ReAssure UK Services Limited

Company Registration Number: 07860886

STRATEGIC REPORT, DIRECTORS' REPORT AND FINANCIAL STATEMENTS
for the year ended 31 December 2021

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Directors and Officers

Board of Directors

Phillip Lane	(Resigned 28 February 2021)
Margaret Hassall	
Matthew Cuhls	(Chairman)
Denise Larnder	(Resigned 31 October 2021)
Michael Woodcock	
Will Swift	(Appointed 13 May 2021, Resigned 30 November 2021)
Amanda Bowe	(Appointed 1 November 2021)

Company Secretary

Pearl Group Secretariat Services Ltd

Registered office

Windsor House
Telford Centre
Telford
Shropshire
TF3 4NB

Company registration number

07860886

Strategic report for the year ended 31 December 2021

The Directors present their strategic report for the year ended 31 December 2021.

The financial statements of the Company for the year ended 31 December 2021 have been prepared in accordance with UK adopted international accounting standards.

Business review and principal activities

The Company is incorporated and domiciled in England and Wales, part of the United Kingdom. It is a private company, limited by shares. The Company's immediate parent company is ReAssure MidCo Limited ("RML").

The Company is a member of the Phoenix Group ("the Group").The Group is the UK's largest long-term savings and retirement business. The main focus has traditionally been on closed life fund consolidation and the Group specialises in the acquisition and management of closed life insurance and pension funds. Alongside this, the Group has open business which manufactures and underwrites new products and policies to support people saving for their futures. The Group's vision is to grow a strong and sustainable business to help more people on their journey to and through retirement, enabling improved outcomes for customers and to deliver value for shareholders.

The principal activity of the Company is to provide management services to other entities within the Group. The Company employs all resources and engages with third party suppliers on behalf of all ReAssure entities ("the Division") in order to provide management services. ReAssure Limited ("RAL") is the primary life and pensions company within the Division and its strategy is to purchase and administer closed books of life business. The Company provides various services to RAL including policy administration services, project delivery services to support RAL in the integration of newly purchased closed books of business (usually resulting in a Part VII of that business from the previous owner to RAL) and various ancillary services such as IT and Finance. The Company charges RAL for these services in accordance with the terms of a Management Services Agreement ("MSA") between the two entities. RAL does not employ any resources directly, the resources required to support the successful delivery of RAL's operations (including management resource) are employed directly by the Company to be utilised by RAL therefore, the operations of RAL and the Company are intrinsically linked, such that whilst the Company does operate as a standalone legal entity, much of its approach to governance and risk, as well as its strategic direction is led by RAL and the Group .

The Company also provides various services to ReAssure Life Limited ("RLL") including policy administration services and project delivery services. The Company charges RLL for these services in accordance with the terms of a Management Services Agreement ("MSA") between the two entities.

In addition to supporting the operations of RAL and RLL, the Company also exchanges services with other companies within the Division and the wider Group. These services primarily relate to the provision of resources, particularly where the operations of certain functions are now integrated with those of the Group (e.g. Asset Management, Risk, HR) and to support the delivery of projects which cut across the organisation such as the implementation of IFRS 17, and the on-going integration of the Division's finance systems with those of the Group. As with RAL, where services are provided to other entities, each company is recharged for the services provided by the Company, in accordance with either an MSA or, other relevant intercompany agreement between the parties.

The Company also generates revenue via the provision of policy administration services for a number of policies owned by a third party and the receipt of premium income from a further third party, who provide administration services for a book of policies owned by RAL. These arrangements do not materially affect either the operations or the financial performance of the Company.

The results for the year are set out on page 16. The loss for the year is £9.9m (2020: £24.9m loss). The decrease in losses in the year is largely driven by an improved growth capability fee, a full year of L&G policy maintenance fees, offset by lower migration margins.

Statement in respect of s.172 Companies Act 2006

Section 172 of the Companies Act 2006 requires each director of a company to act in the way he or she considers, in good faith, would most likely promote the success of the company for the benefit of its members as a whole. In doing so, each director must have regard, amongst other matters, to the:

- likely consequences of any decisions in the long term;
- interests of the company's employees;
- need to foster the company's business relationships with suppliers, customers and others;
- impact of the company's operations on the community and the environment;
- desirability of the company maintaining a reputation for high standards of business conduct; and
- need to act fairly as between members of the company.

During the year, the directors of the Company have applied section 172 of the Companies Act 2006 in a manner consistent with the overall purpose, values and strategic priorities of the Phoenix Group. When considering issues of strategic importance and making key decisions about the company (or those that impact the wider Group), the directors have acted in a way which they consider, in good faith, is most likely to promote the success of the Company for the benefit of its members as a whole.

The Board recognises that a company's stakeholders are integral to its success. During the year, the Company's directors ensured that its considerations and decision-making processes took into account their impact on its own stakeholders, namely:

- Historic ReAssure Group customers;
- The Phoenix Group employees whose services were engaged by the Company during the year;
- Its regulator, the Financial Conduct Authority;
- Its outsourced service providers; and
- The Company's immediate parent, ReAssure Midco Limited and ultimate parent, Phoenix Group Holdings plc.

The Board provides ongoing oversight of customer and people matters. Examples of significant decisions that show how the Board considered relevant matters set out in section 172 are outlined in the table below, demonstrating how the directors of ReAssure UK Services Limited have carried out their duties under section 172 of the Companies Act 2006 during the year ended 31 December 2021.

<table>
<tr><td>KEY BOARD DECISION</td><td>Approval of the Unified People Proposition</td></tr>
<tr><td>STRATEGIC IMPORTANCE

Inspiring our people

Managing our capital position

Creating value</td><td>CONSIDERATION OF S172 MATTERS
Considering the interests of the Company's employees: as part of the proposal to align historical ReAssure employees with the Phoenix Group's people proposition, the Board considered the impact of doing so on matters such as working hours, core pension structure, annual incentive plan, family leave entitlement, life assurance and income protection. The Board acknowledged that the proposed changes benefited historical ReAssure employees.
Long term consequences: in considering the employee alignment proposal, the Board paid due regard to its impact on the cost base of the Company, which was expected to be net positive, with any increase in costs being funded by wider cost synergies realised as part of the overall integration process. The Board also acknowledged the proposal's objective of reducing the long term risks from business complexity within the Group.
Impact of operations on the community: the Board noted that extensive, externally supported, benchmarking of the proposition had been undertaken to ensure it remained broadly aligned to the wider market, relative to what the Phoenix Group wanted to offer to achieve its ambitions.
Maintaining a reputation for high business standards: the Board considered the impact of the proposal on people retention, recognising that it was likely to have a positive effect on turnover and retention, thereby ensuring continuity of quality service to Group customers. Similarly, simplifying the process of moving between roles had the potential to enhance transition of knowledge and experience across the Group.</td></tr>
<tr><td>OUTCOME</td><td>Following due consideration of the matters set out in section 172, the Board approved the proposal to align historical ReAssure employees with the Phoenix Group's people proposition.</td></tr>
<tr><td></td><td></td></tr>
<tr><td>KEY BOARD DECISION</td><td>Approval of YE20 Annual Accounts</td></tr>
<tr><td>STRATEGIC IMPORTANCE

Managing our capital position</td><td>CONSIDERATION OF S172 MATTERS
Long term consequences: the Board considered whether the expectation that the Company would continue in operational existence for the foreseeable future was appropriate. Such consideration enabled the Board to reach a decision to approve the YE20 accounts, within which a going concern statement was included (relied upon by others assessing the business). The long-term impact of the decision to approve the YE20 accounts therefore included the potential reliance of those reading the accounts on the going concern statement, which the Board considered to be relevant and accurate. As part of this consideration and given the forecast of further losses for the Company, the Board requested a letter of support from its immediate parent, to provide assurance of the Company's ability to continue on a going concern basis.
Maintaining a reputation for high standards: Prior to approving the accounts, the Board considered a number of specific changes, implemented to reflect auditor feedback. Through the implementation and approval of these changes, the Board was able to ensure that the Company's reputation for high standards of business conduct was maintained, expected by all stakeholders.</td></tr>
</table>

OUTCOME	Following due consideration of the matters set out in section 172, the Board approved the YE20 accounts.
KEY BOARD DECISION	**Approval to migrate ReAssure Life policies to a new administration platform**
STRATEGIC IMPORTANCE	CONSIDERATION OF S172 MATTERS
Creating value Meeting customer needs today and as they change in the future	• **Long term consequences**: as part of the Group's overall strategy to maximise the economic performance of in-force business, the Board considered the proposal to migrate c165,000 ReAssure Life policies to the ReAssure ALPHA system. In doing so, the economic benefits of the migration and consequential impact on the financial position of the Company were understood. • **Maintaining a reputation for high business standards**: in assessing the decision to implement the migration proposal, the Board considered a number of factors viewed as key to its success, including: resource and training requirements; operational readiness; customer impact; and the outputs of dry run testing. In seeking a balanced view of the proposal, the Board also considered risks, uncertainties and contingencies contained therein and associated mitigating actions. Further, the Board received comprehensive Line 2 assurance from the Risk and Compliance functions on the detail of the proposal. • **Fostering business relationships**: the Board reviewed the proposal's impact on customers and, in particular, the needs relating to customer servicing and customer journey and whether these were adequately met.
OUTCOME	Following due consideration of the matters set out in section 172, the Board approved the migration of policies to the ReAssure ALPHA system.
KEY BOARD DECISION	**Authorisation of an increase in share capital**
STRATEGIC IMPORTANCE Managing our capital position; Putting sustainability at the heart of our business.	• **Long term consequences**: as part of managing the Company's solvency and ensuring it remained appropriately capitalised, the Board considered a proposal to increase the share capital of the Company. The proposal was in response to forecast losses arising from the Company now being part of the larger Phoenix Group, which had seen the removal of costs historically charged to ReAssure plc alongside the recharging to the Company of Group Project costs. • **Maintaining a reputation for high business standards and fostering business relationships**: in addition to maintaining its minimum regulatory capital requirement, the Company applies an additional capital buffer as an extra layer of prudence. The Board considered the proposal to increase share capital in the context of satisfying both its regulatory capital obligations and maintaining its additional management buffer. In doing so, it recognised the importance of the Company's ongoing capital strength and the ability to provide assurance to the regulator as to its sound and prudent management.
OUTCOME	Following due consideration of the matters set out in section 172, the Board approved an increase of 40,000,000 in the number of £1 ordinary shares of the Company in order to appropriately manage solvency and satisfy the Company's regulatory capital and additional capital buffer requirements. The Company received the £40.0m capital contribution in January 2022.

