Utmost UK Group Holdings Ltd.
(formerly LCCG Holdings (No 1) Limited)

Annual Report and
Consolidated Financial Statements

For the year ended 31 December 2019

Utmost UK Group Holdings Ltd.

Annual Report and Consolidated Financial Statements

For the year ended 31 December 2019

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Utmost UK Group Holdings Ltd.

Company Information

For the year ended 31 December 2019

Directors
Paul Thompson
Ian Maidens
Christopher Boehringer
Henry Smith (resigned 20 March 2020)

Secretary
C. L. Secretaries Limited
1st and 2nd Floors
Elizabeth House
Les Ruettes Brayes
St Peter Port
Guernsey
GY1 1EW

Registered Office
1st and 2nd Floors (Until 14 May 2020)
Elizabeth House
Les Ruettes Brayes
St Peter Port
Guernsey
GY1 1EW

Utmost House (From 14 May 2020)
Hirzel Street
St. Peter Port
Guernsey
GY1 4PA

Registered in Guernsey
Company Number
57224

Independent Auditor
PricewaterhouseCoopers LLP
7 More London Riverside
London
SE1 2RT

Principal Bankers
The Royal Bank of Scotland International Limited
Royal Bank Place
1 Glategny Esplanade
St Peter Port
Guernsey
GY1 4BQ

Utmost UK Group Holdings Ltd.

Directors' report

For the year ended 31 December 2019

The Directors present the annual report together with the audited financial statements of Utmost UK Group Holdings Ltd. (the "Company") for the year ended 31 December 2019.

Utmost UK Group Holdings Ltd. (the 'Company', 'UUGH') is a private company incorporated in Guernsey. As at 31 December 2019 the Group comprises the Company and its direct subsidiary UUG Holdings (No 2) Ltd ('UUG2'), together with underlying subsidiary entities UUG Holdings (No 3) Ltd ('UUG3'), UUG Holdings (No 1) Ltd ('UUG1') and Utmost Life and Pensions Holdings Limited ('ULPH') and its subsidiaries (together the 'Group').

Change of name

The Company changed its name from LCCG Holdings (No 1) Limited to Utmost UK Group Holdings Ltd. on 30 January 2019, as part of a wider exercise to adopt the Utmost brand across the group.

Principal activity

The principal activity of the Company is that of an insurance holding company. The principal activity of the Group, through one of the Company's indirect subsidiaries Utmost Life and Pensions Limited ('ULP'), is as a specialist UK consolidator focused upon the provision of life and pension policies (currently closed book of business) by pursuing its strategy of acquiring and consolidating businesses in the UK to deliver economies of scale to the benefit of policyholders and shareholders.

Going concern

The Directors of the Company have determined that it will continue in operational existence for the foreseeable future and therefore the financial statements have been prepared on a going concern basis. In making this assessment the Directors considered the nature and quantum of its assets and liabilities and also considered the basis on which the financial statements were prepared. In making the going concern assessment, the Directors considered the principal risks faced by the Company, its existing financial and operational resources and its overall solvency position.

Since 31 December 2019 the COVID-19 virus has developed into a global pandemic which has created significant levels of economic and financial insecurity. The potential impacts to the Group are included in Note 34 of the financial statements.

Results, key performance indicators ("KPIs") and dividends

The result for the year is shown on page 7. The main KPI for the Company is the fair value of investment in subsidiaries which has increased by £75,627k to £176,938k at the period end. The fair value increases reflect the increase in the economic value of the Utmost Life and Pensions business during the year as well as a capital contribution of £44,000k.

On 15 June 2018, the Group announced that it had signed an agreement with the Equitable Life Assurance Society ("Equitable Life") under which it was proposed that Equitable Life and its business would transfer to Utmost Life and Pensions Ltd ("ULP"). 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 Germany and Ireland. This German and Irish business is being retained in Equitable Life.

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.

Results, key performance indicators ("KPIs") and dividends (continued)
The Scheme subsequently transferred all policies (other than those covered by German and Irish law) to ULP by a Part VII Transfer under the Financial Services and Markets Act 2000 ("the Transfer"). On 1 January 2020 ULP became the sole member of Equitable Life.

In preparation for the Equitable Life transfer, on 16 December 2019, the Company issued an additional £44.0m of ordinary share capital, increasing total issued share capital from £66.0m to £110.0m. On 11 November 2019, the Group entered into a loan facility agreement with Lloyds Bank Plc, National Westminster Bank Plc, ABN AMRO BANK N.V. and ING Bank N.V., London Branch to borrow £100.0. On 13 December 2019 the £100.0m facility was drawn down, with the loan repayable in stages; with the first repayment date being 15 June 2021 and the final repayment date being 5 years after the utilisation date (13 December 2024).

An approval was sought from the Prudential Regulation 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 ULP, with £79m assets being retained within Equitable Life for the approximately 3000 German and Irish policyholders, with ULP as sole member and all employees of Equitable Life were transferred to Utmost Life and Pensions Services Limited ("Utmost Services"), under TUPE regulations.

The Directors do not recommend the payment of a dividend.

Events after the year end
The key events to occur post the Balance Sheet date of 31 December 2019 are the Equitable Life acquisition that has been described within the Results, key performance indicators ("KPIs") and dividends section as well as the impacts of the COVID-19 pandemic. Further detail is included in the Post Balance Sheet Event Note 34.

Directors and Secretary and their interests
The Directors and Secretary who held office during the year and to date are noted on page 1.

The Secretary had no beneficial interests in the shares of the Company. Two directors Paul Thompson and Ian Maidens have an equity interest in certain group entities. Details of these interests are disclosed in note 32 to the financial statements.

Utmost UK Group Holdings Ltd.

Directors' report (continued)

For the year ended 31 December 2019

Directors' responsibilities statement
The Directors are responsible for the preparation of financial statements for each financial period which give a true and fair view of the state of affairs of the Company, and of the profit or loss of the Company, in accordance with applicable Guernsey law. In preparing the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business for the foreseeable future.

The Directors confirm that they have complied with the above requirements in preparing the financial statements.

The Directors are responsible for keeping proper accounting records which 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 (Guernsey) Law, 2008. The Directors are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Disclosure of information to independent auditors
The Directors who held office at the date of approval of this Directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware; and each Director has taken all the steps that he ought to have taken as a Director to make himself aware of any relevant audit information and to establish that the Company's Auditors are aware of that information.

Independent auditors
PricewaterhouseCoopers LLP ("PwC"), were appointed as auditors to the Company on 29 August 2018. The Members of the Company have resolved by waiver resolution dated 21 March 2018, in accordance with section 201 of the Companies (Guernsey) Law 2008 that the Company be exempt from and waive the requirement to hold annual general meetings.

For and on behalf of the Board of Directors:

Director	Director
12 / 6 / 2020	12 / 6 / 2020
Date	Date

Independent auditors' report to the members of Utmost UK Group Holdings Ltd.

Report on the audit of the financial statements

Opinion

In our opinion:

- Utmost UK Group Holdings Ltd.'s group financial statements and company financial statements (the "financial statements") give a true and fair view of the state of the group's and of the company's affairs as at 31 December 2019 and of the group's and the company's profit and cash flows for the year then ended;
- the group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB);
- the company financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union; and
- the financial statements have been prepared in accordance with the requirements of the Companies (Guernsey) Law, 2008

We have audited the financial statements, included within the Annual Report and Consolidated Financial Statements (the "Annual Report"), which comprise: the statement of financial position as at 31 December 2019; the statement of comprehensive income for the year ended 31 December 2019, the statement of cash flows for the year ended 31 December 2019, the statement of changes in equity for the year ended 31 December 2019 ; and the notes to the financial statements, which include a description of the significant accounting policies.

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 group 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, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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 group's and 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 group's and 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 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.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Directors' Responsibilities Statement set out on page 4, 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 group's and 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 group or 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 Section 262 of The Companies (Guernsey) Law, 2008 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 (Guernsey) Law, 2008 exception reporting

Under the Companies (Guernsey) Law, 2008 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
- proper accounting records have not been kept by the company; or
- the financial statements are not in agreement with the accounting records.

We have no exceptions to report arising from this responsibility.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants
London
12 June 2020

Utmost UK Group Holdings Ltd.

