy going forward. As a result, in March 2019 the Company formally changed its name to Utmost Life and Pensions Limited and launched its new website (utmost.co.uk).

Product Development and Marketing

As the Company grows it will continue to invest in enhancing its product offering. Resources were focused in 2019 on this area, with a view to launching a Flexible Drawdown Product early in 2020. At launch, this product will only be available to the current customers of the Company.

Investment Management changes

To support the continuing growth of the Company, an investment manager selection process was undertaken during the latter part of 2018 to select a manager for the combined Utmost Life and Pensions/Equitable Life unit-linked business going forwards. On 27 March 2019, JPMorgan Asset Management ("JPMAM") was formally approved by the Board as the new Investment Manager. The Company migrated the unit linked funds of the Company to JPMAM during the fourth quarter of 2019, retaining Schroder's for the unit linked property funds. During 2019, JPMAM also worked with the Company and Equitable Life to develop a suitable unit linked proposition in preparation for policyholders converting from with profits to unit linked in January 2020. Goldman Sachs Asset Management ("GSAM") have been retained as manager for the non-linked business.

Results and Performance

The Profit and loss account on pages 22 and 23 reflects an improvement from a post-tax profit of £4.8m in 2018 to £6.0m in 2019. The key drivers of this net change of £1.2m were as follows:

- Increase in investment returns driven by positive stock market returns;
- Partly offset by increases in technical provisions and reinsurance reserves driven by change in assumptions; and
- Small increase in expenses driven by costs relating to the acquisition of Equitable Life

The Statement of changes in equity on page 27 reflects an increase in the shareholders equity from £35.7m to £156.7m driven by capital injection of £112.6m, post tax profit for the year of £6.0m and other comprehensive income of £2.5m. Amounts owed between group entities are presented in Notes 18 and 26.

Strategic Report

Review of the Business and key Post Balance Sheet Event (continued)

Key Performance Indicators

Key Performance Indicators reflect ("the KPIs") the vision and mission of the Company in respect of profitability, growth and financial strength. The increase in the Solvency Coverage Ratio is driven by additional capital received in connection with the acquisition of Equitable Life and integration costs.

The most important indicators are shown in the table below

The KPIs at 31 December were as follows:

	2019	**2018**
Increase in assets under administration	9%	(7%)
Increase in profit before tax	19%	-
Solvency Coverage Ratio	467%	178%

Customers

In line with its mission statement, customer interests, from both existing and acquired businesses, are at the forefront of the Company's business model. The Company's strategy is to consolidate books of business, which inherently implies servicing long-standing customers with a focus on meeting customer needs, delivering on the commitments to customers and providing or taking opportunities to enhance returns to customers, where possible, together with sound financial management. A key objective for the Company is to achieve good customer outcomes, and capital strength provides security of customer benefits.

Subsequent Event – Acquisition of Equitable Life Assurance Society

The key event to occur post the Balance Sheet date of 31 December 2019 is the Equitable Life acquisition that has been described within the Review of the Business section. Further detail is included in the Post Balance Sheet Event Note 33.

Subsequent Event – COVID-19 Outbreak

The outbreak of COVID-19 is having a significant impact in the UK. We have sought to ensure the safety of our staff and so, in line with Government advice, the majority of our staff are now set up and are working from home. The COVID-19 outbreak has also caused a high degree of volatility in the financial markets.

The Company considers the COVID-19 outbreak to be a non-adjusting post balance sheet event. The Company continues to monitor the market movements and their impact on the Company and remains focused on supporting its customers and staff. Given the inherent uncertainties, it is not practicable to determine the impact of COVID-19 on the Company's future financial performance. However, as a closed book life company consolidator, we are not reliant on new business for generating the majority of our earnings. As a result of the Part VII transfer from Equitable Life, the Company has a reassurance agreement with a regulated insurance counterparty and this is the Company's largest exposure to downgrades. The COVID-19 outbreak has not caused any interruption to the operation of this reinsurance and we continue to monitor the financial strength of all our reinsurers. The Company entered 2020 with a strong Balance Sheet and with a Solvency II coverage ratio in excess of 180% as outlined in the Capital Management section below. As at the date of approving these accounts, whilst this Solvency ratio has fallen, mainly as a result of lower interest rates, it is still comfortably well above required capital levels and we remain in a strong and resilient position and able to meet our capital requirements.

Strategic Report

Capital Management

Capital is determined and monitored for the Company on the regulatory basis as stipulated in the PRA rulebook. This primarily focussed 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 2019 were £302.6m (2018: £115.0m). The Company had an SCR of £53.9m at year end 2019 (2018: £64.6m), with Solvency Coverage Ratio of 467% (2018: 178%) which reflects the injection of capital received in December 2019 ahead of the Equitable Life transfer.

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.

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.

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 interest rate and equity risk
Credit risk	Primarily from spread risk on corporate bonds
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

Following the acquisition of Equitable Life, the principal risks to the business will largely remain the same although with the increase in unit linked business, persistency and equity risk may become the principal risks. There are external factors which impact the Company's principal risks. These have remained largely stable throughout the year but there remains uncertainty around the future trade terms under which the UK will leave the EU ("Brexit"). This is likely to impact the German and Irish business that remains in Equitable Life, our subsidiary from 1st January 2020.

Strategic Report

Principal Risks and Uncertainties (continued)

Although Brexit is not expected to have a significant impact on the Company's operational activity, the uncertainty leads to 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 in financial markets, which can increase certain risks. The Company has in place controls to minimise the impact of any volatility.

The Company is considering the impact of Brexit on its subsidiary, Equitable Life, which may require further review in 2020. The Company believes that it has adequate mitigating controls and procedures in place to address these risk areas.

In respect to the specific risk regarding the COVID-19 outbreak, we continue to be focused on the health and well-being of our customers and staff. We have reviewed all Business Continuity procedures to ensure that our people and technical resources can be mobilised quickly to work in alternate locations or remotely if required and where practical, in order to minimise the impact on operational activity and ensure that we are able to provide essential services to our customers. We continue to follow all Public Health advice measures and are working with our outsourcers to ensure continuity of service.

The fall in the value of equity markets will reduce the value of annual management charges. However, there has also been a slowdown in activity from customers with fewer surrenders than expected which should help offset the reduction in annual management charges. Reductions in long term interest rates will reduce solvency levels. We will continue to monitor the impacts as the COVID-19 outbreak develops.

Taxation

As a proprietary life assurance company, the Company was required to pay UK corporation tax at two rates during 2019. 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 policyholders.

The Company's total tax charge in the year was £3,464k (2018: tax credit of £1,332k). This comprised a tax charge of £1,903k in respect of tax payable at the policyholder rate (2018: tax credit of £1,753k) and a charge in respect of tax payable at the main corporation tax rate of £1,561k (2018: tax charge of £421k.) The primary driver of the increased tax charge in 2019 was the higher level of investment gains enjoyed by the Company driven by the positive performance of UK equity markets.

Corporate Responsibility

(i) Customers

The Company ensures that it is always fair and clear with customers, driven by a dedicated fair customers' outcome committee and internal training programmes.

(ii) Environment

The Company is actively involved in contributing towards protecting the environment. It does this by reducing the environmental impact of its business and drives environmental responsibility within its offices and its conduct with its strategic partners.

(iii) Community

The Company strives to contribute to all of the communities in which it operates through local volunteering and fundraising projects.

(iv) People

The Company is committed to diversity and equality and is dedicated to empowering people to develop professionally, as well as personally. It undertakes mentorship programmes and community volunteering initiatives in order to make a positive difference in conjunction with the Utmost Group of Companies.

Strategic Report

Sustainability

Recycling is an integral part of our culture within the Company. Our strong company values determine that we are good citizens and responsible curators of Earth's resources, so that energy conservation, waste management and the prevention of pollution are key considerations for all of us.

As such, the Company strives to reduce consumption of materials and promote reuse and recycling and minimising the impact of our operations on the environment.

Section 172 statement

Section 172 of the Companies Act 2006 requires directors to act in good faith and to promote the success of the company for the benefit of its members, as a whole. During 2019, decisions have been made in line with achieving the strategy to become a successful medium-sized UK life and pension consolidator. This has included preparing for the acquisition of Equitable Life, as set out in the Review of the Business section.

During the year, the Board considered its actions on different stakeholder groups, including:

Customers

During the year, the Board considered options for the most suitable Fund Manager going forwards for unit-linked business, both for existing policyholders and for those being acquired through the Equitable Life acquisition. As a result, JPMAM was appointed the new Fund Manager across the majority of unit-linked funds. The Company wrote to customers with unit-linked funds in October to inform them of the change of Fund Manager from Schroder's to JPMAM and this switch was completed by the end of November. At the same time, the Board took the decision to simplify the charging structure for unit-linked funds to make it more transparent and to pass on the saving from the move to JPMAM to policyholders. This was also communicated to policyholders at the same time. The unit-linked funds that have been set up for ex-Equitable Life customers in conjunction with JPMAM were communicated to Equitable Life policyholders during the third quarter of 2019 following extensive discussion with the Financial Conduct Authority ("FCA"), with particular consideration given to 'default' fund choices should the policyholder not want to make their own election.

Policyholders were also written to inform them of the acquisition of Equitable Life through a Part VII Transfer. An independent expert was appointed jointly by the Company and Equitable Life to consider the implications of the Part VII Transfer for policyholders and his report was communicated to policyholders via our website and was made available to the High Court Judge who approved the transfer. Reports were also prepared by the Chief Actuary and the With-Profits Actuary, and these were made available to policyholders via our website and to the High Court judge.

Third-Party suppliers

The Company has an internal third party framework and conducted regular reviews of all key suppliers. In addition, regular governance meetings were held throughout the year with each key supplier and scorecards have been maintained

During the year, the Board were mindful that the acquisition of Equitable Life would result in changes to ongoing suppliers and/or the novation of contracts. These changes have been closely monitored with regular dialogues with all key suppliers, both to manage activity required to adopt the necessary change for 1 January 2020, and working closely with the existing management of Equitable Life when considering the fostering of longer-term relationships.

