

# ReAssure Midco Limited

Company Registration Number: 02970583

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

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**Directors and Officers**

**Board of Directors**

Andrew Briggs

Rakesh Thakrar

William Swift

**Company Secretary**

Pearl Group Secretariat Services Ltd

**Registered office**

Windsor House

Telford Centre

Telford

Shropshire

TF3 4NB

**Company registration number**

02970583

## Strategic report for the year ended 31 December 2021

The Directors present their strategic report for ReAssure Midco Limited ("the Company") 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, which is limited by shares. The principal activity of the Company is to act as an intermediate holding company for the ReAssure Life Division ("the Division") of the Phoenix Group ("the Group"), the principal operating entities of which are ReAssure Limited ("RAL") and ReAssure UK Services Limited ("RUKSL"). It acts as the immediate parent undertaking of RAL, which conducts ordinary long-term insurance business in the United Kingdom, namely life assurance, pensions, permanent health and annuities. It also acts as the parent undertaking of RUKSL, which is a supplier of management services. The Company also oversees the Division's defined benefit pension scheme and operates an unfunded unapproved retirement benefit scheme or private retirement trust for one deferred member.

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 results for the year are set out on page 13. The profit for the year of £1,586.4m (2020: £419.2m) is mainly due to the receipt of a £1,622.0m dividend payment from RAL. Net assets of the Company at 31 December 2021 are £3,642.1m (2020: £3,686.4m).

### Directors' duties under section 172 of the Companies Act

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 considerations and decision-making processes took into account their impact on its own stakeholders, namely:

- The Companies within the Phoenix Group on behalf of whom the Company acts as an intermediate non-life holding company;
- Any employees who provide services to the Company via service companies within the Phoenix Group;
- The Company's immediate parent, ReAssure Group plc, and ultimate parent, Phoenix Group Holdings plc.

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 the Company have carried out their duties under section 172 of the Companies Act 2006 during the year ended 31 December 2021.

## ReAssure Midco Limited

KEY BOARD DECISION	Approval to Pay Dividends
STRATEGIC IMPORTANCE  Optimising our in-force business	<p>CONSIDERATION OF S172 MATTERS</p> <ul style="list-style-type: none"> <li>• <b>Long-term consequences:</b> during 2021 the Board considered three separate recommendations for the payment of a dividend. On each occasion it received a paper setting out the Company's cash resources and liabilities to enable the Board to assess the surplus cash resources available for a distribution to the Company's sole shareholder, ReAssure Group plc. When considering each proposal, the Board paid due regard to the long term impact of that decision – specifically in relation to the Company's ability to meet its future financial obligations as they fall due. For each proposal, the Board considered a forecast of the Company's known and potential liquidity requirement over a period of 15 months and beyond, to ensure that approval of the dividend was appropriate.</li> <li>• <b>Maintaining a reputation for high business standards:</b> the directors of the Company also considered their relevant obligations under the Companies Act 2006. This included, inter alia, the requirement for directors to be satisfied that the Company's profits available for distribution had not reduced since the date of the management accounts (upon which the decision was being made) and that the Company had not incurred losses which might reduce profits available for distribution. By ensuring that all legal obligations were met, the Board was able to ensure that the Company's reputation for high standards of business conduct was maintained, expected by all stakeholders.</li> </ul> <p><b>Fostering business relationships with others:</b> when considering the proposals to approve dividend payments, the Board considered the impact of the decision on other companies in the Group, and in particular those of which it was immediate parent, noting that there would be no adverse impact.</p>
OUTCOME	Following due consideration of the matters set out in section 172, the Board approved three separate dividends (in May, June and December 2021), to be paid to its sole shareholder, ReAssure Group plc.
KEY BOARD DECISION	Letter of Support Approval
STRATEGIC IMPORTANCE  Optimising our in-force business  Investing in a sustainable future	<p>CONSIDERATION OF S172 MATTERS</p> <ul style="list-style-type: none"> <li>• <b>Long-term consequences:</b> the Board received a paper recommending the issuance of a Letter of Support to its subsidiary, ReAssure UK Services Limited (RUKSL) and other smaller entities within the ReAssure Division. In considering the recommendation, the Board noted that RUKSL was fundamental in supporting execution of the Company's business model and as such, remained a key part of the ReAssure Division. However, given that the losses RUKSL was forecast to make in 2021 and 2022 were larger than its net assets, it would require parental support. The Board assessed its ability to provide parental support in the context of the Company's own ability to continue as a going concern, considering available liquid assets against current liabilities.</li> <li>• <b>Maintaining a reputation for high business standards:</b> the Board noted that as well as RUKSL, the proposed Letter of Support would extend to a small number of minor entities within the ReAssure Division. Whilst it was not expected that the Company would be expected to provide support to these companies, the Board noted that the support provided by the Company would aid the audit process under the new auditing standard for going concern.</li> </ul>
OUTCOME	Following due consideration of the matters set out in section 172, the Board approved the signing of a Letter of Support for RUKSL and other smaller ReAssure Division entities.
KEY BOARD DECISION	Approval of YE20 Annual Accounts
STRATEGIC IMPORTANCE  Optimising our in-force business  Investing in a sustainable future	<p>CONSIDERATION OF S172 MATTERS</p> <ul style="list-style-type: none"> <li>• <b>Long term consequences:</b> as part of the year-end accounts approval process 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.</li> </ul>

## ReAssure Midco Limited

	<ul style="list-style-type: none"> <li>• <b>Maintaining a reputation for high standards of business conduct:</b> prior to approving the YE20 accounts, the board considered a supporting report prepared by the Financial Reporting team, together with the outcome of an external audit for the accounts, including assessments relating to the impact of COVID-19 on the Company.</li> </ul>
<b>OUTCOME</b>	Following due consideration of the matters set out in section 172, the Board approved the YE20 accounts.

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.

### Key performance indicators

The primary financial key performance indicators ("KPIs") are disclosed in the business review and principal activities section above. In addition to the primary statement KPIs mentioned above, the following are other measures used to monitor and manage risks facing the Company. In its capacity as an intermediate holding company, the Company's principal activities are the oversight of the Group's defined benefit pension scheme and the facilitation of the payment of dividends up from its subsidiaries to the parent company of the Division (RGP). The KPIs therefore, are intended to monitor the Company's ability to pay a dividend and the impact of the pension scheme on the amount of dividend payable.

	2021	2020
Value of investment in group undertakings as a percentage of Net Asset Value ("NAV")	95%	94%
Change in value of investment in group undertakings**	-	-
Pension related balances* deducted from distributable reserves	£95.2m	£67.7m

\*Note that this includes amounts paid into Escrow that are not shown separately on the Statement of Financial Position.

\*\*Note that the change in value of investment in group undertakings during the year is £14.4m (2020:£3.3m) therefore in percentage terms the movement is not sufficiently material as to give rise to any impact on the KPI (refer to note 9 for further details).

The Company, with total equity of £3,642.1m, is in a strong position to facilitate the payment of a dividend up to its parent company. The Company's investment in group undertakings comprises a large proportion of its total NAV, which could present a potential risk to the availability of equity to pay dividends in the event of a large impairment charge being incurred. However, in the current year, the value of the investments in subsidiaries has not changed (in percentage terms) and there has been no material impact on the amount of distributable reserves available. Additionally, pension scheme related balances, at £95.2m, represent less than 3% of the total equity of the Company and do not have a significant adverse impact on the amount of distributable reserves available to pay a dividend.

