



SANLAM LIFE & PENSIONS UK LIMITED

Annual Report and Accounts
for the year ended 31 December 2020

Sanlam Life & Pensions UK Limited (00980142)

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Sanlam Life & Pensions UK Limited (00980142)

COMPANY INFORMATION

Board of Directors

N A Parry*
J Polin*
J A A Samuels
B S Laggar
N J Fraser*
I Plenderleith

* denotes Executive Director

Chief Actuary

W B Friend

Independent Auditors

Ernst & Young LLP
The Paragon
Counterslip
Bristol
BS1 6BX

Registered Office

Monument Place
24 Monument Street
London
EC3R 8AJ

Company Registration Number

00980142

Sanlam Life & Pensions UK Limited (00980142)

STRATEGIC REPORT

Principal activity, review of the business and future developments

The principal activity of the Company continues to be the transaction of life assurance and pensions business. This will continue to be the principal activity for the foreseeable future.

Sanlam Life & Pensions UK Limited (the Company) forms part of the Sanlam UK Group whose vision is to redefine the way client wealth is invested and managed and, ultimately, how financial planning is given and received in the UK. The focus is very much on the client journey, assessing and defining desired outcomes and providing the tools to inform and assist the client on every step of that journey. This includes ensuring that policyholders continue to receive the promised benefits from their existing policies.

The Company's main role within Sanlam UK is that of provider of tax wrappers and insurance products. To place the business at the forefront of technology, a new digital platform has been launched, The Sanlam Platform, hosted by Hubwise to provide an on-line portal for clients and advisers to engage with. This will be developed further over the coming months and years.

Additionally, the Company is simplifying its legacy product offering, closing complex products and underutilised funds thereby providing products that are cost efficient, straightforward to administer and understand.

The Company is subject to regulation under Solvency II and reports to the Prudential Regulatory Authority on that basis.

Principal risks and uncertainties

The Company is exposed to financial risk through its financial assets, financial liabilities, reinsurance assets and policyholder liabilities and in particular that the proceeds from financial assets are not sufficient to fund the obligations arising from contracts with policyholders. The most important components of this financial risk are market risk, insurance risk, credit risk and financial soundness risk, all of which are managed in accordance with the risk management framework described in note 30. Whilst the Company permits the use of derivative instruments on condition that they conform to its strict policy, as well as to statutory and regulatory prescriptions, the Company had no exposure to derivative contracts in its own portfolio of assets as at 31 December 2020 or during the year then ended.

Covid-19

A coronavirus disease, Covid-19, began to spread globally in early 2020 and has been declared a pandemic by the World Health Organisation.

At this time, there still remains some uncertainty as to how long the Covid-19 pandemic will last and as to the extent and duration of the economic, financial and other disruptions caused by the pandemic. The Company has experienced significant volatility in asset values over the past year which has negatively impacted the Company's income. Although, at this stage asset values are higher on average than prior to the onset of the pandemic, continuing volatility can be expected. Heavier short-term mortality experience can be expected but the impact of the pandemic on long term mortality experience remains highly uncertain. The Company has not been adversely affected to date however and has managed to maintain its support to customers. In addition, operations have not been affected as the Company workforce was able to successfully transition to working from home. These risks are subject to supervision and oversight by the Board.

STRATEGIC REPORT continued

The Company will continue to monitor the impact of Covid-19 on the financial position through the usual governance mechanisms, including the regular oversight of financial performance, capital cover and other strategic monitoring triggers. In the immediate future, the Company will work hard to continue to look after customer's financial needs during the Covid-19 pandemic and will continue to monitor government advice closely to ensure it looks after the health and wellbeing of employees and the communities within which the Company works.

UK exit from the European Union (Brexit)

The UK left the European Union ('EU') on 31 January 2020. A transitional period, during which the UK was no longer a member of the EU but was still subject to EU rules and remained a member of the Customs Union, concluded on 31 December 2020. The UK's future trading relationship with the EU, though materially agreed, still remains subject to negotiation and further agreement.

Brexit is not expected to have a significant impact on the Company. However, developments in the trading relationship continue to be monitored. Whilst there are certain Brexit related changes to Company Law, there are no new accounting and financial reporting requirements that relate specifically to the UK leaving the EU that impact on the Company.

Credit Risk

Credit Risk is the risk of key counterparties failing to meet their contractual obligations. The Company looks to manage Credit Risk as follows:

- Asset Default - non-linked assets are managed externally and corporate debt ratings must comply with minimum requirements set down in the fund management agreement.
- Reassurer Default - the Company's reinsurer Munich Re is financially strong with AA Credit rating.
- Failure of indemnities and guarantees - The Company recognises for an expected recovery of £4.1m under the pecuniary loss insurance contract with Allianz Cornhill and so loss is unlikely as it has a Standard and Poor's "AA" rating.

Market Risk

Market Risk is where financial market movements impact the Company assets and liabilities. The key risks are as follows:

- Fall in Equity Values - The Company is not exposed to any material investment guarantees that would be directly affected by a fall in equity values.
- Fall in Property Values - The direct effect of a fall in property values would only have a minimal impact on the Company's solvency because:
 - Unit linked property assets and liabilities are fully matched.
 - The defined benefit pension scheme is not invested in property.
 - None of the Company's non-linked assets or shareholder's funds are invested in property
- Adverse Movement in Interest Rates - The non-linked liabilities are matched by a portfolio of fixed coupon and index linked securities of relevant outstanding term. All liabilities and assets are denominated in sterling and the matching position is reviewed monthly.

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STRATEGIC REPORT continued

- Currency Risk - Some of the Company's unit linked funds are invested in overseas linked assets and as such an increase in the value of sterling compared to other currencies will lead to a reduction in the value of capital resources through lower future fund administration charges.

Liquidity Risk

Liquidity Risk is the risk that the company would not have sufficient liquid financial resources to meet its obligations as they fall due. This is managed by:

- Overnight deposits and short-dated gilts
- Managed internal funds maintain a proportion of cash within the fund in order to meet redemption requirements.

Pension Risk

Pension Risk is the risk of financial loss resulting from changes in the assets and liabilities within the staff defined benefit pension scheme. The scheme is administered in conjunction with the trustees against a defined investment strategy which is closely cash flow matched to liabilities.

Underwriting risk

Underwriting risk is the risk that may arise from writing insurance policies from uncontrollable factors. The Company is exposed to the following:

- Mortality - actual policyholder claims are higher than expected and is managed through reinsurance, maximum age limits and minimal sums at risk through investment related business
- Morbidity - policyholder health claims are higher than expected and is managed through the reinsurance in place
- Longevity - policyholders are living longer than expected and this is managed by regular review and monitoring at Board level
- Expense - the expenses in relation to claims are higher than expected and this is managed by a robust budgetary and monitoring process

Operational Risk

This is considered separately for each risk category in terms of any loss that would occur if a process was to fail or an external event were to hit the Company. The Company employs an internal operational risk model which aggregates all the Company's operational risks impacts and likelihoods as assessed by the various department heads using correlation matrices.

Business Review

The loss after tax for the year amounted to (£282)k (2019: profit £1,722k). The loss has been impacted by increased operating expenses and a reduction in the deferred tax asset recognised in connection with non-linked pension business, resulting in a Corporation Tax expense arising. In addition, a charge of £701k has been made to expenses in respect of impairment of the Company's subsidiary, Sanlam Financial Services UK Limited (SFS), as outlined in Note 8.

Details of the results are set out in the Statement of Comprehensive Income on page 26.

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STRATEGIC REPORT continued

There has also been a reduction in the tax charge, from £16.3m in 2019 to £9.9m in 2020. Details of the reasons for this are outlined in note 10.

Total new business volumes including the Company's subsidiary SFS, were broadly unchanged compared to 2019 (£227.4m vs £228.3m). This is a reasonably good result given the Covid-19 pandemic and the impact of market fluctuations and is broadly in line with the rest of the sector. New business volumes for the Company itself were £159.8m (2019: £178.8m).

Embedded Valuation Assumptions

The embedded value methodology and assumption setting process is largely determined by guidance issued by the Actuarial Society of South Africa as contained in Advisory Practice Note 107 on Embedded Value Reporting. The embedded value consists of net worth, plus the present value of future shareholder cash flows from in-force covered business, less the cost of required capital. The Company's embedded value has decreased in 2020, moving from £75.6m in 2019 to £68.7m. This negative performance was mainly due to the impact of updated expense assumptions, a worsening in the staff pension scheme solvency position and the change in the expected future corporation tax rate.

Reconciliation of shareholders' equity to embedded value

	£'000
Equity Value	36,060
Value of business in-force	32,677
Embedded value	<u>68,737</u>

The Company's solvency position has worsened during the year to 133% (2019: 146%). The main reasons for the decrease in the capital adequacy ratio are the fall in interest rates during 2020 and also the updated expenses assumptions used in the calculations.

Section 172(1) statement

The Directors are pleased to outline below how they discharge their duty to promote the success of the Company, with regards to the matters specified by section 172(1) of the Companies Act 2006.

a) The likely consequences of any decision in the long term

The Company is a long-term insurance company regulated by the Prudential Regulation Authority (PRA) and as such the core of the Company's operations are focused on long term outcomes. In line with regulatory requirements, an Own Risk Solvency Assessment is performed annually with updates on an ongoing basis; this assesses the Company's own view of the risks inherent in the business and ensures that these are effectively provided for and monitored.

STRATEGIC REPORT continued

b) The interests of the Company's employees

The Human Resource Committee (HRC) as a sub-committee of the Sanlam Investment Holdings UK Limited Board, has responsibility for the all of the Company's employees. It is also involved in establishing and maintaining an effective management team and the remuneration strategy of the Group. The Group Board recognises that remuneration and incentives play a significant role in aligning conduct with good governance principles and treating customers fairly. The Group's remuneration policy takes into account the specific regulatory requirements to which the Company is subject under Solvency II. The HRC is constituted by not less than two non-executive directors appointed by the Group Board.

As well as a focus on remuneration, the HRC also has the following responsibilities regarding HR risks:

- provide recommendations and report to the Sanlam Investment Holdings (SIH) Board on any potential conflict of interest or questionable situations of a material nature, or any other human resources risks
- Review Code of Ethics annually
- Monitor compliance with all employment legislation
- ensure adequate management actions to reduce the risks.

c) the need to foster the Company's business relationships with suppliers, customers and others

Suppliers

The Company's key suppliers are reviewed and monitored in line with the Group's outsourcing framework. This takes into account the regulatory conditions to which the Company is subject, for example such outsourcing must not impair the Company's system of governance, unduly increase operational risk, compromise customer service or prevent the regulator from monitoring the Company's compliance with its obligations.