Regulators

Regulators were consulted throughout 2019, particularly in preparation for the acquisition of Equitable Life. They asked many questions and provided regular feedback on issues relating to the acquisition. Maintaining an open and collaborative approach resulted in the regulators not objecting to the proposed acquisition through the Court processes, where both the PRA and FCA were represented in Court.

Employees

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

Strategic Report

Section 172 statement (continued)

During 2019, the Board paid particular attention to expected employees concerns and changes associated with the acquisition of Equitable Life, particularly in regards to the proposal that the Equitable Life office in Aylesbury was due to become the new head office for the Company in 2020. The Company also ran a group consultation programme through the fourth quarter of 2019 with employee nominee representatives.

The Company is committed to diversity and, equality and is dedicated to empowering people to develop professionally, as well as personally.

Wider community and the environment

The Company continues to strive to contribute to the communities in which it operates through local volunteering and fundraising projects.

The Company continues to focus on the environment as part of its overall commitments to reduce consumption of materials and to promote reuse and recycling, including ongoing improvement in environmental performance.

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.

S. Shone

Stephen Shone
Chief Executive

16 April 2020

Report of the Directors

The Directors have pleasure in presenting their Annual Report and audited Financial Statements for the year ended 31 December 2019.

Dividends

The Directors do not recommend payment of a dividend (2018: £nil).

Directors

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

Chairman:	Robin A Phipps	(resigned 27 March 2019)
	Michael J Merrick	(appointed 27 March 2019)
Chief Executive:	Stephen Shone	
Finance Director:	Edward I Gardner	(resigned 18 June 2019)
Chief Financial Officer	Jeremy S Deeks	(appointed 18 June 2019)
Independent Non-Executive Directors:	Seamus Creedon	(resigned 2 April 2020)
	Duncan A Finch	
	Lord Daniel W Finkelstein	(appointed 13 January 2020)
	Susan P Kean	(appointed 19 December 2019)
	Timothy K M Madigan	(resigned 2 April 2020)
	Nigel A Sherry	(resigned 2 April 2020)
Group Non-Executive Directors	A Paul Thompson	
	Ian G Maidens	

Directors' Interests

At 31 December 2019 the Directors and secretary, and their spouses and minor children, had no beneficial interest in the shares of the Company.

Employee Involvement

The Company has no employees, and all services are undertaken by employees seconded to the Company from Utmost Services under a secondment agreement, which took effect from 1 April 2018. Utmost Services remains the employer during the secondment term. Utmost Services makes a management charge for secondment services in accordance with the agreement.

Liability Insurance

During the year, the Company's UK parent undertaking Utmost Holdings purchased and maintained liability insurance for its Directors and Officers as permitted by the Companies Act 2006.

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.

Going Concern

Further to the principal risks and uncertainties discussed in the Strategic Report on pages 8 to 9, the Directors have considered the guidance provided by the Financial Reporting Council ("FRC") on 'Going Concern and Liquidity Risk' published in April 2016. The Board believes that the Company has adequate resources to continue in operation for the foreseeable future. The Financial Statements have accordingly been prepared on a going concern basis.

Report of the Directors

Post Balance Sheet Events

The Strategic Report highlights the post balance sheet event for the acquisition of Equitable Life, as detailed in the Post Balance Sheet Event Note 33. The Strategic Report also highlights the post balance sheet event regarding the COVID-19 outbreak, as detailed in Note 34.

Political and charitable donations

The Company made no political or charitable donations during 2018 and 2019.

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 auditors are 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 auditors are aware of the information.

Reappointment of Auditors

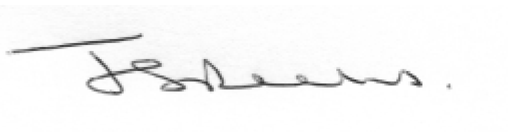
Pursuant to paragraph 44 of Schedule 3 to SI 2007 No. 2194 the Companies Act 2006 (Commencement No. 3, Consequential Amendments, Transitional Provisions and Savings) Order 2007, the Directors have elected to dispense with the requirement to appoint auditors annually. PricewaterhouseCoopers LLP have expressed their willingness to continue as auditors.

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 Report of the Directors Report have been omitted and included in the Strategic Report on pages 3 to 8. These matters relate to:

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

By order of the Board



Jeremy S Deeks
Director

16 April 2020

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Annual Report and the Financial Statements in accordance with applicable law 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;
- State whether applicable UK Accounting Standards, comprising FRS102, have been followed, subject to any material departures disclosed and explained in the Financial Statements;
- Make judgements and accounting estimates that are reasonable and prudent; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for 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.

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.

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 2019 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 2019; the Profit and Loss Account and the Statement of Comprehensive Income for the year then ended; the Statement of Changes in Equity as at 31 December 2019; 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 to the company.

Other than those disclosed in note 9 to the financial statements, we have provided no non-audit services to the company in the period from 1 January 2019 to 31 December 2019.

Our audit approach

Overview

- Overall materiality: £18.8 million (2018: £4.9 million), based on 1% of total assets.

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

- Valuation of insurance liabilities.
- Impact of post balance sheet events:
  - Acquisition of Equitable Life Assurance Society; and
  - Impact of COVID-19.

Report on the audit of the financial statements

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

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 UK and European 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 the Board of Directors, management, the Risk function and Internal Audit, including consideration of 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 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 insurance liabilities, goodwill and intangible assets (see related key audit matters below);
- Identifying and testing journal entries, in particular any journal entries posted with unusual account combinations and those posted by unexpected users; and
- Designing audit procedures to incorporate unpredictability around the nature, timing or extent of our testing.

There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it. 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.

Key audit matter	***How our audit addressed the key audit matter***
Valuation of insurance liabilities The valuation of the provisions for the settlement of future claims, involves complex and subjective judgements about future events, both internal and external to the business, for which small changes in assumptions can result in material impacts to the valuation of these liabilities. We have included separate sections for the significant assumptions: expenses and longevity, below.	The work to address the valuation of the insurance contract liabilities included the following procedures: • We tested, on a sample basis, the underlying data to supporting documentation. • Using our actuarial specialist team members, we applied our industry knowledge and experience and we compared the

	methodology, models and assumptions used against recognised actuarial practices. • We used the results of an independent PwC annual benchmarking survey of assumptions to further challenge the assumption setting process by comparing certain assumptions used relative to the company's industry peers. • Considered whether the results of any of our audit procedures gave rise to an indication of management bias. • Understood and tested the governance process in place to determine the insurance contract liabilities, including testing the associated financial reporting control framework. • We assessed the disclosures in the financial statements. Further testing was also conducted on the expense and longevity assumptions as set out below.
Expense assumptions The company is required to hold reserves to cover the cost of servicing policies whilst they remain on the books. Future maintenance expenses and expense inflation assumptions are used in this measurement and in addition, the methodology includes an allowance for diseconomies of scale as the business volumes decline. These all require significant judgement.	In addition to the procedures above, in respect of the expense assumptions: • We understood and tested the governance process in place to determine the maintenance 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 2019 budget expenses by comparing the 2018 actuals against budget, assessing the split of expenses between ongoing and one-off costs and those that are fixed or variable on a sample basis to supporting evidence. • We validated significant assumptions used by management, including margin of prudence and RPI, against past experience, market observable data and our experience of market practices. *Based on the work performed and the evidence obtained, we consider the assumptions for expense risk to be appropriate.*
Longevity assumptions The liabilities for certain lines of business, in particular annuity business which is a significant proportion of the company's business, are sensitive to the choice of assumptions regarding policyholder longevity as this determines the duration over which annuity income will be paid to policyholders. Longevity assumptions	In addition to the procedures above, in respect of the longevity assumptions: • We understood and tested the governance process in place to determine the annuitant mortality methodology and assumptions.

are based upon experience analysis and are highly subjective. There are two main components to the mortality assumptions: • Mortality base assumption: this component is less subjective as it is based on the company's internal experience expressed as a percentage of a standard mortality table from the external Continuous Mortality Investigation (CMI). However, some judgement is required in choosing the appropriate table, the level of adjustment to apply for emerging experience and the magnitude of prudential margin to apply. • Rate of mortality improvements: this component is more subjective given the lack of data and the uncertainty over how life expectancy will change in the future, particularly in light of recent UK population mortality experience which suggests the rate at which longevity is improving over time is significantly slowing down. Management has adopted the CMI 18 projection models in setting this assumption.	• 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. This included evaluating management's choice of mortality table to use for both base mortality and mortality improvements and the choice of parameters used in the CMI18 mortality improvements model. • We assessed the results of the experience investigations carried out by management for the annuity business to determine whether they provided support for the assumptions used by management and tested the completeness and accuracy of the underlying policy holder data used in the experience investigation. *Based on the work performed and the evidence obtained, we consider the assumptions used for annuitant mortality to be appropriate.*
Impact of acquisition of Equitable Life Assurance Society subsequent event As disclosed in note 33, subsequent to the balance sheet date the company acquired Equitable Life Assurance Society. The acquisition was effected by a Scheme of Arrangement governed by Part 26 of the Companies Act, followed by a Part VII Transfer under the Financial Services and Markets Act 2000. Management has estimated the impact of the acquisition on the balance sheet of the company and disclosed this in note 33.	We assessed management's approach to estimating the impact of the acquisition on the company and the financial statements by performing the following procedures: • We assessed the Scheme of Arrangement and evaluated whether the acquisition met the definition of a post balance sheet event; • We confirmed that, as a post balance sheet event, the acquisition did not result in changes to the assumptions used to value the insurance contract liabilities of the company at the balance sheet date; and • We assessed the disclosures made by management in the financial statements to estimate the impact of the acquisition on the company. *Based on the work performed and the evidence obtained, we consider the disclosure of the impact of the acquisition of Equitable Life Assurance Society to be appropriate.*
Impact of COVID-19 subsequent event As disclosed in note 34, subsequent to the balance sheet date and up to the point of reporting there has been a global pandemic of a new strain of Coronavirus (COVID-19) which has caused significant economic disruption. This outbreak and subsequent spread of the virus does not provide additional evidence about the situation that existed at 31 December 2019, and it is therefore a non-adjusting	We assessed management's approach to estimating the impact of COVID-19 on the company and the financial statements by performing the following procedures: • Evaluated management's stress and scenario testing and challenged management's key assumptions and scenarios selected. We reviewed the controls and governance over