### Capital management

The Company is responsible for maintaining and managing its own capital, but also supports the management of the capital of its subsidiaries. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to its shareholder, return capital to shareholder or request capital support from other entities in the Group.

The financial statements have been prepared on a going concern basis as described in note 1.4.

The Company provided Letter of Support to six entities within the Group, confirming that as long as it retains at least indirect ownership of these entities, it intends to provide such financial and other support as necessary for these entities to continue to trade or otherwise meet their obligations as they fall due until at least 30 September 2023. The entities that the Company provided the Letter of Support to are as follows:

ERIP General Partner Limited  
G Assurance & Pension Services Limited  
G Life H Limited  
ReAssure Companies Services Limited  
ReAssure FSH UK Limited  
ReAssure UK Services Limited

In support of these objectives, the Company monitors its total equity as shown in the Statement of Financial Position on page 15 of the financial statements.

**Principal risks and uncertainties**

The following have been defined as key business risks:

**Financial risk** is the risk the Company faces as a result of:

- any loan structures in place within the Company;
- the need to provide capital to its subsidiaries; and
- other Company loan commitments.

The Company mitigates financial risk by inputting to the Group quarterly capital planning cycle. If the Company is required to provide support for the capital requirements of any subsidiaries within the Division, this is factored into the Company's capital plan. There is also regular communication with PGHP, with regard to loan repayments and capital requirements.

**Liquidity risk** is the risk that cash may not be available to pay obligations. The Company monitors cash flow and performs variance analysis against actual cash held on a monthly basis. The Company manages its liquidity risk by only paying out dividends and making capital repayments once income from its investments has been received and all expenses have been covered. If there are timing differences between cash inflows and cash outflows, then surplus cash is placed only with approved counterparties or invested in high quality government or corporate bonds.

The Company is not exposed to currency or equity price risk other than through its investment in subsidiaries.

Additionally, as the Company participates in a defined benefit pension scheme, there is a risk that the cash contributions required to fund this scheme increase or decrease due to changes in factors such as investment performance, the rates used to discount liabilities and mortality changes. Any increase in deficit contributions will reduce the Company's cash flow. Decisions on pension scheme funding, asset allocation and benefit promises are taken by the pension scheme trustees in consultation with management and suitably qualified advisors. The board participates in major decisions on the funding and design of the pension schemes.

**Expense risk** is the risk that expenses may not be well controlled and unplanned increases in expenses may threaten the solvency of the Company. 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.

**Approval**

This report was approved by the Board of Directors on 15 June 2022 and signed on behalf of the Board:

DocuSigned by:

*Steven Watts*

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Steven Watts  
For and on behalf of Pearl Group Secretariat Services Ltd  
Company Secretary  
15 June 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.

### Future outlook

The Company is continuing to monitor developments regarding the conflict between Russia and Ukraine. This situation has not impacted the Company at this time and is expected to have no impact on the Company in the future.

### Financial risk management

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

### Dividends

Dividends of £1,662.0m (2020: £355.0m) were paid during the year. Interim ordinary dividends of £120.0m and £812.0m were paid in May 2021 and June 2021, both in respect of the year ended 31 December 2020. A final ordinary dividend of £730m was paid in December 2021 in respect of the year ended 31 December 2021.

### 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**  
 The "Service Companies" within Phoenix Group Holdings plc are the principal leads on maintaining relationships with suppliers.

### 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.

### 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 3.

### 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. In preparing these financial statements the Directors are required 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



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ReAssure Midco Limited

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- 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:  
*Steven Watts*  
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Steven Watts  
For and on behalf of Pearl Group Secretariat Services Ltd  
Company Secretary  
15 June 2022

## Independent auditors' report to the members of ReAssure Midco Limited

### Opinion

We have audited the financial statements of ReAssure Midco Limited for the year ended 31 December 2021 which comprise the Income Statement, Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flows and the related notes 1 to 21 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 profit 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 15 June 2023;
- Evaluated the cash generating forecasts over the period to 15 June 2023 for ReAssure Limited (RAL) as the company is reliant on the dividend income from its main cash generating subsidiary, RAL;
- considered whether the key assumptions used in management's Annual Operating Plan ('AOP'), including the AOP for RAL, 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 management's AOP for RAL to understand how severe the downside scenario would have to be to result in the elimination of liquidity and concluded it to be remote;
- 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 minutes of meetings of the Board; and
- assessed management's considerations of operational risks, including those related to Outsourced Service Providers ('OSPs') and its impact on the going concern assessment;
- considered the impact on the company's liquidity of various commitments that have been made to provide support in the form of capital, to subsidiaries over the next 12 months;
- assessed the appropriateness of the going concern disclosures, including those explaining the company's reliance on dividends received from its main subsidiary RAL, 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 15 June 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 8 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. We understood how the company is complying with those frameworks by making enquiries of 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, review of Board minutes 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 that the company has established to address risks identified by the company, or that otherwise seek to prevent, deter or detect fraud.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures included: 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, the company's methods of enforcing and monitoring compliance with such policies.
- We considered the risk of management override to be a fraud risk. Our audit procedures included 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.

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.



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

## ReAssure Midco Limited

**Income Statement**

For the year ended 31 December 2021

	Note	2021 £m	2020 £m
Net investment income	3	1,619.7	499.0
Finance income	4	1.0	1.2
Other income		0.2	-
<b>Net income</b>		<u>1,620.9</u>	<u>500.2</u>
Administrative expenses	5	(15.5)	(61.1)
Impairment of subsidiaries	9	(14.4)	(23.3)
<b>Total expense</b>		<u>(29.9)</u>	<u>(84.4)</u>
<b>Profit before tax</b>		<u>1,591.0</u>	<u>415.8</u>
Tax (charge)/credit on profit for the year	8	(4.6)	3.4
<b>Total comprehensive profit for the financial year attributable to owner of the parent</b>		<u>1,586.4</u>	<u>419.2</u>

All results derive from continuing operations.

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 ReAssure Midco Limited
 

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**Statement of Comprehensive Income**

For the year ended 31 December 2021

	Note	2021 £m	2020 £m
<b>Total comprehensive profit for the financial year attributable to owner of the parent</b>		1,586.4	419.2
<b>Other comprehensive income:</b>			
Items that will not be reclassified subsequently to profit or loss:			
Actuarial gain on defined benefit pension schemes	12	23.3	8.6
Movement in related deferred tax		8.0	2.9
<b>Total other comprehensive income</b>		<u>31.3</u>	<u>11.5</u>
<b>Total comprehensive income for the year</b>		<u>1,617.7</u>	<u>430.7</u>

## ReAssure Midco Limited

**Statement of Financial Position**

As at 31 December 2021

	Note	2021 £m	2020 £m
<b>Non-current assets</b>			
Investment in group undertakings	9	3,458.8	3,473.2
Financial investments:	10		
Debt securities		57.3	58.0
Collective investment schemes		109.0	157.4
Net pension surplus	12	35.4	10.6
		<u>3,660.5</u>	<u>3,699.2</u>
<b>Current assets</b>			
Current tax asset		-	6.4
Cash and cash equivalents	11	1.7	2.3
		<u>1.7</u>	<u>8.7</u>
<b>Total assets</b>		<u>3,662.2</u>	<u>3,707.9</u>
<b>Non-current liabilities</b>			
Pension scheme liability	12	(2.1)	(2.3)
		<u>(2.1)</u>	<u>(2.3)</u>
<b>Current liabilities</b>			
Current tax liability		(2.3)	-
Trade and other payables	13	(15.7)	(19.2)
<b>Total liabilities</b>		<u>(20.1)</u>	<u>(21.5)</u>
<b>Net assets</b>		<u>3,642.1</u>	<u>3,686.4</u>
<b>Equity</b>			
Share capital	14	73.1	73.1
Share premium		83.9	83.9
Other reserves			
Retained earnings	15	1,360.8	1,360.8
<b>Total equity</b>		<u>2,124.3</u>	<u>2,168.6</u>
		<u>3,642.1</u>	<u>3,686.4</u>