Responsibility for the Outsourcing Policy and framework has been delegated to the Group Executive Committee. The Company's Board, Management Committee and relationship managers are responsible for implementing the Outsourcing Policy and management of the framework and monitoring such arrangements.

Outsourcing risk is managed in accordance with the principles prescribed by the Group's Enterprise Risk Management (ERM) framework such that sufficient processes and controls must be in place to ensure that the Group can properly discharge its responsibilities and obligations and thereby mitigate its exposure to significant outsourcing risk.

The extent of governance, risk management and control will depend on the type of outsourcing arrangement. The wider Sanlam Group chooses to define outsourcing arrangements comprehensively, thereby ensuring that any intra-group outsourcing is also subject to the same principles of governance oversight.

STRATEGIC REPORT continued

Customers

The Group has established a Customer Interest Committee (CIC) to ensure that conduct matters, in particular fair treatment of customers, are adequately considered by the board. The CIC reviews and monitors customer-related outcomes and other related matters across the SIH Group at a strategic level.

The Committee advises the Board in relation to the fair treatment of customers and the delivery of fair outcomes for customers within the Group.

The Committee endeavours to ensure the actions of the Group are consistent with the six fairness outcomes as defined by the FCA, being:

- Outcome 1: Customers can be confident they are dealing with firms where the fair treatment of customers is central to the corporate culture
- Outcome 2: Products and services marketed and sold in the retail market are designed to meet the needs of identified customer groups and are targeted accordingly
- Outcome 3: Customers are provided with clear information and are kept appropriately informed before, during and after the point of sale
- Outcome 4: Where customers receive advice, the advice is suitable and takes account of their circumstances
- Outcome 5: Customers are provided with products that perform as firms have led them to expect, and the associated service is of an acceptable standard and as they have been led to expect
- Outcome 6: Customers do not face unreasonable post-sale barriers imposed by firms to change product, switch provider, submit a claim or make a complaint.

The CIC also reviews new products prior to launch so that any feedback from a customer standpoint can be factored into product development.

Others

There are no other parties who are considered relevant for consideration.

d) the impact of the company's operations on the community and the environment,

The Company has been exploring Environmental, Social and Governance (ESG) principles in relation to its investment and operations. The Company is responsible for crafting financial futures for our clients and, as such, needs to be responsible stewards of its clients' assets. The primary aim is to provide our clients with investment solutions and strategies that meet their unique needs and deliver sustainable risk-adjusted, long-term performance. Whilst different areas of the business employ differing investment processes based upon the nature of their underlying investment offering, they have a commonality in that they are all designed to achieve this primary aim. The Company acknowledges that relevant and material ESG issues can meaningfully affect investment performance and that the Company therefore needs to incorporate critical factors in our research, decision-making, ongoing monitoring, and reporting processes.

STRATEGIC REPORT continued

Climate risk and the effects of climate change are being actively considered by the Company. The Company recognises that there may be a number of emerging risks to the business arising from both physical and transitional risks as a result of climate change and associated second order effects. The Company has put together a team to identify what these risks are, quantify the impact of them - particularly to the balance sheet, and to put treatment plans in place to mitigate them. This involves the use of external trade bodies, regulators and publications to ensure that its understanding is current.

This will involve integrating the identified risks into the enterprise risk management framework, assigning risk owners and carrying out stress testing to ensure the ongoing resilience of the business to climate change. It will also involve satisfying regulatory bodies that the business has taken these risks into consideration in its business planning.

The Company recognises that the timeline for many of these risks will be longer than the normal business planning timeframe and will be taking this into consideration in the assessment and stress testing of the risks.

e) the desirability of the company maintaining a reputation for high standards of business conduct

As a regulated entity, the Company is subject to extensive rules on conduct of business. The Compliance department monitor adherence to these rules on an ongoing basis; this is crucial to the success of the business.

f) the need to act fairly as between members of the Company.

All employees are required to comply with the Group's Code of Ethical Conduct. In summary, this requires employees to:

- uphold the highest level of integrity and ethical conduct
- act honestly, fairly with due skill, care and diligence in the interests of Sanlam's clients and the integrity of the financial services industry
- both comply with applicable law and regulation and strive to uphold the spirit of such law and regulation
- act without discrimination.

By Order of the Board



N J Fraser
Director

27 April 2021

Sanlam Life & Pensions UK Limited (00980142)

DIRECTORS' REPORT

The directors present their annual Directors' Report and audited Financial Statements for the Company for the year ended 31 December 2020.

Directors, directors' interests and directors' qualifying third party indemnity provisions

The directors throughout the year were:

N A Parry	
J Polin	
P B Hanratty	resigned 17 June 2020
J A A Samuels	
B S Laggar	
N J Fraser	appointed 6 May 2020, resigned 11 June 2020, re-appointed 6 November 2020
I Plenderleith	appointed 8 April 2021

None of the directors have any interests in the shares of the Company.

In accordance with the requirements of section 234 of the Companies Act 2006, qualifying third party indemnity provisions were in force throughout the year for the benefit of the directors of the Company and its associated companies. Such qualifying third-party indemnity provisions remain in force as at the date of approving the Directors' report.

A review of the business including likely future developments is included within the Strategic Report.

Share capital

There was no change in the authorised and issued share capital of the Company during the year.

Dividend

No dividend is proposed in respect of the financial year ending 31 December 2020 (2019: nil).

Corporate governance

The directors recognise that financial results only tell part of the full performance story - that it is critical to look past financial performance and to give substance to stakeholder considerations. The Company recognises its responsibility to conduct its affairs with prudence and integrity, with transparency and accountability.

The Board, which currently comprises 3 non-executive directors and 3 executive directors, is responsible to the shareholders for the governance of the Company including financial, operational and compliance controls and risk management processes. To support the Board in meeting that responsibility, an organisational structure has been established with clear operating procedures, lines of responsibility and authority.

DIRECTORS' REPORT continued

The Audit, Actuarial and Risk Committee (ARC) is a sub-committee of the Board and is chaired by a non-executive director. It meets on a quarterly basis and comprises 3 non-executive directors. Its purpose, with the assistance of management where required, is to assist the Board in fulfilling its oversight responsibilities by:

- Setting and overseeing the overall standards for financial and actuarial reporting, compliance, risk management, internal controls and ethical conduct within the Company.
- Monitoring the effectiveness of compliance and business risk management processes in the Company and monitoring that Conduct Risk principles and processes are embedded throughout the Company.
- Overseeing the process for appointment and re-appointment of external auditor and making recommendations to the Board.
- Engaging with the external and internal auditors on the quality and acceptability of the control environment and reporting structures.
- Recommending appropriate follow-up action to the Board and
- Reviewing and assessing the quality of the work done by the professionals responsible for financial and actuarial reporting, compliance, client assets (CASS) and internal control.

The Human Resources and Remuneration Committee (HRC) is a sub-committee of the Sanlam Investment Holdings UK Limited (the Group) Board, is chaired by a non-executive director and is responsible for the Company's intellectual human capital and maintaining an effective management team. The committee is also responsible for the remuneration strategy of the Company and determines the remuneration packages for members of the Executive Management team.

The Investment Performance Oversight Committee is a sub-committee of the Company Board. It meets quarterly, is chaired by the Group CEO and includes the Chief Executive Officer and a non-executive director. The Committee monitors the investment activities of the Company's insured funds, assists the Company to achieve their investment objectives and to fulfil their responsibilities to customers through monitoring all applicable parties compliance with investment management agreements, monitoring the competitiveness of the funds and model portfolios, reviewing mandates and appointments and removals of investment managers, custodians and administrators.

The Balance Sheet Management Committee is a sub-committee of the Company Board. It meets quarterly with the aim to develop and recommend a strategic framework for the management of the Company's Statement of Financial Position (formerly the Balance Sheet).

This includes the following activities:

- Oversight of the management of assets in the shareholder portfolios and the policyholder portfolios where the Company carries all the investment risks
- Oversight of capital efficiency within the Company. This includes the management of required capital within the boundaries of risk appetite and the utilization and optimisation of returns on discretionary capital.
- Oversight over Liability Driven Investment (LDI) portfolios, in particular Asset Liability Management (ALM) over the non-participating policy holder portfolios
- Working capital and liquidity management
- The Company's 'estate' portfolios i.e. portfolios where the shareholder carries all the investment risk. This includes all shareholder capital portfolios as well as any policyholder liability portfolios where the shareholder carries all investment risk

DIRECTORS' REPORT continued

- Oversight of the investment strategy of the defined benefit pension scheme of which the Company is the sponsor (in conjunction with the Scheme's trustees) and
- Carry out certain business relating to personal and private funds.

The Executive Management Committee, chaired by the Chief Executive Officer, meets on a monthly basis to consider strategic, operational, projects and human resources issues. Significant projects are also reviewed by the Group Executive Management Committee. The Executive Management Committee is also responsible for reviewing monthly management information, monitoring new and existing risks, and considering any compliance, prudential, legal and regulatory issues with support from the AARC.

The Company also meets periodically with its distribution partners, Sanlam UK Distribution and Sanlam Wealth Planning, to assess the performance of its distribution and marketing activities. This activity is further supported by a monthly meeting of the Sanlam UK Proposition and Client Interest Committee which is a sub-committee of the Sanlam UK Executive Committee.

A Statement of Business Principles is in place to provide guidance as to the standards expected when acting on behalf of the Company. These aim to ensure that the Company conducts its business in full compliance with the law and its regulatory obligations and adheres to the highest professional and ethical standards.

Risk Management Framework

The management of the Company is in line with the approved Risk Management Framework it has in place which sets out the Company's risk management framework and includes elements such as the definition of risk appetite and the process for the identification, assessment, monitoring, reporting and control of risk.

The Company's risks are ranked in priority order using financial and risk-based capital criteria. Progress in the management of the key risks is reviewed on a regular basis by senior management and the Audit, Actuarial and Risk Committee. The Company's key risks are listed in the Strategic Report on page 3.

The risk management objectives and policies as well as the Company's exposures to key risks and uncertainties, including those that have arisen or increased as a result of the Covid-19 pandemic, are set out in note 30.