In order to support the Board's consideration of the matters set out in section 172 (1) (a)-(f) each proposal submitted to the board must include detail about directors' duties including those set out above.

Capital Management

The Group and each regulated company within the Group holds sufficient capital on an ongoing basis to meet regulatory and internal requirements in a number of asset and liability stress conditions. The Company is regulated by the Financial Conduct Authority ("FCA") as it is carrying out regulated activities. The Company must maintain capital of not less than £3.1m (2020: £5.5m). The capital requirement reflects the permissions held by the Company, including those relating to the SIPP business transferred from L&G in 2020.

The Company also targets carrying an internal buffer of at least £2.0m of excess capital as a precaution to ensure that its capital requirements are met at all times, even under adverse circumstances. The net assets of the Company at 31 December 2021 are £17.1m (2020: £27.0m) therefore, capital held is currently significantly above the target capital requirements. The Company has a forward-looking budget and business planning cycle which forecasts capital levels over the next three years, and it takes proactive action to address any shortfalls of capital should they be projected.

Key performance indicators

Financial key performance indicators ("KPIs") are disclosed in the Business review and principal activities section above. The following non-financial KPIs are some of the other measures used to monitor and manage operational risk.

	2021	2020
Administration expenses as a % of income (excluding strategic projects)	112%	125%
Policy count - excluding policies administered on behalf of third-party customers	2,335,256	2,312,948
Administration complaints per 1,000 policies	0.48	0.25

Administration expenses as a % of income (excluding strategic projects)

As described within the principal risks section, the Company carries expense risk on behalf of the ReAssure Division. The Company monitors that expense risk via a budgeting and business planning cycle as well as monthly variance reports and analysis. This KPI assesses the current level of expense risk that the Company is exposed to. Strategic projects are excluded from this measure as the costs of such projects are recharged in full to other entities within the Group at cost plus mark-up therefore, generating profit for the Company and ensuring that the Company does not carry expense risk on strategic project activities. Strategic projects include integration projects and material restructuring programmes.

The metric shows that the level of expense risk to which the Company is exposed has decreased, however the Company is not generating sufficient revenue to cover its cost base. As outlined in the Strategic report, losses have decreased in the current year following an improved growth capability fee and full year L&G policy maintenance fees offset by lower migration margins. The Company is expected to continue running at a loss until such time as the operations of the Company are integrated with those of other service companies within the Phoenix Group and planned integration synergies start to be realised.

Policy count - excluding policies administered on behalf of third-party customers

Policies owned by RAL and RLL are administered by the Company are included within the policy count metric. The policy count has increased during 2021 due to the successful migration of the RLL policies into ReAssure systems during October 2021.

Administration complaints per 1000 policies

The Company administers policies owned by RAL and RLL and monitors complaint numbers to ensure that policyholders are receiving a high standard of policy administration, issues arising can be investigated, and if appropriate, processes and procedures changed to ensure that complaints do not occur again. For own policies, the number of administration complaints received per 1,000 policies increased to 0.48 for 2021 (2020: 0.25).

This metric is based upon FCA reportable complaints and whilst the 2021 result indicates that there has been an increase in complaints, overall, they remain very low at less than 1 per 1,000 policies. The main reason for this increase was a high level of customer activity in relation to the L&G policies which, following the successful completion of the Part VII transfer of the policies to RAL, are now administered by the Company. The COVID-19 pandemic has impacted resource availability and operational effectiveness which is another contributing factor behind the increase. These factors have led to an increase in delay complaints. The Company has increased resources with the aim of reducing complaints by the end of 2022.

Principal risks and uncertainties

The following have been defined as key business risks:

Expense risk is the risk that expenses exceed fees received on the management service agreement and fees from third party administration contracts. The Company is responsible for delivering contracted levels of service and is responsible for the resulting expenses incurred. While it has income from management service and third-party administration fixed agreements, the Company is responsible for any excess of expenditure over income. The Company mitigates this risk by having a robust budget and planning cycle as well as monthly variance reports and analysis. These reports are reviewed by relevant executives and cost centre managers and remedial action taken if required. If necessary, additional funding is provided by RML, via the purchase of share capital in the Company. The Company has received a £40m capital contribution in January 2022, a further capital contribution is not expected to be required until January 2023. The Directors have received a Letter of Support confirming that RML intends to support the Company for at least one year after these financial statements are signed.

Liquidity risk is the risk of not being able to make payments as they become due. The Company monitors cash flow and performs variance analysis against actual cash held. The Company also carries out capital planning with quarterly re-forecasts for revised income and expense projections.

Operational risk is the risk of loss that arises from people, processes and procedures within the organisation. Within the Company this is wide ranging and includes risks arising from policy administration issues. These are generally processing or platform functionality errors, data quality (which predominantly arise from errors made in historical conversions), financial modelling, corporate tax, business continuity and outsourcing. The Company mitigates its operational risk by the use of a wide range of techniques including scenario planning, training, formal risk assessments and policy and procedure documentation. The Company monitors operational risk through routine management information and internal and external audits.

The Group's internal audit function advises management on the effectiveness of its internal control systems and the adequacy of these systems to manage business risk and to safeguard the Company's assets and resources. The effectiveness of the Company's internal audit function is currently reviewed by the Group audit and risk committees.

Conduct risk is defined by the FCA as the risk that firm behaviour will result in poor outcomes for customers. This should be at the forefront of how customers are dealt with. The specific risk to the Company is that maladministration could result in extra costs in rectifying and investigating any errors or misconduct in customer outcomes. This risk is transferred to the Company from RAL, via the MSA between the parties. Treating Customers Fairly ("TCF") is central to the business model and culture. The TCF approach is designed to meet the six consumer outcomes identified by the FCA as part of their TCF expectations. The Company's conduct strategy is delivered in four foundations: (i) TCF statement; (ii) internal behaviours; (iii) external behaviours; and (iv) control and oversight to create a culture which supports the delivery of strong customer outcomes.

A strong TCF culture is championed across the ReAssure Division, with the provision of training and ongoing awareness and engagement activities designed to help staff understand what the fair treatment of customer's means and their responsibilities to deliver fair customer outcomes. Appropriate policies have been implemented and decisions take account of the risks and impacts to customers, focusing on delivering consistently good customer service and products that meet customer needs.

Communication with customers is conducted in a clear and timely manner in order that they would consider that they have been appropriately kept informed of their opportunities to act. Complaints are dealt with promptly and sympathetically, consistent with the TCF models and principles. Regular customer feedback is sought and used to inform and improve our working practices.

Management information is regularly produced to measure performance against appropriate customer fairness issues and take appropriate actions on the results. Appropriate governance oversight has been put in place to facilitate timely resolution of issues. Performance is assessed through analysis and evaluation of external publications with a significant TCF impact as well as participation in relevant industry benchmarking and discussion groups to ensure the TCF framework is consistent with industry standards.

TCF remains a key priority for 2022, through business as usual activities, strategic investments and specific customer-focused projects, demonstrating the strong commitment to delivering fair customer outcomes.

Approval

By order of the board of Directors

DocuSigned by:

Paul Shakespeare

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P Shakespeare
For and on behalf of Pearl Group Secretariat Services Ltd
Company Secretary
16 May 2022

Directors' report for the year ended 31 December 2021

The Directors present their annual report together with the audited financial statements of the Company for the year ended 31 December 2021.

Statement of Corporate Governance Arrangements

The Company's ultimate parent, Phoenix Group Holdings plc is listed on the UK's main market and accordingly complies with the UK Corporate Governance Code 2018 (the 'Code'). The Company does not apply the Code but has established a governance framework which enables the Company to adopt the Wates Governance Principles for Large Private Companies 2018 (the 'Principles'). The following statement demonstrates how the Company has applied the Principles. This is reviewed and challenged by the Board at least annually.