event. Management has ensured that the measurement of assets and liabilities reflects only the conditions that existed at the reporting date. Subsequent to the year end management has performed procedures to assess the financial and operational impacts of COVID-19 which include: • Operation of a risk management framework to ensure sufficient capital surplus is maintained to meet liabilities, even under stress scenarios and having robust plans for certain management actions if the company falls outside its approved risk appetite; • Monitoring of the company's solvency coverage ratio; and • Managing the company's capital and liquidity position including monitoring of asset credit quality, and interest rate risk. Management has placed a particular focus on the level of capital surplus that has been maintained post year end and the risks associated with liquidity and the credit quality of assets and through this have concluded that the company is in a stable solvency position, expects to continue to meet its capital requirements through this pandemic and continues to be a going concern. This assessment requires management judgement and the consideration of a range of factors that may impact the company.	the production of solvency monitoring information and considered its consistency with other available information and our understanding of the business; • Evaluated management's assessment of the risks facing the company including liquidity risk, asset credit risk, lapse risk and operational matters; • Assessed the mitigating actions management have put in place and further plans they have if required due to further deterioration of the wider UK and Global economy; and • Assessed the disclosures made by management in the financial statements and checked consistency of the disclosures with our knowledge of the company based on our audit. *Based on the work performed and the evidence obtained, we consider that management's use of the going concern assumption for the company is appropriate and the disclosure of the post balance sheet event is 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 materiality	£18.8 million (2018: £4.9 million).
How we determined it	1% of total assets.
Rationale for benchmark applied	We believe that total 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.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £940,000 (2018: £245,000) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

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

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 the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require 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 2019 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.

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 received 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 2 years, covering the years ended 31 December 2018 to 31 December 2019.

Lee Clarke

Lee Clarke (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
20 April 2020

Profit and loss account

For the year ended 31 December 2019

Technical account – long-term business	Notes	2019 £000	Restated* 2018 £000
Technical income			
Gross premiums written	6	10,589	9,665
Outward reinsurance premiums		(19,276)	(12,230)
Earned premiums, net of reinsurance		(8,687)	(2,565)
Investment income	7	41,909	32,723
Realised gains / (losses)	7	45,735	(8,777)
Unrealised gains/(losses) on investments	7	73,697	(40,792)
Other technical income	8(a)	3,136	2,145
Investment return		164,477	(14,701)
Claims incurred, net of reinsurance			
Claims paid			
Gross amount		(79,973)	(65,023)
Reinsurers' share		18,035	11,360
		(61,938)	(53,663)
Change in provision for claims			
Gross amount		(370)	910
Total claims incurred		(62,308)	(52,753)
Transfer (from)/to the fund for future appropriations		(6,486)	6,851
Change in other technical provisions, net of reinsurance			
Long-term business provision			
Gross amount	21	24,827	81,020
Reinsurers' share	21	(22,625)	(28,666)
Net of reinsurance		2,202	52,354
Technical provision for linked liabilities, gross and net of reinsurance	22	(64,463)	25,877
Change in other technical provisions, net of reinsurance		(62,261)	78,231
Net operating expenses	9	(9,360)	(7,381)
Investment expenses and charges	7	(2,652)	(1,649)
Tax attributable to the long-term business	12	(4,091)	958
		(16,103)	(8,072)
Balance on the long-term business technical account		8,632	6,991

Profit and loss account

For the year ended 31 December 2019

Non-technical account	Notes	2019 £000	2018 £000
Balance on the long-term business technical account		**8,632**	**6,991**
Tax credit attributable to balance on long-term business technical account	12	2,025	1,357
Shareholders' pre-tax profit from long-term business		**10,657**	**8,348**
Investment income	7	1,094	859
Investment expenses and charges	7	(65)	(33)
Unrealised loss	7	(65)	(182)
Interest payable	11	(2,528)	(1,906)
Other charges	8(b)	(1,739)	(1,304)
Profit on ordinary activities before tax		**7,354**	**5,782**
Tax on profit on ordinary activities	12	(1,397)	(983)
Profit after tax for the year	20	**5,957**	**4,799**

* Note : Restatement details shown in Note 7

Statement of comprehensive income

For the year ended 31 December 2019

	Notes	2019 £000	2018 £000
Profit for the financial year	20	**5,957**	**4,799**
Other comprehensive income:			
Fair value movements of owner occupied land and buildings	14	150	350
Remeasurements of net defined benefit obligations	28	2,785	654
Total tax on components of other comprehensive income	12	(472)	(93)
Other comprehensive income for the year, net of tax	**20**	**2,463**	**911**
Total comprehensive income for the year	**20**	**8,420**	**5,710**

Balance Sheet
As at 31 December 2019

	Notes	2019 £000	2018 £000
Assets			
Present value of acquired in-force business	13	53,886	57,953
Negative goodwill	13	(30,843)	(33,171)
Intangible assets	13	23,043	24,782
Tangible assets	14	3,602	3,452
Investments			
Other financial investments	16	1,115,561	945,876
Assets held to cover linked liabilities	17	644,110	621,781
Reinsurers' share of technical provisions			
Long-term reinsurance business provision	21	17,356	28,404
Debtors	18	10,247	6,660
Cash at bank and in hand		61,731	78,258
Prepayments and accrued income		11,540	11,496
Total assets		**1,887,190**	**1,720,709**

Balance Sheet
As at 31 December 2019

	Notes	2019 £000	2018 £000
Equity and liabilities			
Capital and reserves			
Share capital	19	142,602	30,002
Profit and loss account	20	14,118	5,698
Total equity		**156,720**	**35,700**
Fund for future appropriations		70,765	64,279
Technical provisions			
Long-term business provision	21	888,857	912,185
Long-term reinsurance business provision	21	34,893	23,315
Total claims outstanding		8,874	9,301
		932,624	944,801
Technical provisions for linked liabilities	22	640,897	618,304
Provisions for other risks and charges	25	1,971	329
Deposits received from reinsurers		5,812	6,192
Creditors: amounts falling due within one year	26	12,265	7,318
Creditors: amounts falling due after more than one year	27	60,000	35,000
Accruals and deferred income		2,867	2,737
Total equity and liabilities excluding pension scheme net liability		1,883,921	1,714,660
Defined benefit pension net liability	28	3,269	6,049
Total equity and liabilities including pension scheme net liability		**1,887,190**	**1,720,709**

The notes on pages 28 to 61 form an integral part of these Financial Statements. The Financial Statements were approved by the Board of Directors on 8 April 2020 and were signed on its behalf on 16 April 2020 by:

Jeremy S Deeks, Director

Statement of changes in equity
As at 31 December 2019

	Called up share capital £000	Profit and loss account £000	Total £000
Balance as at 1 January 2018	4,002	(12)	3,990
Profit for the year	-	4,799	4,799
Other comprehensive income for the year	-	911	911
Total comprehensive income for the year		5,710	5,710
Share capital issued	26,000	-	26,000
Balance for the year ended 31 December 2018	**30,002**	**5,698**	**35,700**
Profit for the year	**-**	5,957	5,957
Other comprehensive income for the year	**-**	2,463	2,463
Total comprehensive income for the year	-	8,420	8,420
Share capital issued	112,600	-	112,600
Balance for the year ended 31 December 2019	**142,602**	**14,118**	**156,720**

Notes to the Financial Statements Year Ended 31 December 2019

Basis of presentation and significant accounting policies

1. Introduction

The Company is part of the Utmost Group of Companies and was formed on 12 January 2017 as LCCG New LifeCo Limited. It changed its name on 23 March 2018 to Reliance Life Limited, and then again on 4 March 2019 to Utmost Life and Pensions Limited. The Company is a wholly owned subsidiary of Utmost Life and Pensions Holdings Limited, whose other subsidiaries include Utmost Services. The principal activity of the Company is the provision of life and pension policies by pursuing its strategy of acquiring and consolidating businesses in the UK.

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 Utmost House, 6 Vale Avenue, Tunbridge Wells, TN1 1RG.

The Financial Statements are presented in sterling (£) which is the functional and presentational currency of the Company and rounded to the nearest £000 except where otherwise stated.

The Company's parent undertaking, Utmost Life and Pensions Holdings Limited. includes the Company in its consolidated financial statements. The consolidated financial statements of Utmost Life and Pensions Holdings Limited. are prepared in accordance with International Financial Reporting Standards as adopted by the EU and are available to the public and may be obtained from Utmost House, 6 Vale Avenue, Tunbridge Wells, England, TN1 1RG. In these financial statements, the Company is considered to be a qualifying entity (for the purposes of this FRS) and has applied the exemptions available under FRS 102 in respect of the following disclosures:

- Cash flow statement and related notes
- Related party disclosures
- Key management compensation

2. Statement of compliance

The financial statements of the Company have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' ("FRS 102") and Financial Reporting Standard 103 Insurance Contracts ("FRS 103") and the Companies Act 2006.

The Company's Financial Statements have been prepared under the provisions of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 relating to insurance groups. The Company is exempt by section 400 of the Companies Act 2006 from the requirement to prepare group financial statements. In these Financial Statements, the Company is considered to be a qualifying entity for the purpose of this FRS and has applied the exemptions available under FRS102 in respect of the following disclosures:

- Related party disclosures;
- Key management compensation; and
- Reconciliation of the number of shares outstanding at the beginning and end of the period.

The results of this Company and its subsidiary, RMIS (RTW) Limited ("RMIS") are both consolidated into the Financial Statements of the Company's parent, Utmost Life and Pensions Holdings Limited, a company incorporated in the UK. The consolidated Financial Statements are available from Utmost Life and Pensions Holdings Limited at Utmost House, 6 Vale Avenue, Tunbridge Wells, TN11RG.