Regulatory compliance

The Compliance function is regarded as an integral part of the Company's corporate governance structure and risk management framework and is represented at the Executive Management Committee and all the sub-committees listed above except for the Human Resources Committee.

The Compliance function reports directly to the Chief Executive Officer and has unencumbered access to all parts of the business. It reports to the Audit, Actuarial and Risk Committee on a quarterly basis. The Committee has the option to discuss compliance issues without executive management being present. A compliance plan is produced for Board approval on an annual basis, and progress against the plan is reported on and reviewed quarterly by the Board.

DIRECTORS' REPORT continued

Employees

All Human Resources policies are accessible on the Company's intranet system and are reviewed on an annual basis. These include the Company's policies on, for example, absence, flexible working conditions, discipline, grievance, maternity and harassment. An employee handbook contains further details on contractual information, policies and procedures, Code of Ethics, employee benefits and training and development.

The Company has an Equal Opportunities Policy to ensure that no discrimination occurs on grounds of an individual's age, nationality, race, colour, religion or religious beliefs, sex or sexual orientation, marital status or disability. The Equal Opportunities Policy covers recruitment and selection, conditions of work, equal pay, access to training and development, and every other aspect of employment.

Interviewees are subject to an objective competency-based interview to ensure they have the right skills and attributes required for any position advertised. A comprehensive induction process ensures that all new employees are provided with corporate information from the day they join the Company.

An established performance management process includes various performance incentive systems and an annual appraisal system. Financial incentives include a 'profit-like' reward scheme for the majority of employees and a performance recognition programme for certain key employees. Development needs from appraisal sessions are fed back to Human Resources to process training requirements. Job descriptions are reviewed in conjunction with employee performance reviews to ensure that they remain accurate and relevant.

Information on aspects of the Company's activities is imparted regularly to employees through departmental channels, team and Company briefings, and staff employee computer desktops, with a grievance policy available for employees to raise concerns or issues.

The Company's Employee Development Programme ensures that employees are given adequate training and support to develop their capabilities, including developing from non-managerial posts to more senior positions.

Annual remuneration statements are provided to all employees, providing them with a clear statement of their total remuneration packages to ensure transparency.

Going concern

The Directors are responsible for making a formal assessment as to whether the 'going concern' basis is appropriate for preparing these financial statements. The going concern basis presumes that the company will continue to be able to meet its obligations to policyholders and other creditors as they fall due. To do this, the company must have sufficient assets, not only to meet the payments associated with its business, but also to withstand the impact of other events that might reasonably be expected to happen.

The Directors have examined the various issues relevant to the going concern basis and will take proactive action to maintain regulatory solvency at all times. Furthermore, the financial position of the company has been projected under a range of economic scenarios and the Directors are confident of the company's financial strength and its ability to withstand market shocks.

DIRECTORS' REPORT continued

The Directors have also considered specific Covid-19 stress scenarios which includes the impact of a further shock to equity markets, reduction in investment income and credit spreads widening. Under these stress scenarios the company's capital was projected to remain above regulatory requirements and sufficient liquidity exists to meet liabilities as they fell due. Operationally the Company was able to adapt to employee remote working in response to the pandemic so that customer needs were continued to be met.

In addition, the Directors have reviewed a reverse stress scenario (at a Sanlam UK level) in relation to downgrades and defaults in the Company's corporate bond portfolio, as well as the widening of credit spreads, and whilst confident in continuing with the approved policy of holding such bonds are tracking and focusing on market movements.

Accordingly, the Board considers it has given due consideration to all the potential risks and possible actions available to it and has concluded that it remains appropriate to prepare these financial statements on a going concern basis for the 12 months from the signing of the Annual Report and Accounts.

Appointment of auditor

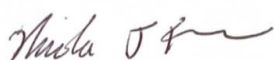
Under EU legislation introduced in 2016, the Company is required to rotate its external audit appointment after completion of the 2020 year end audit process. Accordingly, the Company embarked on a formal tender process for the external audit appointment with a view to appointing a replacement audit firm for the Company's external audit in 2021. This was overseen by the Audit, Actuarial and Risk Committee which provided a recommendation on the appointment. Following the conclusion of the tender process, the Company Board and the sole member of the Company are expected to approve the appointment of KPMG LLP ("KPMG") as the Company's next external auditor, replacing Ernst & Young LLP. The first reporting period subject to audit by KPMG will therefore be the year ending 31 December 2021.

Disclosure of information to the auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the Company's auditor is unaware.

Having made enquiries of fellow directors and the Company's auditor, each director has taken all steps that a director might reasonably be expected to have taken to be aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

By Order of the Board



N J Fraser
Director

27 April 2021

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The directors are responsible for preparing the annual report and 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 that law the directors have elected to prepare the financial statements in accordance with International accounting standards in conformity with the requirements of the Companies Act 2006. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing 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 IFRSs 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 whether International accounting standards in conformity with the requirements of the Companies Act 2006 have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is appropriate to presume that the company will not 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 company financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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. The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF SANLAM LIFE & PENSIONS UK LIMITED

Opinion

We have audited the financial statements of Sanlam Life Pensions UK Limited for the year ended 31 December 2020 which comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Cash Flows, Statement of Changes in Equity and the related notes 1 to 34, (except for that element in both note 29 and 30 (4) (iii)) which are marked as unaudited), including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Accounting Standards in conformity with the requirements of the Companies Act 2006.

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 December 2020 and of its loss for the year then ended;
- have been properly prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006; 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 public interest entities, 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. Our evaluation of the directors' assessment of the company's ability to continue to adopt the going concern basis of accounting included:

- We confirmed our understanding of management's going concern assessment process and obtained management's assessment which covers 12 months from the date of approval of the financial statements;
- With support from our actuarial team, we challenged the key actuarial assumptions used in management's annual plan and determined that the models are appropriate to enable management to make an assessment on the going concern of the Company;
- We assessed the accuracy of management's analysis by testing the inputs and the clerical accuracy of the models used;

INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF SANLAM LIFE & PENSIONS UK LIMITED

- We evaluated the liquidity and solvency position of the Company by reviewing base case liquidity and solvency projections that incorporate an estimated view of the potential future economic recovery that is anticipated to be experienced following the impacts of COVID-19.
- We obtained and reviewed the latest Board approved ORSA, assessed whether the stress testing included in the ORSA was reasonable and considered the solvency position under each stress scenario;
- We evaluated the impact of interest and credit spreads on the Company's capital adequacy and considered whether the possibility of the widening of credit spreads would result in the capital adequacy ratio falling below 100%, and concluded that the prospect of this downside scenario resulting in elimination of solvency headroom is unlikely to occur;
- We 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 challenged management's assessment as approved by the Board, minutes of meetings of the Board and its committees, and made enquiries as to the impact of COVID-19 on the business; and
- We assessed the appropriateness of the going concern disclosures by comparing the consistency 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 of **twelve months** from when the financial statements are authorised for issue.

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.

Overview of our audit approach

Key audit matters	<ul style="list-style-type: none">• Inappropriate actuarial assumptions applied resulting in incorrect valuation/measurement of insurance contract liabilities
Materiality	<ul style="list-style-type: none">• Overall materiality of £778k which represents 2% of equity

INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF SANLAM LIFE & PENSIONS UK LIMITED

An overview of the scope of our audit

Tailoring the scope

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for the Company. This enables us to form an opinion on the financial statements. We take into account size, risk profile, the organisation of the Company and effectiveness of controls, including controls and changes in the business environment when assessing the level of work to be performed. All audit work was performed directly by the audit engagement team.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in our opinion thereon, and we do not provide a separate opinion on these matters.

Risk	Our response to the risk	Key observations communicated to the Audit Committee
<p>Inappropriate actuarial assumptions applied resulting in incorrect valuation/measurement of insurance contract liabilities</p> <p>Refer to the Critical accounting estimates (pages 41-42); Accounting policies (pages 39 and 40) and notes 22 and 29 of the financial statements (pages 60-61 and pages 64-67 respectively)</p> <p>The insurance contract liabilities of £228.0m (2019: £232.0m) are disclosed in note 22 of the financial statements, with the</p>	<p>To obtain sufficient audit evidence to conclude on the appropriateness of actuarial assumptions, we engaged EY actuaries and performed the following procedures:</p> <p>We performed walkthroughs and tested the key controls over management's process and governance for setting actuarial assumptions.</p> <p>We validated the completeness and accuracy of data used in the experience investigation processes by testing controls that demonstrate consistency with policyholder data used in</p>	<p>We determined that the actuarial assumptions used by management are reasonable based on the analysis of experience to date, (including specific consideration of the impact of COVID-19), industry practice and the financial and regulatory requirements.</p> <p>We consider it appropriate that assumptions have not been adjusted to reflect the impact of COVID-19 as the longer term impact on morbidity and mortality in particular is not yet clear, and the position adopted by management is consistent with that taken by most</p>

INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF SANLAM LIFE & PENSIONS UK LIMITED

Risk	Our response to the risk	Key observations communicated to the Audit Committee
<p>principal assumptions, sensitivities and analysis of changes to key assumptions disclosed in note 29.</p> <p>The risk is that the insurance contract liabilities are not set within a reasonable range of estimates based on the information available leading to a material mis-statement in the financial statements.</p> <p>The assumptions that we have considered to have the most significant impact are the life expectancy of the policyholders (annuitant mortality), expense assumptions and economic assumptions.</p> <p>We consider the COVID-19 pandemic to have increased the risk associated with the morbidity and assured mortality assumptions. There has been no other changes in our assessment of this risk from the prior year.</p>	<p>the financial reporting processes.</p> <p>We assessed the results of management's experience analysis, which supports the adopted assumptions and methodology, to assess whether these are justified and checked that the assumptions including annuitant mortality and expense assumptions, used are consistent with this experience analysis.</p> <p>We challenged and evaluated the methodology, inputs and determined that the correct assumptions are applied to actuarial modelling system during the year.</p> <p>We have benchmarked the demographic and economic assumptions against those of other industry participants. We did not perform benchmarking on the non-economic assumptions.</p> <p>We challenged and assessed whether the final assumptions were within a reasonable range based on our expert judgement, management's internal experience analysis and the assumptions used were in line with those we would expect based on market practice. This has incorporated specific challenge of management's consideration of COVID-19 in the setting of these assumptions and whether it</p>	<p>companies operating in the life insurance sector.</p> <p>We concluded that the economic and non-economic assumptions have been appropriately applied within the year end actuarial models.</p>

INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF SANLAM LIFE & PENSIONS UK LIMITED

Risk	Our response to the risk	Key observations communicated to the Audit Committee
	<p>was appropriate for management not to adjust the key assumptions for the longer-term impact of COVID-19.</p> <p>We ensured the actuarial assumptions used were in line with financial and regulatory requirements.</p>	

In the prior year, our auditor's report included a key audit matter in relation to adequate consideration of Covid-19 in respect of the Company and as an event after the reporting period. In the current year, we have considered the impact of Covid-19 on the key audit matter noted above.