The Principles	Demonstrated by
Purpose and Leadership An effective board develops and promotes the purpose of a company, and ensures that its values, strategy and culture align with that purpose.	The Company has a defined purpose within the Group as a service company and this purpose is aligned, together with its values, strategy and culture, to those of its ultimate parent, Phoenix Group Holdings plc. The board has worked to support this during the year, particularly in the context of ongoing work to integrate the ReAssure businesses into the wider Group. The Board undertakes annual strategy reviews for it to debate and challenge the strategy for the Company and provide input to the overall Group strategy debate. This includes input into how the values and culture of the Group are determined and embedded.
Board Composition Effective board composition requires an effective chair and a balance of skills, backgrounds, experience and knowledge, with individual directors having sufficient capacity to make a valuable contribution. The size of a board should be guided by the scale and complexity of the company.	From a governance perspective, there were no cross directorships between the Company and its ultimate parent, Phoenix Group Holdings plc, during the year. The non-executive Directors are also members of the Life Companies Board. The Board is an appropriate size given the scale and complexity of the Company, particularly as the Company's ultimate parent, Phoenix Group Holdings plc, provides oversight of the Company's activities. The Board is invited to attend the Life Companies education sessions to gain appropriate knowledge on various themes, but have included Director responsibilities under the Senior Managers Certification Regime, IFRS17 and company specific activity such as vulnerable customers.
Director Responsibilities The board and individual directors should have a clear understanding of their accountability and responsibilities. The board's policies and procedures should support effective decision-making and independent challenge.	The 'Matters Reserved' for the Board of the Company specify those activities for which the Board has retained approval with agendas for each meeting reminding all Directors of their responsibilities under Section 172 of the Companies Act 2006. Board meetings, as evidenced through the Board minutes produced, are an open forum for Directors to be robust and challenge the proposals presented. Having a clear organisational structure allows for areas not covered by the Matters Reserved and which fall into the day to day management of the

The Principles	Demonstrated by
	Company to be appropriately delegated through a structure of approved Delegations of Authority.
Opportunity and Risk A board should promote the long-term sustainable success of the company by identifying opportunities to create and preserve value, and establishing oversight for the identification and mitigation of risks.	The Board's role in setting the strategy for the Company is explained above and includes how opportunities for long term value creation would be considered. Both the Group Head of Internal Audit and Company's Chief Risk Officer have access to the Board to raise any concerns directly. The operation of a three lines of defence model within the Company ensures that there is appropriate oversight, not only from the individual business unit, but also from the Risk function providing risk oversight independent of management and the Internal Audit function providing independent verification of the adequacy and effectiveness of the internal controls and risk management processes in operation.
Remuneration A board should promote executive remuneration structures aligned to the long-term sustainable success of a company, taking into account pay and conditions elsewhere in the company.	Whilst the remuneration of executives is a matter for the Group and, specifically, the Group's Remuneration Committee, the Non-Executive Directors are provided with the information necessary to enable them to oversee the design and operation of the remuneration arrangements for members of the Company's management team.
Stakeholder Relationships and Engagement Directors should foster effective stakeholder relationships aligned to the company's purpose. The board is responsible for overseeing meaningful engagement with stakeholders, including the workforce, and having regard to their views when taking decisions.	The outline of Directors' duties sets out the activities of the Board in respect to relationships and engagement with the Company's shareholders, customers, employees and suppliers. These are considered to be the key stakeholders for the Company.

Future outlook

As noted in the Strategic report, following the acquisition of the Company by PGHP, a full review of the operating model of the Group is underway. This includes a strategic review of how the operations of the Company can be integrated with the operations of the service companies within the Group. These discussions are on-going; the Company will continue to service its existing policyholders and work with other group companies to support the business strategy of the wider group until such time as any changes are agreed and implemented. These potential operational changes do not have an impact upon the Company's ability to operate as a going concern.

The Company is forecast to make a loss in 2022 and is expected to continue running at a loss until such time as the operations of the Company are integrated with those of other service companies within the Phoenix Group, and planned integration synergies start to be realised.

Going Concern

The Strategic report and Directors' report summarise the Company's activities, its financial performance and financial position together with any factors likely to affect its future development. In addition, they discuss the principal risks and uncertainties it faces. The Strategic report and note 16 to the financial statements summarise the Company's capital management and risk objectives and policies together with its financial risks.

The Board has followed the UK Financial Reporting Council's "Going Concern Basis of Accounting and Reporting on Solvency and Liquidity Risks (April 2016)" when performing their going concern assessment. The going concern assessment of the Company is closely related to the ability of its immediate parent Company, RML, to successfully execute its business model, which is to continue acquiring new blocks of business. The Company, along with RAL, is fundamental in supporting the execution of this business model, and ongoing servicing of the existing blocks of run-off business, and hence remains a key part of the ReAssure Division.

RML successfully delivered its business plan over the past 12 months. Based on this, the Directors consider that the Company has the plans and resources to manage its business risks successfully over the going concern period. However, based on current assumptions, the Company is projected to make a loss over the forecasted plan period up to the end of 2025. The business model relies on provision of resource to deliver migration and change projects and, to limit losses, is dependent on a continued pipeline of new deals and migration activity. From time to time, capital injections will therefore be required from another company within the Group. RML provided the Company with a capital injection of £40.0m in January 2022 and has sufficient funds to provide a further capital contribution if required.

The Directors have made enquiries, which include consideration of the parent Company's business model and expected dividends to be received from RAL, and have received confirmation from RML that it would provide support to meet liabilities as they fall due over the going concern period. Based on this assessment, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future (being to at least 16 May 2023). Accordingly, they continued to adopt the going concern basis in preparing the financial statements.

Statement on Business Relationships

- ***Business relationships with customers***

Customer matters are key for the Company and play a significant part of the rationale for decision-making that takes place. Board papers require authors to consider and provide detail relating to the potential impact of proposals on customers, ensuring that the Board is able to pay due regard to such matters.

- **Business relationships with Partners/Suppliers**

As a "Service Company" within Phoenix Group Holdings plc, the Company is a principal lead on maintaining relationships with suppliers. The Company's Board has oversight of the relationship with strategic partners and outsourced service providers ('OSPs') and its schedule of matters reserved includes the responsibility for monitoring the performance of those partners and service providers.

Energy and carbon reporting

Energy and Carbon usage information is disclosed in the Group's annual report and accounts and accordingly the Company has not reported on this in these individual financial statements.

Financial risk management

Principal risks and uncertainties affecting the Company, including financial risks, are explained in the strategic report.

Dividends

The Directors do not recommend the payment of a dividend (2020: £nil).

The Company considers the impact on employees and all other stakeholders in making long-term decisions. Further information can be found in "Relationships with employees" on page 4.

Directors

The Directors of the Company who were in office during the year and up to the date of signing the financial statements are shown on page 2.

Qualifying third party indemnity provisions

Qualifying third party indemnity arrangements (as defined in section 234 of the Companies Act 2006) were in force for the benefit of the Directors of the Company during the year and remain in place at the date of approval of this report.

Statement of directors' responsibilities in respect of the financial statements

The Directors are responsible for preparing the Strategic report, the Directors' report and the Company's financial statements ("the financial statements") in accordance with applicable United Kingdom law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under the law the Directors have elected to prepare those statements in accordance with UK adopted international accounting standards. Under company law, the Directors must not approve the financial statements unless they are satisfied that they present fairly the financial performance, financial position and cash flows of the Company for the accounting period. A fair presentation of the financial statements in accordance with UK adopted international accounting standards requires the Directors to:

- select suitable accounting policies in accordance with IAS 8: *Accounting Policies, Changes in Accounting Estimates and Errors* and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in UK adopted international accounting standards is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Company's financial position and financial performance;
- state that the Company has complied with applicable UK adopted international accounting standards, subject to any material departures disclosed and explained 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.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence taking reasonable steps for the prevention and detection of fraud and other irregularities.

Under applicable law and regulations, the directors are also responsible for preparing a strategic report and directors' report that comply with that law and those regulations.

Directors' confirmations

In the case of each Director in office at the date the Directors' Report is approved:

- so far as each Director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

On behalf of the Board of Directors

DocuSigned by:

Paul Shakespeare

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P Shakespeare
For and on behalf of Pearl Group Secretariat Services Ltd
Company Secretary
16 May 2022

Independent auditors' report to the members of ReAssure UK Services Limited

Opinion

We have audited the financial statements of ReAssure UK Services Limited for the year ended 31 December 2021 which comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flows and the related notes 1 to 25, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards.

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 December 2021 and of its loss for the year then ended;
- have been properly prepared in accordance with UK adopted international accounting standards; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to other entities of public interest, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. To evaluate the directors' assessment of the company's ability to continue to adopt the going concern basis of accounting, we have:

- confirmed our understanding of management's going concern assessment process and obtained management's assessment which covers the period up to 16 May 2023;
- as the company is reliant on parental support, obtained a parent support letter and assessed the ability of the parent entity to provide the necessary funding;
- considered whether the key assumptions used in management's Annual Operating Plan ('AOP'), including the AOP for the cash generating subsidiary of the group, from which the forecast for the going concern period is drawn, were reasonable and in line with our understanding of the company's business model;
- evaluated the business model, liquidity position, cash generation forecasts of the parent entity and its cash generating subsidiary;
- evaluated management's forecast analysis to understand how severe the downside scenarios would have to be to result in the elimination of liquidity and concluded it to be remote;
- assessed management's considerations of operational risks, including those related to Outsourced Service Providers ('OSPs') and its impact on the going concern assessment;
- performed enquiries of management and those charged with governance to identify risks or events that may impact the company's ability to continue as a going concern. We also reviewed management's assessment approved by the Board, minutes of meetings of the Board and its committees; and
- assessed the appropriateness of the going concern disclosures, including the company's reliance on parental support, by comparing the disclosures with management's assessment and for compliance with the relevant reporting requirements.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period to 16 May 2023.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

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 course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 10, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (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.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are the relevant laws and regulations related to elements of company law and tax legislation and the financial reporting framework. Our considerations of other laws and regulations that may have a material effect on the financial statements included permissions and supervisory requirements of the Financial Conduct Authority ('FCA').

- We understood how the company is complying with those frameworks by making enquiries with those charged with governance and those responsible for legal and compliance matters. We corroborated our enquiries through our review of correspondence between the company and UK regulatory bodies and our review of minutes of the Board; and gained an understanding of the company's approach to governance, demonstrated by the Board's approval of the company's governance framework.

- We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur by considering the entity level controls and governance oversight structure that the company has established to monitor the risks and address risks identified by the company, or that otherwise seek to prevent, deter and detect fraud.