The financial statements of ReAssure Midco Limited, (registered number 02970583) were approved by the Board of Directors and authorised for issue on 15 June 2022 and signed on its behalf by:

DocuSigned by:

Will Swift

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William Swift  
Director  
15 June 2022

## ReAssure Midco Limited

**Statement of Changes in Equity**

For the year ended 31 December 2021

	Attributable to owners of the Company				Total equity £m
	Share capital £m	Share premium £m	Other reserves £m	Retained earnings £m	
	1 January 2021	73.1	83.9	1,360.8	
Profit for the year	-	-	-	1,586.4	1,586.4
Other comprehensive income for the year	-	-	-	31.3	31.3
<b>Total comprehensive income for the year</b>	-	-	-	1,617.7	1,617.7
Dividends paid during the year				(1,662.0)	(1,662.0)
<b>At 31 December 2021</b>	<b>73.1</b>	<b>83.9</b>	<b>1,360.8</b>	<b>2,124.3</b>	<b>3,642.1</b>

For the year ended 31 December 2020

	Attributable to owners of the Company				Total equity £m
	Share capital £m	Share premium £m	Other reserves £m	Retained earnings £m	
	1 January 2020	73.1	83.9	1,360.8	
Profit for the year	-	-	-	419.2	419.2
Other comprehensive income for the year	-	-	-	11.5	11.5
<b>Total comprehensive income for the year</b>	-	-	-	430.7	430.7
Dividends paid during the year				(355.0)	(355.0)
<b>At 31 December 2020</b>	<b>73.1</b>	<b>83.9</b>	<b>1,360.8</b>	<b>2,168.6</b>	<b>3,686.4</b>



## ReAssure Midco Limited

**Statement of Cash Flows**

For the year ended 31 December 2021

	Note	2021 £m	2020 £m
<b>Net cash used in operating activities</b>	16	<u>(7.5)</u>	<u>(0.4)</u>
<b>Cash flows from investing activities</b>			
Dividends received from subsidiary undertaking	3	1,622.0	500.0
Net proceeds/(purchase) of financial assets		46.9	(151.8)
Subscription of shares	9	-	(20.0)
<b>Net cash flows generated from investing activities</b>		<u>1,668.9</u>	<u>328.2</u>
<b>Net cash used in financing activities</b>			
Dividends paid	19	(1,662.0)	(355.0)
<b>Net cash flows used in financing activities</b>		<u>(1,662.0)</u>	<u>(355.0)</u>
<b>Net decrease in cash and cash equivalents</b>		(0.6)	(27.2)
Cash and cash equivalents at the beginning of the year		2.3	29.5
<b>Cash and cash equivalents at the end of the year</b>	11	<u>1.7</u>	<u>2.3</u>

## 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 the 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.

The following amendments to standards listed above have been endorsed by the EU:

- IFRS 9 Financial Instruments.

On 31 December 2020, the UK left the EU and consequently EFRAG will no longer endorse IFRSs for use in the UK. Legislation is in place to onshore and freeze EU-adopted IFRSs and from 1 January 2021 the Company has applied UK-adopted International Accounting Standards. The powers to endorse and adopt IFRSs will be delegated by the Secretary of State to the UK Endorsement Board once the draft statutory instrument, which was laid before Parliament on 1 February 2020, is approved. The following amendments to standards listed above have been endorsed for use in the UK by the Secretary of State:

- Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16).

#### 1.3 Basis of preparation

The financial statements have been prepared on the historical cost basis, except for the revaluation of certain properties, financial instruments and the net pension surplus on the ReAssure staff pension scheme that are measured at revalued amounts or fair values at the end of each reporting period, as explained in the accounting policies below. Historical cost is generally based on the fair value of consideration given in exchange for goods and services. A going concern basis has been applied in accordance with UK adopted international accounting standards.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for leasing transactions, which are in scope of IFRS 16 and measurements that have some similarities to fair value but are not fair value, such as value in use in IAS 36.

The Company is included in the consolidated financial statements of PGHP which are publicly available. Consequently, the Company has taken advantage of the exemption from preparing consolidated financial statements under the terms of section 401 of the Companies Act 2006 and IFRS 10 Consolidated Financial Statements, paragraph 4(a).

The principal accounting policies adopted are set out below.

#### 1.4 Going concern

The Directors have 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 Directors have made enquiries, which include consideration of its largest subsidiary RAL's business model, including expected dividend receipts from RAL to the end of 2026. Based on this assessment, RAL's continued solvency projections, and the continued profitable profile of the Company and strong net asset position, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future (to at least 15 June 2023). Accordingly, they continued to adopt the going concern basis in preparing the financial statements.

The Company provided Letter of Support to six entities within the Group, confirming that as long as it retains at least indirect ownership of these entities, it intends to provide such financial and other support as necessary for these entities to continue to trade or otherwise meet their obligations as they fall due until at least 30 September 2023. The entities that the Company provided the Letter of Support to are as follows:

ERIP General Partner Limited  
G Assurance & Pension Services Limited  
G Life H Limited  
ReAssure Companies Services Limited  
ReAssure FSH UK Limited  
ReAssure UK Services Limited

#### 1.5 Foreign currencies

##### 1.5.1 *Functional and presentational currency*

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the Company operates (the "functional currency"). The financial statements are presented in millions of £ sterling, which is the Company's presentation and functional currency.

#### 1.6 Administrative expenses

Administrative expenses are recognised on an accruals basis.

#### 1.7 Investment income and expenses

Investment income includes dividend received, interest, fair value gains and losses on financial assets and gains on the realisation of investments and related expenses.

##### 1.7.1 *Interest*

For interest-bearing assets, interest is recognised as it accrues and is calculated using the effective interest rate method. The effective interest rate is defined as the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument (or, when appropriate, a shorter period) to the net carrying amount of the financial asset or financial liability.

Fees and commissions that are an integral part of the effective yield of the financial assets or liabilities are recognised as an adjustment to the effective interest rate of the instrument.

##### 1.7.2 *Fair value gains and losses on financial assets*

Fair value gains and losses comprise both realised and unrealised gains and losses.

Realised gains and losses recorded in the Income Statement include gains and losses on the disposal of financial assets and liabilities.

Unrealised gains and losses on investments represent the difference between the valuation at the balance sheet date and their purchase price or if they have been previously valued, their valuation at the last balance sheet date. The movement in unrealised gains and losses recognised in the year also includes the reversal of unrealised gains and losses recognised in prior years in respect of investment disposals in the current year.

#### 1.7.3 *Gains and losses on the realisation of investments and related expenses*

Realised investment gains and losses are calculated as the difference between net sales proceeds and their original cost. Related expenses are accounted for on an accruals basis.