Notes to the Financial Statements Year Ended 31 December 2019

Basis of presentation and significant accounting policies

3. 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

The preparation of financial statements under FRS 102 and FRS 103 requires the use of certain critical accounting estimates. It also requires management to exercise its 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 set out in Note 4.

(b) Going concern

The Directors, at the time of approving the financial statements, had a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus, they have adopted the going concern basis of accounting in preparing the Financial Statements. More detail is contained in the Report of the Directors.

As described in Note 34, special consideration has been given to the post balance sheet impact of COVID-19. In the opinion of the Directors, the going concern basis adopted in the preparation of these Financial Statements continues to be appropriate.

(c) Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the end of the financial year. All other foreign transactions are recorded at the actual rate of exchange prevailing on the date of the transaction and any exchange differences are dealt with in that part of the income statement in which the underlying transaction is reported.

(d) Classification of insurance and investment contracts

Contracts are classified as insurance contracts where the Company accepts significant insurance risk from the policyholder by agreeing to compensate the policyholder if an unspecified uncertain event adversely affects the policyholder.

Contracts under which the transfer of insurance risk to the Company from the policyholder is not significant are classified as investment contracts.

Some insurance and investment contracts contain a discretionary participation feature ("DPF"). This feature entitles the policyholder to additional discretionary benefits as a supplement to guaranteed benefits. Investment contracts with a DPF are recognised, measured and presented as insurance contracts.

(e) Premiums

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

(f) Claims

Maturity claims and annuities 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.

Basis of presentation and significant accounting policies

3. Summary of significant accounting policies

(g) 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 PRA Rulebook, with adjustments to align to FRS 103 requirements. In determining the long-term business provision all relevant guidance from the Board of Actuarial Standards has been followed. The long-term provision 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:

- Remove the impact of Transitional Measures on Technical Provisions (“TMTPs”);
- Use discount rates based on swap rates with an additional margin for annuity business to allow for an illiquidity premium;
- Add 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;
- At 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
- With-profits provisions exclude future final bonuses 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.

All other inputs and assumptions are the same as those used in the Solvency II regulatory valuation of liabilities.

(h) 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 provision for linked liabilities also includes amounts in respect of unit-linked contracts which principally involve the transfer of financial risk (see section (i)) .

(i) Unit-linked 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, under which amounts collected are credited directly to the Statement of financial position, as an adjustment to the liability to the policyholder. Financial liabilities in respect of unit-linked investment contracts are measured at fair value through profit and loss, and are presented in the Statement of Financial Position as ‘Technical provisions for linked liabilities’.

Fees receivable from unit-linked investment contracts (included in ‘Other technical income’) and investment income and interest payable on contract balances are recognised in the Profit and Loss Account in the year they are accrued, unless they relate to services to be provided in future years, in which case they are deferred and recognised as the service is provided.

(j) Reinsurance

Long-term business is ceded to reinsurers under contracts to transfer out part or all of the following risks: mortality, morbidity, investment, persistency and expenses. Such contracts are accounted for as insurance contracts provided the risk transfer is significant. The amounts that will be recoverable from reinsurers are estimated based upon the gross provisions, having due regard to collectability. The recoverability of reinsurance recoveries is assessed having regard to market data on the financial strength of each of the reinsurance companies. 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. Net reinsurance payable amounts represent mortality swaptions in respect of annuity payments.

Notes to the Financial Statements Year Ended 31 December 2019

Basis of presentation and significant accounting policies

3. Summary of significant accounting policies

(k) Defined benefit pension scheme

The Company is a principal employer to the defined benefit pension scheme which was transferred from RMIS on 1 April 2018. A defined benefit scheme defines the pension benefit that the employee will receive on retirement, usually dependent upon several factors, including age, length of service and remuneration. The scheme has been closed to future accrual 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 scheme assets at the reporting date.

The defined benefit obligation is calculated using the projected unit credit method and is calculated annually by an independent actuary engaged by the Company. The present value is determined by discounting the estimated future payments using market yields on high quality corporate bonds that are denominated in sterling and have terms approximating the estimated period of future payments ('discount rate').

The fair value of scheme assets is measured in accordance with the FRS 102 fair value hierarchy and in accordance with the Company's policy for similarly held assets. This includes the use of appropriate valuation techniques.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions together with the return on scheme assets, less amounts included in net interest, are disclosed as 'Remeasurements of net defined benefit obligations'.

The defined benefit pension scheme is reported using the provisions of FRS 102. Included on the balance sheet are the aggregate assets of the pension scheme less the present value liabilities of the scheme, net of a provision for deferred tax. The change in the net liability of the scheme is recognised in other comprehensive income as 'Remeasurements of net defined benefit obligations'.

The net interest is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of the scheme assets. This is recognised in the Technical account for long-term business within operating expenses.

The cost of the defined benefit scheme, recognised in the Profit and Loss Account and Other Comprehensive Income as administrative expenses comprises:

- The increase in pension benefit liability arising from employees' service during the period; and
- The cost of benefit changes, curtailments and settlements.

(l) Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in respect of all timing differences, including revaluation gains and losses on investments recognised in the income statement. Deferred tax is calculated at the rates at which it is expected that the tax will arise. Deferred tax is recognised in the income statement for the year, except to the extent that it is attributable to a gain or loss that is recognised directly in the Statement of Comprehensive Income.

Notes to the Financial Statements Year Ended 31 December 2019

Basis of presentation and significant accounting policies

3. Summary of significant accounting policies

(m) Business combinations and goodwill

Business combinations are accounted for by applying the purchase method.

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the acquisition date of fair values of assets given, liabilities incurred by the Company to the former owners of the acquiree, and equity interests issued by the Company in exchange for control of the acquiree.

Acquisition-related costs are recognised in profit or loss as incurred.

Contingent consideration is initially recognised at the estimated amount where the consideration is probable and can be measured reliably. Where the contingent consideration is not considered probable or cannot be reliably measured but subsequently becomes probable and measurable or contingent consideration previously measured is adjusted, the amounts are recognised as an adjustment of the business combination.

On acquisition of a business, fair values are attributable to the identifiable assets, liabilities and contingent liabilities unless the fair value cannot be measured reliably, in which case the value is incorporated in goodwill. Where the fair value of the contingent liabilities cannot be reliably measured, they are disclosed on the same basis as other contingent liabilities.

Goodwill recognised represents the excess of the fair value and directly attributable costs of the purchase consideration over the fair values to the Company's interest in the identifiable net assets, liabilities and contingent liabilities acquired.

Goodwill is amortised over its expected useful life of up to 15 years. Goodwill is assessed for impairment when there are indicators of impairment and any impairment charged to the income statement. Reversals of impairment are recognised when the reasons for the impairment no longer apply.

(n) Present Value of Acquired In-force Business

The Acquired Value In-Force ("AVIF") represents the value of the intangible asset on an accounting basis. This 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 of a portfolio of long-term insurance contracts, directly or through the acquisition of a subsidiary undertaking, the insurance contract liability is measured in accordance with the Company's 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 recognised as an intangible asset referred to as the Present AVIF.

The subsequent measurement of the asset is consistent with the related insurance liability and reflects both the annual unwind of the discount used to measure the asset and the expected pattern of emergence of shareholders' interest in the after tax cash flows over the expected lives of the acquired contracts.

The amortisation charge represents the movement in the value of the asset and is recorded in the long-term business technical account in Note 8(b)'Other charges'.

(o) Land and buildings

Land and buildings are measured at fair value. Full independent valuations are made by professionally qualified valuers every year. Revaluation gains and losses on owner occupied properties are taken to other comprehensive income.

Notes to the Financial Statements Year Ended 31 December 2019

Basis of presentation and significant accounting policies

3. Summary of significant accounting policies

(p) Tangible assets

Tangible assets are stated at cost (or deemed cost) less accumulated depreciation and accumulated impairment losses. Costs includes the original purchase price, costs directly attributable to bringing the asset to its working condition for its intended use, dismantling and restoration costs.

Depreciation is calculated, using the straight line method, to allocate the depreciable amount over their residual values over their estimated useful lives, as follows:

Computer hardware and software	3 years
Office equipment	4 years

The property and equipment are assessed at each reporting date for any indication of impairments. If an impairment exists the carrying amount of the assets is reduced to its recoverable amount and the impairment is then recognised in the current income statement.

(q) Investments in subsidiary undertakings and participating interests

Investments in subsidiary undertakings are included in the Statement of Financial Position at net asset value at unless their value has been impaired, in which case they are valued at their realisable value or value in use as appropriate.

(r) Debtors

These amounts generally arise from the normal operating activities of the Utmost Group. Debtors that are receivables within one year are recorded at the undiscounted amount expected to be received. The receivables after more than one year or that constitute financing transactions are recorded at fair value less transaction costs and subsequently at amortised cost, net of impairment.

(s) Cash and cash equivalents

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. Bank overdrafts, when applicable, are shown within borrowings in current liabilities.

(t) 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.

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.

(u) 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. Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at present value using a pre-tax discount rate. The unwinding of the discount is recognised as a finance cost in the income statement in the period it arises.

Notes to the Financial Statements Year Ended 31 December 2019

Basis of presentation and significant accounting policies

3. Summary of significant accounting policies

(u) Provisions and contingencies (continued)

Restructuring provisions are recognised when the Company has a detailed, formal plan for the restructuring and has raised a valid expectation in those affected by either starting to implement the plan or announcing its main features to those affected, and therefore has a legal or constructive obligation to carry out the restructuring. Provision is not made for future operating losses.

(ii) Contingencies

Contingent liabilities are not recognised, except those acquired in a business combination. 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 disclosed in the Financial Statements 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.

(v) Financial assets

The Company has adopted the recognition and measurement provisions of IAS 39 Financial Instruments: Recognition and Measurement and the disclosure 11 and 12 of FRS 102. The Company recognises its financial instruments held at fair value accounting to a hierarchy based on the significance of the inputs used to arrive at the overall fair value of these instruments. The three levels of fair value as defined by the accounting standard are outlined below:

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.

Cash and cash equivalents, loans and receivables are valued at amortised cost, which approximates to fair market value due to the short maturities of these investments.