Statement of Comprehensive Income

For the year ended 31 December 2019

	Notes	Consolidated		Company	
		2019	2018	2019	2018
		£'000	£'000	£'000	£'000
Gross premiums earned		10,589	9,836	-	-
Outward reinsurance premiums		(19,276)	(12,250)	-	-
Net premiums earned		**(8,687)**	**(2,414)**	-	-
Dividends received		-	143		
Fee and commission income	4	3,136	6,235	-	-
Investment return	5	162,386	(32,636)	-	-
Other operating income		-	589		
Total revenue, net of reinsurance payable		**156,835**	**(28,083)**	-	-
Policyholder claims		(62,308)	(72,195)	-	-
Change in investment contract liabilities		(64,463)	59,817	-	-
Change in insurance contract liabilities		2,203	59,334	-	-
Transfer (to) / from unallocated surplus	18	(6,486)	7,348	-	-
Net policyholder claims		**(131,054)**	**54,304**	-	-
Administrative expenses	6	(13,303)	(18,990)	5	(20)
Amortisation of acquired value of in-force business	12	(4,067)	(3,050)	-	-
Total operating expenses		**(17,370)**	**(22,040)**	**5**	**(20)**
Change in fair value of investment in subsidiary	11	-	-	31,627	35,311
Gain arising on bargain purchase	12	-	34,917	-	-
Loss on disposal of subsidiaries		-	(19,248)	-	(17,458)
Reclassification of reserves on disposal of subsidiaries		-	13,267	-	-
Profit for the financial year before tax and interest		**8,411**	**33,117**	**31,632**	**17,833**
Interest payable		(239)	-	-	-
Tax charge	8	(2,879)	(4,307)	-	-
Profit for the financial year after tax and interest		**5,293**	**28,810**	**31,632**	**17,833**
Other comprehensive income					
Fair value movements of owner occupied land and buildings		150	350	-	-
Remeasurement of net defined benefit obligation		2,785	654	-	-
Total tax on components of other comprehensive income		(473)	(93)	-	-
Total comprehensive income for the financial year		**7,755**	**29,721**	**31,632**	**17,833**

Income and expense for the year derive wholly from continuing operations. The notes on pages 11 to 50 form an integral part of these financial statements.

Utmost UK Group Holdings Ltd.

Statement of Financial Position

As at 31 December 2019

	Notes	Consolidated		Company	
		2019	2018	2019	2018
ASSETS		£'000	£'000	£'000	£'000
Acquired value of in-force business	12	53,886	57,953	-	-
Property, plant and equipment	9	3,738	3,452	-	-
Investments in subsidiary undertaking	11	-	-	176,938	101,311
Financial assets	13	1,759,945	1,565,688	-	-
Current and deferred tax assets		-	2,432	-	-
Reinsurance assets	16	17,356	28,404	-	-
Other debtors	15	9,979	5,043	-	-
Prepayments and accrued income		11,545	11,497	-	-
Cash and cash equivalents		73,006	82,612	18	18
Total assets		**1,929,455**	**1,757,081**	**176,956**	**101,329**
LIABILITIES					
Liabilities to customers under insurance contracts:					
Liabilities under insurance contracts	17	932,623	944,800	-	-
Unallocated surplus	18	70,765	64,279	-	-
Liabilities to customers under investment contracts	19	640,897	618,304	-	-
Reinsurance payables		-	431	-	-
Deposits received from reinsurers		5,812	6,192	-	-
Accruals and deferred income		6,748	5,655	-	5
Borrowings from banks	20	98,051	-	-	-
Other liabilities	21	13,785	6,302	-	-
Deferred tax liabilities	22	5,801	5,120	-	-
Defined benefit pension net liability	26	3,269	6,049	-	-
Total liabilities		**1,777,751**	**1,657,132**	-	5
Equity					
Share capital	23	75	75	75	75
Share premium		110,000	66,000	110,000	66,000
Capital redemption reserve		(4,755)	(4,755)	(4,755)	(4,755)
Retained earnings		46,384	38,629	71,636	40,004
Total equity		**151,704**	**99,949**	**176,956**	**101,324**
Total equity and liabilities		**1,929,455**	**1,757,081**	**176,956**	**101,329**

The financial statements on pages 7 to 50 were approved and authorised for issue by the Board of Directors on 12 June 2020 and signed on its behalf by:

Director

Director

The notes on pages 11 to 50 form an integral part of these financial statements.

Utmost UK Group Holdings Ltd.

Statement of Changes in Equity

For the year ended 31 December 2019

CONSOLIDATED	**Notes**	**Called up share capital presented as equity £'000**	**Share premium £'000**	**Capital redemption reserve £'000**	**Other reserves £'000**	**Retained earnings £'000**	**Total £'000**
Balance as at 1 January 2018		75	66,632	-	13,267	8,908	88,882
Reclassification of reserves on disposal of subsidiary		-	-	-	(13,267)	-	(13,267)
Profit for the year		-	-	-	-	28,810	28,810
Other comprehensive income for the year		-	-	-	-	911	911
Shares issued during the year		-	66,000	-	-	-	66,000
Shares repurchased in the year		-	(66,632)	-	-	-	(66,632)
Capital redemption reserve on redemption of preference shares		-	-	(4,755)	-	-	(4,755)
Balance as at 31 December 2018		**75**	**66,000**	**(4,755)**	**-**	**38,629**	**99,949**
Profit for the year		-	-	-	-	5,293	5,293
Other comprehensive income for the year		-	-	-	-	2,462	2,462
Capital contribution received during the year		-	44,000	-	-	-	44,000
Balance as at 31 December 2019		**75**	**110,000**	**(4,755)**	**-**	**46,384**	**151,704**

COMPANY	**Notes**	**Called up share capital presented as equity £'000**	**Share premium £'000**	**Capital redemption reserve £'000**	**Retained earnings £'000**	**Total £'000**
Balance as at 1 January 2018		75	66,632	-	22,171	88,878
Total comprehensive income for the year		-	-	-	17,833	17,833
Shares issued during the year		-	66,000	-	-	66,000
Shares repurchased in the year		-	(66,632)	(4,755)	-	(71,387)
Balance as at 31 December 2018		**75**	**66,000**	**(4,755)**	**40,004**	**101,324**
Total comprehensive income for the year		-	-	-	31,632	31,632
Capital contribution received during the year		-	44,000	-	-	44,000
Balance as at 31 December 2019		**75**	**110,000**	**(4,755)**	**71,636**	**176,956**

The notes on pages 11 to 50 form an integral part of these financial statements.

Utmost UK Group Holdings Ltd.

Statement of Cash Flows

For the year ended 31 December 2019

	Notes	Consolidated		Company	
		2019	2018	2019	2018
		£'000	£'000	£'000	£'000
Net cash flows from operating activities	24	**(151,418)**	**(48,799)**	**-**	**(31)**
Cash flows from investing activities					
Investment in subsidiaries (net of cash acquired)		-	71,732	-	-
Disposal of subsidiaries (net of cash acquired)		-	(91,685)	-	-
Capital contributions paid to subsidiary		-	-	-	(2,130)
Net cash used in investment activities		-	**(19,953)**	-	**(2,130)**
Cash flows from financing activities					
Capital contribution received		44,000	-	-	-
Share premium received		-	66,000	-	-
Net drawdown on borrowings from bank		97,812	-	-	-
Net cash flows from financing activities		**141,812**	**66,000**	**-**	**-**
Net decrease in cash and cash equivalents		**(9,606)**	**(2,752)**	-	**(2,161)**
Cash and cash equivalents at the beginning of the financial year		82,612	85,364	18	2,178
Exchange differences arising on cash and cash equivalents		-	-	-	1
Cash and cash equivalents at the end of the financial year		**73,006**	**82,612**	**18**	**18**

The notes on pages 11 to 50 form an integral part of these financial statements.

Utmost UK Group Holdings Ltd.

Notes to the Financial Statements

For the year ended 31 December 2019

1 General information

The principal activity of Utmost UK Group Holdings Ltd. (the "Company") is as an insurance holding company in respect of the Utmost Life and Pensions business which is held primarily within Utmost Life and Pensions Limited, an indirect subsidiary of the Company. The Company is a private company incorporated in Guernsey within the meaning of section 2(1)(a) of the Companies (Guernsey) Law, 2008 and was incorporated on 11 September 2013. The address of the Company's registered office is Utmost House, Hirzel Street, St. Peter Port, Guernsey, GY1 4PA.

2 Significant Accounting Policies

The principal accounting policies that the Company and Group applied in preparing its financial statements for the financial year ended 31 December 2019 are set out below.

2.1 Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board, interpretations issued by the International Financial Reporting Interpretations Committee to the extent they have been endorsed by the European Union and with applicable requirements of the Companies (Guernsey) Law, 2008. The directors have prepared consolidated and separate Company financial statements.

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain assets and liabilities to the extent required or permitted under accounting standards as set out in the relevant accounting policies. The Consolidated and Company financial statements are presented in Pounds Sterling, rounded to the nearest thousand.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and each of its subsidiaries as detailed in note 2. Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases. Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated primary statements.

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

— fair values of the assets transferred
— liabilities incurred to the former owners of the acquired business
— equity interests issued by the Group
— fair value of any asset or liability resulting from a contingent consideration arrangement, and
— fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date.