- We considered the risk of management override and designated revenue recognition, in particular revenue from third party administration fees, to be a fraud risk. Our audit procedures included:

    - obtaining an understanding of the process and key controls over management's process for revenue from service agreements with external customers;

    - reviewing the terms within the service agreements to ensure the revenue has been recognised in accordance with the relevant agreement;

    - validating the accuracy and occurrence of the revenue on a sample basis against invoices billed to external customers along with the settlement details; and

    - testing the appropriateness of journal entries recorded in the general ledger, with a focus on manual journals and evaluating the business rationale for significant and/or unusual transactions.

- Based on this understanding we designed our audit procedures to identify noncompliance with such laws and regulations. Our procedures involved: making enquiries of those charged with governance and senior management for their awareness of any non-compliance of laws and regulations, enquiring about the policies that have been established to prevent non-compliance with laws and regulations by officers and employees, enquiring about the company's methods of enforcing and monitoring compliance with such policies, inspecting significant correspondence with the FCA and inspecting the complaints log.

- The company is a regulated entity and subject to client money rules under the supervision of the FCA. As such, the Senior Statutory Auditor reviewed the experience and expertise of the engagement team to ensure that the team had the appropriate competence and capabilities.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Ernst & Young LLP

Ben Morphet (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Birmingham
16 May 2022

Statement of comprehensive income

for the year ended 31 December 2021

	Notes	2021 £m	2020 £m
Revenue	3	286.1	251.6
Administrative expenses	4	(293.8)	(275.9)
Loss on ordinary activities before interest and taxation		(7.7)	(24.3)
Finance income	8	-	0.2
Finance costs	9	(0.3)	(0.5)
Loss on ordinary activities before taxation		(8.0)	(24.6)
Tax charge on loss on ordinary activities	10	(2.2)	(0.3)
Loss for the year		(10.2)	(24.9)
Other comprehensive income		0.3	-
Total comprehensive loss for the financial year attributable to owners of the parent		(9.9)	(24.9)

All results derive from continuing operations.

Statement of financial position

as at 31 December 2021

	Notes	As at 31 December 2021 £m	As at 31 December 2020 £m
Non-current assets			
Property, plant and equipment	11	5.1	7.5
Deferred tax asset	12	3.6	1.8
		8.7	9.3
Current assets			
Collective investment schemes	13	34.2	22.0
Trade and other receivables	14	56.9	56.6
Cash and cash equivalents	15	0.7	11.6
		91.8	90.2
Total assets		100.5	99.5
Current liabilities			
Trade and other payables	17	(77.8)	(69.1)
Provision for other liabilities and charges	18	(1.7)	(3.4)
Current income tax liabilities		(3.9)	-
Net assets		17.1	27.0
Equity			
Share capital	19	125.0	125.0
Accumulated losses		(107.9)	(98.0)
Total equity		17.1	27.0

The financial statements of ReAssure UK Services Limited (registered number 07860886) were approved by the Board of Directors and authorised for issue on 16 May 2022 and signed on its behalf by:

DocuSigned by:
Mike Woodcock
2FB13DE47634498...

Michael Woodcock
Director
16 May 2022

Statement of changes in equity

for the year ended 31 December 2021

	Share capital (note 19)	Accumulated losses	Total
	£m	£m	£m
At 1 January 2021	125.0	(98.0)	27.0
Loss for the financial year	-	(10.2)	(10.2)
Other comprehensive income	-	0.3	0.3
Total comprehensive expense for the year	-	(9.9)	(9.9)
At 31 December 2021	125.0	(107.9)	17.1

	Share capital (note 19)	Accumulated losses	Total
	£m	£m	£m
At 1 January 2020	105.0	(73.1)	31.9
Loss for the financial year	-	(24.9)	(24.9)
Total comprehensive expense for the year	-	(24.9)	(24.9)
Share capital issued	20.0	-	20.0
At 31 December 2020	125.0	(98.0)	27.0

Statement of cash flows

for the year ended 31 December 2021

	Notes	2021 £m	2020 £m
Cash flows from operating activities			
Cash generated from/(used in) operating activities	21	3.0	(47.7)
Net cash used in operating activities		3.0	(47.7)
Cash flows from investing activities			
Proceeds (used in)/ from short term investments	13	(12.2)	28.5
Interest received	8	-	0.2
Net (purchases)/proceeds of property, plant and equipment		(0.2)	0.2
Net cash flows used in investing activities		(12.4)	28.9
Cash flows from financing activities			
Proceeds from issuing share capital	19	-	20.0
Principal lease payments	24	(1.5)	(1.7)
Net cash generated from financing activities		(1.5)	18.3
Net decrease in cash and cash equivalents		(10.9)	(1.0)
Cash and cash equivalents at the beginning of the year		11.6	12.6
Cash and cash equivalents at the end of the year	15	0.7	11.6

Notes to the financial statements

1. Accounting Policies

The principal accounting policies are summarised below. The accounting policies have been applied consistently throughout the year and preceding year.

1.1 New amended standards and interpretations

In preparing the financial statements, the Company has adopted the following standards, interpretations and amendments effective from 1 January 2021:

Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)
The amendments have arisen following the phasing out of interest-rate benchmarks such as interbank offered rates ('IBOR'). Specific hedge accounting requirements have been modified to provide relief from potential effects of the uncertainty caused by IBOR reform. In addition, these amendments require entities to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. There has been no impact on the Company as a result of these amendments as it does not adopt IFRS hedge accounting.

1.2 New standards, amendments and policies not yet adopted by the Company

The IASB has issued the following new or amended standards and interpretations which apply from the dates shown. The Company has decided not to early adopt any of these standards, amendments or interpretations where this is permitted.

IAS 16 Property, Plant and Equipment (1 January 2022)
The amendments prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the Company is preparing the asset for its intended use. Instead, such sales proceeds and related costs should be recognised in profit or loss. These amendments do not currently have any impact on the Company.

IAS 37 Provisions, Contingent Liabilities and Contingent Assets (1 January 2022)
The amendments specify which costs a company includes when assessing whether a contract will be loss-making. These amendments are not expected to have a significant impact on the Company.

Annual Improvements Cycle 2018 – 2020 (1 January 2022)
Minor amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards*, IFRS 9 *Financial Instruments*, IAS 41 *Agriculture* and the Illustrative Examples accompanying IFRS 16 *Leases.* These amendments do not currently have any impact on the Company.

Classification of Liabilities as Current and Non-current (Amendments to IAS 1 Presentation of Financial Statements) (2023)
The amendments clarify rather than change existing requirements and aim to assist entities in determining whether debt and other liabilities with an uncertain settlement date should be classed as current or non-current. It is currently not expected that there will be any reclassifications as a result of this clarification.

Disclosure of Accounting Policies (Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements) (1 January 2023)
The amendments are intended to assist entities in deciding which accounting policies to disclose in their financial statements and requires an entity to disclose 'material accounting policy information' instead of its 'significant accounting policies'. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The IASB has also developed guidance and examples to explain and demonstrate the application of the 'four-step materiality process' described in IFRS Practice Statement 2. The amendments to IFRS Practice Statement 2 do not contain an effective date or transition requirements. These amendments are not expected to have any impact on the Company.

Definition of Accounting Estimates (Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors) (1 January 2023)
The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are 'monetary amounts in financial statements that are subject to measurement uncertainty'. The Board has retained the concept of changes in accounting estimates in the Standard by including a number of clarifications. These amendments are not expected to have any impact on the Company.

Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12 Income Taxes) (1 January 2023)
The amendments narrow the scope of the recognition exemption in paragraphs 15 and 24 of IAS 12 so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences. The

IASB expects that the amendments will reduce diversity in the reporting and align the accounting for deferred tax on such transactions with the general principle in IAS 12 of recognising deferred tax for temporary differences. There will potentially be some additional disclosure required for the Group's leasing arrangements.

Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28) (Effective date deferred)
The amendments address the conflict between IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. These amendments are not expected to have any impact on the Company.

1.3 Basis of Preparation

The financial statements have been prepared and approved by the Directors in accordance with UK adopted international accounting standards. The financial statements have been prepared under the historical cost convention on a going concern basis.

The Board has followed the UK Financial Reporting Council's "Going Concern Basis of Accounting and Reporting on Solvency and Liquidity Risks (April 2016)", and additional guidance issued in relation to the COVID-19 pandemic, when performing their going concern assessment. The going concern assessment of the Company is closely related to the ability of its immediate parent Company, RML, to successfully execute its business model, which is to continue acquiring new blocks of business. The Company, along with RAL, is fundamental in supporting the execution of this business model, and ongoing servicing of the existing blocks of run-off business, and hence remains a key part of the ReAssure Division.

RML successfully delivered its business plan over the past 12 months. Based on this, the Directors consider that the Company has the plans and resources to manage its business risks successfully over the going concern period. However, based on current assumptions, the Company is projected to make a loss over the forecasted plan period up to the end of 2023. The business model relies on provision of resource to deliver migration and change projects and, to limit losses, is dependent on a continued pipeline of new deals and migration activity. From time to time, capital injections will therefore be required from another company within the Group.

The Directors have made enquiries, which include consideration of the parent Company's business model and expected dividends to be received from RAL, and have received confirmation from RML that it would provide support to meet liabilities as they fall due over the going concern period. Based on this assessment, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future (being to at least 16 May 2023). Accordingly, they continued to adopt the going concern basis in preparing the financial statements.

1.4 Revenue

Revenue relates to policy administration fees which are recognised as the services are provided and other fees including project fees and pass through fees, which are also recognised as the services are provided.

1.5 Administrative expenses

Administrative expenses relate to the costs of providing policy administration and project support activities to various entities in the Group including resource and third-party costs. Administrative expenses are recognised on an accruals basis.

1.6 Leases

IFRS 16 'Leases' addresses the definition, recognition and measurement of leases and establishes principles for reporting useful information to users of financial statements about the leasing activities of both lessees and lessors. A key change arising from IFRS 16 is that most operating leases are now accounted for on the Statement of Financial Position for lessees. The standard replaces IAS 17 'Leases', and related interpretations.