The Company classifies its financial assets into the following categories:

- Fair valued through the profit and loss account at bid price:
- Shares and other variable yield securities;
- Units in unit trusts; and
- Debt securities and other fixed-income securities.

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. Changes in the fair value are recognised immediately in the Profit and Loss Account. Fair values are obtained from quoted market prices in active markets, including recent market transactions and valuation techniques, such as discounted cash flow models and options pricing models, as appropriate. All derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Notes to the Financial Statements Year Ended 31 December 2019

Basis of presentation and significant accounting policies

3. Summary of significant accounting policies

(v) Financial assets (continued)

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 book value, which is principal less repayments plus accrued interest. 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. This basis of valuation is viewed by the Directors as being prudent with regard to the likely realisable value.

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 Statement of Financial Position with a corresponding liability for repayment in financial liabilities.

The Company assesses impairment of investment at each balance sheet date, whether the financial asset or group of financial assets are 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.

(w) Financial liabilities

Financial liabilities are initially recognised when due and are measured at fair value of the consideration received less directly attributable transaction costs. Subsequent to initial recognition, financial liabilities are measured at amortised cost using the effective interest method.

(x) Borrowings

Interest-bearing borrowings are recognised initially at fair values less any attributable transaction costs. The difference between initial cost and the redemption value is amortised as income or an expense in the income statement over the period of the borrowing using the effective interest method.

(y) 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.

Unrealised gains and losses on investments represent the difference between the valuation at the date of the Statement of Financial Position and their purchase price or, if they have been previously valued, their valuation at the date of the last Statement of Financial Position. The movement in unrealised gains and losses recognised in the year also includes the reversal of unrealised gains and losses recognised in earlier accounting periods in respect of investment disposals in the current period. Upon disposal or impairment, accumulated unrealised gains and losses are transferred to the income statement as realised gains or losses.

(z) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Notes to the Financial Statements Year Ended 31 December 2019

Basis of presentation and significant accounting policies

3. Summary of significant accounting policies

(aa) Distributions to equity holders

Dividends and other distributions to the Company's shareholder are recognised as a liability in the Financial Statements in the year in which the dividends and other distributions are approved by the shareholders.

These amounts are recognised in the statement of changes in equity.

(bb) Inter and intra company debtors and creditors

These amounts generally arise from normal operating activities within the Utmost Group. Due to the short-term nature of these receivables and payables usually less than one year, the carrying amount is considered to be the same as the fair value.

The preparation of the Financial Statements requires management to make significant judgements, estimates and assumptions that affect the application of accounting policies and the reported amount of assets, liabilities, income and expenses. 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 on an ongoing basis and where necessary are revised to reflect current conditions. The accounting estimates discussed in this section are those considered to be particularly critical to an understanding of the Financial Statements of the Company because their application places the most significant demands on our ability to judge the effect of inherently uncertain matters on the financial results.

4. Significant judgements and estimates

(a) Significant insurance risk

Insurance contracts are those contracts that transfer significant insurance risk. These contracts may also transfer 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.

(b) Sources of estimation uncertainty

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts to the assets and liabilities within the next financial year are addressed below.

(i) Insurance and investment contract liabilities

Insurance and investment contract liability accounting is discussed in more detail in accounting policies Notes 3(g) and 3(h) with further detail of the key assumptions made in determining insurance and investment contract liabilities included in Notes 21 and 22. Economic assumptions are set taking into account market conditions as at the valuation date. Non-economic assumptions, such as future expenses, longevity and mortality, are set based on past experience, market practice, regulations and expectations about future trends.

The valuation of insurance contract liabilities is sensitive to the life assumptions which have been applied to their calculation. Details of sensitivities arising from significant non-economic assumptions are detailed in Note 5.

(ii) Fair value of financial instruments

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. (see Note 5(e) for details of the carrying values). The Company uses its judgement to select a variety of methods and makes assumptions that are mainly based on market conditions existing at the end of each reporting period. See Note 5 for discussion of the related risks.

Basis of presentation and significant accounting policies

4. Significant judgements and estimates (continued)

(iii) Fair value of land and buildings

The valuations 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 13 for the carrying value).

(iv) Estimated impairment of AVIF net of negative goodwill

In accordance with the accounting policy stated in Note 3(m) and 3(n), respectively, the Company annually tests the AVIF net of goodwill for impairment. The recoverable amounts have been determined based on value-in-use calculations. These calculations require the use of estimates. Note 15 summarises the carrying value for the period end. The assumptions on which goodwill impairment testing is based include, but are not limited to, discount rate, useful economic life and cash flow forecasts for future business generation. These assumptions have been subject to sensitivity analysis. However, if any of the assumptions made prove to be inaccurate, this may result in the value of goodwill needing to be reviewed.

Management estimates these factors in determining the net pension obligation in the balance sheet. The assumptions reflect historical experience and current trends.

(v) Defined benefit pension scheme

The Company, as a principal employer, has a liability in respect of the Reliance Pension Scheme. The present value of the liability is dependent upon a number of factors, including: life expectancy, salary increases, asset valuations and the discount rates for corporate bonds.

(vi) 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.

5. 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 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 Year Ended 31 December 2019

Basis of presentation and significant accounting policies

5. Financial Risk Management (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 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	Loss
5% increase in GAO take-up rates	£1.3m
10% decrease in annuitants mortality rates	£7.6m

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.

Notes to the Financial Statements Year Ended 31 December 2019

Basis of presentation and significant accounting policies

5. Financial Risk Management (continued)

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.

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
- 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.

Basis of presentation and significant accounting policies

5. Financial Risk Management (continued)

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

	2019 £000	2018 £000
Non-linked assets subject to credit risk		
Sovereign debt	457,672	207,131
AAA	-	1,538
AA	83,001	101,916
A	251,536	191,889
BBB	217,259	141,829
BB and below or not rated	17,100	116,885
Total assets bearing credit risk	**1,026,568**	**761,188**
Derivative financial instruments	17,165	14,360
Debt securities	991,087	714,018
Loans and receivables	676	712
Assets arising from reinsurance contracts held	17,356	28,404
Deposits with credit institutions	284	3,694
Total assets bearing credit risk	**1,026,568**	**761,188**

Reinsurance has been included with those non-linked assets with a credit rating of AA or A.

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.

With regard to issues of individual debt securities, total issuer-specific exposure limits are set at Ticker (Group) level. These limits depend on the issuer's risk, which is assessed through its published credit rating and type as well as debt security type (corporate, government and mortgage backed securities).

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 Year Ended 31 December 2019

Basis of presentation and significant accounting policies

5. Financial Risk Management (continued)

The table below shows the sector diversification of the debt portfolio as at 31 December 2019 and 2018 respectively.

Sector	2019 % Holding	2018 % Holding
Government Bonds	34%	28%
Corporate Bonds Financial	27%	37%
Corporate Bonds Industrial	25%	32%
Government Index Linked	10%	-
Government Guaranteed	1%	1%
Other Index Linked Bonds	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.

The most material operational risks are:

(i) Maintaining controls during the integration with Equitable Life

As the Company continues to integrate processes following the acquisition of Equitable Life, there are a number of areas that are impacted. These include : the organisational structure and staff; financial systems around the ledger and reconciliation; and operational processes such as managing claims. All activities are closely monitored under a project management programme involving subject matter experts with senior management oversight.

(ii) 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.

Notes to the Financial Statements Year Ended 31 December 2019

Basis of presentation and significant accounting policies

5. Financial Risk Management (continued)

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.

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

	On demand £000	Up to 1 year £000	Between 1-5 years £000	>5 years £000	Total £000
Financial liabilities under non-profit investment contracts	465,578	-	-	-	465,578
Creditors	7,800	5,130	947	5,918	19,795
Financial liabilities at amortised cost	473,378	5,130	947	5,918	485,373
Financial liabilities under with profits investment contracts included in long term business provision	6,979	-	-	-	6,979
At 31 December 2019	**480,357**	**5,130**	**947**	**5,918**	**492,352**

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 Year Ended 31 December 2019

Basis of presentation and significant accounting policies

5. **Financial Risk Management (continued)**

(g) Regulatory and political risk

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 is 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 table presents the Company's assets and liabilities measured at fair value at 31 December 2019.

	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Assets				
Financial assets at fair value through profit or loss:				
Shares and other variable-yield securities and units in unit trusts	-	106,348	-	106,348
Debt securities and other fixed income securities	-	986,664	4,424	991,088
Derivative financial investments	-	-	17,165	17,165
	-	**1,093,012**	**21,589**	**1,114,601**
Financial assets held to cover linked liabilities	-	642,145	1,230	643,375
	-	**1,735,157**	**22,819**	**1,757,976**

The following table presents the changes in Level 3 instruments for the year:	Shares, variable yield securities & unit trusts £000	Derivatives £000	Other Assets £000	Total Level 3 Assets £000
At 1 January 2019	4,490	14,360	2,254	21,104
Purchases during the year	-	-	-	-
Gains and losses recognised in Profit and Loss	(66)	4,088	(245)	3,777
Assets sold/matured in the year	-	(1,283)	(779)	(2,062)
At 31 December 2019	**4,424**	**17,165**	**1,230**	**22,819**

Notes to the Financial Statements Year Ended 31 December 2019

6. Particulars of business written

(a) Gross Premiums Written

All premiums relate solely to long-term insurance contracts.

	2019 £000	2018 £000
Gross premiums written comprise:		
Direct insurance	10,589	9,665
Gross direct premiums written in respect of insurance contracts and with profits investment contracts		
Periodic premiums	3,143	2,219
Single premiums	7,446	7,446
	10,589	**9,665**
Life insurance contracts	2,348	1,942
Pensions contracts	8,222	7,684
Sickness and disability contracts	19	39
	10,589	**9,665**
Unit linked insurance contracts	1,624	1,390
Non linked insurance contracts	8,965	8,275
	10,589	**9,665**
Geographical analysis		
UK	10,589	9,665
	10,589	**9,665**

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 (see Note 22) rather than as premiums in the long-term technical account.