2 Significant Accounting Policies (continued)

The excess of the:

— consideration transferred,

— amount of any non-controlling interest in the acquired entity, and

— acquisition-date fair value of any previous equity interest in the acquired entity

over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in the Statement of Comprehensive Income as "gain on bargain purchase".

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions. Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss. If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in the Statement of Comprehensive Income.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Going concern

At the time of preparing and approving the financial statements, the Directors have a reasonable expectation that the Company and Group have sufficient resources to continue in operational existence for the foreseeable future. The Company and Group therefore continues to adopt the going concern basis in preparing its individual and consolidated financial statements.

2.2 Foreign currency translation

2.2.1 Functional and presentation currency

The Company and Group's presentational and functional currency is Pounds Sterling, being the primary economic environment in which the Company and Group operate.

2.2.2 Foreign currency transactions and balances

Foreign currency transactions are accounted for at the exchange rates prevailing at the date of the transactions. Gains and losses resulting from the settlement of such transactions, and from the translation of monetary assets and liabilities denominated in foreign currencies, are recognised in the Statement of Comprehensive Income.

Translation differences on monetary financial assets measured at fair value and designated as held at fair value through the profit or loss are included in foreign exchange gains and losses in the Statement of Comprehensive Income. Translation differences on non-monetary items, which are designated as fair value, are reported as part of the fair value gain or loss.

On conversion to the presentation currency, assets and liabilities are translated at the closing rate at the year-end date, income and expenditure are converted at the transaction rate, or the average rate if this is an approximation of the transaction rate. All resulting exchange differences are recognised in Other Comprehensive Income.

2 Significant Accounting Policies (continued)

2.3 Classification of insurance and investment contracts

Contracts are classified as insurance contracts where the Group 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 Group 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 contract with a DPF are recognised, measured and presented as insurance contracts.

2.4 Premiums

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

2.5 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.

2.6 Long-term business provision

The long-term business provision is determined on the basis of recognised actuarial methods and in accordance with the regulations contained in the Prudential Regulation Authority ("PRA") Rulebook, with adjustments to align to IFRS requirements. In determining the long-term business provision all relevant guidance from the Board of Actuarial Standards has been followed.

The long-term business 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;
- Using 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 to 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);
- With-Profit provisions exclude future final bonuses because these are not guaranteed. The excess of assets over liabilities in the With-Profit 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.

2 Significant Accounting Policies (continued)

2.7 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 2.8 'unit-linked investment contracts' below).

2.8 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 Statement of Comprehensive Income and are presented in the Statement of Financial Position as "Liabilities to customers under investment contracts".

Fees receivable from unit-linked investment contracts (included in "Fee and commission income") and investment income and interest payable on contract balances are recognised in the Statement of Comprehensive Income 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.

2.9 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 Statement of Comprehensive Income, 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.

2.10 Defined benefit pension scheme

The defined benefit pension scheme was transferred from the Reliance Mutual Insurance Society Limited ("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 Group. 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').

2 Significant Accounting Policies (continued)

2.10 Defined benefit pension scheme (continued)

The fair value of scheme assets is measured in accordance with the IFRS 13 fair value hierarchy and in accordance with the Group'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 IAS19. Included on the Statement of Financial Position is 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 Statement of 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.

2.11 Taxation (current and deferred)

Current tax payable is the expected tax payable on the taxable income for the period adjusted for changes to previous periods and is calculated based on the applicable tax law in the relevant tax jurisdiction. Deferred tax is provided using the Statement of Financial Position method on temporary differences arising between the tax bases of assets and liabilities for taxation purposes and their carrying amounts in the financial statements. Current and deferred taxes are determined using tax rates based on legislation enacted or substantively enacted at the year end date and expected to apply when the related tax asset is realised or the related tax liability is settled.

Deferred tax assets are recognised where it is probable that future taxable profits will be available against which temporary differences will be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax liabilities are recognised when there are temporary difference between the carrying value of assets and the tax base.

Tax assets and liabilities are only offset when they arise in the same reporting group for tax purposes and where there is both the legal right and intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the year end and that are expected to apply to the reversal of the timing difference.

2 Significant Accounting Policies (continued)

2.12 Business combinations and goodwill

Business combinations are accounted for by applying the purchase method.

The cost of a business combination is the fair value of the consideration given, liabilities incurred or assumed and of equity instruments issued plus the costs directly attributable to the business combination. Where control is achieved in stages the cost is the consideration at the date of each transaction.

Contingent consideration is initially recognised at the estimated amount where the consideration is probable and can be measured reliably. Where (i) the contingent consideration is not considered probable or cannot be reliably measured but subsequently becomes probable and measurable or (ii) 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.

Negative goodwill arising on an acquisition is recognised directly in the Statement of Comprehensive Income as a gain on bargain purchase.

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.

2.13 Acquired value of in-force business

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 Group’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 value of acquired in-force business.

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 shareholder’s 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 Statement of Comprehensive Income. The remaining amortisation period at 31 December 2019 is 13.25 years.

2.14 Land and buildings

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

2 Significant Accounting Policies (continued)

2.15 Property, plant and equipment

Property, plant and equipment 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 assets' residual values and useful lives are reviewed, and adjusted, if appropriate, at the end of each reporting period. The effect of any change is applied prospectively.

2.16 Investment in subsidiary undertakings

Subsidiaries are entities controlled directly or indirectly by the Company. The Company controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Investment in subsidiaries are measured at fair value in the Statement of Financial Position and classified as a Level 3 asset in the fair value hierarchy. The determination of the fair value is a judgemental area and inputs to Level 3 fair values are unobservable inputs for the asset or liability. Unobservable inputs may have been used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date. Unobservable inputs reflect the assumptions that management consider market participants would use in pricing the asset or liability in the event of selling the business. Where estimates are used, these are based on a combination of independent third-party evidence and internally developed models, calibrated to market observable data where possible.

The fair value approach applied by the Company is to measure the 'economic value' of the underlying subsidiaries based on a Solvency II assessment of the value of the business, adjusted for other components where management view that Solvency II doesn't reflect the commercial value of the business. One such component is to adjust the 'risk margin' (an amount required under Solvency II rules to represent the potential cost of transferring insurance obligations to a third party should an insurer fail), calculated using a cost of capital set to 6% under regulatory rules, which management consider to overstate the realistic cost. Accordingly the fair value assessment applies a 3% cost of capital (2018: 3%) in calculating the risk margin to more appropriately reflect management's view of economic value. A further component is to remove the impact of the Transitional Measures on Technical Provisions ('TMTP'), which reflects an adjustment to bring the Solvency II technical provisions in line with their actual Solvency II valuation (currently insurers are permitted to amortise the increase in technical provisions resulting from the transition to Solvency II over sixteen years).

£31,627k of fair value gains are recognised in the Statement of Comprehensive Income in the year ended 31 December 2019 (2018: £35,311k) in respect of remeasuring the Company's investment in subsidiaries at fair value. The impact on the fair value of investment in subsidiaries of a 1% change in the cost of capital would be £5.0m (2018: £5.0m).

2.17 Cash and cash equivalents

Cash and cash equivalents includes 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.

2 Significant Accounting Policies (continued)

2.18 Provisions and contingencies

(i) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of a 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.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligation as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class or obligations might be small.

Restructuring provisions are recognised when the Group 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.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as a finance cost.

(ii) Contingencies

Contingent liabilities are not recognised, except those acquired in a business combination. Contingent liabilities arise as a result of past events when (i) it is not probable that there will be an outflow of resources or that amount cannot be reliably measured at the reporting date or (ii) when the existence will be confirmed by the occurrence or non-occurrence of uncertain future events not wholly within the Group'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.

2.19 Financial instruments

The Group has chosen to apply the recognition and measurement provisions of IAS 39 Financial Instruments (as adopted for use in the EU) in respect of financial instruments. As detailed in note 2.26, the Group has elected to defer the adoption of IFRS 9 in accordance with the temporary exemption permitted by the IASB to defer until the adoption of IFRS 17.

2 Significant Accounting Policies (continued)

2.20 Financial assets

The Group classifies its financial assets into the following categories: Shares and other variable yield securities and units in unit trusts – at fair value through profit and loss; Derivatives – at fair value through profit and loss; Debt securities and other fixed income securities – at fair value through profit and loss; Loans and receivables – at amortised cost. Management determines the classification of its investments at initial recognition.

(i) Shares and other variable yield securities and units in unit trusts, debt securities and other fixed income securities – at fair value through profit and loss

A financial asset is classified into this category at inception if they are acquired with the view that they are capable of being sold in the future prior to maturity or if so designated by management to minimise any measurement or recognition inconsistency with the associated liabilities.