At the inception of a contract the Company assesses whether a contract is a lease or, contains a lease. A contract is a lease, or contains a lease, if it involves the use of an identified asset and conveys the right to control the use of the asset for a period of time in exchange for consideration.

The Company as Lessor

The Company classifies all leases for which it is a lessor as operating leases, because no leases held transfer substantially all the risks and rewards incidental to the ownership of the underlying asset to the Company.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

The Company as Lessee

At the lease inception date, a right-of-use asset and corresponding lease liability are recognised. The right-of-use asset is initially measured at cost, at an amount equal to the present value of the minimum lease payments. The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the Company's incremental borrowing rate is used, being the rate that the Company would have to pay to borrow the funds necessary to obtain an asset of a similar value in a similar economic environment, with similar terms and conditions. The Company's weighted average incremental borrowing rate applied to lease liabilities is shown within note 24 to the financial statements.

Subsequent to initial recognition, right-of-use assets are measured at cost less accumulated depreciation and accumulated impairment.

Subsequent to initial recognition the lease liability is measured at amortised cost using the effective interest method. Lease payments are allocated to the lease liability, split between repayments of principal and interest. A finance cost is charged to the profit and loss so as to produce a constant period rate of interest on the remaining balance of the lease liability. The principal lease payments are classified as part of financing activities within the statement of cash flows.

Modifications to leases are accounted for as a separate lease where the modification increases the scope of the lease by adding the right to use one or more underlying assets, and the consideration of the lease increases in line with the price of the additional underlying assets. For all other lease modifications, the carrying amount of the right-of-use asset and of the lease liability is remeasured to reflect the modifications.

For leases with a term of 12 months or less, or for low value assets, the lease expense is charged to the Statement of Comprehensive Income on a straight-line basis. The Company does not have any significant leases which qualify for the short-term leases or leases of low-value assets exemptions.

1.7 Foreign Currencies

1.7.1 Functional and presentation currency

Foreign currency transactions are translated into the Company's functional currency, pounds sterling, at the exchange rates prevailing at the dates of the transactions.

1.7.2 Transactions and balances

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined. Exchange differences on monetary items are recognised in the Statement of Comprehensive Income when they arise.

1.8 Current income tax

Current tax comprises tax payable on current period profits, adjusted for non-tax deductible or non-taxable items, and any adjustments to tax payable in respect of previous periods. Current tax is recognised in the Statement of Comprehensive Income unless it relates to items which are recognised in other comprehensive income.

1.9 Deferred income tax

Deferred tax is calculated on differences between the accounting value of assets and liabilities and their respective tax values. Deferred tax is also recognised in respect of unused tax losses to the extent that it is probable that future taxable profits will arise against which the losses can be utilised. Deferred tax is charged or credited to the Statement of Comprehensive Income, except when it relates to items charged or credited directly to equity.

Deferred tax is measured at the tax rates that are expected to apply to the period when the asset is realised or the liability settled, based on tax rates (and laws) that have been enacted or are substantively enacted at the end of the reporting period.

1.10 Property, plant and equipment

All property and equipment is initially recognised at cost.

Subsequent to initial recognition, other property, plant and equipment, including right of use assets, is stated at cost less accumulated depreciation and any accumulated impairment losses. Depreciation is provided at rates calculated to write off the cost, less estimated residual value, of each asset on a straight-line basis over its expected useful life as follows:

Buildings (right of use)	Over the life of the lease
Computer equipment	Between 3-5 years
Fixtures, fittings and office equipment	Between 3-5 years

1.11 Impairment of tangible assets

The carrying amounts of tangible assets are reviewed at each reporting date to determine whether there is any evidence of impairment. If any indication of impairment exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the asset's carrying amount, or its cash-generating unit exceeds its recoverable amount. The recoverable amount is the greater of the net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

1.12 Financial Investments

Initial recognition and measurement
Financial assets and financial liabilities are recognised on the trade date when the Company becomes a party to the contractual provisions of the instrument and are classified for accounting purposes depending on the characteristics of the instruments and the purpose for which they were purchased.

At initial recognition, the Company measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability-not at fair value through profit or loss, transaction costs that are incremental and directly attributable to the acquisition or issue of the financial asset or financial liability, such as fees and commissions. Transaction costs of financial assets and financial liabilities carried at fair value through profit or loss are expensed in profit or loss. Immediately after initial recognition, an expected credit loss allowance (ECL) is recognised for financial assets measured at amortised cost, as described in note 16, which results in an accounting loss being recognised in profit or loss.

Measurement methods

Amortised cost and effective interest rate

The amortised cost is the amount at which the financial asset or financial liability is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that-initial amount and the maturity amount and, for financial assets, adjusted for any loss allowance.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset (i.e. its amortised cost before any impairment allowance) or to the amortised cost of a financial liability. The calculation does not consider expected credit losses and includes transaction costs, premiums or discounts and fees and points paid or received that are integral to the effective interest rate, such as origination fees. When the Company revises the estimates of future cash flows, the carrying amount of the respective financial assets or financial liability is adjusted to reflect the new estimate discounted using the original effective interest rate. Any changes are recognised in profit or loss.

i) Financial Assets

a) Classification

The Company has applied IFRS 9 and classifies its financial assets in the following measurement categories:

- Fair value through profit or loss (FVTPL);
- Fair value through other comprehensive income (FVOCI); or
- Amortised cost.

b) Subsequent measurement and gains and losses

All of the Company's financial assets are classified as Amortised Cost using the effective interest method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on de-recognition is also recognised in profit or loss.

Other receivables include trade and other receivables and are initially recognised at fair value and subsequently measured at amortised cost.

Impairment

IFRS 9 introduces a new impairment model based on expected credit losses (ECL) that are estimated by considering current conditions and available forward-looking information. IFRS 9 sets out a general approach to impairment, however, for simple, short-term financial assets this general approach is overly complicated and so a simplified approach was also introduced.

The Company has chosen to adopt the simplified approach for short-term receivables measured at amortised cost. Note 16 provides more detail of how the expected credit loss is measured.

ii) Financial Liabilities

In both the current and prior period, financial liabilities are classified as subsequently measured at amortised cost, using the effective interest method. Interest expenses and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on de-recognition is also recognised in profit or loss.

1.13 Cash and cash equivalents

Cash and cash equivalents comprise cash balances, short-term deposits with an original maturity term of three months or less at the date of placement. Cash equivalents held through collective investment schemes are all money market funds ("MMFs") and are classified as collective investments. The carrying amount of these assets approximates to their fair values.

1.14 Provisions and contingent assets/liabilities

A provision is recognised when the Company has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of economic benefits will materialise, and the amount of the obligation can be reliably measured. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. If the event resulting in a future obligation is less than probable but greater than remote, or the amount cannot be reliably estimated, a contingency is disclosed in the notes to the financial statements.

A provision is recognised for onerous contracts in which the unavoidable costs of meeting the obligations under the contract exceed the future economic benefits expected to be received under it. The unavoidable costs reflect the net cost of exiting the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it.

i) Contingent assets and liabilities

Contingent assets are disclosed in the notes if the inflow of economic benefits is probable, but not virtually certain. When the inflow of economic benefits becomes virtually certain, the asset is no longer contingent, and its recognition is appropriate.

1.15 Share based payments

From September 2020, employees of the Company have the option to participate in a Share Incentive Plan ("SIP") which provides employees with the ability to purchase shares in Phoenix Group Holdings plc at the market price, with one Matching Share for every Partnership Share purchased on the first £50 invested each month. The corporate costs of the scheme are not incurred by the Company but are charged to another company within the Group. Prior to July 2020, employees of the Company had the option to participate in a Global Share Participation Plan ("GSPP") to purchase shares in Swiss Re Limited (a public limited Company quoted on the SIX Swiss Exchange) at the current market price with a match of 30% provided by the Company. The Company charged the costs of the match, incurred to July 2020, as an expense to the profit and loss account on a straight-line basis over the plan.

1.16 Share Capital

The Company has issued ordinary shares which are classified as equity.

1.17 Pension Scheme

For defined contribution plans, the Company pays contributions to publicly or privately administered pension insurance plans. The contributions are recognised in staff costs and other employee-related costs as they arise.

The Company operates a defined contribution plan where the Company agreed to contribute to a member's pension plans but has no further payment obligations once the contributions have been paid.

A fellow Group undertaking (RML) operates a defined contribution plan however, this is closed to new members.

1.18 Events after the Balance Sheet date

The financial statements are adjusted to reflect events that occurred after the Balance Sheet date provided they give evidence of conditions that existed at the Balance Sheet date.

Events that are indicative of conditions that arose after the Balance Sheet date are disclosed where significant, but do not result in an adjustment of the financial statements themselves.

2. Critical Accounting Judgements and Key Sources of Estimation Uncertainty

In the application of the Company's accounting policies, which are described in note 1, the Directors are required to make judgements (other than those involving estimations) that have a significant impact on the amounts recognised and to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. In preparing these financial statements, there have been no critical accounting judgements applied and there are no key sources of estimation uncertainty.

3. Revenue

	2021	2020
	£m	£m
Intercompany revenue (from other subsidiary undertakings of PGHP)	263.6	85.6
Intercompany revenue (from other subsidiary undertakings of Swiss Re Limited)	-	140.7
Revenue generated from third-party administration contracts	21.2	21.9
Other Revenue	1.3	3.4
	286.1	251.6

Intercompany revenue is invoiced in accordance with either an MSA or other relevant commercial agreement between the parties. The Company provides management services to other entities in the Group. The Company is considered to have satisfied its performance obligations as services are rendered; at which time fees are invoiced and revenue is recognised in the Statement of Comprehensive Income. Amounts invoiced are payable on demand, due to the nature of the intercompany relationship between the parties. Following the completion of the acquisition of the Company by the Group, revenue received from entities within the Swiss Re Group after 22 July 2020 is classified as other revenue.