	2019 £000	2018 £000
Unit-linked investment contracts		
Life	77	60
Pensions	1,760	1,456
	1,837	**1,516**

There were no premiums for non-linked investment contracts.

(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 :

	2019 £000	2018 £000
Single premiums which were pension contracts and non linked insurance contracts	7,446	7,446
Geographical analysis		
UK	7,446	7,446

Notes to the Financial Statements Year Ended 31 December 2019

6. Particulars of business written (continued)

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;

There is no new business in relation to investment contracts.

7. Investment Return

	2019 £000	Restated 2018 £000
Investment return: long-term business technical account		
Income from financial assets at fair value through profit or loss	42,056	32,840
Net return on pension scheme	(147)	(117)
	41,909	32,723
Net gains / (losses) on the realisation of investments	45,735	(8,777)
	87,644	**23,946**
Investment expenses and charges:		
Other investment management expenses	(2,652)	(1,649)
Investment expenses	**(2,652)**	**(1,649)**
Net unrealised gains/(losses) on investments	**73,697**	**(40,792)**
Investment gains / (losses) retained in the long-term business technical account	**158,689**	**(18,495)**
Investment return: non-technical account		
Income from financial assets at fair value through profit or loss	1,094	859
Unrealised loss	(65)	(182)
Other investment management expenses	(65)	(33)
Investment return: non-technical account	**964**	**644**

On acquisition of Reliance Mutual Insurance Society (RMIS) on 1st April 2018, acquisition accounting required the investments acquired to be restated as acquired on this date. The subsequent disposals were accounted using original cost of the assets, resulting in the requirement to reclassify the 2018 comparative, reducing net gains/(losses) on the realisation of investments and increasing net unrealised gains and losses on investments for 2018 by £27.8m.

Notes to the Financial Statements Year Ended 31 December 2019

8. 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.

	2019	2018
	£000	£000
a) Other income: long-term business technical account		
Fee income from investment contracts	3,136	2,145
	3,136	**2,145**
b) Other charges: non-technical account		
Amortisation of negative goodwill	2,328	1,746
Amortisation of Present Value of AVIF	(4,067)	(3,050)
	(1,739)	**(1,304)**

9. Net operating expenses

	2019	2018
	£000	£000
Administrative expenses	9,360	7,381
	9,360	**7,381**

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. Utmost Services makes a management charge for secondment services in accordance with the Agreement.

	2019	2018
	£000	£000
Included within administration expenses are:		
Audit services:		
Audit fees payable to the Company's auditors for the audit	318	287
Non-audit services:		
Audit-related assurance services	188	179
	506	**466**
Fees in respect of the Reliance Pension Scheme:		
Audit	10	10

Fees shown are net of VAT but the cost to the Company is gross.

Notes to the Financial Statements Year Ended 31 December 2019

10. Directors' remuneration

The Directors' emoluments were as follows:

	2019 £000	2018 £000
Aggregate remuneration	1,243	711
The number of Directors who : Are members of a defined benefit pension scheme	-	-
Highest paid Director (included in the above figures)	646	246
Accrued benefit under defined benefit pension scheme	-	-

Executive Directors who are employees of Utmost Services and independent non-executive Directors are remunerated by Utmost Services; the cost for which is recharged to the Company and included within administrative expenses (Note 9). The Highest paid Director in 2019 includes bonus payments in respect of 2018 and 2019.

For part of 2019, and all of 2018, one executive director was not an employee of Utmost Services and was remunerated by the Company. Group non-executive Directors receive no remuneration for services to the Company (2018: 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 £108,000 (2018 : £56,000).

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

	2019 £000	2018 £000
Interest payable and similar charges	**2,528**	**1,906**

During the year, the Tier 2 loan of £35m, including interest accrued, was repaid on 16 December 2019 to the Company's' parent Utmost Holdings. A new Tier 2 loan of £60m was drawn down on the same day with interest payable bi-annually at the rate of 7% pa from Utmost Holdings. (See Note 27).

12. Taxation

Technical account – long-term business	2019 £000	2018 £000
UK corporation tax charge / (credit)	3,486	(833)
Total current tax charge/(credit)	**3,486**	**(833)**
Deferred taxation:		
Current year movement in deferred taxation	605	(125)
Total deferred tax charge / (credit) in the long term account	605	(125)
Tax charge/(credit) in the Profit and Loss Account	**4,091**	**(958)**

Notes to the Financial Statements Year Ended 31 December 2019

12. Taxation (continued)

The tax charge in the Technical account is comprised of a tax charge of £1.9m in respect of tax payable at the policyholder rate (2018 : tax credit of £1.8m) and a tax charge of £2.2m in respect of tax payable at the main UK corporation tax rate (2018: tax charge of £0.8m).

	2019	2018
Non-technical account	**£000**	**£000**
Tax attributable balance on long-term business account	(2,025)	(1,357)
Tax attributable balance on long-term business account	**(2,025)**	**(1,357)**
Current year movement in current taxation	**628**	**-**
Current year movement in deferred taxation	-	374
Total tax movement	**628**	**374**
Tax charge in the Profit and Loss Account	**(1,397)**	**(983)**

Reconciliation between standard and effective tax rate

	2019	2018
	£000	**£000**
Profit before Tax	7,354	5,782
Income tax at main rate of UK corporation tax of 19% (2018: 19.25%)	**(1,397)**	**(1,099)**
Difference due to effects of:		
Impact of future tax rate changes	-	116
Tax charge in the Profit and Loss Account	**(1,397)**	**(983)**

The Finance Act 2016 contained provisions to reduce the main UK corporation tax rate from 19% to 17% with effect from 1April 2020. In March 2020 the Government introduced regulations under the Provisional Collection of Taxes Act 1968, cancelling the proposed reduction to 17% and providing that the rate should remain at 19%.

As the latter changes had not been enacted at 31 December 2019, no account was taken of them in providing for deferred tax in the financial statements. However, if deferred tax been provided at the rate of 19%, rather than the rate of 17%, the impact would have been to increase the tax charge in the Technical account by £0.1m.

Notes to the Financial Statements Year Ended 31 December 2019

13. Intangible assets

	Goodwill	Present Value of Acquired in force Business	Total
	£000	£000	£000
Cost			
At 1 January 2019	**(34,917)**	**61,003**	**26,086**
Movement during the year	-	-	-
At 31 December 2019	**(34,917)**	**61,003**	**26,086**
Accumulated amortisation			
At 1 January 2019	**(1,746)**	**3,050**	**1,304**
Amortisation during year	(2,328)	4,067	1,739
At 31 December 2019	**(4,074)**	**7,117**	**3,043**
Net book value at 31 December 2019	**(30,843)**	**53,886**	**23,043**
Net book value at 31 December 2018	**(33,171)**	**57,953**	**24,782**

Negative goodwill was recognised as the excess of fair value of the assets and the purchase consideration on the acquisition of assets of RMIS on 1 April 2018. The Directors have assessed the useful economic value of the goodwill arising on the transfer 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 present value of acquired in-force business represents the excess of the fair value of the insurance contracts acquired on the acquisition of assets from RMIS over the value attributed to the acquired insurance contract liabilities under the Company's accounting policies on 1 April 2018. The useful life at acquisition was 15 years, being the expected lives of the acquired contracts. The remaining amortisation period is 13.25 years at 31December 2019.

14. Tangible Assets

The Company had no fixed assets at 1 January 2018. On 1 April 2018, and as part of the Part VII transfer of assets from RMIS, the Company acquired freehold owner occupied land and buildings at a fair value of £3.1m and other immaterial fixed assets. There were no other acquisitions or disposals in the year.

Land and buildings were revalued as at 31 December 2019 at open market value by chartered surveyors Aitchison Raffety. The valuation of £3.6m was prepared in accordance with RICS guidelines.

	Office Equipment	Land and Buildings	Total
	£000	£000	£000
Cost			
At 1 January 2019	**2**	**3,100**	**3,102**
Movement during the year	-	-	-
At 31 December 2019	**2**	**3,100**	**3,102**
Accumulated Revaluation			
At 1 January 2019	**-**	**350**	**350**
Revaluation gain in period	-	150	150
At 31 December 2019	**-**	**500**	**500**
Net book value at 31 December 2019	**2**	**3,600**	**3,602**
Net book value at 31 December 2018	**2**	**3,450**	**3,452**

Notes to the Financial Statements Year Ended 31 December 2019

15. Investment in Group undertakings

Under an agreement with RMIS, all its assets and liabilities were transferred to the Company on 1 April 2018. The Company holds 100% of the voting rights of RMIS. The value and cost held at the balance sheet date was £nil (2018: £nil).

The principal activity of RMIS is solely to make payments to its former members under the High Court sanctioned Part VII scheme. The registration number of RMIS is 00491580 and the registered office is Utmost House, 6 Vale Avenue, Tunbridge Wells, Kent TN1 1RG. RMIS is incorporated in England and Wales.

16. Other financial investments

	Market Value £000	2019 Cost £000	Market Value £000	2018 Cost £000
Financial assets at fair value through profit or loss				
Designated upon initial recognition	1,097,436	1,103,995	927,111	990,604
Derivative financial instruments	17,165	14,365	14,360	15,243
	1,114,601	**1,118,360**	**941,471**	**1,005,847**
Loans and receivables	960	960	4,405	4,424
Total financial assets	**1,115,561**	**1,119,320**	**945,876**	**1,010,271**

Included in the Statement of Financial Position as follows:

	Market Value £000	2019 Cost £000	Market Value £000	2018 Cost £000
Shares and other variable yield securities and units in unit trusts	106,348	263,057	213,092	264,474
Debt securities and other fixed income securities	991,087	840,938	714,019	726,130
Other loans	677	676	712	715
Deposits with credit institutions	284	284	3,693	3,709
Derivative financial instruments	17,165	14,365	14,360	15,243
	1,115,561	**1,119,320**	**945,876**	**1,010,271**

(a) Other loans

Other loans are policy loans secured on policies with a cost and carrying value of £0.7m (2018: £0.7m).