Financial assets designated as at fair value through profit and loss are those that are managed and whose performance is evaluated on a fair value basis. Information about these financial assets is provided internally on a fair value basis to key management personnel. The Group's investment strategy is to invest in listed equity securities and fixed interest rate debt securities and derivatives designated upon initial recognition at fair value through profit and loss.

Fair value for listed and other listed investments in fixed interest holdings is the bid price excluding accrued income. Unit trust and open-ended investment company (OEIC) holdings are valued at bid price. Assets held to cover the technical provision for linked liabilities are valued at bid price.

(ii) Derivative – at fair value through profit and loss

Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value are recognised immediately in the Statement of Comprehensive Income. 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.

(iii) Deposits with credit institutions – other loans

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.

(iv) Collateral

The Group receives and pledges cash as collateral in respect of certain derivative contracts in order to reduce the credit risk of these transactions. The amount of the collateral required depends upon an assessment of the credit risk of the counterparty.

The collateral received is not legally segregated from the Group, and is recognised as an asset in the Statement of Financial Position with a corresponding liability for repayment in other liabilities note 23.

2 Significant Accounting Policies (continued)

(i) Impairment of financial assets

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

2.21 Financial liabilities

On initial recognition, financial liabilities are recognised when due and measured at fair value of the consideration received less directly attributable transaction costs (with the exception of liabilities at fair value through profit or loss which all transaction costs are expensed). Subsequent to initial recognition, financial liabilities (except for liabilities under investment contracts and other liabilities designated at fair value through profit or loss) are measured at amortised cost using the effective interest method.

2.22 Borrowings

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

2.23 Investment return

Interest income is recognised using the effective interest rate method.

Dividend income is recognised when the right to receive payment is established.

Interest, rents and expenses are accounted for on an accruals basis.

Realised gains and losses on investments carried at fair value through Statement of Comprehensive Income are calculated as the difference between net sale proceeds and the purchase price. Movements in unrealised gains and losses on investments represent the difference between the fair value at the balance sheet date and their purchase price or their fair value at the last balance sheet date, together with the reversal of unrealised gains and losses recognised in earlier accounting periods in respect of investment disposals in the current period. All gains and losses are reported in the Statement of Comprehensive Income.

2.24 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.

2.25 Distributions to equity holders

Dividends and other distributions to the Group'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.

2 Significant Accounting Policies (continued)

2.26 Changes in accounting standards and accounting policies

New standards, amendments to standards and interpretations

From 1 January 2019, following the adoption of IFRS 16, leases are recognised as a right-of-use asset and corresponding lease liability. This new standard eliminates the distinction between operating and finance leases and requires lessees to recognise all leases on the statement of financial position other than those with a lease term of greater than 12 months or for which the underlying asset is of low value. IFRS 16 has been adopted on a modified retrospective basis, so the 2018 comparatives are not required to be adjusted. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening statement of financial position on 1 January 2019. On adoption of IFRS 16 the Group recognised a lease as a right-of-use asset and corresponding lease liability in relation to leases which had previously been classified as operating leases in accordance with IAS 17. The financial impact of adopting IFRS 16 is immaterial to the Group.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of fixed payments, less any incentives receivable under the lease. Lease payments in relation to options to terminate are only included in the measurement of the liability if it is reasonably certain that the option will not be exercised, otherwise payments following the option to terminate will not be included.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined then the lessee's incremental borrowing rate is used, being the rate that the Group would have to pay to borrow funds to obtain an asset of similar value to the right-of-use asset. The incremental borrowing rate is 3%, which has been determined with reference to the borrowing rates of the wider Utmost Group, and taking into account the credit rating of the trading subsidiaries of the Group.

Lease payments are allocated between principal and a finance cost. The finance cost is charged to the statement of comprehensive income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is measured at cost comprising the amount of the initial measurement of lease liability, adjusted for the prepaid portion of the final lease payment made prior to 1 January 2019. The right-of-use asset is depreciated over the remaining lease term on a straight-line basis less any impairment, up to the date of the first tenant break clause.

Proposed prospective changes to accounting standards

IFRS 9 'Financial Instruments': The Group met the eligibility criteria for temporary exemption under the Amendments to IFRS 4 from applying IFRS 9 in 2018 and has accordingly deferred the adoption of IFRS 9 until the date when IFRS 17 'Insurance Contracts' is expected to be adopted upon its current mandatory effective date. The Group is eligible as its activities are predominantly to issue insurance contracts based on the criteria asset out in the amendments to IFRS 4. Specifically, the total carrying amount of liabilities connected with insurance, which includes liabilities under IFRS 4 and investment contract liabilities measured at fair value under IAS 39, for the year ended 31 December 2018 is equivalent to 98% of total liabilities. The disclosure of the fair value of the Group's financial assets, showing the amounts for instruments that meet the 'Solely for Payment of Principal and Interest' (SPPI) criteria that do not meet the definition of held for trading or are managed and evaluated on a fair value basis separately from all other financial assets is not provided as these amounts are immaterial to the Group.

IFRS 17 "Insurance Contracts": The IASB issued IFRS 17 in May 2017 as a replacement to the previous insurance contracts standard IFRS 4 and applies to periods beginning on or after 1 January 2021. In March 2020 the IASB approved an amendment to IFRS 17 to defer the effective date to 1 January 2023. The adoption of IFRS 17 will have a significant impact on the accounting treatment of insurance contracts and investment contracts with discretionary participation features ("DPF") written by the group.

IFRS 17 is expected to change the methodology under which (re) insurance contract liabilities are measured, in addition to revising the presentation of the primary statements and disclosures in the financial statements. These changes will impact the recognition of profit and add complexity to actuarial processes, system requirements and assumption setting.

The Group has commenced an implementation project including an impact assessment as well as producing an implementation plan. The implementation activities undertaken during the year include an assessment of which contracts are in scope of the standard, identification of system and data requirements and the development of accounting methodologies and policies. The implementation project will continue in 2020 with a 'dry run' exercise expected to be completed across the Group during the year.

3 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

a Significant judgements in applying the accounting policies

(i) Significant insurance risk

Insurance contracts are those contracts that transfer significant insurance risk. Such contracts may also transfer financial risk. As a general guideline, the Group 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 Group 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 2.6 and 2.7 with further detail of the key assumptions made in determining insurance and investment contract liabilities included in notes 17 and 19. 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 27.

(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 27(e): liquidity risks) for details of the carrying values. The Group uses its judgment 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 27 for discussion of the related risks.

(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 9 for the carrying value.

3 Critical accounting estimates and judgements (continued)

(iv) Estimated impairment of Acquired Value of in-Force business

The Group tests annually whether the Acquired Value of in Force Business has suffered any impairment. The recoverable amounts have been determined based on value-in-use calculations. These calculations require the use of estimates. See note 12 for the carrying value. 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 assumptions made prove to be inaccurate, this may mean that the value of goodwill is not supportable, which could have a material effect on the Group's financial position.

(v) Defined benefit pension scheme

In respect of the Reliance Pension Scheme, ULP currently recognises a pension deficit. The present value of the liability depends on a number of factors, including; life expectancy, salary increases, asset valuations and the discount rates used on corporate bonds. Management estimates these factors in determining the net pension obligation in the balance sheet. The assumptions reflect historical experience and current trends. See note 26 for disclosures relating to the defined benefit pension scheme.

(vi) Investment in subsidiary undertaking

Accounting for investment in subsidiary undertakings is discussed in more detail in accounting policies note 2.16 with further detail of the financial effect to the Company included in note 11.

4 Fees and commission income

Included within commissions, fees and rebate income arising on investments are:

	Consolidated	
	2019	2018
	£'000	£'000
Fee income from investment contracts	3,136	6,235

5 Investment return

	Consolidated		Company	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
(Loss)/income from financial assets at fair value through profit or loss - Ireland business	-	(16,464)	-	-
Income from financial assets at fair value through profit or loss	43,166	33,716	-	-
Net return on pension scheme	(147)	(117)	-	-
Net gain on realisation of investments	45,735	19,051	-	-
Net unrealised gains/(losses) on investments	73,632	(68,822)	-	-
Net investment income	**162,386**	**(32,636)**	-	-

6 Administrative expenses

	Consolidated	
	2019	**2018**
	£'000	**£'000**
Staff costs		
Wages and salaries	5,142	5,242
Social security costs	591	412
Defined pensions contribution	299	549
Other staff costs	-	26
	6,032	**6,229**
Other administrative costs	7,271	12,761
	13,303	**18,990**

	Consolidated		Company	
	2019	**2018**	**2019**	**2018**
	£'000	**£'000**	**£'000**	**£'000**
Fees payable to PricewaterhouseCoopers				
Audit services	597	356	17	15
Non-audit services	188	182	-	-
Total	**785**	**538**	**17**	**15**
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.