#### 1.7.4 *Investment in subsidiary undertakings*

Investments in subsidiary undertakings are valued initially at the cost of investment and the Directors review the valuation annually to ensure this is not less than the net assets held. For ReAssure Limited ("RAL") Solvency II own funds is used as the basis for measuring net assets. For all other entities, net assets are as per the entity's IFRS balance sheet. Where the value of the net assets held is less than the carrying value, the investment is impaired.

An impairment loss is recognised in the Income Statement if the carrying amount exceeds the value of the net assets held. An impairment loss is reversed only to the extent that carrying amount does not exceed the carrying amount that would have been determined if no impairment loss had been recognised.

#### 1.7.5 *Dividend Income*

Dividend income is recognised in the income statement on the date the right to receive payment is established. All dividend income should be recorded in the income statement as part of 'net investment income'.

### 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 Income Statement 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 profits can be utilised. Deferred tax is charged or credited to the Income Statement, 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 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 and investments in debt instruments measured at FVOCI, as described in note 17, 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.

#### 1.10.1 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.

The classification requirements for debt instruments are described below:

##### *Debt instruments*

Debt instruments are those instruments that meet the definition of a financial liability from the issuer's perspective, such as loans, government and corporate bonds and trade receivables purchased from clients in factoring arrangements without recourse.

Classification and subsequent measurement of debt instruments depend on:

- (i) the Company's business model for managing the asset; and
- (ii) the cash flow characteristics of the asset.

Based on these factors, the Company classifies its debt instruments into one of the following three measurement categories:

- **Amortised cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest ('SPPI'), and that are not designated at FVPL, are measured at amortised cost. The carrying amount of these assets is adjusted by any expected credit loss allowance recognised and measured as described in Note 2.1(iv). Interest income from these financial assets is included in 'Finance income' using the effective interest rate method.
- **Fair value through other comprehensive income ("FVOCI"):** Financial assets that are held for collection of contractual cash flows and to sell, where the assets' cash flows represent solely payments of principal and interest, and that are not designated at FVPL, are measured at fair value through other comprehensive income (FVOCI). Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses on the instrument's amortised cost which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in 'Net Investment income/expense'. Interest income from these financial assets would be included in 'interest Income' using the effective interest rate method.
- **Fair value through profit or loss ("FVTPL"):** Assets that do not meet the criteria for amortised cost or FVOCI are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss and presented in the profit or loss statement within 'Fair value gains/losses on financial instruments'. Interest income from these financial assets is included in 'Finance income' using the effective interest rate method.

At 31 December 2021 the Company did not hold any assets measured at FVOCI.

**Business model:** the business model reflects how the Company manages the assets in order to generate cash flows. That is, whether the Company's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of 'other' business model and measured at FVTPL. Factors considered by the Company in determining the business model for a Company of assets include past experience on how the cash flows for these assets were collected, how the asset's performance is evaluated and reported to key management personnel, how risks are assessed and managed and how managers are compensated. For example, the Company's business model for the government bonds is to hold to collect contractual cash flows.

**SPPI:** Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Company assesses whether the financial instruments' cash flows represent solely payments of principal and interest (the 'SPPI test'). In making this assessment, the Company considers whether the contractual cash flows are consistent with a basic lending arrangement i.e. interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement. Where the

contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at fair value through profit or loss.

The Company reclassifies debt investments when and only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change. Such changes are expected to be very infrequent and none occurred during the period.

The Company has designated certain debt investments as FVTPL on initial recognition, with their performance evaluated on a fair value basis in order to more closely match the accounting for any related liabilities.

*b) Subsequent measurement and gains and losses*

Financial assets at FVTPL	Measured at fair value. Net gains and losses, including any interest or dividend income and foreign exchange gains and losses, are recognised in profit or loss.
Financial assets at amortised cost	Measured at 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.

*c) 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 17 provides more detail of how the expected credit loss is measured.

*1.10.2 Financial liabilities*

*a) Classification*

In both the current and prior period, financial liabilities are classified as subsequently measured at amortised cost.

*b) Measurement*

*Subsequent measurement*

Financial liabilities are 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.

1.11 Cash and cash equivalents

Cash and cash equivalents comprise cash balances and short-term deposits with an original maturity term of three months or less at the date of placement, which are held for cash management purposes. Cash equivalents held through collective investment schemes are classified as collective investments. The carrying amount of these assets approximates to their fair values.

1.12 Interest payable

Interest payable is charged to the Income Statement on an accruals basis.

1.13 Retirement benefits

The Company operates one defined benefit pension scheme, the ReAssure Staff Pension Scheme, which is closed to future accrual. The Company follows the provisions on IAS 19 Employee Benefits in accounting for the scheme. The cost of providing benefits is determined using the projected unit credit valuation method.

The defined benefit asset or liability comprises the present value of the defined benefit obligation (using a discount rate based on high quality corporate bonds) less the fair value of plan assets out of which the obligations are to be settled. Plan assets are held by a separately administered fund and are not available to the Company nor can they be paid directly to the Company. Fair value is based on market price information and in the case of quoted securities or investment vehicles it is the published price.

A finance charge is determined on the net defined benefit pension liability. The operating and financing costs of such plans are recognised separately in the Income Statement; service costs are spread systematically over the lives of employees; and certain liability management costs and financing costs are recognised in the periods in which they arise. Actuarial gains and losses are recognised immediately in the Statement of Comprehensive Income.

#### 1.14 Share capital

The Company has issued ordinary shares which are classified as equity. The share capital is not a distributable reserve.

#### 1.15 Share premium

The share premium on the issued ordinary shares is classified as equity. The share premium is not a distributable reserve.

#### 1.16 Other reserves

The Company's other reserves relate to capital contributions received in prior years from related party entities. These amounts are not repayable. The other reserves are classified as equity and are not distributable reserves.

#### 1.17 Events after the balance sheet date

The financial statements are adjusted to reflect events that occurred 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.

## 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. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised.

### 2.1 Estimates

#### *i) Investment in group undertakings*

Assets that are subject to impairment are reviewed for whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. Investment in subsidiaries are valued at cost less impairment per IAS/IFRS requirements. The carrying value of the Company's investment in ReAssure Limited has been assessed for impairment with reference to the Solvency II valuation of the underlying business. The non-profit fund capital value, excluding transitional measures, has been used in the impairment review on the investment.

#### *ii) Pension benefits*

The present value of the pension obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost/(income) for pensions include the discount rate. Any changes in these assumptions will impact the carrying amount of pension obligations. The Group determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the Company considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related pension obligation. Other key assumptions for pension obligations are based in part on current market conditions. Additional information is disclosed in note 12.

#### *iii) Valuation of investments*

The fair value of an asset is the price that would be received in a sale of that asset in an orderly transaction between market participants at the measurement date. The best evidence of fair value is a quoted price in an actively traded market. In the event that the market for a financial instrument is not active, a valuation technique is used which therefore involves the use of estimates. These estimates include assessments of time value, investment returns, credit risk and volatility factors and are determined using available market data and management's judgement, if necessary.

IFRS 13 Fair value measurement categorises valuation methodologies into a three-level hierarchy. The most critical assumptions are the unobservable inputs within Level 3 valuations. The Company does not have investments with Level 3 valuations.

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 ReAssure Midco Limited
 

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iv) *Measurement of the expected credit loss ("ECL") allowance*

The measurement of impairment losses under IFRS 9 across relevant financial assets requires judgement, in particular for the estimation of the amount and timing of future cash flows when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by the outcome of modelled ECL scenarios and the relevant inputs used.