(b) Derivative financial instruments, at fair value through profit or loss, held for trading

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 £17.2m (2018: £14.4m) that cost £14.4m (2018: £15.2m). 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 £2.8m (2018: (£0.8m)).

Notes to the Financial Statements Year Ended 31 December 2019

17. Assets held to cover linked liabilities

	2019 £000	Restated 2018 £000
Cost	631,344	622,353
Market Value	644,110	621,781

On acquisition of Reliance Mutual Insurance Society (RMIS) on 1st April 2018, acquisition accounting required the investments acquired to be restated as acquired on this date. The subsequent disposals were accounted using original cost of the assets, resulting in the requirement to correct the 2018 comparative by £16.7m.

18. Debtors

	2019 £000	2018 £000
Amounts owed by Group undertakings	271	307
Debtors arising out of direct insurance operations	198	184
Debtors arising out of reinsurance operations	319	506
Current tax receivable	-	703
Deferred tax asset	-	608
Collateral held for swaptions counterparty	7,800	4,300
Other debtors	1,659	52
	10,247	**6,660**

19. Share Capital

Ordinary Shares of £1 each allotted and fully paid

	Number	£'000
At 1 January 2019	30,002,000	30,002
Issued during the year	112,600,000	112,600
At 31 December 2019	**142,602,000**	**142,602**

On 15 December 2019, the Company issued £112.6m shares of £1 each at par to its parent, Utmost Holdings, to support the acquisition of Equitable Life on 1 January 2020. There is a single class of ordinary shares and there are restrictions on the distributions of dividends (see Note 23).

20. Profit and loss account and other comprehensive income

	2019 £000	2018 £000
At 1 January	**5,698**	**(12)**
Profit for the year	5,957	4,799
Other comprehensive income for the year	2,463	911
At 31 December	**14,118**	**5,698**

Notes to the Financial Statements Year Ended 31 December 2019

21. Technical Provisions

	Gross	Re-insurance	Net
	£000	£000	£000
At 1 January 2019	**912,185**	**(5,089)**	**907,096**
Increases in year resulting from receipt of premiums	8,939	-	8,939
Decrease in year resulting from payment of claims	(65,425)	(1,241)	(66,666)
Interest credited/unwind of discount	(3,068)	3,655	587
Change in Expense assumptions	8,874	-	8,874
Fees deducted	5,448	-	5,448
Change in longevity and mortality assumptions	(23,189)	16,661	(6,528)
Change in economic assumptions	45,980	883	46,863
Reclassification of pensions misselling (Note 25)	(2,017)	-	(2,017)
Other changes in assumptions	1,130	2,667	3,797
Movement in the period	**(23,328)**	**22,625**	**(703)**
At 31 December 2019	**888,857**	**17,536**	**906,393**

Analysis of technical provisions	**2019**	**2018**
Movement in the period for technical provisions	23,328	81,020
Insurance risk transfer accounted under deposit accounting	1,499	-
Long-term business provision charge for the year	**24,827**	**81,020**

Reinsurance Balances	**2019**	**2018**
	£000	**£000**
Assets	**17,356**	**28,404**
Liabilities	**(34,893)**	**(23,315)**

With-profits investment contracts
Included within the long-term business provision are amounts of £6.2m (2018: £6.9m) 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.

22. Technical provisions for linked liabilities

	Unit linked investment contracts		Unit linked insurance contracts		Total	
	2019	2018	2019	2018	2019	2018
	£000	£000	£000	£000	£000	£000
At 1 January	**443,006**	**483,951**	**175,298**	**192,550**	**618,304**	**676,501**
Deposits / premiums received	1,837	1,516	1,624	1,390	3,461	2,906
Payments made to policyholders	(39,398)	(32,060)	(14,919)	(10,084)	(54,317)	(42,144)
Change in technical provision	55,624	(10,401)	17,825	(8,558)	73,449	(18,959)
At 31 December	**461,069**	**443,006**	**179,828**	**175,298**	**640,897**	**618,304**

Notes to the Financial Statements Year Ended 31 December 2019

22. Technical provisions for linked liabilities (continued)

Financial liabilities in respect of unit linked investment contracts are carried in the balance sheet at amortised cost. The related fair value of these financial liabilities is £461.1m, (2018: £443.0m) which is equivalent to the amount payable under the contract, based on the current fund value.

Included in outstanding claims are £3.2m (2018: £3.5m) 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 2019 is £0.3m - asset (2018: £0.2m).

23. 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.

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, including prudent margins required on a regulatory basis, the impact of transitional measures (relevant to Solvency II only), and deferred tax arising on these adjustments. The following table sets out the reconciliation.

	Available own funds £000	Restricted own funds £000	Eligible own funds £000
Equity under UK GAAP at 31 December 2019	**156,720**	**-**	**156,720**
Add: Tier 2 Loan Capital	60,000	(33,062)	26,938
Add: Fund for Future Appropriations	70,765	(17,760)	53,005
Goodwill and Other Intangible Assets	(23,043)	-	(23,043)
Difference in the measurement of technical provisions	51,902	-	51,902
Difference in net deferred taxation liabilities arising from above	(13,657)	-	(13,657)
Solvency II Eligible Own Funds at 31 December 2019	**302,687**	**(50,822)**	**251,865**
Solvency Capital Requirement at 31 December 2019			**53,875**
Solvency Capital Coverage Ratio			**467%**

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.

Notes to the Financial Statements Year Ended 31 December 2019

23. Capital Management (continued)

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 5), 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

24. Deferred taxation

	2019	2018
	£000	£000
Deferred tax provisions:		
Undiscounted deferred tax liabilities (Note 25)	(284)	(329)
Deferred tax assets (Note 18)	-	608
Net deferred tax (liability) / asset	**(284)**	**279**

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

	2019	2018
	£000	£000
Unrealised losses on financial investments	(115)	(329)
Pension deficit	555	1,028
Acquired intangible asset	(724)	(766)
Losses carried forward asset	-	346
Total provision for deferred tax	**(284)**	**279**

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 2019 is a liability of £274k (2018: asset of £240k).

Notes to the Financial Statements Year Ended 31 December 2019

25. Provisions for other risks and charges

Deferred tax liability	2019 £000	2018 £000
1 January	329	**-**
Acquired during the year	-	1,908
Amount credited to the Profit and Loss Account	(518)	(1,579)
Amount charged to the Profit and Loss Account	473	-
31 December	**284**	**329**

The above movements also include, a charge of £608k arising from the reduction in deferred tax assets during the year and a charge of £514k arising from the increase in the deferred tax provision held within the unit linked funds.

Pension Mis-selling	2019 £000	2018 £000
1 January		
Reclassification from technical provisions (Note 21)	2,017	-
Amounts paid during the year	(183)	
Amount (credited) to the Profit and Loss Account	(147)	-
31 December	1,687	**-**

26. Creditors: amounts falling due within one year

	2019 £000	2018 £000
Creditors arising out of direct insurance operations	90	161
Creditors arising out of reinsurance operations	594	431
Amounts owed to group undertakings	184	685
Collateral due for swaptions counterparty	7,800	4,300
Corporation Taxation and social security	2.486	828
Other creditors	1,111	913
	12,265	**7,318**

27. Creditors: amounts falling due after more than one year

	2019 £000	2018 £000
Amounts owed to Group undertakings	**60,000**	**35,000**

On 16 December 2019, the Company drew down a new £60m term loan facility and repaid the £35m loan from its parent undertaking Utmost Holdings. The loan, which matures on 16 December 2030, qualifies as Tier 2 capital under Solvency II. Interest is paid at the rate of 7% pa and is payable bi-annually. Early repayment is permitted with the consent of the PRA provided the Company's Capital Management Policy is maintained, which is:

- To seek to maintain Solvency Coverage Ratio cover of at least 135% at all times; and
- To maintain Solvency Coverage Ratio of at least 150% immediately after the payment of a dividend or the payment of interest under any regulatory capital instrument issued by the Company

Notes to the Financial Statements Year Ended 31 December 2019

28. 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 (the employer) agreed that a revised schedule of contributions at £210k per quarter to cover the deficit and £42.75k per quarter to cover the expenses would be payable commencing in January 2020 and ending in July 2023. During the period from 1 January to 31 December 2019 the Company made contributions (including deficit funding) of £1.0m (2018: £0.8m).

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

	2019	2018
	%	%
Discount rate	2.0	2.9
RPI inflation rate	3.1	3.4
CPI inflation rate	2.3	2.6
qIncreases to pensions in deferment:		
Pre 6 April 2009 – (CPI/5%) and post 6 April 2009 – (CPI/2.5%)	*	*
Pension increases for pensions accrued:		
Pre 88 GMP- (nil) and post 88 GMP – (CPI/5%)	*	*
Pre 6 April 1997 – (RPI/3%) and post 5 April 1997 – (RPI/5%)	*	*
Commutation	20%**	20%**

*Consistent with inflation curves and relevant floors and caps

** Of pension using commutation factors that are currently in force

Pre and post-retirement mortality:		
Base table	SAPS -S3	S2PXA
Mortality projections	CMI 2018	CMI 2017
Long term rate of improvement	1.25[M]	1.75[M]
	1.25[F]	1.5[F]

	2019	2018
	Years	Years
Life expectancies from age 65:		
Male currently aged 65	22.3	22.3
Female currently aged 65	24.6	24.0
Male currently aged 45	23.7	24.3
Female currently aged 45	26.0	25.8

Reconciliation of funded status to the Balance Sheet:

	2019	2018
	£000	£000
Defined benefit obligation	(37,131)	(32,904)
Fair value of plan assets	33,862	29,520
Net defined benefit liability before allowance for onerous liability	**(3,269)**	**(3,384)**
Effect of onerous liability	-	(2,665)
Net defined benefit liability after allowance for onerous liability	**(3,269)**	**(6,049)**

Notes to the Financial Statements Year Ended 31 December 2019

28. Post-employment benefits (continued)

Assets:

	2019 £000	2019 % weight	2018 £000	2018 % weight
Diversified growth funds	14,344	**42.4**	**11,316**	38.3
Liability matching funds	19,272	**56.9**	**18,047**	61.1
Cash/other	246	**0.7**	**157**	0.6
Total	**33,862**	**100.0**	**29,520**	**100.0**