Third party revenue is invoiced in accordance with a third-party services agreement between the parties. The Company provides customer administration services and is considered to have satisfied its performance obligations as services are rendered. Fees are invoiced via a monthly charge per policy administered; project services are invoiced for as they are discharged. Revenue is recognised upon invoicing. Amounts due are payable within 30 days.

Revenue received in the period to 22 July 2020 (prior to the acquisition of the Company by PGHP) has been presented as 'intercompany revenue from other subsidiary undertakings of Swiss Re Limited'. Revenue received in the period from 22 July 2020 to 31 December 2020 has been presented as 'intercompany revenue from other subsidiary undertakings of PGHP'. Refer to note 23 for further details in relation to pre and post-acquisition related party transactions.

4. Administrative expenses

	2021	2020
	£m	£m
Employment costs (note 6)	144.1	134.4
Contractors and consultancy	69.0	71.3
IT & Outsourcing	52.3	50.6
Depreciation including lease depreciation (note 11)	2.9	3.7
Other Administrative expenses	25.5	15.9
	293.8	275.9

Administrative costs and other expenses incurred are mostly recharged to related subsidiary entities of the Group (RAL, RML, ReAssure Life Limited ("RLL") and ReAssure Group plc ("RGP")) through Management Services Agreements, by way of either monthly service charges or, for project expenses, costs incurred plus mark-up.

5. Auditors' remuneration

	2021	2020
	£m	£m
Audit of the Company's financial statements	0.1	0.1

During the financial year ended 31 December 2021, Ernst & Young LLP acted as the Company's external auditor. Auditors' remuneration for services other than the statutory audit of the Company are not disclosed in the Company's financial statements since the consolidated financial statements of Phoenix Group Holdings plc, the Company's ultimate controlling party, are required to disclose fees in respect of non-audit services on a consolidated basis.

6. Staff costs

	2021	2020
	£m	£m
Wages and salaries	124.0	115.0
Social security costs	11.9	11.9
Other pension costs	8.2	7.5
	144.1	134.4

Other pension costs relate to the defined contribution scheme. There were outstanding contributions of £nil (2020: £nil) at the balance sheet date.

The monthly average number of employees (including Non-Executive Directors) during the year were:

	2021	2020
	£m	£m
Customer Services	1,587	1,348
HR and Administration	887	973
Finance, Actuarial and Risk	342	310
	2,816	2,631

7. Directors' remuneration

	2021	2020
	£m	£m
Salaries and other short-term employee benefits	-	4.6
Remuneration (executive and non-executive Directors remuneration excluding pension contributions and awards under share option schemes and other long-term incentive schemes)	0.3	-
Share option schemes and other long-term benefits	0.2	-
	0.5	4.6

	2021	2020
	Number	Number
Number of Directors accruing retirement benefits under:		
- a money purchase pension scheme	1	-
Number of Directors who had exercised share options during the year	1	-

	2021	2020
	£m	£m
Highest paid Director's remuneration	0.3	0.9
	0.3	0.9

The highest paid Director did not exercise share options during the year.

The Executive Directors are employed by either RUKSL, Pearl Group Management Services Limited ("PGMS"), or Pearl Group Services Limited ("PGS"). The total compensation paid to the Directors of the Company relates to services to the Company, regardless of which entity within the Phoenix Group has paid the compensation.

The Non-Executive Directors are not employed but provide their services via a letter of appointment. For the purposes of this note an apportionment of the total remuneration paid to the Directors of the Company by the Phoenix Group has been made based on an estimate of the services rendered to the Company.

During the year to 31 December 2021 key management personnel and their close family members contributed £nil to pensions and savings products sold by the Group.

At 31 December 2021, the total value of key management personnel's investments in Group pensions and savings products was £nil.

The year-end 2020 disclosure refers to key management personnel. The ReAssure Management Committee ("RMC") allowed the members to have the authority and responsibility for planning, directing and controlling the activities of the Company and related subsidiaries. RMC members consisted of both directors and non-directors, and were classified as key management personnel of the Company. Accordingly, their total remuneration was disclosed in 2020 and is consistent with such a classification which can be seen in the table above. The year-end 2021 disclosure aligns to Phoenix and refers to Directors' only.

8. Finance income

	2021 £m	2020 £m
Bank interest income	-	0.2

9. Finance costs

	2021 £m	2020 £m
Interest expense on lease liabilities	0.3	0.5

10. Tax charge on loss on ordinary activities

a) Tax charge on the Statement of Comprehensive Income

	2021 £m	2020 £m
Current taxation		
UK corporation tax	3.9	(0.9)
Adjustments in respect of prior periods	(0.2)	0.9
Total current tax charge for the year	3.7	-
Deferred taxation		
Origination and reversal of timing differences	(0.7)	0.2
Impact of rate change	(0.7)	(0.2)
Adjustment in respect of prior periods	(0.1)	0.3
Total deferred tax (credit)/charge for the year	(1.5)	0.3
Tax charge on loss on ordinary activities	2.2	0.3

b) Reconciliation of tax charge on loss attributable to shareholders

The tax assessed for the year is higher (2020: higher) than the standard rate of corporation tax in the UK of 19% (2020: 19%). The differences are explained below:

	2021	2020
	£m	£m
Loss on ordinary activities before tax	(8.0)	(24.6)
Tax on loss on ordinary activities at 19.00% (2020: 19.00%)	(1.5)	(4.7)
Transfer pricing adjustments	4.7	4.0
Impact of rate change	(0.7)	(0.2)
Adjustments in respect of prior years	(0.3)	1.2
Total tax charge for the year	2.2	0.3

c) Factors affecting the current and future tax charges

An announcement was made in the UK Budget, March 2021 and enacted on 10 June 2021 to increase the rate of corporation tax to 25% from 1 April 2023. Accordingly, the relevant deferred tax balances have been remeasured taking the 25% rate into account where relevant.

11. Property, plant and equipment

	Buildings	Computer equipment	Fixtures, fittings and office equipment	Total
	£m	£m	£m	£m
Cost or valuation				
At 1 January 2021	4.6	15.4	1.3	21.3
Additions	-	0.4	0.1	0.5
At 31 December 2021	4.6	15.8	1.4	21.8
Accumulated depreciation				
At 1 January 2021	2.8	10.6	0.4	13.8
Charge for the year	0.3	2.2	0.4	2.9
At 31 December 2021	3.1	12.8	0.8	16.7
Carrying amounts				
At 31 December 2021	1.5	3.0	0.6	5.1
At 31 December 2020	1.8	4.8	0.9	7.5

	Buildings	Computer equipment	Fixtures, fittings and office equipment	Total
	£m	£m	£m	£m
Cost or valuation				
At 1 January 2020	4.6	28.7	4.3	37.6
Additions	-	0.7	-	0.7
Disposals	-	(0.9)	-	(0.9)
Fully depreciated assets	-	(13.1)	(3.0)	(16.1)
At 31 December 2020	4.6	15.4	1.3	21.3
Accumulated depreciation				
At 1 January 2020	2.5	21.3	3.2	27.0
Charge for the year	0.3	2.8	0.2	3.3
Reversal for the year on disposals	-	(0.4)	-	(0.4)
Reversal for the year on fully depreciated assets	-	(13.1)	(3.0)	(16.1)
At 31 December 2020	2.8	10.6	0.4	13.8
Carrying amounts				
At 31 December 2020	1.8	4.8	0.9	7.5
At 31 December 2019	2.1	7.4	1.1	10.6

Included within the table's above are assets which have been capitalised in accordance with IFRS 16 'Leases' which have a total carrying value of £3.8m (2020: £5.0m) (see note 24). These are included in the buildings and computer equipment categories. Right to use assets categorised as buildings include office and car parking space as well as various office related services. Right to use assets categorised as computer equipment include server storage and a managed print service. These right to use assets are offset by a corresponding lease liability of £4.6m (2020: £6.2m) (see note 24).

12. Deferred tax asset

	2021	2020
	£m	£m
At 1 January	1.8	2.2
Adjustment in respect of prior periods	0.1	(0.4)
Impact of rate change	0.7	-
Charged to other comprehensive income	0.3	-
Origination and reversal of timing differences	0.7	-
At 31 December	3.6	1.8

An announcement was made in the UK Budget, March 2021 and enacted on 10 June 2021 to increase the rate of corporation tax to 25% from 1 April 2023. Accordingly, the relevant deferred tax balances have been remeasured taking the 25% rate into account where relevant.

The Deferred Tax Asset ("DTA") is recognised on the basis that the group is projected to have future taxable profits and therefore the expected future tax losses that give rise to the DTA can be utilised. Deferred tax assets are recognised only when projections indicate that it is more likely than not that timing differences will reverse, or losses will be relieved within the group.

13. Financial investments

	2021	2020
	£m	£m
Collective investment schemes	34.2	22.0

Determination of fair values and fair value hierarchy

Valuation models

The Company measures the fair value of an instrument using the quoted price in an active market for that instrument whenever one is available. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

Financial instruments measured at fair value

Fair value hierarchy
The following table analyses financial instruments measured at fair value at the reporting date by the level of the fair value hierarchy into which the fair value measurement is categorised.