**3. Net investment income**

	2021	2020
	£m	£m
Dividends received from subsidiary undertakings	1,622.0	500.0
Unrealised (losses)/gains on short term investments	(1.9)	0.5
Realised losses from financial investments	(0.4)	(1.5)
	1,619.7	499.0

**4. Finance income**

	2021	2020
	£m	£m
Interest income from financial investments	1.0	1.2

**5. Administrative expenses**

	2021	2020
	£m	£m
Administrative expenses	15.5	61.1

Administrative expenses relate to costs recharged from RUKSL, primarily in relation to the Group's core integration delivery capability, which is maintained to support the integration of newly acquired books of business. These recharges are received from RUKSL through a Management Services Agreement by way of a monthly service charge.

The decrease in administrative expenses from 2020 to 2021 is largely due to a decrease in Legal & General project recharges following the Part VII transfer of the Legal & General Mature Savings business into RAL in September 2020.

**6. Auditors' Remuneration**

The analysis of auditors' remuneration is as follows:

	2021	2020
	£m	£m
<b>Audit services:</b>		
Fees payable for the audit of the Company's annual financial statements	0.1	0.1

All audit fees are borne by RUKSL, a subsidiary undertaking.

**7. Management Remuneration**

No staff are employed by the Company (2020: none); all activities relating to the Company are performed by staff employed by RUKSL. There are no recharges payable by the Company for these activities and hence it is not possible to determine the related employee costs. These are disclosed in full within the consolidated accounts of PGHP.



## ReAssure Midco Limited

**8. Tax on Profit for the Year****a) Tax charge to the Income Statement**

	2021	2020
	£m	£m
<b>Current taxation</b>		
UK corporation tax	3.5	12.1
Adjustments in respect of prior periods	-	(5.7)
<b>Total current tax credit for the year</b>	<u>3.5</u>	<u>6.4</u>
<b>Deferred taxation</b>		
Origination and reversal of timing differences	(0.3)	(0.5)
Change in rate of UK corporation tax	(7.8)	(2.5)
<b>Tax (charge)/credit on profit for the year</b>	<u>(4.6)</u>	<u>3.4</u>

**b) Reconciliation of tax charge on profit attributable to shareholders**

The tax assessed for the year is lower (2020: lower) than the standard rate of corporation tax in the UK of 19.00% (2020: 19.00%). The differences are explained below:

	2021	2020
	£m	£m
Profit before tax	1,591.0	415.8
Tax on profit at 19.00% (2020: 19.00%)	(302.3)	(79.0)
Effects of:		
Non-taxable dividend income	308.2	95.0
Amounts written off investments	(2.7)	(4.4)
Adjustments in respect of prior years	-	(5.7)
Other	(7.8)	(2.5)
<b>Total tax (charge)/credit for the year</b>	<u>(4.6)</u>	<u>3.4</u>

**c) Factors affecting the current and future tax charges**

A corporation tax rate of 25% was enacted in the period for the year commencing 1 April 2023.

The company has losses that have a potential deferred tax asset value of £4.9m which are not recognised because, based on forecasts, they are not expected to be utilised. The losses do not expire.

**9. Investment in Group Undertakings**

	2021	2020
	£m	£m
<b>Cost</b>		
At 1 January	4,331.0	4,311.0
Subscription for shares (i)	-	20.0
31 December	<u>4,331.0</u>	<u>4,331.0</u>
<b>Provision for impairment</b>		
At 1 January	857.8	834.5
Impairment for the year (ii)	14.4	23.3
At 31 December	<u>872.2</u>	<u>857.8</u>
<b>Net book value</b>	<u>3,458.8</u>	<u>3,473.2</u>

(i) In the current year, the Company did not subscribe for any £1 ordinary shares in its subsidiary RUKSL (2020: 20,000,000).

## ReAssure Midco Limited

- (ii) In the current year the Company identified a £14.4m provision for impairment via a review of the net asset position of RUKSL (2020: £23.3m).

The interest held by the Company in the ordinary share capital of its subsidiary undertakings is as follows:

Company	Principal activity	Address	Holding
<b>Direct subsidiaries</b>			
ReAssure Pension Trustees Limited	Dormant	1	100.0%
ReAssure UK Life Assurance Company	Dormant	1	100.0%
ReAssure Limited	Long-term insurance	1	100.0%
ReAssure Two Limited	Dormant	1	100.0%
BL Telford Limited	Dormant	1	100.0%
ReAssure UK Services Limited	Management service company	1	100.0%
ReAssure FSH UK Limited	Intermediate holding company	1	100.0%
NM Pensions Limited	Dormant	1	100.0%
NM Life Trustees Limited	Dormant	1	100.0%
G Life H Limited	Intermediate holding company	1	100.0%
The Pathe Building Management Company	Dormant	1	100.0%
ERIP General Partner Limited	Management service company	1	80.0%
<b>Indirect subsidiaries</b>			
Namulas Pension Trustees Limited	Corporate and pension trustees	1	100.0%
Gresham Life Assurance Society Limited	Dormant	1	100.0%
ReAssure Trustees Limited	Dormant	1	100.0%
ReAssure LL Limited	Dormant	1	100.0%
ReAssure PM Limited	Dormant	1	100.0%
103 Wardour Street Retail Company Limited	Commercial property	1	99.8%
Northampton Shopping Centre Limited	Commercial property	1	99.8%
Phoenix Life Assurance Europe	Designated activity company	2	100.0%
ERIP Limited Partnership	Management of real estate	1	99.5%
Legal & General European Equity Income	Unit trust	3	88.4%
Legal and General Growth Trust	Unit trust	3	71.2%
iShares 350 UK Equity Index Fund	Open ended investment company	4	91.0%
HSBC Investment Funds – Balanced Fund	Open ended investment company	5	82.2%
ASI Phoenix Venture Capital Partnership	Limited Partnership	6	80.0%

All investments in unit trusts are held in Authorised unit trusts.

#### Registered office addresses

1. Windsor House, Telford Centre, Telford, Shropshire, England, TF3 4NB
2. 25-28 North Wall Quay, D01H104, Dublin 1, Dublin, Ireland
3. One Coleman Street, London, EC2R 5AA, United Kingdom
4. 12 Throgmorton Avenue, London EC2N 2DL, United Kingdom
5. 8 Canada Square, London, E14 5HQ, United Kingdom
6. 1 George Street, Edinburgh, EH2 2LL, United Kingdom

#### 10. Financial Investments

	2021	2020
	£m	£m
Debt securities at fair value through profit or loss	57.3	58.0
Collective investment schemes	109.0	157.4
	<u>166.3</u>	<u>215.4</u>

## a) 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 balance sheet 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.

<b>Assets as at 31 December 2021</b>	Level 1	Level 2	Level 3	Carrying value
	£m	£m	£m	£m
<i>Financial assets at fair value through profit and loss:</i>				
Debt securities	57.3	-	-	57.3
Collective investment schemes	109.0	-	-	109.0
	166.3	-	-	166.3

<b>Assets as at 31 December 2020</b>	Level 1	Level 2	Level 3	Carrying value
	£m	£m	£m	£m
<i>Financial assets at fair value through profit and loss:</i>				
Debt securities	58.0	-	-	58.0
Collective investment schemes	157.4	-	-	157.4
	215.4	-	-	215.4

*Financial assets designated at FVTPL*

Debt securities have been designated as at FVTPL in order to more closely match the accounting for any related liabilities. At 31 December 2021, the maximum exposure to credit risk of these financial assets was their carrying amount of £57.3m (2020: £58.0m). The credit risk of these financial assets has not been hedged by the use of credit derivatives or similar instruments.