Our application of materiality

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

Materiality

The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

We determined materiality for the Company to be £778k (2019: £800k), which is 2% (2019: 2%) of equity. We believe that equity provides us with appropriate basis to determine materiality. This due to the fact that primary stakeholders of the Company are its shareholders (primarily concerned with capital surplus), the Prudential Regulation Authority ('PRA') and the Financial Conduct Authority ('FCA') as regulators (primarily interested in balance sheet strength and solvency), and policyholders (main interest is solvency as it reflects the ability to pay claims).

During the course of our audit, we reassessed initial materiality of £776k and updated it to £778k due to an increase in the Company's net assets between the planning stage and the year end.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF SANLAM LIFE & PENSIONS UK LIMITED

Performance materiality

The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments, together with our assessment of the Company's overall control environment, our judgement was that performance materiality was 50% (2019: 50%) of our planning materiality, namely £389k (2019: £400k). We have set performance materiality at this percentage due to prior year audit experience indicating a higher risk of misstatements. Also, there is significant turnover in finance staff during the period which is also a consideration of setting the basis of performance materiality of 50%.

Additionally, we recognise that the audit differences in respect of the assets held to cover linked liabilities and the technical provisions for linked liabilities would offset each other with no net impact on the income statement and net assets. As a result, similar to prior year we applied a higher testing threshold of £82.1m (2019: £78.1m) to our testing of assets held to cover linked liabilities and the related liabilities, being 3% (2019: 3%) of the assets held to cover linked liabilities.

Reporting threshold

An amount below which identified misstatements are considered as being clearly trivial.

We have agreed with the Audit, Actuarial & Risk Committee that we would report to them all uncorrected audit differences in excess of £39k (2019: £40k), which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

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 there is a material misstatement in the financial statements themselves or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF SANLAM LIFE & PENSIONS UK LIMITED

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 15, 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF SANLAM LIFE & PENSIONS UK LIMITED

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 company 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 direct laws and regulations related to elements of company law and tax legislation, and the financial reporting framework. Our considerations of other laws and regulations that may have a material effect on the financial statements included permissions and supervisory requirements of the Prudential Regulation Authority ('PRA') and the Financial Conduct Authority ('FCA').
- We understood how the Company is complying with those frameworks by making enquiries of management, internal audit, and those responsible for legal and compliance matters. We also reviewed correspondence between the Company and UK regulatory bodies; reviewed minutes of the Board, the Audit, Actuarial and Risk Committee and Executive Management Committee; and gained an understanding of the Company's approach to governance, demonstrated by the Board's approval of the Company's governance framework and the Board's review of the Company's risk management framework ('RMF') and internal control processes.
- We designed our audit procedures to identify non-compliance with both direct and other laws and regulations. Our procedures involved: making enquiry of those charged with governance and senior management for their awareness of any non-compliance of laws or regulations, enquiring about the policies that have been established to prevent non-compliance with laws and regulations by officers and employees, enquiring about the Company's methods of enforcing and monitoring compliance with such policies and inspecting significant correspondence with the FCA and PRA.
- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur by considering the controls that the Company has established to address risks identified by the entity, or that otherwise seek to prevent, deter or detect fraud. We also considered the impact of COVID-19 on the Company's control environment. Our procedures over the Company's control environment included assessment of the consistency of operations and controls in place within the Company through the performance of our walkthrough procedures and controls testing as they transitioned to operating remotely for a significant proportion of 2020.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF SANLAM LIFE & PENSIONS UK LIMITED

- The fraud risk, including management override, was considered to be higher within the valuation of insurance contract liabilities, specifically actuarial assumptions as these involve significant judgments and manual top side journals posted to revenue. We tested the appropriateness of journal entries recorded in the general ledger, with a focus on manual journals posted to revenue and insurance contract liabilities and evaluated the business rationale for significant and/or unusual transactions. We performed further procedures as detailed in the key audit matter section above. These procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error.
- The Company operates in the insurance industry which is a highly regulated environment. As such the Senior Statutory Auditor considered the experience and expertise of the engagement team to ensure that the team had the appropriate competence and capabilities, which included the use of specialists where appropriate.

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.

Other matters we are required to address

- We were appointed by management to audit the financial statements for the year ending 31 December 1987 and subsequent financial periods.
- The period of total uninterrupted engagement including previous renewals and reappointments is 33 years, covering the years ending 31 December 1987 to 31 December 2020.
- The non-audit services prohibited by the FRC's Ethical Standard were not provided to the company and we remain independent of the company in conducting the audit.
- The audit opinion is consistent with the additional report to the Audit, Actuarial and Risk Committee

Sanlam Life & Pensions UK Limited (00980142)

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF SANLAM LIFE & PENSIONS
UK LIMITED**

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.

Handwritten signature in black ink that reads "Ernst & Young LLP". The signature is written in a cursive style with a horizontal line underneath.

Richard Page (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Bristol

27 April 2021

Sanlam Life & Pensions UK Limited (00980142)

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	2020 £'000	2019 £'000
Revenue			
Gross written premiums		2,689	3,233
Premiums ceded to reinsurers		(430)	(767)
Net premiums earned		2,259	2,466
Fee income	4	15,869	18,506
Investment income	5	28,494	37,221
Net gains on assets and liabilities at fair value through profit or loss	6	165,571	274,035
		209,934	329,762
Total revenue		212,193	332,228
Expenses			
Gross benefits and claims paid		15,177	16,370
Claims ceded to reinsurers		(282)	(446)
		14,895	15,924
Gross change in contract liabilities	22/23	138,941	244,015
Change in contract liabilities ceded to reinsurers	18	(40)	1,377
		138,901	245,392
Operating expenses	7	18,198	16,639
Investment expenses	8	30,324	35,928
Finance costs	9	222	339
		48,744	52,906
Total expenses		202,540	314,222
Profit before taxation		9,653	18,006
Taxation charge	10	(9,935)	(16,284)
(Loss)/ Profit after taxation		(282)	1,722
Other Comprehensive Income			
Net re-measurement of the pension scheme asset	17	(2,644)	1,903
Authorised Surplus Payments income tax credit/(charge)		573	(1,080)
Other comprehensive (expense)/ income for the year, net of tax		(2,071)	823
Total Comprehensive (Expense)/ Income for the year, net of tax		(2,353)	2,545

The accompanying notes form an integral part of these financial statements.

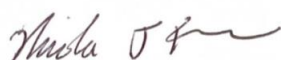
Sanlam Life & Pensions UK Limited (00980142)

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020

	Note	2020 £'000	2019 £'000
Assets			
Property and equipment	11	82	292
Investment in subsidiaries	12	4,686	5,387
Investment properties	13	84,543	88,599
Financial assets			
Financial assets at fair value through profit or loss	14	2,721,472	2,643,983
Loans and receivables	16	263	263
Pension Scheme surplus	17	942	2,005
Reinsurance assets	18	1,520	1,480
Leasehold properties right of use asset	28	-	231
Trade and other receivables	19	28,866	13,818
Cash and cash equivalents	20	133,900	108,556
Total assets		<u>2,976,274</u>	<u>2,864,614</u>
Equity and reserves			
Capital and reserves attributable to Company's equity shareholder			
Share capital	21	25,000	25,000
Retained earnings		11,060	13,413
Total equity		<u>36,060</u>	<u>38,413</u>
Liabilities			
Gross Insurance contract liabilities	22	228,003	231,984
Gross Investment contract liabilities	23	2,655,487	2,557,635
Provisions for liabilities	24	5,132	4,202
Borrowings	25	4,305	5,204
Deferred tax liabilities	10	14,656	10,532
Current tax liabilities		2,939	2,998
Leasehold properties liability	28	-	230
Trade and other payables	26	29,692	13,416
Total liabilities		<u>2,940,214</u>	<u>2,826,201</u>
Total equity and liabilities		<u>2,976,274</u>	<u>2,864,614</u>

The accompanying notes form an integral part of these financial statements.

Approved by the Board,



N J Fraser
Director

27 April 2021

Sanlam Life & Pensions UK Limited (00980142)

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2020

		2020	2019
	Note	£'000	£'000
Operating activities			
Profit before tax:		9,653	18,006
Adjusted for:			
Change in operating assets	27	(77,030)	(227,463)
Change in operating liabilities	27	110,178	204,477
Non-cash items included in the profit before tax			
Depreciation of fixed assets and right-of-use of assets	11/28	467	838
Accretion of interest on lease liabilities	28	-	17
Impairment of subsidiary	12	701	(1,773)
Tax paid		(5,869)	-
Net cash flows from operating activities		38,100	(5,898)
Investing activities			
Loan to Parent undertaking	19	(12,500)	-
Payment for property and equipment	11	(26)	(239)
Net cash flows used in investing activities		(12,526)	(239)
Financing activities			
Dividends paid		-	(3,000)
Payment of lease liabilities	28	(230)	(480)
Net cash outflow from financing activities		(230)	(3,480)
Net increase/ (decrease) in cash and cash equivalents		25,344	(9,617)
Cash and cash equivalents at the beginning of the year		108,556	118,173
Net cash and cash equivalents at the end of the year	20	133,900	108,556
		2020	2019
		£'000	£'000
Operational cash flows from interest and dividends			
Interest received		6,547	4,902
Dividend received		14,712	23,629

The accompanying notes form an integral part of these financial statements.

Sanlam Life & Pensions UK Limited (00980142)

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2020

	Share Capital £'000	Retained Earnings £'000	Total £'000
Balance as at 1 January 2019	25,000	13,868	38,868
Profit for the year after tax	-	1,722	1,722
Other comprehensive income	-	823	823
Total comprehensive income	-	2,545	2,545
Dividends Paid	-	(3,000)	(3,000)
Balance as at 31 December 2019	25,000	13,413	38,413
Loss for the year after tax	-	(282)	(282)
Other comprehensive expense	-	(2,071)	(2,071)
Total comprehensive expense	-	(2,353)	(2,353)
Balance as at 31 December 2020	25,000	11,060	36,060

The accompanying notes form an integral part of these financial statements.