Financial instruments held at fair value in the Statement of Financial Position are analysed against the fair value measurement hierarchy, as follows:

- Level 1 inputs are quoted prices in active markets for identical assets or liabilities that the Company has the ability to access. Level 1 inputs are the most persuasive evidence of fair value and are to be used whenever possible.
- Level 2 inputs are market-based inputs that are directly or indirectly observable but not considered level 1 quoted prices. Level 2 inputs consist of (i) quoted prices for similar assets or liabilities in active markets; (ii) quoted prices for identical assets or liabilities in non-active markets (e.g. markets which have few transactions and prices that are not current or price quotations vary substantially); (iii) inputs other than quoted prices that are observable (e.g. interest rates, yield curves, volatilities, prepayment speeds, credit risk and default rates); and (iv) inputs that are derived from or corroborated by observable market data.
- Level 3 inputs are unobservable inputs. These inputs reflect the Company's own assumptions about market pricing using the best internal and external information available.

Transfers occur between the different levels within the fair value hierarchy when management determines that the valuation methodology meets the definition above.

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

As at 31 December 2021:	Level 1	Level 2	Level 3	Total
	£m	£m	£m	£m
Financial assets at fair value through profit and loss:				
Collective investment schemes	34.2	-	-	34.2
	34.2	-	-	34.2

As at 31 December 2020:	Level 1	Level 2	Level 3	Total
	£m	£m	£m	£m
Financial assets at fair value through profit and loss:				
Collective investment schemes	22.0	-	-	22.0
	22.0	-	-	22.0

Financial assets designated at FVTPL

Cash equivalents held through collective investment schemes are classified as collective investments. The carrying amount of these assets approximates to their fair values.

No changes in fair value relating to credit risk have been recognised for these investments.

14. Trade and other receivables

	2021	2020
	£m	£m
Amounts owed by group undertakings	37.8	39.4
Prepayments and accrued income	11.6	11.3
Other debtors	7.5	5.9
	56.9	56.6

These balances are receivable within one year from the balance sheet date.

15. Cash and cash equivalents

	2021	2020
	£m	£m
Cash at bank	0.7	11.6

Cash comprises cash at bank. There are no amounts included in the cash and cash equivalents balances that are not readily available.

16. Management of financial risk

The Company's activities are limited to provision of management services. The Company is exposed to credit risk and liquidity risk. The risk management approach of the Company is to seek to minimise the potential adverse impact of these risks on the financial performance.

The following section discusses the Company's risk management policies. The measurement of expected credit losses ("ECL") under IFRS 9 uses the information and approaches that the Company uses to manage credit risk, though certain adjustments are made in order to comply with the requirements of IFRS 9. The approach taken for IFRS 9 measurement purposes is discussed separately in note 1.12.

Credit risk

Credit risk is the risk that the Company will suffer loss from the failure of a third party to discharge its obligations to the Company. The risk is controlled by setting appropriate limits for counterparty exposures and communicating them to those who are responsible for complying with them.

The Company was most exposed to credit risk on collective investment schemes, trade receivables and cash and cash equivalents. The table below sets out the Company's exposure to different credit assets for those counterparties that are rated by an External Credit Assessment Institution (ECAI). Credit assets and their issuers are rated by ECAI's based on their credit worthiness.

	AAA	AA	A	Total
	£m	£m	£m	£m
As at 31 December 2021:				
Collective investment schemes	34.2	-	-	34.2
Cash and cash equivalents	-	-	0.7	0.7
Total	34.2	-	0.7	34.9

	AAA	AA	A	Total
	£m	£m	£m	£m
As at 31 December 2020:				
Collective investment schemes	22.0	-	-	22.0
Cash and cash equivalents	-	-	11.6	11.6
Total	22.0	-	11.6	33.6

i) Credit risk measurement

The Company applies the simplified approach to providing for ECLs prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for short-term receivables, which are receivable on demand with no significant financing component. In accordance with paragraph 5.5.15 of IFRS 9, the loss allowance for such trade receivables is always measured at an amount equal to lifetime ECLs.

To measure the expected credit losses, receivables have been grouped based on shared credit risk characteristics. For each group, historical loss rates have been considered and applied using forward-looking information.

At 31 December 2021 the Company held intercompany receivables and other receivables which were subject to the above impairment review. The loss allowance provision for these receivables at this date was insignificant (2020: insignificant).

The key judgements and assumptions adopted by the Company in addressing the requirements of the standard are discussed below.

ii) Definition of default and change in the risk of default

The Company considers a financial asset to be in default when:

- The borrower is unlikely to pay its debt obligations to the Company in full, without recourse by the Company to actions such as realising security (if any is held); or
- The financial asset is more than 90 days past due.

In assessing whether a borrower is in default, the Company considers indicators that are:

- Qualitative: e.g. breaches of covenant and other indicators of financial distress;
- Quantitative: e.g. overdue status and non-payment of another obligation of the same issuer to the Company; and
- Based on data developed internally and obtained from external sources.

Inputs into the assessment of whether a financial instrument is in default and their significance may vary over time to reflect changes in circumstances.

Measuring ECL – Explanation of inputs, assumptions and estimation techniques
The Company determines whether there are ECLs on receivables by using a provision matrix, estimated based on historical credit loss experience based on the past due status of the debtors, adjusted as appropriate to reflect current conditions and estimates of future economic conditions. Accordingly, the credit risk profile of these assets is presented based on their past due status in terms of the provision matrix.

Maximum exposure to credit risk – Financial instruments subject to impairment
The gross carrying amount of other receivables, excluding tax receivable, reflecting the maximum exposure to credit risk, is £43.9m (2020: £45.3m)

Loss allowance
Whilst there is no loss allowance 32ecognized in the current period, any such loss allowance could be impacted by a variety of factors, as described below:

- Additional allowances for new financial instruments 32ecognized during the period, as well as releases for financial instruments de-recognised in the period;
- Impact on the measurement of ECL due to changes in historical loss rates and forward-looking estimates;
- Foreign exchange translations for assets denominated in foreign currencies and other movements; and;
- Financial assets de-recognised during the period and write-offs of allowances related to assets that were written off during the period.

Liquidity risk

Liquidity risk is the risk of not being able to make payments as they become due. The Company monitors cash flow and performs variance analysis against actual cash held. The Company also carries out capital planning with quarterly re-forecasts for revised income and expense projections.

17. Trade and other payables

	2021	2020
	£m	£m
Trade creditors	19.5	38.0
Amounts owed to group undertakings	29.3	6.8
Other creditors	0.1	2.0
Accruals and deferred income	26.0	19.5
Social security and other taxes	2.9	2.8
	77.8	69.1

These balances are payable within one year from the balance sheet date, with the exception of lease liabilities (see note 24). The payables to related parties are repayable on demand and bear no interest. Payables balances fluctuate mainly due to the timing of settlement of invoices with third parties. In the current year, accruals have increased due to changes to the bonus structure following the separation of the Company from the Swiss Re Group.

18. Provisions for other liabilities and charges

	Restructuring	Other	Total
	£m	£m	£m
At 1 January 2021	0.9	2.5	3.4
Additional Provisions	-	1.1	1.1
Release of Provisions	(0.2)	(1.2)	(1.4)
Utilisation of provision	(0.2)	(1.2)	(1.4)
At 31 December 2021	0.5	1.2	1.7

	Restructuring	Other	Total
	£m	£m	£m
At 1 January 2020	12.4	1.8	14.2
Additional Provisions	-	2.5	2.5
Release of provision	(2.7)	(0.8)	(3.5)
Utilisation of provision	(8.8)	(1.0)	(9.8)
At 31 December 2020	0.9	2.5	3.4

Additional provisions of £1.1m categorised as 'Other' relate to customer remediation activities for both ReAssure legacy and those inherited through the transfer of policies from L&G to RAL on Part VII. The provision is based on the number of outstanding loss assessments and the average settlement payment.

19. Share capital

	2021	2020
	£m	£m
Authorised, issued and fully paid up		
125,000,000 (2020: 125,000,000) ordinary shares of £1 each	125.0	125.0

The holders of the ordinary shares are entitled to one vote per share on matters to be voted on by owners and to receive such dividends, if any, as may be declared by the Board of Directors in its discretion out of legally available profits.

20. Share based payments

Equity-settled share-based payments to employees and others providing services are measured at the fair value of the equity instruments at the grant date. The fair value excludes the effect of non-market-based vesting conditions.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on Phoenix Group Holdings Plc's, the Company's ultimate parent of the company, estimate of equity instruments that will eventually vest. At each period end, the Company revises its estimate of the number of equity instruments expected to vest as a result of the effect of non-market-based vesting conditions. The impact of the revision of the original estimates, if any, is 34ecognized in the statement of comprehensive income such that the cumulative expense reflects the revised estimate.

SHARE-BASED PAYMENT EXPENSE

The expense recognised for employee services receivable during the year is as follows:

	2021 £m	2020 £m
Expense arising from equity-settled share-based payment transactions	1.7	0.4

SHARE-BASED PAYMENT EXPENSE

Long-Term Incentive Plan ('LTIP')

The Group implemented a long-term incentive plan to retain and motivate its senior management group. The awards under this plan are in the form of nil-cost options to acquire an allocated number of ordinary shares.

Assuming no good leavers or other events which would trigger early vesting rights, the 2020 and 2021 LTIP awards are subject to performance conditions tied to the Group's performance in respect of net operating cash receipts, return on shareholder value, persistency and TSR. A holding period applies so that any LTIP awards to Executive Committee members for which the performance vesting requirements are satisfied will not be released for a further two years from the third anniversary of the original award date. Dividends will accrue on LTIP awards until the end of the holding period. There are no cash settlement alternatives.

2021 LTIP awards were granted on 12 March 2021 and are expected to vest on 12 March 2024 and the 2020 awards will vest on 13 March 2023.