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 the credit risk have been recognised for these investments.

## ReAssure Midco Limited

**11. Cash and Cash Equivalents**

	2021	2020
	£m	£m
Cash	1.7	2.3

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

**12. Retirement Benefit Schemes**

The Company operates one defined benefit scheme, the ReAssure Staff Pension Scheme ("RSPS") which is closed to future accrual. The Company also operates an unfunded unapproved retirement benefit scheme or private retirement trust ("PRT") for one deferred member. Under the PRT the beneficiary is entitled to an annual pension on retirement. As at 31 December 2021 the beneficiary has not drawn a benefit from the PRT.

A defined contribution pension scheme, the Group Personal Pension scheme, is operated by RUKSL.

The Company has an unconditional right to the return of any surplus in the scheme once all the scheme liabilities have been satisfied. As a result, there is no requirement to apply an asset ceiling under IAS 19 and any surplus in the scheme can be recognised as an asset in the Company Statement of Financial Position.

Future funding requirements are determined by the outcome of the triennial scheme valuation which was last performed at 31 December 2020. The Trustee's primary funding objective is the statutory funding objective, which is to have sufficient and appropriate assets to cover the Scheme's technical provisions (the amount that the Trustees have determined to be required to make provision for the Scheme's liabilities).

The 31 December 2020 full triennial actuarial valuation revealed a shortfall of assets compared to liabilities, and so an updated Recovery Plan was agreed between the Trustee and the Company in order to make good the deficit. The Company paid £4.4m into a custody account in March 2022. The Company has agreed to make further payments of £4.4m on 1 April 2023, 1 April 2024 and 1 April 2025. The custody account will be available for transfer to the RSPS immediately after 31 December 2025 to the extent that the assets of the RSPS are less than the technical provisions as at that date. The amount held in the custody account will be assessed at future valuations and additional payments will be made by the Company if this is deemed insufficient to meet the balance of the funding shortfall as at 31 December 2025. Based on calculations undertaken as part of the last triennial valuation as at 31 December 2020, the amount expected to be held in the Custody Account as at 31 December 2025 should be sufficient to remove any remaining deficit at 31 December 2025.

The assumptions used in calculating the accounting costs and obligations of the RSPS and the private retirement trust, as detailed below, are set by the Directors after consultation with independent, professionally qualified actuaries. The basis for these assumptions is prescribed by IAS 19 and they do not reflect the assumptions that may be used in future funding valuations of the RSPS.

	2021	2020
Discount rate	2.0%	1.4%
Inflation rate	3.3%	2.9%
Rate of increase in salaries	3.7%	3.1%
Rate of increase in pensions	3.2%	2.9%
Rate of increase in deferred benefits during deferment	2.7%	2.1%
	2021	2020
Mortality		
Longevity at age 60 for current pensioners		
- Men	28.7 years	28.5 years
- Women	30.4 years	30.1 years
Longevity at age 60 for future pensioners currently aged 45		
- Men	30.1 years	29.8 years
- Women	31.4 years	31.4 years

## ReAssure Midco Limited

**a) ReAssure staff pension scheme**

The assets of the RSPS are held in separate, trustee administered funds.

The most recent full actuarial valuation for funding purposes was performed by Willis Towers Watson, a firm of independent actuaries, at 31 December 2020.

There were no contributions made in respect of current service for the current and prior years. The Company agrees to cover those expenses incurred by the scheme and the cost of the death-in-service benefits for those members of the scheme who are entitled only to those benefits.

The fair value of the assets of the RSPS is set out below:

	2021	2020
	£m	£m
Equities and other quoted securities	165.3	125.9
Bonds	172.9	222.3
Gilts	151.5	120.8
Cash	2.8	7.9
	492.5	476.9

The equity investments and bonds which are held in scheme assets, are quoted and are valued at the bid price at 31 December.

The table below details the movements in the pension assets and liabilities recorded through the Income Statement and OCI:

	Fair value of scheme assets	Present value of obligation	Asset/(liability) recognised on Statement of Financial Position
	£m	£m	£m
At 1 January 2021	476.9	(466.3)	10.6
Current service cost	-	-	-
Interest income/(cost)	6.6	(6.5)	0.1
<b>Total amounts recognised in Income Statement</b>	6.6	(6.5)	0.1
Actuarial gain	-	18.7	18.7
Return on scheme assets less than discount rates	17.7	-	17.7
Charge on return of pension surplus of 35%	-	(13.3)	(13.3)
<b>Total remeasurement in other comprehensive income</b>	17.7	5.4	23.1
Contributions paid by employer	2.5	-	2.5
Benefits paid	(10.3)	10.3	-
Administrative expenses	(0.9)	-	(0.9)
<b>At 31 December 2021</b>	492.5	(457.1)	35.4

## ReAssure Midco Limited

	Fair value of scheme assets	Present value of obligation	Asset/(liability) recognised on Statement of Financial Position
	£m	£m	£m
At 1 January 2020	421.7	(420.7)	1.0
Current service cost	-	(1.3)	(1.3)
Interest income/(cost)	8.3	(8.3)	-
<b>Total amounts recognised in Income Statement</b>	<b>8.3</b>	<b>(9.6)</b>	<b>(1.3)</b>
Actuarial gain	-	(41.5)	(41.5)
Return on scheme assets less than discount rates	56.0	-	56.0
Charge on return of pension surplus of 35%	-	(5.7)	(5.7)
<b>Total remeasurement in other comprehensive income</b>	<b>56.0</b>	<b>(47.2)</b>	<b>8.8</b>
Contributions paid by employer	2.1	-	2.1
Benefits paid	(9.9)	9.9	-
Administrative expenses	(1.3)	1.3	-
<b>At 31 December 2020</b>	<b>476.9</b>	<b>(466.3)</b>	<b>10.6</b>

The return on plan assets greater/(less) than discount rate item relates to movements in the fair value of plan assets, arising from changes in market conditions and investment strategy changes over the year. This item provides the level of return generated net of interest applied on scheme assets over the year, with interest applied at the level of the discount rate assumed at the start of the period. This item is positive if asset returns have been greater than the discount rate, and negative if asset returns have been less than the discount rate.

The present value of the obligation as at 31 December 2021 above, excluding the charge on return of pension surplus of £19.0m (2020: £5.7m), is split between non-vested liabilities of £289.8m (2020: £342.9m) and vested liabilities of £148.3 (2020: £117.7m). These liability splits do not allow for membership movements between non-vested and vested status since 31 December 2020, the date of the last full actuarial valuation of the scheme.

The contributions paid by the employer for 2022 are expected to be £0.9m.

The average weighted duration of the liabilities of the RSPS as at 31 December 2021 is between 21 and 22 years (31 December 2020: between 21 and 22 years).