Not all of the above amounts can be distributed to the equity shareholder since the Company is required to meet regulatory capital requirements. Further details are given in note 30.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

1. Corporate Information

The Company owns 100% of the ordinary share capital of the following companies which are all registered in England: Sanlam Trustee Services UK Limited, which acts as bare trustee to the Sanlam Personal Retirement Scheme; and Sanlam Financial Services UK Limited, which provides administration and other services to the Company and its subsidiaries. The Financial Statements present information about the Company as an individual undertaking and not about the Group.

2. Accounting policies

(a) Basis of preparation

The Financial Statements have been prepared:

- The financial statements, as approved by the directors, have been prepared in accordance with International accounting standards in conformity with the requirements of the Companies Act 2006.; and
- under the historical cost convention, as modified by the revaluation of investment properties and certain financial assets and financial liabilities at fair value through profit or loss, as set out in the relevant accounting policies.

The Directors have examined the various issues relevant to the going concern basis and will take proactive action to maintain regulatory solvency at all times. Furthermore, the financial position of the company has been projected under a range of economic scenarios and the Directors are confident of the company's financial strength and its ability to withstand market shocks.

The Directors have also considered specific Covid-19 stress scenarios which includes the impact of a further shock to equity markets, reduction in investment income and credit spreads widening. Under these stress scenarios the company's capital was projected to remain above regulatory requirements and sufficient liquidity exists to meet liabilities as they fell due. Operationally, the Company was able to adapt to employee remote-working in response to the pandemic so that customer needs were continued to be met.

In addition, the Directors have reviewed a reverse stress scenario (at a Sanlam UK level) in relation to downgrades and defaults in the Company's corporate bond portfolio, as well as the widening of credit spreads, and whilst confident in continuing with the approved policy of holding such bonds are tracking and focusing on market movements.

Accordingly, the Board considers it has given due consideration to all the potential risks and possible actions available to it and has concluded that it remains appropriate to prepare these financial statements on a going concern basis for the 12 months from the signing of the Annual Report and Accounts.

In accordance with IAS 1 "*Presentation of Financial Statements*", assets and liabilities in the Statement of Financial Position are presented in accordance with management's estimated order of liquidity. Analysis of assets and liabilities of the Company into amounts expected to be received or settled within 12 months after the reporting date

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

(current) and more than 12 months after the reporting date (non-current) is presented within the notes.

The Company is exempt from the obligation to prepare group financial statements under s401 of the Companies Act 2006.

The financial statements are stated in Pounds Sterling (GBP) which is the Company's functional and presentational currency. Unless otherwise stated, the amounts shown in these financial statements are in thousands of Pounds Sterling (£'000).

(b) Summary of significant accounting policies

Product classification

The Company issues contracts that transfer insurance risk, financial risk or both.

Insurance contracts are those contracts when the Company has accepted significant insurance risk by agreeing with the policyholder to pay benefits if a specified uncertain future event (the insured event) adversely affects the policyholder or other beneficiary. Significant insurance risk exists where it is expected that for the duration of the policy or part thereof, policy benefits payable on the occurrence of the insured event will significantly exceed the amount payable on early termination, before allowance for expense deductions at early termination. Once a contract has been classified as an insurance contract, the classification remains unchanged for the remainder of its lifetime, even if the insurance risk reduces significantly during this period.

Investment contracts are those contracts that transfer significant financial risk and no significant insurance risk. Financial risk is the risk of a possible future change in one or more of a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of price or rates, credit rating or credit index or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract.

Financial assets and financial liabilities

The classification of financial assets and financial liabilities is determined at initial recognition. All financial assets and financial liabilities are designated at fair value through profit and loss, with the exception of loans and receivables which are stated at amortised cost. The classification depends on the purpose for which the financial assets and financial liabilities were acquired. Further detail is provided in the specific accounting policies below.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or where the Company has transferred substantially all of the risks and rewards of ownership. Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

**NOTES TO THE FINANCIAL STATEMENTS continued
FOR THE YEAR ENDED 31 DECEMBER 2020**

Fair value methodology

All assets and liabilities carried at fair value, or for which a fair value measurement is disclosed, are categorised into a fair value hierarchy by the following valuation technique:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.
- Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.
- Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

The particular valuation methods adopted for financial assets and liabilities are disclosed in the individual accounting policy statements associated with each item.

Further analysis of the Company's instruments held at fair value is set out at note 30.

The Company did not hold any derivatives during the year.

Transfers between different levels of the fair value hierarchy are deemed to have occurred at the next reporting date after the change in circumstances that caused the transfer.

Revenue recognition

Premiums

Premiums received in respect of life insurance contracts are recognised as revenue when they become payable by the policyholder. Premiums ceded to reinsurers are recognised when they become payable. Gross and ceded premiums are recorded through the relevant lines in the statement of comprehensive income.

Revenue from contracts with customers

Fee income from investment contracts relates to the provision of investment management and administration services and is recognised over time as services are provided. There have been no front-end fees charged during the year. Fee income is charged monthly or quarterly and is recognised when received which is at the same time as the services are provided.

Commissions received or receivable are recognised as revenue on the start date of the policy.

There is no variable consideration in respect of contracts with customers.

**NOTES TO THE FINANCIAL STATEMENTS continued
FOR THE YEAR ENDED 31 DECEMBER 2020**

Investment Income

Investment income includes dividends, interest, rental income, realised/unrealised gains and losses on investments and related expenses. Investment income is included on an accruals basis. Dividends on ordinary shares are included by reference to ex-dividend dates. All investment income is shown gross of tax.

Net gains on assets and liabilities at fair value through profit or loss

Realised gains and losses on investments are calculated as the difference between net sales proceeds and their original cost.

Unrealised gains and losses on investments represent the difference between the valuation of investments designated at fair value through the profit and loss at the balance sheet date and their original cost or, (if they have been previously fair valued) the valuation at the last balance sheet date. They also include adjustments in respect of unrealised gains and losses recorded in prior years which, having been realised during the year, are reported as realised gains and losses in the current profit and loss account.

Expense recognition

Claims

Claims are recorded as an expense on the earlier of the maturity date or the date on which the claim is notified. Claims recoveries from reinsurers are recognised when the related claims are recognised. Claims and claims recoveries are recognised through the relevant lines in the statement of comprehensive income. Settlement costs, claims handling costs and costs arising from mortgage endowment complaints and the pension business reviews and redress programmes are also included within claims.

Operating expenses

Fees paid in respect of business written by the Company are recognised through the statement of comprehensive income, within operating expenses.

Other operating expenses are recognised in the statement of comprehensive income as incurred, within operating expenses.

The Company incurs expenses on behalf of its subsidiary undertaking, Sanlam Financial Services UK Limited (SFS), and recharges those expenses to SFS. The recharges are netted off operating expenses as the company does not act as a service company and the Directors believe this provides the most appropriate disclosure of the cost base of the Company.

**NOTES TO THE FINANCIAL STATEMENTS continued
FOR THE YEAR ENDED 31 DECEMBER 2020**

Investment expenses

Expenses for asset management services received are recognised in the statement of comprehensive income as they accrue, within investment expenses. Impairment of the subsidiary (SFS) is recognised where the carrying value is less than the book cost.

Finance Costs

Interest expense for all interest-bearing financial instruments is recognised in the statement of comprehensive income as it accrues, within finance costs.

Acquisition Costs

Acquisitions costs are recognised in the statement of comprehensive income when the expense is incurred. There are no separable incremental costs identified in relation to acquiring investment contracts.

Property and equipment

Property and equipment is stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is provided on a straight-line basis over the useful lives of the following classes of assets:

Computer equipment	4 years
Fixtures, fittings and office equipment	2 years
Leasehold improvements	Over period of lease

The assets' residual values, useful lives and method of depreciation are reviewed and adjusted, if appropriate, at each financial year end and adjusted prospectively, if appropriate.

Impairment reviews are performed when there are indicators that the carrying value may not be recoverable. Impairment losses are recognised in the statement of comprehensive income as an expense.

An item of property and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of comprehensive income in the year the asset is derecognised.

**NOTES TO THE FINANCIAL STATEMENTS continued
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Investment in subsidiaries

Investments in subsidiaries are stated at cost less any provisions for impairment. Where the recoverable amount of the investment is less than the carrying amount, an impairment is recognised.

Investment properties

Investment properties consist of properties held in the Unit-Linked Property Investment Fund and SIPP Commercial Property (Directly Held).

Unit-Linked Property Investment Fund

The properties held in the unit-linked property fund are valued on a monthly basis by Jones Lang Lasalle (JLL), an independent property valuer, on an open-market basis. Their valuation is prepared in accordance with the Practice Statements in the RICS Appraisal and Valuation Standards (5th Edition).

Investment properties are measured initially at cost. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met; and excludes the costs of day-to-day servicing of an investment property. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included within investment income in the statement of comprehensive income in the year in which they arise.

Fair value is measured as the most probable price reasonably obtainable in the market at the date of valuation between a willing buyer and a willing seller in an arm's-length transaction. Therefore, it is the best price reasonably obtainable by the seller and the most advantageous price reasonably obtainable by the buyer.

Fair value is understood as the value of a property estimated without regard to costs of sale or purchase, and without offset for any associated taxes. All such valuations are prepared and expressed exclusive of VAT payments, unless otherwise stated.

Investment properties are derecognised either when they have been disposed of, or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised within investment income in the statement of comprehensive income in the year of retirement or disposal.

NOTES TO THE FINANCIAL STATEMENTS continued
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SIPP Commercial Property (Directly Held)

The self-invested fund properties are valued prior to purchase and then triennially, by an independent professional valuer, on an open market basis using valuation models in line with the above. The portfolio is valued annually however by undertaking a desk-top review exercise in order to highlight any issues with the portfolio value. Any funds in receipt of the sale of the property are for the benefit of the pension fund members.

Financial assets at fair value through profit or loss

Initial measurement

Investments at fair value through profit or loss comprise equities and similar securities, investment funds and corporate interest-bearing investments.

Subsequent measurement

Subsequent to initial measurement, financial instruments classified as at fair value through profit or loss are re-measured at fair value at each reporting date with changes in fair value recognised in the statement of comprehensive income as investment income.