Employee information

The average monthly number of persons (including the executive Directors) employed by the Group during the year was 92 (2018: 88).

7 Directors' remuneration

	Consolidated	
	2019	**2018**
	£'000	**£'000**
Total directors' emoluments	1,655	1,568
Highest paid director (included in above figures)	646	316

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 EV 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 at 31 December 2019 is £108k (2018: £56k).

8 Taxation

The tax charge/(credit) recognised in the Statement of Comprehensive Income is comprised as follows:

	Consolidated	
	2019	**2018**
	£'000	**£'000**
UK corporation tax charge / (credit)	2,670	(833)
Current year movement in deferred tax	209	5,140
	2,879	**4,307**

The Company pays Guernsey income tax at the standard rate of 0% (2018: 0%). Some subsidiary companies as detailed in note 10 pay tax at the main UK corporation tax rate of 19% (2018: 19%). In addition, one of the subsidiaries, Utmost Life and Pensions Limited, also has a liability to pay tax at the UK policyholder of 20% (2018) in respect of some of its profits.

The 2016 Finance Act contained provisions to reduce the main UK corporation tax rate to 17% with effect from 1 April 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 had been provided at the rate of 19%, rather than the rate of 17%, the impact would have been to increase the tax charge by £0.7m.

The reconciliation of taxation on profits at the standard tax rate applicable in each jurisdiction to the actual tax charge is analysed as follows:

The 2016 Finance Act contained provisions to reduce the main UK corporation tax rate to 17% with effect from 1 April 2020. The company has used the latter rate to provide for deferred tax rate on timing differences that are expected to be taxable, when they unwind, at the main corporation tax rate.

	Consolidated		Company	
	2019	**2018**	**2019**	**2018**
	£'000	**£'000**	**£'000**	**£'000**
Profit on ordinary activities before taxation	**8,172**	**33,117**	**31,632**	**17,833**
Tax at the Guernsey rate of 0% (2018: 0%)	-	-	-	-
Profits taxable at UK standard rate of corporation tax rate	1,056	6,061	-	-
Profits taxable at UK policyholder rate of corporation tax	2,153	(919)	-	-
Prior year adjustments in respect of UK corporation tax	(330)	(835)	-	-
Tax charge for the financial year	**2,879**	**4,307**	-	-

9 Property, plant and equipment

	Consolidated			
	Hardware and software	**Right of use asset**	**Land and buildings**	**Total**
	£'000	**£'000**	**£'000**	**£'000**
Cost				
At beginning of the financial year	2	-	3,100	3,102
Impact of the adoption of IFRS 16	-	244	-	244
Additions	-	-	-	-
Disposal on sale of subsidiary	-	-	-	-
At 31 December 2019	**2**	**244**	**3,100**	**3,346**
Accumulated revaluation				
At beginning of the financial year	-	-	350	350
Depreciation charge in the year	-	(108)	-	(108)
Revaluation gain in the year	-	-	150	150
At 31 December 2019	-	**(108)**	**500**	**392**
Net book values at 31 December 2019	2	136	3,600	3,738
Net book values at 31 December 2018	2	-	3,450	3,452

Land and buildings was 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.

10 Subsidiaries

The consolidated financial statements include the following subsidiaries as at 31 December 2019:

Subsidiary	Date of acquisition	Registered address / business address	Nature of business	Shares held
UUG Holdings (No 2) Ltd	18 Jan 2018 (incorporation date)	Utmost House, Hirzel Street, St. Peter Port, Guernsey, GY1 4PA.	Investment holding	100% of issued share capital
UUG Holdings (No 3) Ltd	18 Jan 2018 (incorporation date)	Utmost House, Hirzel Street, St. Peter Port, Guernsey, GY1 4PA.	Investment holding	100% of issued share capital
UUG Holdings (No 1) Ltd	22 Jan 2018 (incorporation date)	5th Floor Saddlers House 44 Gutter Lane London	Investment holding	100% of issued share capital
Utmost Life and Pension Holdings Limited	22 Mar 2018	Utmost House, 6 Vale Avenue Tunbridge Wells, Kent England	Investment holding	100% of issued share capital
Utmost Life and Pensions Limited	22 Mar 2018	Utmost House, 6 Vale Avenue Tunbridge Wells, Kent England	Life insurance	100% of issued share capital
Utmost Life and Pensions Services Limited	22 Mar 2018	Utmost House, 6 Vale Avenue Tunbridge Wells, Kent England	Service Company	100% of issued share capital
RMIS (RTW) Limited	01 Apr 2018	Utmost House, 6 Vale Avenue Tunbridge Wells, Kent England	Member settlements	100% of issued share capital
Reliance Unit Managers Limited	01 Apr 2018	Utmost House, 6 Vale Avenue Tunbridge Wells, Kent England	Unit Trust Management	100% of issued share capital
Reliance Pension Scheme Trustee Limited	01 Apr 2018	Utmost House, 6 Vale Avenue Tunbridge Wells, Kent England	Pension	100% of issued share capital
RL DormantCo Ltd	01 Apr 2018	Utmost House, 6 Vale Avenue Tunbridge Wells, Kent England	Dormant	100% of issued share capital
Reliance Administration Services Limited	01 Apr 2018	Utmost House, 6 Vale Avenue Tunbridge Wells, Kent England	Administration	100% of issued share capital
FS Management Limited	01 Apr 2018	Utmost House, 6 Vale Avenue Tunbridge Wells, Kent England	Administration	100% of issued share capital

11 Investments in subsidiary undertakings

	Company	
	2019	**2018**
	£'000	**£'000**
Cost		
Balance at 1 January	66,000	62,278
Capital contributions during the year	44,000	68,130
Disposal during the year	-	(64,408)
Balance at 31 December	**110,000**	**66,000**
Revaluation		
At 1 January	35,311	24,438
Disposal during the year	-	(24,438)
Fair value movements in the year	31,627	35,311
Balance at 31 December	**66,938**	**35,311**
Carrying value	**176,938**	**101,311**

The Company made capital contributions of £44,000k (2018: £66,000k) in respect of the acquisitions of Equitable Life and RMIS respectively.

12 Acquired value of in-force business

	Consolidated	
	2019	**2018**
	£'000	**£'000**
Cost		
Balance at 1 January	61,003	-
Additions during the financial year	-	61,003
Balance at 31 December	**61,003**	**61,003**
Amortisation		
At 1 January	3,050	-
Amortisation during the year	4,067	3,050
Balance at 31 December	**7,117**	**3,050**
Carrying value	**53,886**	**57,953**

13 Financial assets

	Consolidated	
	2019	**2018**
	£'000	**£'000**
Loans and deposits at amortised cost	961	4,405
Financial assets held at fair value through profit or loss		
Designated at initial recognition		
Equities	106,348	213,092
Fixed and variable income securities	991,087	714,019
Derivatives (note 14)	17,165	14,360
Assets held to cover linked liabilities	644,384	619,812
Total financial assets	**1,759,945**	**1,565,688**

14 Derivatives

Included within the Group'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 swaps 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 income statement. Fair value loss in the year amounted to £2.8m (2018: loss of £0.8m).

15 Other debtors

	Consolidated	
	2019	**2018**
	£'000	**£'000**
Debtors arising out of direct insurance operations - Policy holders	198	-
Debtors arising out of direct insurance operations	319	-
BNPP Collateral	7,800	4,300
Other debtors	1,662	743
	9,979	**5,043**

The BNPP debtor above relates to cash collateral received under derivative arrangements with the counterparty BNP Paribas.

16 Reinsurance assets

	Consolidated	
	2019	**2018**
	£'000	**£'000**
Reinsurers' share of insurance contract liabilities	17,356	28,404
	17,356	**28,404**

17 Liabilities to customers under insurance contracts

	Consolidated		Consolidated	
	Gross liabilities	**Reinsurers' share**	**Gross liabilities**	**Reinsurers' share**
	2019	**2019**	**2018**	**2018**
	£'000	**£'000**	**£'000**	**£'000**
Long term business provision as at 1 January	912,185	(5,089)	594,880	424,083
Additions on acquisition of subsidiary	-	-	993,205	(33,755)
Disposal on sale of subsidiary	-	-	(604,180)	(424,083)
Policyholder premiums	8,939	-	(8,275)	-
Policyholder claims	(65,425)	(1,241)	62,820	871
Interest credit/unwind of discount	(3,068)	3,655	(87,278)	3,018
Change in expense assumptions	8,874	-	-	-
Change in longevity and mortality assumptions	(23,189)	16,661	(37,681)	24,178
Change in economic assumptions	45,980	883	-	-
Reclassification of pensions misselling	(2,017)	-	-	-
Other changes in liabilities	6,578	2,668	(1,306)	599
Long term business provision as at 31 December	**888,857**	**17,537**	**912,185**	**(5,089)**
Long term reinsurance business provision	34,893		23,315	
Claims outstanding	8,873		9,300	
Total liabilities to customers under insurance contracts	**932,623**		**944,800**	

Net reinsurance balance of (£17,537k) comprises debtor of £17,356k and creditor of £34,893k.