The table below shows the benefit payments made from plan assets for 2020 to 2021 and the expected benefit payments to be made from plan assets from 2022 to 2030:

Year ended:	Benefit payments from plan assets £m
2020	9.9
2021	10.3
2022 (expected)	10.3
2023 (expected)	10.7
2024 (expected)	11.0
2025 (expected)	11.4
2026 (expected)	11.7
2027 to 2031 (expected)	64.5

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The 2021 sensitivities regarding the principal assumptions used to measure the scheme liabilities are as follows:

Assumption	Change in Assumption	Approximate Change in DBO	Positive Impact	Negative Impact
			£m	£m
Discount rate	+ / - 0.25%	- / + 5.5%	(21.2)	22.7
RPI inflation*	+ / - 0.25%	+ / - 4.5%	17.8	(17.2)
Life expectancy	+ / - 1 year	+ / - 4.0%	17.6	(17.1)

\* including associated changes to pension increases, salary increases and CPI inflation.

The methods used to calculate the above sensitivities and the limitations of the methods are consistent with those used for the calculation of the defined benefit obligation, albeit with different assumptions to determine the approximate impact of the sensitivity.

The assumptions used in calculating the sensitivities are detailed below:

Discount rate sensitivities		Change in assumption	Rate adopted
Assumption			
Discount rate		+0.25%	2.25%
Discount rate		-0.25%	1.75%

RPI inflation sensitivities		Change in assumption	Rate adopted
Assumption			
RPI inflation		+0.25%	3.55%
RPI inflation		-0.25%	3.05%
CPI inflation		+0.25%	2.95%
CPI inflation		-0.25%	2.45%
Salary increases		+0.25%	3.95%
Salary increases		-0.25%	3.45%
RPI capped at 5% pension increases		+0.25%	3.45%
RPI capped at 5% pension increases		-0.25%	2.95%
CPI capped at 3% pension increases		+0.25%	2.50%
CPI capped at 3% pension increases		-0.25%	2.00%

For the life expectancy sensitivities, the multiplier applicable to the base mortality assumption was adjusted to determine an assumption which would have a 1 year difference in life expectancy at the average age of the scheme.

All other assumptions are those used in the full defined benefit obligation calculations.

### Risks and risk management

The RSPS, in common with the majority of such defined benefit pension schemes in the UK, has a number of areas of risk. These areas of risk, and the ways in which the Company has sought to manage them, are set out below:

#### i) Asset volatility

The scheme currently invests in equities, corporate bonds and index linked gilts. These assets are subject to market risk in the form of both equity price risk from changes in equity prices and interest rate risk from changes in interest

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rates. The investments in corporate bonds also carry default risk, although defaults from corporate bonds held by the scheme have historically been low.

The plan liabilities are calculated using a discount rate set with reference to corporate bond yields; if plan assets underperform this yield, this will create a deficit. The plan equities are expected to outperform corporate bonds in the long-term while providing volatility and risk in the short-term. If yields on corporate bonds fall then plan liabilities will increase although this will be partially offset by an increase in the value of the plans bond holdings.

As the plan matures, the Company intends to reduce the level of investment risk by investing more in assets that better match the liabilities. Over the last year the scheme has reduced its equity holding and invested in some index linked gilts. However, while planning to reduce investment risk over the long term, the Company believes that due to the long-term nature of the plan liabilities and the strength of the supporting group, in the short to medium term a level of continuing equity investment is an appropriate element of the group's long-term strategy to manage the plan efficiently.

ii) Inflation risk

The pension obligations are linked to inflation, and higher inflation will lead to higher liabilities (although caps on the level of inflationary increases are in place to protect the plan against extreme inflation). The majority of the plan's assets are either unaffected by (corporate bonds) or loosely correlated with (equities) inflation, meaning that an increase in inflation will also increase the deficit. However, during the year the scheme sold some of its equity holdings and reinvested in index linked gilts, which provide a hedge against inflation risk. While the holding of index linked gilts is currently small relative to the total size of the fund, they do provide some protection against inflation risk.

iii) Life expectancy

The majority of the plan's obligations are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the plan's liabilities.

b) Private retirement trust

The Company operates an unfunded unapproved retirement benefit scheme or private retirement trust for one deferred member.

The fair value of the assets of the private retirement trust is set out below:

	2021	2020
	£m	£m
Equities	0.4	0.3
Cash	0.1	-
Other	-	0.1
	<u>0.5</u>	<u>0.4</u>

The equity investments which are held in scheme assets, are quoted and are valued at the bid price at 31 December. The table below details the movements in the pension assets and liabilities recorded through the Income Statement and OCI relating to the private retirement trust.

	Fair value of scheme assets	Present value of obligation	Liability recognised on Statement of Financial Position
	£m	£m	£m
At 1 January 2021	0.4	(2.7)	(2.3)
Actuarial gain taken to other comprehensive income	-	0.2	0.2
<b>At 31 December 2021</b>	<u>0.4</u>	<u>(2.5)</u>	<u>(2.1)</u>



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	Fair value of scheme assets	Present value of obligation	Liability recognised on Statement of Financial Position
	£m	£m	£m
At 1 January 2020	0.4	(2.4)	(2.0)
Interest cost	-	(0.1)	(0.1)
Actuarial gain taken to other comprehensive income	-	(0.2)	(0.2)
<b>At 31 December 2020</b>	<b>0.4</b>	<b>(2.7)</b>	<b>(2.3)</b>

The present value of the obligation as at 31 December 2021 and 31 December 2020 is all non-vested liabilities as it relates to one individual who has not yet retired.

The average weighted duration of the liabilities of the private retirement trust as at 31 December 2021 is approximately 16 years (31 December 2020: approximately 18 years).

The table below shows the benefit payments made from plan assets for 2020 to 2021 and the expected benefit payments to be made from plan assets from 2022 to 2030:

Year ended:	Benefit payments from plan assets £m
2020	-
2021	-
2022 (expected)	0.1
2023 (expected)	0.1
2024 (expected)	0.1
2025 (expected)	0.1
2026 (expected)	0.1
2027 to 2031 (expected)	0.4

**13. Trade and Other Payables**

	2021	2020
	£m	£m
Amounts owed to group undertakings	15.7	19.2

These balances are payable within one year from the balance sheet date. The payables to related parties are repayable on demand and bear no interest.

**14. Share Capital**

	2021	2020
	£m	£m
<b>Authorised</b>		
730,506,943 (2020: 730,506,943) ordinary shares of £0.10 (2020: £0.10) each	73.1	73.1
<b>Issued and fully paid</b>		
730,506,943 (2020: 730,506,943) ordinary shares of £0.10 (2020: £0.10) each	73.1	73.1

The Company is a private company and is limited by shares. 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 and capital distributions, if any, as may be declared by the Board of Directors in its discretion out of legally available profits. A resolution put to the vote

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of a general meeting must be decided on a show of hands unless a poll is duly demanded in accordance with the Articles.

**15. Other Reserves**

	2021	2020
	£m	£m
Other reserves	1,360.8	1,360.8

Other reserves relate to capital contributions received in prior years from related party entities. These amounts are not repayable. There has been no change to other reserves in the current or prior year.

**16. Cash Flows used in Operating Activities**

	2021	2020
	£m	£m
Profit before tax	1,591.0	415.8
Adjustments for:		
Employer pension contributions	(1.8)	(1.1)
Impairment of subsidiaries	14.4	23.3
Fair value losses on financial assets	2.3	1.0
Increase in working capital	(1,613.4)	(439.4)
<b>Net cash used in operating activities</b>	<b>(7.5)</b>	<b>(0.4)</b>

**17. Management of Financial Risk**

The Company's activities are limited to the holding of investments in Group companies. The Company is therefore exposed to liquidity risk, credit risk and expense risk. The Company is not exposed to currency or equity price risk other than through its investment in subsidiaries. On behalf of the Company, the Group's risk management function adopts an approach which seeks to minimise the potential adverse impact of these risks on the financial performance.