The fair values of financial assets are based on current bid prices. If the market for a financial asset is not active, and also for unlisted securities, the Company establishes fair value by using valuation techniques. These include the use of similar arm's length transactions and reference to other instruments that are substantially the same, making maximum use of market inputs and relying as little as possible on entity-specific inputs.

For equity investments that are quoted and actively traded in organised financial markets, fair value is determined by reference to Stock Exchange quoted market bid prices at the final pricing point on the reporting date. Prices are provided by vendors such as Reuters or Bloomberg or by direct reference to the Stock Exchange.

For quoted debt security investments, bid prices at the final pricing point on the reporting date are obtained from index providers who obtain prices from a number of leading brokers, investment banks and market makers. Where no independent price is available, a valuation technique is used to determine fair value. The technique uses a spread over a comparable term gilt as the best estimate of fair value. Spreads are calculated by reference to the wider market movement in credit spreads, the way in which the security is structured, other assets issued by the issuer or other assets with similar characteristics.

For corporate bonds, the Company's management perform a comparison of information received from the index provider used against other available price sources on a monthly basis to ensure that prices can be supported by market data.

The fair value of holdings in collective investment vehicles (including OEICs and Unit Trusts) is determined as the last published price applicable to the vehicle at the reporting date.

**NOTES TO THE FINANCIAL STATEMENTS continued
FOR THE YEAR ENDED 31 DECEMBER 2020**

Impairment of financial assets

For credit exposures for which there has not been a significant change in credit risk since initial recognition in 2020 despite some immaterial downgrades in year, the Company provides for expected losses for default events that have a reasonable probability of occurring within the next 12 months.

The impairment provisions for financial assets discussed in note 19 are based on assumptions about risk of default and expected loss rates. The Company uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on past experience and existing market conditions as well as forward looking estimates at the end of each reporting period.

The loss allowance reduces the carrying value of the financial asset and is reassessed at each reporting date. The Company adopts a simplified approach for trade receivables with maturities less than 12 months. Under the simplified approach, there is no need to monitor for significant increases in credit risk and the Company will be required to measure lifetime expected credit losses at all times.

There have been no such circumstances during the year and as such no impairment has been applied to financial assets.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

Loans and receivables are initially recognised at cost, being the fair value of the consideration paid for the acquisition of the asset. All transaction costs directly attributable to the acquisition are also included in the cost of the asset. Subsequent to initial recognition, these assets are carried at amortised cost, using the effective interest method. In practice the carrying value of these balances equates to the fair value of the amounts included within loans and receivables.

A charge for impairment in respect of loans and receivables would be made in the statement of comprehensive income if required in accordance with the policy outlined in note 2 "*Impairment of Financial Assets*".

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of the asset's estimated future cash flows discounted at the original effective interest rate and is recognised in the statement of comprehensive income. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can objectively be attributed to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through the statement of comprehensive income, to the extent that the carrying amount of the financial asset does not exceed what the amortised cost would have been had the impairment not been recognised.

**NOTES TO THE FINANCIAL STATEMENTS continued
FOR THE YEAR ENDED 31 DECEMBER 2020**

Pension scheme costs

The Company operates a pension scheme providing benefits based on Final Pensionable Salary. The accounting policy for pension commitments is consistent with the requirements of IAS 19 *Employee Benefits* and is detailed within note 17.

The defined benefit scheme closed to new entrants in April 2001 and was replaced by a contributory defined contribution scheme. The defined benefit scheme itself became contributory on 1 October 2003. It was closed to future accrual on 31 December 2013.

The cost of the defined contribution scheme to the Company arises from the payment of premiums into a group personal pension scheme and is recognised in the Financial Statements as premiums fall due.

The net surplus or deficit in respect of the defined benefit scheme is the excess/deficit of the scheme's assets over its' future obligation calculated by estimating the amount of future benefit that employees and pensioners have earned in return for their service. As required by IFRIC 14, IAS 19 the extent to which the economic surplus will be available as a refund, the economic surplus is stated after a provision for tax that would be borne by the scheme administrators when the refund is made. The Company recognises a pension surplus on the basis that it is entitled to the surplus on the scheme in the event of a gradual settlement of the liabilities.

Reinsurance assets

The Company cedes reinsurance in the normal course of business.

All reinsurance ceded by the Company is in relation to contracts with significant insurance risk. These assets are recognised within assets arising from reinsurance contracts held. Amounts recoverable from or due to reinsurers are measured consistently with the amounts associated with the underlying contracts and in accordance with the terms of each reinsurance contract. These balances are subject to an annual impairment review.

Premiums ceded and claims reimbursed are recognised when due and disclosed separately on the face of the statement of comprehensive income.

Trade and other receivables

Trade and other receivables are recognised when due and measured on initial recognition at the fair value of the consideration received or receivable. Subsequent to initial recognition, trade and other receivables are measured at amortised cost. A charge for impairment in respect of trade and other receivables would be made in the statement of comprehensive income if required in accordance with the policy outlined in note 2 "*Impairment of Financial Assets*".

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less.

**NOTES TO THE FINANCIAL STATEMENTS continued
FOR THE YEAR ENDED 31 DECEMBER 2020**

Share capital

Shares are classified as equity when there is no obligation to transfer cash or other assets.

Dividends payable

Dividends payable on ordinary shares are recognised as a liability and deducted from equity when they are approved by the shareholders. Interim dividends are deducted from equity when they are paid.

Taxation

Current tax

Current tax is the expected tax payable on the taxable income for the period, using tax rates and legislation enacted or substantively enacted at the reporting date, together with adjustments to estimates made in prior years.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the statement of comprehensive income.

Deferred tax

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date. However, if the deferred tax arises from initial recognition of an asset or liability in a transaction other than a business combination that, at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates and legislation enacted or substantively enacted at the reporting date.

Deferred tax assets are only recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences, carry-forward of unused tax assets and unused tax losses can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred income tax asset to be utilised.

Insurance contract liabilities

For unit linked contracts, each contract is valued individually and tested to ensure that any future valuation strains are avoided under all foreseeable circumstances. This would mean that the reserves held should at all times be sufficient to meet financial obligations as they fall due on the valuation basis.

**NOTES TO THE FINANCIAL STATEMENTS continued
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For unit linked contracts, the liabilities are made up of the unit reserve and the non-unit reserve.

The unit reserve is taken as the number of units allocated to each policy, multiplied by the relevant valuation unit price multiplied by the appropriate funding factor. The unit liability is tested to ensure that it is not less than the unit surrender value.

The non-unit reserve is held to cover non-unit liabilities, such as expenses of managing the business that are not expected to be covered by future charges taken from unit-linked contracts. The non-unit reserve for unit-linked policies is calculated as follows:

Starting with the final month of the policy and counting back to the valuation date, the non-unit reserve at each duration is calculated. At the beginning of a month, this is equal to the amount which, when increased by the non-linked income during the month and interest and reduced by the non-linked outgo during the month will provide the non-unit reserve required for the survivors at the end of the month.

For unit linked annuities, each contract is valued individually and tested to ensure that any future valuation strains are avoided under all foreseeable circumstances. The unit liability is taken as the present value of expected future annuity payments allowing for actuarial funding of 0.5% p.a. These contracts do not have a surrender value.

For conventional annuities, the reserve was calculated on an individual policy basis as the present value of the expected future annuity payments plus the present value of the expected future expenses associated with managing the annuity business.

Investment contract liabilities

The Company's investment contracts are market-related liabilities. The liability is determined by the value of the corresponding units allocated to the policyholders at the statement of financial position date. The unit liability is tested to ensure that it is not less than the unit surrender value.

Provisions for other liabilities and charges

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

The Company recognises a provision for onerous contracts when the expected benefits to be derived from contracts are less than the unavoidable costs of meeting the obligations under the contracts.

Further detail on each of the provisions held is contained in note 24.

Borrowings

Borrowings comprises of capital amounts outstanding on mortgage bonds taken out over properties held in the unit-linked policyholder funds of the Company. The mortgage over each such property is negotiated separately, varies in term from 5 to 20

**NOTES TO THE FINANCIAL STATEMENTS continued
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years, and bears interest at fixed or floating rates that are agreed at the time of inception of the mortgage. These are valued at amortised cost and matched by specific financial assets.

Trade and other payables

Trade and other payables are initially recognised at fair value less directly attributable transaction costs and subsequently measured at amortised cost. In practice, the carrying value of these balances equates to the fair value due to the short-term nature of the amounts included within trade and other payables.

Foreign currency translation

The Company's functional currency and presentational currency is sterling. Transactions in foreign currencies are recorded in the functional currency at the spot exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the reporting date.

New and amended standards and interpretations

The Company is preparing for the introduction IFRS 17 - Insurance contracts which will be effective 1 January 2023. This standard will replace IFRS 4 - Insurance Contracts and will change the accounting for insurance contracts as currently applied. IFRS 17 introduces a current fulfilment measurement approach as the general model for all insurance and reinsurance contracts. Insurance obligations will be the sum of current fulfilment cash flows and the unearned profit for a contract or group of contracts. Current fulfilment cash flows comprise the discounted expected future cash in- and outflows in the boundary of a contract or group of contracts, including a risk adjustment. The unearned profit is called Contractual Service Margin (CSM).

The Company is working to be able to prepare comparative financial statements on a IFRS 17 basis from 1 January 2022 which will enable comparison to 2023 when the standard is fully implemented on 1 January 2023. The Company is working with its South African parent company on this project to ensure all requirements are consistently documented and implemented.

3. Critical accounting judgements, estimates and assumptions

The Company's management makes estimates and judgments that affect the reported amount of assets, liabilities, income and expenses. Estimates and judgments are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

NOTES TO THE FINANCIAL STATEMENTS continued
FOR THE YEAR ENDED 31 DECEMBER 2020

Insurance contract and investment contract liabilities

The estimation of the ultimate liability arising from insurance contracts which are not unit linked is the Company's most critical accounting estimate.

For insurance contracts the liabilities are calculated using a projection of future cash flows after making prudent assumptions about matters such as investment return, expenses, credit default and mortality. Discount rates used to value the liabilities are set with reference to the risk adjusted yields on the underlying assets. The most critical non-economic assumptions are mortality rates in respect of annuity business written and levels of future expenses. Such assumptions are based on recent actual experience, supplemented by industry information where appropriate. No critical accounting estimates apply for investment contracts as the contract liabilities are almost entirely current unit values.

At each reporting date, the estimates and assumptions referred to above are reassessed for adequacy and changes will be reflected in adjustments to the liability, through the statement of comprehensive income. Further information on these assumptions is given in note 29.