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 Group. The Group 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.

18 Unallocated surplus

	Consolidated	
	2019	2018
	£'000	£'000
At 1 January	64,279	27,928
Disposals on sale of subsidiary	-	(27,348)
Additions on acquisition of subsidiaries	-	71,047
Transfer (to) / from Statement of Comprehensive Income	6,486	(7,348)
At 31 December	**70,765**	**64,279**

19 Liabilities to customers under investment contracts

	Consolidated					
	Unit-linked Investment contracts		Unit-linked Insurance		Total	
	2019	2018	2019	2018	2019	2018
	£'000	£'000	£'000	£'000	£'000	£'000
At 1 January	443,006	483,955	175,298	192,550	618,304	676,505
Deposits/Premiums received	1,837	1,512	1,624	1,390	3,461	2,902
Change in long term business provision	55,624	(10,401)	17,825	(8,558)	73,449	(18,959)
Claims paid	(39,398)	(32,060)	(14,919)	(10,084)	(54,317)	(42,144)
At 31 December	**461,069**	**443,006**	**179,828**	**175,298**	**640,897**	**618,304**

Financial liabilities in respect of unit linked investment contracts are carried in the Statement of Financial Position 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.

20 Borrowings from banks

	Consolidated	
	2019	2018
	£'000	£'000
Bank loan principal	100,000	-
Bank loan accrued interest	216	-
Loan arrangement fee unamortised	(2,165)	-
	98,051	-

20 Borrowings from banks (continued)

On 11 November 2019, UUG Holdings (No 3) Ltd. ("UUG3") entered into a loan facility agreement with Lloyds Bank Plc, National Westminster Bank Plc, ABN AMRO BANK N.V. and ING Bank N.V., London Branch to borrow £100,000k to facilitate the acquisition of the Equitable Life business on 1 January 2020. On 13 December 2019 the £100,000k facility was drawn down, with the loan repayable in stages; with the first repayment date being 15 June 2021 and the final repayment date being 5 years after the utilisation date (13 December 2024). Interest on the loan is charged at LIBOR for the interest period plus a margin (based on consolidated net debt to economic value), calculated in accordance with the facility agreement. The margin rate applied in the first 6 months following the utilisation date is set at 3.5% under the facility agreement. The initial arrangement fees of £2,188k are being amortised over the 5 year term of the loan.

As part of the borrowings detailed above, £4,400k (2018: £Nil) is held by UUG3 in a segregated bank account at Lloyds Bank International Limited as security for the loan interest payable. Furthermore, UUG3 has under the terms of the facility agreement assigned all its rights title and interest in its shareholding in UUG Holdings (No 1) Ltd. to Lloyds Bank Plc as security for the loan.

21 Other liabilities

	Consolidated	
	2019	**2018**
	£'000	**£'000**
Collateral held for swaptions counterparty	7,800	4,300
Tax and social security	824	867
Creditors arising out of direct insurance operations	90	161
Creditors arising out of reinsurance operations	594	-
Other liabilities	4,477	974
	13,785	**6,302**

22 Deferred taxation

	Consolidated	
	2019	**2018**
Deferred tax provisions:	**£'000**	**£'000**
Undiscounted deferred tax liabilities	5,801	5,968
Deferred tax assets	-	(848)
Net deferred tax liability	**5,801**	**5,120**

The table below shows the principal components on which deferred tax arises.	Consolidated	
	2019	**2018**
	£'000	**£'000**
Deferred tax asset on pension deficit	(555)	(1,028)
Acquired intangible asset	5,967	6,405
Losses carried forward asset	-	(346)
Liability for unrealised gains	389	89
Total provision for deferred tax	**5,801**	**5,120**

23 Share capital / Share premium

	Consolidated and Company	
	2019	**2018**
	Number	**Number**
Allotted, called up and fully paid		
Ordinary shares of £1 each	75,001	75,001
S ordinary shares of £1 each	100	100
Preference shares of £0.000001 each	110,000,000	66,000,000
	£'000	**£'000**
Ordinary shares of £1 each	75	75
S ordinary shares of £1 each	-	-
Preference shares of £0.000001 each	110,000	66,000

During the year the Company issued 44,000,000 (2018: 66,000,000) preference shares of £0.000001 each.

24 Reconciliation of profit to cash flows

	Consolidated		Company	
	2019	**2018**	**2019**	**2018**
	£'000	**£'000**	**£'000**	**£'000**
Profit before tax for the year	**8,172**	**33,117**	**31,632**	**17,833**
Non-cash movements				
Tax charge	(2,879)	(4,307)	-	-
Interest expense	239	-	-	-
Revaluation of property	(150)	(350)	-	-
Changes in fair value of investments in subsidiaries	-	-	(31,627)	(35,311)
Gain on bargain purchase	-	(34,917)	-	-
Loss on disposal of subsidiaries	-	19,248	-	**17,458**
Amortisation of AVIF	4,067	3,050	-	-
Change in unallocated surplus	6,486	(7,348)	-	-
Change in operating assets and liabilities				
Change in investment contract and insurance contract liabilities	(735)	(110,555)	-	-
Change in reinsurers' share of technical provisions	22,626	-	-	-
Net movement in financial assets	(192,015)	74,049	-	-
Change in working capital	2,771	(20,786)	(5)	**(11)**
Net cash flows (used in) operating activities	**(151,418)**	**(48,799)**	-	(31)

25 Capital management

The Group's regulated insurance company, ULP, 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, ULP 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 ULP comprises ordinary shares, loan capital and retained earnings. The loan capital between ULPHL and ULP qualifies as Tier 2 capital under Solvency II.

On 23 March 2018, ordinary share capital and loan capital was provided by the Group to ULP in advance of the acquisition of business by ULP from RMIS, effective 1 April 2018, and the increase in ULP's regulatory capital obligations arising therefrom.

In order to reconcile capital or available financial resources within ULP on a IFRS basis to a Solvency II basis, a number of adjustments are required. In addition to Solvency II limits applicable to Tier 2 capital, adjustments include deductions for inadmissible 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 Group seeks to ensure its insurance undertakings have a solvency coverage ratio ('SCR") (Own funds / Solvency Capital Requirement) 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 SCR coverage of ULP at 31 December 2019 was 467% (2018: 178%) which reflects the injection of capital received in December 2019 ahead of the Equitable Life transfer. The SCR coverage of ULP on 1 January 2020 immediately after the transfer of the Equitable Life business was 180%.

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

The approach to capital management is closely linked to the Group's risk appetite, since many of the most material risk exposures have the potential to lead to significant adverse capital impacts on its Statement of Financial Position. The Group 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 Group 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:

- its internal view of the operational and financial risks to which it is exposed, both now and over the business;
- the capital needed to support delivery of the business plan and make progress towards ULP's long-term strategic objectives; and
- its regulatory capital requirements.

For further information on ULP's approach to risk and capital management and on its regulatory capital, users can refer to the "Solvency & Financial Condition Report (SFCR)", which is available on the Utmost Life and Pensions website www.utmost.co.uk.

26 Pension costs

Defined benefit scheme

On 1 April 2018 and as part of the business transfer agreement, ULP 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 ULP 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 year from 1 January to 31 December 2019 ULP made contributions (including deficit funding) of £1.0m (2018: £0.8m).