The following section discusses the Group's risk management function policies. The measurement of 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.

**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. In addition, the solvency of the Company may be impacted by a widening in credit spreads or by credit downgrades under its portfolio of fixed-interest securities and money-market deposits.

The board determines the risk appetite for the business. 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 is most exposed to credit risk on debt securities, money market investments and cash and cash equivalents. Debt securities and money market investments mainly comprised government bonds and short-term bank deposits. 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.

	AA	A	Total
	£m	£m	£m
<b>As at 31 December 2021:</b>			
Debt securities	57.3	-	57.3
Cash and cash equivalents	-	1.7	1.7
<b>Total</b>	<b>57.3</b>	<b>1.7</b>	<b>59.0</b>

## ReAssure Midco Limited

	AA £m	A £m	Total £m
<b>As at 31 December 2020:</b>			
Debt securities	58.0	-	<b>58.0</b>
Cash and cash equivalents	-	2.3	<b>2.3</b>
<b>Total</b>	<b>58.0</b>	<b>2.3</b>	<b>60.3</b>

Credit ratings have not been disclosed in the above tables for holdings in collective investment schemes. The credit quality of the underlying debt securities within these vehicles is managed by the safeguards built into the investment mandates for these vehicles.

*i) Credit risk measurement*

The Company applies the simplified approach to providing for expected credit losses 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 ECLs, 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 and other receivables which were subject to the above impairment review. The loss allowance provision for these receivables at this date was £nil (2020: £nil). 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.

*iii) Measuring ECL – Explanation of inputs, assumptions and estimation techniques*

The Company determines the ECLs on intercompany 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.

*iv) Maximum exposure to credit risk – Financial instruments subject to impairment*

The gross carrying amount of intercompany and other receivables, reflecting the maximum exposure to credit risk, is £nil (2020: £nil).

*v) Maximum exposure to credit risk – Financial instruments not subject to impairment*

The following table contains an analysis of the maximum credit risk exposure from financial assets not subject to impairment (i.e., FVTPL):

## ReAssure Midco Limited

	2021 £m	2020 £m
<i>Financial assets designated at fair value</i>		
Debt securities	57.3	58.0
Collective investment schemes	109.0	157.4
	<u>166.3</u>	<u>215.4</u>

vi) *Loss allowance*

The loss allowance recognised in the period could be impacted by a variety of factors, as described below:

- Additional allowances for new financial instruments recognised 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.

a) **Fixed interest securities**

The Company manages the credit risk arising from fixed-interest securities by placing limits on the exposure to a single counterparty and to any particular industry or geographical segment. These limits are set out in the Group Investment Guidelines. All assets must have a credit rating assigned to them. Where an asset is rated by one or more External Credit Assessment Institutions, the lowest rating is used. For bonds that do not carry an external rating the investment manager provides an internal rating.

There were no losses incurred as a result of defaults during the year (2020: no losses).

b) **Money market deposits**

The Company holds money-market deposits with approved counterparties and sets limits on counterparty exposure on an individual and aggregate counterparty basis. Credit risk is determined and monitored on a daily basis using short-term credit agency ratings.

**Liquidity risk**

Liquidity risk is the risk that cash may not be available to pay obligations. The Company monitors cash flow and performs variance analysis against actual cash held. The Company manages its liquidity risk by only paying out dividends and making capital repayments once income from its investments has been received and once all expenses have been covered. If there are timing differences between cash inflows and cash outflows, then surplus cash is placed only with approved counterparties or invested in high quality government or corporate bonds.

The tables below shows the cash flows arising from the financial assets and financial liabilities of the Company:

	No contractual maturity date	< 1 Year	Between 1 year and 5 years	> 5 Years	Total cash flows	Carrying Value
	£m	£m	£m	£m	£m	£m
<b>Financial Assets</b>						
<b>As at 31 December 2021:</b>						
Debt securities and other fixed-income securities	-	57.3	-	-	57.3	57.3
Collective investment schemes	109.0	-	-	-	109.0	109.0
Cash at bank and in hand	1.7	-	-	-	1.7	1.7
<b>Total</b>	<u>110.7</u>	<u>57.3</u>	<u>-</u>	<u>-</u>	<u>168.0</u>	<u>168.0</u>

## ReAssure Midco Limited

<b>Financial Assets</b>	No contractual maturity date	< 1 Year	Between 1 year and 5 years	> 5 Years	Total cash flows	Carrying Value
	£m	£m	£m	£m	£m	£m
<b>As at 31 December 2020</b>						
Debt securities and other fixed-income securities	-	58.0	-	-	58.0	58.0
Collective investment schemes	157.4	-	-	-	157.4	157.4
Cash at bank and in hand	2.3	-	-	-	2.3	2.3
<b>Total</b>	<b>159.7</b>	<b>58.0</b>	<b>-</b>	<b>-</b>	<b>217.7</b>	<b>217.7</b>

<b>Financial Liabilities</b>	No contractual maturity date	< 1 Year	Between 1 year and 5 years	> 5 Years	Total cash flows	Carrying Value
	£m	£m	£m	£m	£m	£m
<b>As at 31 December 2021</b>						
Trade and other payables	-	15.7	-	-	15.7	15.7

<b>Financial Liabilities</b>	No contractual maturity date	< 1 Year	Between 1 year and 5 years	> 5 Years	Total cash flows	Carrying Value
	£m	£m	£m	£m	£m	£m
<b>As at 31 December 2020</b>						
Trade and other payables	-	19.2	-	-	19.2	19.2

Additionally as the Company participates in a defined benefit pension scheme, there is a risk that the cash contributions required to fund this scheme increase or decrease due to changes in factors such as investment performance, the rates used to discount liabilities and mortality changes. Any increase in deficit contributions will reduce the Company's cash flow. Decisions on pension scheme funding, asset allocation and benefit promises are taken by the pension scheme trustees in consultation with management and suitably qualified advisors. The board participates in major decisions on the funding and design of the pension schemes.

## 18. 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. 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.

## 19. Dividends

	2021	2020
	£m	£m
<b>Amounts recognised as distributions to equity holders in the year:</b>		
Interim dividend	932.0	-
Final dividend	730.0	355.0
<b>Total dividends paid in the year</b>	<b>1,662.0</b>	<b>355.0</b>

Interim ordinary dividends of £120.0m and £812.0m were paid in May 2021 and June 2021, both in respect of the year ended 31 December 2020. A final ordinary dividend of £730m was paid in December 2021 in respect of the year ended

31 December 2021. During 2020, an ordinary dividend of £355.0m was paid in respect of the year ended 31 December 2019.

## 20. 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. The immediate parent company is ReAssure Group plc, 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](http://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 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
Subsidiaries	14.5	19.1

### c) Year-end balances with related parties (excluding loans)

	2021	2020
	£m	£m
Subsidiaries	(15.7)	(19.3)

Balances as at the year-end relate to amounts payable in relation to the activities described in section b) above.

## 21. Post Balance Sheet Events

The Company is continuing to monitor developments regarding the conflict between Russia and Ukraine. This situation has not impacted the Company at this time and is expected to have no impact on the Company in the future.

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