The fair value of these awards is estimated at the average share price in the three days preceding the date of grant, taking into account the terms and conditions upon which the instruments were granted. The fair value of the LTIP awards is adjusted in respect of the TSR performance condition which is deemed to be a 'market condition'. The fair value of the 2020 and 2021 TSR elements of the LTIP awards has been calculated using a Monte Carlo model. The inputs to this model are shown below:

	2021 TSR performance condition	2020 TSR performance condition
Share price (p)	738.6	586.3
Expected term (years)	3.0	3.0
Expected volatility (%)	30	20
Risk-free interest rate (%)	0.14	0.28
Expected dividend yield (%)	Dividends are received by holders of the awards therefore no adjustment to fair value is required.	

On 14 August 2020, LTIP awards were granted to certain senior management employees. The vesting periods and performance conditions for these awards are linked to the Group's core 2018, 2019 and 2020 LTIP awards. The first tranche vested on 21 March 2021 and the remaining tranches will vest on 11 March 2022 and 13 March 2023.

Each year, the Group issues a Chairman's share award under the terms of the LTIP which is granted to a small number of employees in recognition of their outstanding contribution in the previous year. These awards are granted on the same dates as the core LTIP awards. These grants of shares are conditional on the employees remaining in employment with the Group for the vesting period and achieving an established minimum performance grading. Good leavers will be able to, at the discretion of the Remuneration Committee, exercise their full award at vesting.

Deferred Bonus Share Scheme ('DBSS')

Commencing in 2021, part of the 2020 annual incentive for certain executives was deferred into shares of the parent company. The grant of these shares is conditional on the employee remaining in employment with the Group for a period of three years from the date of grant. Good leavers will be able to, at the discretion of the Remuneration

Committee, exercise their full award at vesting. Dividends will accrue for DBSS awards over the three year deferral period. The 2021 DBSS was granted on 12 March 2021 and is expected to vest on 12 March 2024.

The fair value of these awards is estimated at the average share price in the three days preceding the date of the grant, taking into account the terms and conditions upon which the options were granted.

Sharesave scheme

The sharesave scheme allows participating employees to save up to £500 each month over a period of either three or five years. The 2021 sharesave options were granted on 9 April 2021.

Under the sharesave arrangement, participants remaining in the Company's employment at the end of the three or five year saving period are entitled to use their savings to purchase shares at an exercise price at a discount to the share price on the date of grant. Employees leaving the Company for certain reasons are able to use their savings to purchase shares if they leave prior to the end of their three or five year period.

The fair value of the options has been determined using a Black-Scholes valuation model. Key assumptions within this valuation model include expected share price volatility and expected dividend yield. The following information was relevant in the determination of the fair value of the 2021 sharesave options:

	2021 sharesave
Share price (£)	7.486
Exercise price (£) (Revised)	5.890
Expected life (years)	3.25 and 5.25
Risk-free rate (%) – based on UK government gilts commensurate with the expected term of the award	0.5 (for 3.25 year scheme) and 0.7 (for 5.25 year scheme)
Expected volatility (%) based on the Company's share price volatility to date	30.0
Dividend yield (%)	6.3

Share Incentive Plan

The Group operates a Share Incentive Plans ('SIP') open to UK employees which allows participating employees to purchase 'Partnership shares' in the parent company through monthly contributions. The contributions are limited to the lower of £150 per month and 10% gross monthly salary and the matching element of the SIP gives the employee one 'Matching share' for each 'Partnership share' purchased limited to £50. Contributions above £50 are not matched.

The fair value of the Matching shares granted is estimated as the share price at date of grant, taking into account terms and conditions upon which the instruments were granted. At 31 December 2021, 68,427 matching shares (including unrestricted shares) were conditionally awarded to employees (2020: 4,721).

MOVEMENTS IN THE YEAR

The following tables illustrate the number of, and movements in, LTIP, Sharesave and DBSS share options during the year:

	Number of share options 2021		
	LTIP	Sharesave	DBSS
Outstanding at the beginning of the year	391,973	-	-
Granted during the year	368,684	820,293	23,041
Forfeited/cancelled during the year	-	(33,413)	-
Exercised during the year	-	(812)	-
Outstanding at the end of the year	760,657	786,068	23,041

	Number of share options 2020		
	LTIP	Sharesave	DBSS
Granted during the year	391,973	-	-
Outstanding at the end of the year	391,973	-	-

The weighted average fair value of options granted during the year was £3.02 (2020: £6.18).

The weighted average share price at the date of exercise for the rewards exercised is £6.51 (2020: No awards exercised).

The weighted average remaining contractual life for the rewards outstanding as at 31 December 2021 is 6.2 years (2020: 9.6 years).

21. Cash flows (used in)/generated from operating activities

	2021	2020
	£m	£m
Loss on ordinary activities before taxation	(8.0)	(24.6)
Adjustments for:		
Depreciation of property, plant & equipment (note 11)	2.9	3.3
Interest paid	(0.3)	(0.5)
Provision utilisation during the year (note 18)	(1.4)	(9.8)
Decrease in provisions	(0.3)	(1.0)
Increase in receivables	(0.3)	(12.4)
Increase/(decrease) in payables	10.4	(3.2)
Net cash generated from/(used in) operating activities	3.0	(48.2)

22. Contingent liabilities

Liabilities may arise in respect of claims that are contingent on factors such as the interpretation of contracts, regulatory action or Ombudsman rulings, particularly relating to the administration of customer services. It is not possible to predict the incidence, timing or financial impact of these events with any certainty, but the Company is not aware of any significant liabilities in this regard

23. Related parties

Transactions between the Company and its associates are disclosed below.

a) Immediate and ultimate parent undertaking

The Company is incorporated and domiciled in England and Wales, part of the United Kingdom. It is a private company which is limited by shares. The immediate parent company is ReAssure Midco Ltd, incorporated in England and Wales.

The only group within which the financial statements of the Company are consolidated is that of PGHP, the ultimate and controlling parent undertaking of the Company. The consolidated financial statements of PGHP may be obtained on www.thephoenixgroup.com or from its registered office at 2nd floor, Old Bailey,London, EC4M 7AN.

Related party transactions disclosed in relation to the Statement of Comprehensive Income relate to transactions with Swiss Re Limited undertakings from 1 January 2020 to 21 July 2020 and Phoenix Group Holdings plc undertakings from 22 July 2020 to 31 December 2021.

Related party transactions disclosed in relation to the Statement of Financial Position relate to balances held between the Company and Phoenix Group Holdings plc undertakings.

b) Services received from related parties

	2021	2020
	£m	£m
Other subsidiary undertakings of Phoenix Group Holdings plc	16.9	8.8

	2021	2020
	£m	£m
Other subsidiary undertakings of Swiss Re Limited	-	0.4

The services received from PGHP relate to the provision of resource, primarily to support project activities and the passthrough of audit fees (see note 5). In the prior year, services received from subsidiary of Swiss Re Limited relate to the activities of group overhead functions.

c) Services provided to related parties

	2021	2020
	£m	£m
Parent Company (PGHP)	20.8	19.1
Other subsidiary undertakings of Phoenix Group Holdings plc	242.8	66.5
	263.6	85.6

	2021	2020
	£m	£m
Parent Company (Swiss Re Limited)	-	40.9
Other subsidiary undertakings of Swiss Re Limited	-	98.1
	-	139.0

As outlined in the strategic report, the Company provides management services to various entities within the Group including policy administration and project delivery services to RAL, capacity to deliver integration projects which is recharged to RGP and the provision of resources to Phoenix Group entities to support project delivery.

d) Year-end balances with related parties

	2021	2020
	£m	£m
Year-end balances with related parties of Phoenix Group Holdings plc:		
Parent Company (PGHP)	(0.5)	3.8
Other subsidiary undertakings of Phoenix Group Holdings plc	9.1	28.8
	8.6	32.6

Balances as at the year-end relate to amounts payable or receivable in relation to the activities described in section c above.

e) Remuneration of key management personnel

As stated in note 7, certain key management resources are remunerated by ReAssure UK Services Limited whilst others are remunerated by the services companies of the Phoenix Group (2020: all key management were remunerated by ReAssure UK Services Limited). Disclosed within these accounts is the total remuneration cost incurred by the Company in relation to key management. It has not been deemed possible to separate the time spent on Company business from other Group business, and hence no apportionment has been made in either the current or prior year.

24. Leases

Lease liabilities are included within Trade and other payables on the Statement of Financial Position. The following right-to-use assets are also included within Property, plant and equipment (note 11).

	Buildings £m	Computer equipment £m	Total £m
Cost or valuation			
At 1 January 2021	4.6	7.0	11.6
Additions	-	0.3	0.3
At 31 December 2021	4.6	7.3	11.9
Accumulated depreciation			
At 1 January 2021	2.8	3.8	6.6
Additions	0.3	1.2	1.5
At 31 December 2021	3.1	5.0	8.1
Carrying Amounts			
At 31 December 2021	1.5	2.3	3.8
At 31 December 2020	1.8	3.2	5.0

b) Lease liability

The additions to leases during the year was £0.3m (2020: £0.5m).

Lease payments for the year was £1.5 (2020: £1.7m).

The interest expense on lease liabilities charged to the Statement of Comprehensive Income for the year was £0.3m (2020: £0.5m).

The lease expense charged to the Statement of Comprehensive Income for short-term leases for the year was £nil (2020: £nil)

The total cash outflow for leases for the year was £2.1m (2020: £2.7m).

The weighted average incremental borrowing rate applied to lease liabilities in the Statement of Financial Position was 6% (2020: 6%).

c) Leases maturity analysis

	1 year or less £m	Later than 1 year £m	Total £m
As at 31 December 2021			
Lease liability	1.9	2.7	4.6
As at 31 December 2020			
Lease liability	1.8	4.4	6.2

25. Post Balance Sheet events

On 31 January 2022, the Company issued £40.0m of share capital to RML.

The Company is continuing to monitor developments regarding the conflict between Russia and Ukraine. This situation has not impacted the Company.

The Directors are not aware of any other significant post balance sheet events that require disclosure in the financial statements.