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

	Consolidated	
	2019	**2018**
	%	**%**
Discount rate	2.0	2.9
RPI inflation rate	3.1	3.4
CPI inflation rate	2.3	2.6
Increases 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	S2PXA	S2PXA
mortality projections	CMI 2019	CMI 2017
long term rate of improvement	1.25(M)	1.75(M)
	1.25(F)	1.5(F)
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

26 Pension costs (continued)

Defined benefit scheme
Reconciliation of funded status to Statement of Financial Position:

	Consolidated	
	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)**

Assets	Consolidated			
	2019	**2019**	**2018**	**2018**
	£'000	**% weight**	**£'000**	**% 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**	**29,520**	**100**

Analysis of Statement of Comprehensive Income Charge:

	Consolidated	
	2019	**2018**
	£'000	**£'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 Statement of Comprehensive Income	**1,016**	**863**

26 Pension costs (continued)

Reconciliation of defined benefit obligation over the year:

	Consolidated	
	2019	**2018**
	£'000	**£'000**
Defined benefit obligation at the start of the year	(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 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 end of the year	**(37,131)**	**(32,904)**

Reconciliation of fair value of plan assets over the year:

	Consolidated	
	2019	**2018**
	£'000	**£'000**
Fair value of plan assets at the start of the year	29,520	-
Transfer from RMIS 1 April 2018	-	30,639
Interest income on plan assets	839	574
Remeasurement – loss on plan assets excluding interest income	3,459	(1,846)
Contributions by ULP	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**
Loss on plan assets	**(3,269)**	**(1,272)**

Reconciliation of asset ceiling / onerous liability over the year:

	Consolidated	
	2019	**2018**
	£'000	**£'000**
Onerous liability at the start of the year	(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 year	-	**(2,665)**

26 Pension costs (continued)

Remeasurements recognised in Other Comprehensive Income (OCI)

	Consolidated	
	2019	**2018**
	£'000	**£'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:

	Consolidated	
	2019	**2018**
	£'000	**£'000**
Net defined benefit (liability) / asset at the start of the year	(6,049)	-
Expense recognised in Statement of Comprehensive Income	(1,016)	(863)
Gain recognised in OCI	2,785	654
Transfer of assets and liabilities from RMIS 1 April 2018	-	(6,598)
Contributions by ULP	1,011	758
Net defined benefit liability at the end of the year	**(3,269)**	**(6,049)**

27 Management of financial risk

The Group holds contracts that transfer insurance risk and financial risk. The Group is exposed to a range of financial risks through its financial assets, financial liabilities (investment contracts), reinsurance assets and policyholder liabilities. This section summarises these risks and the way the Group manages them:

(a) Underwriting risk

The risk for insurance contract is the possibility that the insured event occurs and the subsequent uncertainty of the amount of the resulting claim.

The Group's most material underwriting risk exposures in terms of risk capital are longevity risk (which arises primarily on the Group's significant in-force book of in-payment annuities), expense risk (which arises because the majority of the Group'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).

The Group manages these risks primarily at level of ULP by:

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

Whilst the impact of a short-term variation in the experience would not be especially material, if these assumptions were to be changed then 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 shows the increase in long-term business provisions (and therefore the loss that would be incurred) if the assumptions were to be changed as follows:

Sensitivities:	**2019**	**2018**
5% increase in Guaranteed Annuity Option take-up rates	£1.3m	£1.7m
10% decrease in annuitants mortality rates	£7.6m	£9.9m

(b) Market risk

Market risk arises from the possibility that the value or cash flows of the Group's assets and liabilities fluctuate as a result of the movements in market prices. The principal components of market risk is interest rate.

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. Insurance and non-participating investment contracts have benefit payments that are fixed and guaranteed at the inception of the contract. The financial component of these benefits is usually a guaranteed fixed interest rate (for the insurance contracts, this rate may apply to maturity and/or death benefits) and hence the Group's primary financial risk on these contracts is the risk that the interest income and capital redemptions from the financial assets backing the liabilities is insufficient to fund the guaranteed benefits payable.

The Group's assets and best estimate liabilities are well matched, however the presence of the Risk Margin within the Technical Provisions introduces significant Statement of Financial Position sensitivity to changes in interest rates. In addition, movements in interest rates, by increasing or decreasing the value of assets and liabilities, have significant secondary impacts on other SCR capital requirements.

27 Management of financial risk (continued)

The Group manages these risks primarily through:

- Setting and monitoring appropriate risk appetite limits;
- The amount of economic capital it holds;
- Asset Liability Management;
- Investment Guidelines - Limit Structures; and
- Capital Management of with-profits sub funds ('WPSFs').

Interest rates are used to discount the value of liabilities and also affect the value of fixed interest and index-linked assets. The value of assets and liabilities generally move in a similar manner but to the extent that the liability cash flows are not perfectly matched by asset cash flows, there will be some profit or loss that emerges when interest rates change.

(c) Credit risk

Credit risk is the risk that a counterparty will be unable to pay amounts in full when due.

Assessed in terms of undiversified risk capital, spread risk is the most material credit risk to which the Group is currently exposed. However, the Group's Statement of Financial Position would also be significantly affected if one or more of its material counterparty exposures were to default. All of these risks primarily arise due to the significant holdings of corporate bonds which are used to back the Group's large block of in-payment annuities.

The Group manages these risks primarily at the level of ULP by:

- Setting and monitoring appropriate risk appetite limits;
- The amount of economic capital it holds;
- Investment Guidelines - Limit Structures;
- Asset Optimisation;
- Matching Adjustment; and
- Collateral Arrangements.

27 Management of financial risk (continued)

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

	Consolidated	
	2019	**2018**
	£'000	**£'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	714,019
Loans & receivables	676	712
Assets arising from reinsurance contracts held	17,356	28,404
Deposits with credit institutions	284	3,693
Total assets bearing credit risk	**1,026,568**	**761,188**

Reinsurance has been included with those non-linked assets with a credit rating AA or A. This was considered appropriate in light of the reinsurers' credit rating. To restrict the loss that would be incurred by the failure of another party to fulfil its obligations under the derivative contract, a collateral account is held. The counterparty is contractually required to pledge collateral when the value of the option exceeds £10m with a transfer threshold of £0.5m. The account is assessed on close of day values and rebalanced the next day subject to the threshold limit.

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

Sector	**2019**	**2018**
	% Holding	**% 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%

27 Management of financial risk (continued)

(d) Operational risk

The Group is exposed to a range of financial risks through its financial assets, financial liabilities, reinsurance assets and policyholder liabilities. In particular, the key financial risk is that the proceeds from financial assets are not sufficient to fund the obligations arising from insurance policies and investment contracts as they fall due.

The Group is exposed to a range of risks through its operational processes. The Group has identified eight operational risk categories:

- Business Operations
- Financial / Actuarial
- Legal / Regulatory (including Conduct) Governance
- People IT
- Financial Crime External

All operational risks identified by the Group are allocated to one of these categories. All material operational risk exposures are recorded in the Group's Governance, Incident, Risks and Controls ('GIRC') system and are allocated a first line risk owner. The Group manages these risks primarily at the level of ULP by:

- Setting and monitoring appropriate risk appetite limits;
- The amount of economic capital it holds;
- Individual controls;
- Control Processes & Policies;
- Management and Monitoring; and
- Compliance Monitoring; and Root Cause Analysis.

(e) Liquidity risk

Liquidity risk is the risk that cash may not be available at a reasonable cost to pay obligations when 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 benefits as they fall due. As such this is not a principal risk to the Group.

Annuities in payment, which form the bulk of the non-linked contracts in-force may not be surrendered or transferred at the policyholder's option. With trivial exceptions, all other policies include the right to surrender or transfer the policy on demand, with the surrender or transfer value calculation method being determined by the policy conditions. The majority of such contracts are unit linked, where the liabilities are matched by assets held in internal linked funds. In the property funds, the Group has the right to defer payment of surrender or transfer values by up to six months.

The investment contracts that are not unit-linked have a maximum outstanding duration of five years and are backed by fixed term deposits or short dated fixed interest securities matching the outstanding duration.

27 Management of financial risk (continued)

The table below provides a maturity analysis of the Group's financial liabilities. As noted above this excludes annuities as they cannot be surrendered or transferred at the policyholder's option. These amounts disclosed in the table represent undiscounted cash flows:

	Consolidated		Company	
	2019	**2018**	**2019**	**2018**
	£'000	**£'000**	**£'000**	**£'000**
Liabilities				
On demand	481,374	463,599	-	5
Up to one year	5,130	3,507	-	-
Between 1 and 5 years	98,998	1,253	-	-
After 5 years	5,918	5,265	-	-
Total financial liabilities with a maturity profile	**591,420**	**473,624**	-	**5**

(f) Brexit

There remains uncertainty around the terms under which the UK will leave the EU. Although Brexit is not expected to have a significant impact on the Group'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 group has in place controls to minimise the impact of any volatility.

(g) COVID-19

The COVID-19 pandemic has created turbulence in financial markets and economic uncertainty, which will impact individuals and businesses. The full impact on the Insurance industry including the company's business, assets and liabilities is uncertain. The impact of the current uncertainty on individuals, businesses and global markets could lead to material policyholder claims across a number of classes of our business and negatively impact the value of our investments.

However, given the inherent uncertainties, it is not possible to quantify the financial impact of COVID-19 on the group's future financial performance, assets and liabilities at this point in time.