Impairment of subsidiaries

The valuation of Sanlam Financial Services UK Limited is calculated on a Value in Use (VIU) basis determined using an embedded value ("EV") methodology. Where the valuation is lower than the cost of investment, the value is impaired and an impairment loss is recognised in line with impairment policy in note 2 to ensure that the carrying value is the lower of cost and fair value. The embedded value methodology and assumption setting process is determined by guidance issued by the Actuarial Society of South Africa as contained in Advisory Practice Note 107 on Embedded Value Reporting. As such the EV consists of the net worth plus the present value of future shareholder cash flows from in-force covered business ("VIF"). The VIF is calculated by performing a projection of future shareholder cash flows. These projections are deterministic and as such only one possible future best estimate outcome is considered. The cash flows are discounted using a risk discount rate determined as the risk-free rate plus a risk margin. Key judgements involved in the determination of VIF include the determination of likely future cash flows and the appropriate discount rate/risk margin to use. The EV excludes the value of future new business and these assumptions represent the best estimates of future experience.

Taxation

The Company recognises current and deferred tax assets in line with IAS 12 "Income Taxes". In recognising these assets, management considers the likely impact of tax issues that are subject to ongoing discussion with HM Revenue and Customs (HMRC) and other tax authorities. With regard to the Company's deferred tax assets, a significant feature is the management judgment applied in determining the timing, sensitivities and probability of them reversing. This judgment is based on tax forecasts reflecting new business assumptions, sensitivities and proposed management actions. Further information in relation to the Company's current and deferred tax assets is set out in note 10.

NOTES TO THE FINANCIAL STATEMENTS continued
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Fair value of financial instruments

In accordance with IFRS 7 *Financial Instruments; Disclosure*, the Company categorises financial instruments carried on the statement of financial position at fair value using a three-level hierarchy. Financial instruments categorised as level 1 are valued using quoted market prices and therefore there is minimal judgement applied in determining fair value. However, the fair value of financial instruments categorised as level 2 and, in particular, level 3 is determined using valuation techniques. These valuation techniques involve management judgement and estimates, the extent of which depends on the complexity of the instrument and the availability of market observable information. Further details of these valuations are described in note 30.

Provisions for other liabilities and charges

(a) Other mis-selling

The reserve for other mis-selling complaints arising in respect of business issued prior to 23 December 2003 is £3,964k (2019: £4,202k). This provision relates to the number of new complaints expected on business which did not previously form part of the Pensions, FSAVC or Endowment Reviews. This reserve has decreased as a result of a recent decrease in the number of complaints arising from the Company's legacy book. As noted in (b) below, these costs are covered under a pecuniary loss insurance contract.

(b) Recovery under pecuniary loss insurance contract

Under the terms of the sale of the Company to Sanlam Netherlands Holding BV, a pecuniary loss insurance contract was effected between the Company and Allianz Cornhill. This enables the Company to claim costs and expenses it incurs in compensating point of sale mis-selling complaints upheld in respect of business written by the Company prior to the change of ownership, other than for such complaints which fall under the auspices of the Personal and Free Standing Additional Voluntary Contributions (FSAVC) Pension Reviews. However, the terms of the contract require the Company to meet the first £6,000k of such costs from 1 January 2003 and 10% of the next £24,000k of costs.

As at 31 December 2020, the expected recovery under the insurance contract is £4,104k (2019: £4,217k).

NOTES TO THE FINANCIAL STATEMENTS continued
FOR THE YEAR ENDED 31 DECEMBER 2020

4. Fee income

	2020 £'000	2019 £'000
Fund management and policy admin fees	15,869	18,506

Fee income representing all of the Company's revenue from contracts with customers as defined and within the scope of IFRS 15 are set out in the table below.

Timing of revenue recognition under IFRS 15

	Over time		Not in the scope of IFRS 15		Total	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Asset administration fees	14,459	16,861	-	-	14,459	16,861
Revenue not within the scope of IFRS 15	-	-	1,410	1,645	1,410	1,645
Total	14,459	16,861	1,410	1,645	15,869	18,506

Revenue above consists of financial services income in relation to investment products only. Income in relation to insurance products is out of scope for IFRS 15. All revenue disclosed above is in relation to UK business.

5. Investment income

	2020 £'000	2019 £'000
Income on assets designated at fair value through profit or loss		
- Dividend income	14,712	23,629
- Interest Income	6,547	4,902
Rental income on investment properties	7,286	8,313
(Losses) / Gains on shareholder investments	(123)	371
Net income on pension scheme	72	6
Total	28,494	37,221

6. Net gains on assets and liabilities at fair value through profit or loss

	2020 £'000	2019 £'000
Investments designated at fair value through profit or loss	166,243	270,484
Investment properties at fair value through profit or loss	(672)	3,551
Total	165,571	274,035

NOTES TO THE FINANCIAL STATEMENTS continued
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7. Operating expenses

	2020 £'000	2019 £'000
Acquisition costs	11,336	10,756
Maintenance costs	4,864	4,704
Other expenses	1,998	1,179
Total	18,198	16,639

Operating expenses include the following:

	Note	2020 £'000	2019 £'000
a) Auditors' remuneration			
- audit services		460	498
b) Depreciation of tangible assets	11	236	377
c) Amortisation of right-of-use assets	28	231	462

The directors of the Company are also directors of Sanlam UK Limited and fellow associates. The directors received total remuneration for the year of £450 (2019: £412k), all of which was paid by either Sanlam UK Limited or the Company. The directors believe that it is practicable in 2020 to apportion this amount between their services as directors of the Company and their services as directors of Sanlam UK Limited and the Company and fellow associate companies - consequently the 2019 has been represented to disclose the apportionment in 2019. Directors' remuneration includes salary and performance bonuses. Two directors are members of the long-term incentive scheme. Two directors exercised options over shares in the year. The remuneration for the highest paid director was £261k (2019: £295k). The highest paid director is a member of the long-term incentive scheme. The highest paid director did exercise options over shares in the year. No other benefits were due to the highest paid director.

Directors remuneration consists of the following:

	2020 £'000	2019 £'000
- Directors' emoluments	387	264
- Bonuses	-	75
- Pension contributions	26	22
- Long Term Incentive Scheme	35	-
- Compensation payments for loss of office	-	48
- Other benefits	1	2

Sanlam Life & Pensions UK Limited (00980142)

NOTES TO THE FINANCIAL STATEMENTS continued
FOR THE YEAR ENDED 31 DECEMBER 2020

	2020 £'000	2019 £'000
e) Employee information		
Employee costs (including directors) amounted to:		
- salaries and other employment costs	5,456	5,771
- share based payments	9	56
- employer national insurance costs	372	421
- defined benefit pension scheme charge	303	349
- other pension costs	216	224
Total	6,356	6,821

£1,049k of the staff costs detailed above have been recharged to Sanlam Financial Services UK Limited (2019: £1,067k) and are deducted from the operating expenses above.

The average number of persons employed by the Company during the year was 117 (2019: 121).

8. Investment expenses

	2020 £'000	2019 £'000
Investment management fees	29,623	34,155
Impairment of subsidiary	701	1,773
Total	30,324	35,928

9. Finance costs

	2020 £'000	2019 £'000
Bank interest	222	339
Total	222	339

10. Taxation

Analysis of tax charge / (credit)

Income tax relating to the Income Statement

	2020 £'000	2019 £'000
Current tax:		
UK corporation tax	4,894	7,068
Foreign tax	919	909
Adjustment in respect of prior years	(2)	64
Total current tax	5,811	8,041

NOTES TO THE FINANCIAL STATEMENTS continued
FOR THE YEAR ENDED 31 DECEMBER 2020

	2020	2019
	£'000	£'000
Deferred tax:		
Non-BLAGAB losses (see below)	703	164
Deferred acquisition expenses	(37)	25
Unrealised gains / (losses)	3,461	8,032
Fixed asset timing differences	(3)	22
Total deferred tax	4,124	8,243
Total tax charge	9,935	16,284

The net deferred tax figure within the Income Statement shown above results from:

	2020	2019
	£'000	£'000
Origination and reversal of temporary differences	4,254	8,265
Changes in tax rates	(130)	(22)
Total deferred tax liability / (asset)	4,124	8,243

The policyholder tax expense is included in the total income tax charge. Policyholder tax is an expense of £6,930k (2019: £15,283k).

Tax losses carried forward in respect of non-BLAGAB business (formerly referred to as gross roll-up business, and primarily pension business) which can be utilised in future years amounted to £29m at 31 December 2020 (2019: 20m).

Deferred tax:

	2020	2019
	£'000	£'000
Deferred acquisition expenses	(1,430)	(1,393)
Unrealised gains	16,497	13,036
Non-BLAGAB trade losses	(300)	(1,003)
Fixed asset differences	(111)	(108)
Deferred tax liability as at 31 December	14,656	10,532

The non-BLAGAB deferred tax asset of £300k (2019:£1m) is based on the anticipated relief between 2021 - 2025 of approximately £2m of the £29m losses. An asset has not been recognised in respect of the remaining £27m loss as it is not been possible to reliably estimate future profits beyond 2025 and therefore conclude that is probable that the remaining losses can be utilised. The losses are not expected to expire and will be carried forward indefinitely unless utilised.

NOTES TO THE FINANCIAL STATEMENTS continued
FOR THE YEAR ENDED 31 DECEMBER 2020

Deferred tax assets not recognised:

Deferred tax assets have not been recognised on the following gross items:

	2020	2019
	£'000	£'000
Non-BLAGAB losses (see above)	27,000	13,000
Share Based Payments	12	100

Reconciliation of tax charge / (credit)

	2020	2019
	£'000	£'000
Profit / (loss) before tax	9,653	18,006
Tax at 19% (2019: 19%)	1,834	3,421
Effect of UK tax basis for life insurance profits	4,724	11,575
Notable expenses not deductible (impairment of subsidiary)	133	337
Overseas taxes	919	909
Deferred tax not recognised	2,457	-
Impact of tax rate change	(130)	(22)
Adjustments in respect of prior years	(2)	64
Total	9,935	16,284

The rate of corporation tax reduced from 20% to 19% on 1 April 2017. The rate applicable to policyholder profits is 20% (2019:20%). On 3 March 2021, it was announced in Budget 2021 that the main rate of corporation tax will rise to 25% from 1 April 2023. As this change had not been substantively enacted at the period end date, shareholder deferred tax balances have been calculated using 19% (or an appropriate composite rate). The impact of this change is not expected to be material on the above shareholder balances (£80k increase in deferred tax assets recognised).