Analysis of profit and loss charge:	2019 £000	2018 £000
Net interest expense	147	117
Pension scheme expenses (excluding investment related expenses)	252	137
Past service cost	617	609
Total pension expense recognised in profit and loss	**1,016**	**863**

Reconciliation of defined benefit obligation over the period:	2019 £000	2018 £000
Defined benefit obligation at start of the period	**(32,904)**	**-**
Transfer from RMIS 1 April 2018	-	(36,589)
Interest expense on defined benefit obligation	(922)	(679)
Remeasurement- effect of experience adjustments gain	2,052	383
Remeasurement- effect of changes in financial assumptions (loss) / gain	(4,993)	2,771
Remeasurement- effect of demographic assumptions gain	(462)	1,351
Benefits paid	715	468
Past service cost	(617)	(609)
Defined benefit obligation at the end of the period	**(37,131)**	**(32,904)**

Reconciliation of fair value of plan assets over the period:

	2019 £000	2018 £000
Fair value of plan assets at the start of the period	**29,520**	-
Transfer from RMIS	-	30,639
Interest income on plan assets	839	574
Remeasurement –gain /(loss) on plan assets excluding interest income	3,459	(1,846)
Contributions by the Company	1,011	758
Benefits paid	(715)	(468)
Pension scheme expenses (excluding investment related expenses)	(252)	(137)
Fair value of plan assets at the end of the year	**33,862**	**29,520**
Gain / (loss) on plan assets	**3,269**	**(1,272)**

Notes to the Financial Statements Year Ended 31 December 2019

28. Post-employment benefits (continued)

Reconciliation of asset ceiling / onerous liability over the period	2019 £000	2018 £000
Onerous liability at start of the period	**(2,665)**	**-**
Transfer from RMIS 1 April 2018	-	(648)
Deficit reduction contributions	840	-
Interest expense	(64)	(12)
Remeasurement – change in onerous liability excluding interest loss	1,889	(2,005)
Onerous liability at the end of the period	**-**	**(2,665)**

Remeasurements recognised in other comprehensive income (OCI)	2019 £000	2018 £000
Actuarial gain due to experience on defined benefit obligation	2,052	383
Actuarial (loss)/ gain due to changes in financial assumptions	(4,993)	4,122
Actuarial loss due to changes in demographic assumptions	(462)	-
Return on plan assets greater/(less)than discount rate	3,459	(1,846)
Change in onerous liability excluding interest	2,729	(2,005)
Total remeasurement gain recognised in OCI	**2,785**	**654**

Reconciliation of funded position:	2019 £000	2018 £000
Net defined benefit (liability)/asset at start of the period	**(6,049)**	**-**
Expense recognised in profit and loss	(1,016)	(863)
Gain recognised in OCI	2,785	654
Transfer of assets and liabilities from RMIS 1 April 2018	-	(6,598)
Contributions by the Company	1,011	758
Net defined benefit liability at end of the period	**(3,269)**	**(6,049)**

29. Capital and other commitments

	2019 £000	2018 £000
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	117	107
Later than one year and not later than five years	116	67
	233	**174**

30. 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.

Notes to the Financial Statements Year Ended 31 December 2019

31. Controlling party

The Company's immediate parent is Utmost Holdings: an indirect wholly-owned subsidiary of UUG Holdings (No 1) Limited. 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 UUG Holdings (No 1) Ltd group of companies.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.

32. Contingent liabilities

There are no contingent assets or liabilities. (2018: £nil).

33. Event after the reporting period – Equitable Life Assurance Society Acquisition

Throughout 2019, the Company has actively executed its strategy, primarily by focusing upon the completion of Equitable Life acquisition and creating the infrastructure required for a successful integration.

On 15 June 2018, the Company announced that it had signed an agreement with Equitable Life under which it was proposed that Equitable Life and its business would transfer to the Company. At the time, Equitable Life had £6.4bn of assets and circa. 300,000 customers. The majority of these customers are based in the UK, but a small number of unit linked and with-profits customers, sold under German and Irish law, are based in Germany and Ireland. This Irish and German business is being retained in Equitable Life and Equitable Life has become a subsidiary of the Company on 1 January 2020.

The acquisition of Equitable Life was effected by a Scheme of Arrangement governed by Part 26 of the Companies Act 2006 ("the Scheme"). For the Scheme to be effective, eligible with-profits policyholders were required to voted in favour of the Scheme. Voting took place at a Policyholder Meeting and EGM on 1 November 2019, and the results were overwhelmingly in favour of the proposed changes.

The High Court considered the Scheme at two hearings:

- A Convening/Directions hearing to determine legal matters, including confirmation that with-profits policyholders were able to vote as a single class; and
- A Sanctions hearing that approved the Scheme and the Part VII transfer.

The Scheme was sanctioned by the UK Court on 4 December 2019 with an effective date of 1January 2020 at which point eligible with-profits policies were converted to unit-linked policies with no investment guarantees. Following the uplift, with-profits policies, other than German policies, were converted to unit-linked policies with no investment guarantees.

The proposal subsequently transferred all policies (other than those covered by Irish and German law) to Utmost Life and Pensions by a Part VII Transfer under the Financial Services and Markets Act 2000 (the "Transfer"). On 1 January 2020 the Company became the sole member of Equitable Life.

In preparation for the Equitable Life transfer, on 16 December 2019 the Company issued an additional £112.6m of ordinary share capital to Utmost Holdings, increasing total issued share capital from £30m to £142.6m. On the same date, the Company repaid its £35m term loan facility from Utmost Holdings and new debt of £60m was drawn down. The new loan, which matures on 9 December 2030, qualifies as Tier 2 capital under Solvency II reporting guidelines.

An approval was sought from the Prudential Regulatory Authority ("PRA") in respect of the loan arrangements qualifying as Tier 2 debt and this was received on 19 November 2019. The PRA, on 15 November 2019, approved the change in control of Equitable Life to the Company on completion of transaction.

On 1 January 2020 Equitable Life transferred c£6.3 bn of Funds under Management to the Company, with £79m assets being retained within Equitable Life for the circa. 3000 Irish and German policyholders, with Utmost as sole member and all employees of Equitable Life were transferred to Utmost Services, under TUPE regulations.

Notes to the Financial Statements Year Ended 31 December 2019

33. Event after the reporting period – Equitable Life Assurance Society Acquisition (continued)

The combined estimated balance sheet of the Company and Equitable Life are shown below.

Utmost Life and Pensions Limited: Post acquisition Balance Sheet- Statutory basis	Utmost Life and Pensions	Equitable Life Transferred business (note)	Total
	£'000	£'000	£'000
Assets			
Intangible Assets	23,043	5,376	28,419
Participations in subsidiary undertakings	-	4,500	4,500
Tangible assets	3,602	-	3,602
Invested Assets	1,115,561	132,452	1,248,013
Assets held to cover linked liabilities	644,110	5,764,243	6,408,353
Reinsurers' share of technical provisions	17,356	395,470	412,826
Current Assets	83,517	24,087	107,604
Total assets	**1,887,190**	**6,326,128**	**8,213,318**
Equity and Liabilities			
Share Capital	142,602	-	142,602
Profit and Loss Account	14,118	-	14,118
Total equity	156,720	-	156,720
Fund for Future Appropriations	70,765	-	70,765
Technical Provisions	932,624	517,832	1,450,456
Technical provisions for Linked Liabilities	640,897	5,767,129	6,408,026
Other Liabilities	82,915	41,167	124,082
Total equity and liabilities excluding pension scheme net liability	1,883,921	6,326,128	8,210,049
Defined benefit pension scheme net liability	3,269	-	3,269
		-	
Total equity and liabilities including pension scheme net liability	**1,887,190**	**6,326,128**	**8,213,318**

Note: includes estimated changes to fair value and accounting policy adjustments.

Notes to the Financial Statements Year Ended 31 December 2019

33. Event after the reporting period – Equitable Life Assurance Society Acquisition (continued)

The increase in Intangible Assets represents the net benefit to the Company of the present value of acquired in-force business less negative goodwill recognised on the acquisition of assets from Equitable Life.

The retained business of Equitable Life Assurance Society Balance Sheet as at 01 January 2020, for which Utmost is the sole member of the subsidiary is estimated below :

Equitable Life Assurance Society	£'000
Assets	
Invested assets	21,218
Assets held to back linked liabilities	47,799
Reinsurance recoverable	
Non-profit	9,426
Current assets	668
Total assets	**79,111**
Liabilities	
Technical provisions	
Non-profit	9,815
Heritage with-profits	17,443
Converted unit-linked	31,134
Heritage unit-linked	16,598
Total technical provisions	**74,990**
Current liabilities	743
Member funds	3,378
Total liabilities	**79,111**

34. Event after the reporting period – COVID-19 Outbreak

The outbreak of COVID-19 is having a significant impact in the UK. We have sought to ensure the safety of our staff and so, in line with Government advice, the majority of our staff are now set up and are working from home. The COVID-19 outbreak has also caused a high degree of volatility in the financial markets.

The Company considers the COVID-19 outbreak to be a non-adjusting post balance sheet event. The Company continues to monitor the market movements and their impact on the Company and remains focused on supporting its customers and staff. Given the inherent uncertainties, it is not practicable to determine the impact of COVID-19 on the Company's future financial performance. However, as a closed book life company consolidator, we are not reliant on new business for generating the majority of our earnings. As a result of the Part VII transfer from Equitable Life, the Company has a reassurance agreement with a large regulated insurance counterparty and this is the Company's largest exposure to downgrades. The COVID-19 outbreak has not caused any interruption to the operation of this reinsurance and we continue to monitor the financial strength of all our reinsurers. The Company entered 2020 with a strong Balance Sheet and with a Solvency II coverage ratio in excess of 180% as outlined in our Strategic Report. As at the date of approving these accounts, whilst this Solvency ratio has fallen, mainly as a result of lower interest rates, it is still comfortably well above required capital levels and we remain in a strong and resilient position and able to meet our capital requirements.