28 Fair value disclosures

For financial instruments held at fair value in the Statement of Financial Position, the fair value measurements by level of the following fair value measurement hierarchy are:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

28 Fair value disclosures (continued)

The following tables present the Group's assets and liabilities measured at fair value at 31 December 2019 and 31 December 2018:

Consolidated Assets at Fair Value as at 31 December 2019	Carrying amounts Total	Fair value hierarchy Level 1	Level 2	Level 3
	£'000	£'000	£'000	£'000
Financial assets at fair value through profit or loss				
Shares and other variable-yield securities	106,348	-	106,348	-
Debt securities and other fixed income securities	991,087	-	986,663	4,424
Derivative financial investments	17,165	-	-	17,165
	1,114,600	-	**1,093,011**	**21,589**
Financial assets held to cover linked liabilities	644,384	-	643,154	1,230
	1,758,984	-	**1,736,165**	**22,819**
Liabilities				
Borrowings from banks	98,051	-	-	98,051
Total liabilities at Fair Value	**98,051**	-	-	**98,051**

Consolidated Assets at Fair Value as at 31 December 2018	Carrying amounts Total	Fair value hierarchy Level 1	Level 2	Level 3
	£'000	£'000	£'000	£'000
Financial assets at fair value through profit or loss				
Shares and other variable-yield securities	213,092	-	208,602	4,490
Debt securities and other fixed income securities	714,019	-	714,019	-
Derivative financial investments	14,360	-	-	14,360
	941,471	-	922,621	18,850
Financial assets held to cover linked liabilities	607,456	-	605,202	2,254
	1,548,927	-	**1,527,823**	**21,104**
Liabilities				
Borrowings from banks	-	-	-	-
Total liabilities at Fair Value	-	-	-	-

28 Fair value disclosures (continued)

The following tables present the Company's assets and liabilities measured at fair value at 31 December 2019 and 31 December 2018:

Company Assets at Fair Value as at 31 December 2019	Carrying amounts Total	Fair value hierarchy Level 1	Level 2	Level 3
	£'000	£'000	£'000	£'000
Investments in subsidiaries	176,938	-	-	176,938
Deposits with banks	18	-	-	18
	176,956	-	-	**176,956**

Company Assets at Fair Value as at 31 December 2018	Carrying amounts Total	Fair value hierarchy Level 1	Level 2	Level 3
	£'000	£'000	£'000	£'000
Investments in subsidiaries	101,311	-	-	101,311
Deposits with banks	18	-	18	-
	101,329	-	**18**	**101,311**

The fair value of financial instruments traded in active markets is based on quoted bid prices at the balance sheet date. If observable prices are available for recent arm's length transactions, the instrument is included in Level 2. The Group closely monitors the valuation of assets in markets that have become less liquid.

Determining whether a market is active requires the exercise of judgement and is determined based upon the facts and circumstances of the market for the instrument being measured. Where it is determined that there is no active market, fair value is established using a valuation technique. The techniques applied incorporate relevant information available and reflect appropriate adjustments for credit and liquidity risks. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. The relative weightings given to differing sources of information and the determination of non-observable inputs to valuation models can require the exercise of significant judgement.

If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2. If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3.

Specific valuation techniques include

- The use of observable prices for recent arm's length transactions.
- Quoted market prices or dealer quotes for similar instruments. In particular, for corporate bonds for which there is no active market the fair value is based on broker/dealer price quotations. Where this information is not available or where it is considered to be not representative of fair value, fair value has been estimated using quoted market prices for securities with similar credit, maturity and yield characteristics.

28 Fair value disclosures (continued)

The following table presents the change in level 3 instruments for the year:

	Shares, variable yield securities & unit trusts £'000	Derivatives £'000	Other financial assets £'000	Total level 3 assets £'000
At 1 January 2019	4,490	14,360	2,254	21,104
Gains and losses recognised in Statement of Comprehensive Income	(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**

29 Related parties and material transactions

Transactions with key management personnel

Key management personnel comprise persons who, at any time during the financial year ended 31 December 2019, were members of the Board of Directors and certain members of management.

Two directors Paul Thompson and Ian Maidens have equity interests in certain parent company entities. (See note 32).

Transactions with group companies

The Group has 3 intra-group loans in place as at 31 December 2019 summarised as follows:

1. A £60m Tier 2 loan from UUG Holdings (No 3) Ltd to UUG Holdings (No 1) Ltd;
2. A £60m senior debt loan from UUG Holdings (No 1) Ltd to Utmost Life and Pensions Holdings Limited;
3. A £60m Tier 2 loan to Utmost Life and Pensions Limited from Utmost Life and Pensions Holdings Limited, which qualifies as regulatory capital in ULP under Solvency II regulations and is included within own funds.

The exact structure of any debt would influence the classification for own funds purposes. The loans mentioned in items 1 and 3 above are subordinated liabilities; the loan in item 2 is classified as senior debt.

All of these loans have a maturity date of 9 December 2030 and a coupon rate of 7% per annum, the terms and conditions of which would allow the loans to be treated as Tier 2 capital under the regulations. This facility was fully utilised on 13 December 2019.

30 Immediate parent and ultimate controlling party

The Company's immediate parent is Life Company Consolidation Group (No 1) Ltd. The ultimate parent company which maintains a majority controlling interest in the group is recognised by the Directors as OCM LCCG Holdings Limited, a Cayman incorporated entity. OCM LCCG Holdings Limited is an investment vehicle owned by funds which are managed and advised by Oaktree Capital Management, L.P., a subsidiary of the ultimate controlling party Oaktree Capital Group LLC.

31 Provisions, contingent liabilities and commitments

In the normal course of the Group’s business, litigation and disputes arise from time to time. The Group has a policy of active management and rigorous defence of legal claims and there are procedures in place to ensure oversight by the Board of Directors.

The Group is continually undertaking reviews of its tax and regulatory activities across the various jurisdictions in which it has invested into. These reviews are on-going and it is not possible at this stage to give an indication as to whether they will result in any additional liabilities.

32 Directors' and Company Secretary's interests

At 31 December 2019 the Directors and Company Secretary in office, and their spouses and minor children, had no beneficial interests in the shares of the Company. The Directors' interests in the Company and parent entity as at 31 December 2019 and as at 31 December 2018 are detailed below:

		Paul Thompson	Ian Maidens
As at 31 December 2019			
Life Company Consolidation Group (No 1) Ltd	A ordinary shares	746	746
Life Company Consolidation Group (No 1) Ltd	B ordinary shares	8,125	8,125
Utmost UK Group Holdings Ltd	Preference shares - GBP	721,212	721,212
Utmost UK Group Holdings Ltd	S shares	50	50
As at 31 December 2018			
Life Company Consolidation Group (No 1) Ltd	A ordinary shares	639	639
Life Company Consolidation Group (No 1) Ltd	B ordinary shares	7,500	7,500
Utmost UK Group Holdings Ltd	Preference shares - EUR	401,599	401,599
Utmost UK Group Holdings Ltd	S shares	50	50

33 Reconciliation of liabilities arising from financing activities

	Borrowings from banks £'000
2019	
As at 1 January	-
Cash flows	100,000
Change in amortisation	(2,165)
Change in interest accrual	216
As at 31 December	**98,051**
2018	
As at 1 January	-
Cash flows	-
Change in amortisation	-
Change in interest accrual	-
As at 31 December	-

34 Events after the reporting year

Throughout 2019, the Group 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.

34 Events after the reporting year (continued)

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 1 January 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.

Equitable Life subsequently transferred all policies (other than those covered by Irish and German law) to ULP 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.

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 ULP as sole member and all employees of Equitable Life were transferred to Utmost Services, under TUPE regulations.

The combined balance sheet of the Group and Equitable Life is shown below.

Post acquisition Balance Sheet	**Group**	**Equitable Life: Transferred business (note)**	**Total**
	£'000	**£'000**	**£'000**
Assets			
Present value of acquired in-force business	53,886	86,751	140,637
Property, plant and equipment	3,738	14,016	17,754
Financial assets	1,115,557	153,670	1,269,227
Assets held to cover linked liabilities	644,384	5,812,042	6,456,426
Reinsurance assets	17,356	404,896	422,252
Other assets	94,534	29,255	123,789
Total assets	**1,929,455**	**6,500,630**	**8,430,085**
Liabilities			
Liabilities under insurance contracts	932,623	517,832	1,450,455
Unallocated surplus	70,765	-	70,765
Liabilities under investment contracts	640,897	5,842,119	6,483,016
Other liabilities	133,466	86,971	220,437
Total liabilities	**1,777,751**	**6,446,922**	**8,224,673**
Share Capital	75	-	75
Share premium	110,000	-	110,000
Capital redemption reserve	(4,755)	-	(4,755)
Retained earnings	46,384	53,708	100,092
Total equity	**151,704**	**53,708**	**205,412**
Total equity and liabilities	**1,929,455**	**6,500,630**	**8,430,085**

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

34 Events after the reporting year (continued)

COVID-19

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 Group considers the COVID-19 outbreak to be a non-adjusting post balance sheet event. The Group continues to monitor the market movements and their impact on the Group 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 Group'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 Group has a reassurance agreement with a large regulated insurance counterparty and this is the Group'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. ULP entered 2020 with a strong Balance Sheet and with a Solvency II coverage ratio in excess of 180%. As at the date of approving these financial statements, 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.