UK corporation tax has therefore been charged at a composite rate to reflect a 20% tax rate (2019: 20%) on profits attributable to policyholders and currently a 19% tax rate (2019: 19%) on profits attributable to shareholders. Deferred tax has been calculated using 19% (where shareholder rates apply rather than the policyholder rate of 20%).

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11. Property and equipment

31 December 2020

	Computer Equipment £'000	Fixtures, Fittings and Office Equipment £'000	Leasehold Improvements costs £'000	Total £'000
Cost				
At 1 January 2020	2,921	1,152	287	4,360
Additions	5	21	-	26
At 31 December 2020	2,926	1,173	287	4,386
Depreciation				
At 1 January 2020	2,774	1,104	190	4,068
Charge in year	80	59	97	236
At 31 December 2020	2,854	1,163	287	4,304
Net book value				
At 1 January 2020	147	48	97	292
At 31 December 2020	72	10	-	82

31 December 2019

	Computer Equipment £'000	Fixtures, Fittings and Office Equipment £'000	Leasehold Improvements costs £'000	Total £'000
Cost				
At 1 January 2019	2,791	1,055	275	4,121
Additions	130	97	12	239
At 31 December 2019	2,921	1,152	287	4,360
Depreciation				
At 1 January 2019	2,669	1,022	-	3,691
Charge in year	105	82	190	377
At 31 December 2019	2,774	1,104	190	4,068
Net book value				
At 1 January 2019	122	33	275	430
At 31 December 2019	147	48	97	292

12. Investment in subsidiaries

	2020 £'000	2019 £'000
At 1 January	5,387	7,160
Impairment of value	(701)	(1,773)
At 31 December	4,686	5,387

NOTES TO THE FINANCIAL STATEMENTS continued
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The valuation above is solely related to SFS. The value-in-use of SFS, which is based on embedded value, as value-in-use, had fallen below the carrying value as at the end of 2019. An impairment charge was therefore recognised in the year. The value of SFS has been impaired further due to a revision of the policy persistency and expense assumptions used in the calculation of value-in-use of the company as well as the impact of a negative value of new business. Please refer to note 3 for further details.

The following are the particulars of the Company's subsidiaries:

Name	Class of Share or Stock	Percentage Held	Country of Registration or Incorporation	Nature of Business
Sanlam Financial Services UK Limited (SFS)	Ordinary	100%	England and Wales	Investments
Sanlam Trustee Services UK Limited	Ordinary	100%	England and Wales	Pension Scheme Trustee

13. Investment properties

	2020 £'000	2019 £'000
At 1 January	88,599	90,924
Additions	2,245	2,698
Disposals	(5,630)	(8,574)
Fair value losses and gains	(671)	3,551
At 31 December	84,543	88,599

The investment properties which are held on behalf of clients as part of the Unit-linked Property Fund are valued independently as detailed in note 2 and is considered as level 3.

14. Financial assets

	2020 £'000	2019 £'000
Government interest bearing investments	24,338	36,233
Corporate interest-bearing investments	84,801	84,217
Listed Equities and similar securities	83,764	131,185
Investment funds	2,528,569	2,392,348
Total	2,721,472	2,643,983

Of the above total, £2,702,762k (2019: £2,636,160k) is expected to be realised more than one year after the reporting date.

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15. Financial instruments

Classification of financial instruments for IFRS 9 purposes

2020

	Mandatorily FVTPL £'000	Designated FVTPL £'000	Amortised cost £'000	Non- financial instruments £'000	Total £'000
Equities and similar securities	83,764	-	-	-	83,764
Interest bearing investments	-	109,139	-	-	109,139
Investment funds	2,528,568	-	-	-	2,528,568
Cash, deposits and similar securities	-	133,900	-	-	133,900
Loans	-	-	263	-	263
Trade and other receivables	-	-	28,536	330	28,866
Reinsurance assets	-	-	1,520	-	1,520
Total financial assets	2,612,332	243,039	30,319	330	2,886,020
Gross investment contract liabilities	-	2,655,487	-	-	2,655,487
Borrowings	-	-	4,305	-	4,305
Trade and other payables	-	-	28,335	1,357	29,692
Total financial liabilities	-	2,655,487	32,640	1,357	2,689,484

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2019

	Mandatorily FVTPL £'000	Designated FVTPL £'000	Amortised cost £'000	Non- financial instruments £'000	Total £'000
Equities and similar securities	131,185	-	-	-	131,185
Interest bearing investments	-	120,450	-	-	120,450
Investment funds	2,392,348	-	-	-	2,392,348
Cash, deposits and similar securities	-	108,556	-	-	108,556
Loans	-	-	263	-	263
Trade and other receivables	-	-	13,253	565	13,818
Reinsurance assets	-	-	1,480	-	1,480
Total financial assets	2,523,533	229,006	14,996	565	2,768,100
Gross investment contract liabilities	-	2,557,635	-	-	2,557,635
Borrowings	-	-	5,204	-	5,204
Trade and other payables	-	-	12,390	1,026	13,416
Total financial liabilities	-	2,557,635	17,594	1,026	2,576,255

NOTES TO THE FINANCIAL STATEMENTS continued
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Maturity analysis of other investments

2020

	Due within 1 year	Due within 2 to 5 years	Due within 5 to 10 years	Due within 10 to 20 years	Due after 20 years	Open ended	Total
Equities and similar securities	-	-	-	-	-	83,764	83,764
Interest bearing investments	18,710	25,745	17,835	26,808	19,680	361	109,139
Investment funds	-	-	-	-	-	2,528,568	2,528,568
Cash, deposits and similar securities	133,900	-	-	-	-	-	133,900
Loans	263	-	-	-	-	-	263
Trade and other receivables	28,866	-	-	-	-	-	28,865
Reinsurance assets	1,520	-	-	-	-	-	1,520
Total financial assets	183,259	25,745	17,835	26,808	19,680	2,612,693	2,886,020
	Due within 1 year	Due within 2 to 5 years	Due within 5 to 10 years	Due within 10 to 20 years	Due after 20 years	Open ended	Total
Gross investment contract liabilities	107,397	551,171	672,017	521,439	30,852	772,611	2,655,487
Borrowings	-	-	4,305	-	-	-	4,305
Trade and other payables	29,692	-	-	-	-	-	29,692
Total financial liabilities	137,089	551,171	676,322	521,439	30,852	772,611	2,689,484

NOTES TO THE FINANCIAL STATEMENTS continued
FOR THE YEAR ENDED 31 DECEMBER 2020

2019

	Due within 1 year	Due within 2 to 5 years	Due within 5 to 10 years	Due within 10 to 20 years	Due after 20 years	Open ended	Total
Equities and similar securities	-	-	-	-	-	131,185	131,185
Interest bearing investments	12,339	26,981	15,467	32,490	29,614	3,559	120,450
Investment funds	-	-	-	-	-	2,392,348	2,392,348
Cash, deposits and similar securities	108,556	-	-	-	-	-	108,556
Loans	263	-	-	-	-	-	263
Trade and other receivables	13,818	-	-	-	-	-	13,818
Reinsurance assets	1,377	103	-	-	-	-	1,480
Total financial assets	136,353	27,084	15,467	32,490	29,614	2,527,092	2,768,100
	Due within 1 year	Due within 2 to 5 years	Due within 5 to 10 years	Due within 10 to 20 years	Due after 20 years	Open ended	Total
Gross investment contract liabilities	88,551	486,816	665,702	574,696	33,748	708,122	2,557,635
Borrowings	-	-	5,204	-	-	-	5,204
Trade and other payables	13,416	-	-	-	-	-	13,416
Total financial liabilities	101,967	486,816	670,906	574,696	33,748	708,122	2,576,255

NOTES TO THE FINANCIAL STATEMENTS continued
FOR THE YEAR ENDED 31 DECEMBER 2020

16. Loans and receivables

	2020 £'000	2019 £'000
Policyholder loans	263	263
Total	263	263

Of the above total, £263k (2019: £263k) is expected to be recovered within one year of the reporting date.

Historical loss experience has been used by the Company to establish a 12-month ECL rate of 0% as there has been zero losses or impaired balances in recent years. Therefore, it is anticipated that no material losses will be incurred and so no impairment provision has been recognised.

17. Pension scheme asset/ liability

The Company operates a defined benefit scheme in the UK which provides both pensions in retirement and death benefits to members. Pension benefits are related to the members' final salary at retirement and the length of their service.

The assets of the scheme are held separately from those of the Company being invested under the control of an independent investment manager. The contributions are determined by a qualified actuary on the basis of regular valuations.

The scheme is a registered scheme under UK legislation and is contracted out of the State Second Pension. The scheme is subject to the scheme funding requirements outlined in UK legislation.

The most recent full actuarial valuation of the Scheme on a funding basis was carried out as at 31 July 2020 although this is still in progress

The Trustees and Sponsoring Employer have agreed to eliminate the funding shortfall at the valuation date by making deficit contributions of £861k per annum. The amount due will increase each 1 August by 3.5%, with the first increase having applied from 1 August 2018.

The Sponsoring Employer also agreed to make an additional deficit reduction contribution during the year to reimburse the Scheme for the additional deficit created as a result of moving the Scheme's investment strategy to a less risky model. This change had a positive effect on the Company's solvency position.

The scheme was established from 22 July 1976 under trust and is governed by the scheme's trust deed and rules dated 20 January 2003. The Trustees are responsible for the operation and the governance of the scheme, including making decisions regarding the scheme's funding and investment strategy in conjunction with the Company.

**NOTES TO THE FINANCIAL STATEMENTS continued
FOR THE YEAR ENDED 31 DECEMBER 2020**

The ultimate cost of the scheme to the Company will depend upon actual future events rather than the assumptions made. Many of the assumptions are unlikely to be borne out in practice and as such the cost of the scheme may be higher or lower than disclosed.

In general, the risk to the Company is that the assumptions underlying the disclosures or the calculation of the contribution requirements are not borne out in practice and the cost to the Company is higher than expected. This could result in higher contributions required from the Company and a higher deficit disclosed.

More specifically, the assumptions not being borne out in practice could include:

- The return on the scheme's assets being lower than assumed, resulting in an unaffordable increase in the required Company contribution rate.
- Falls in asset values (particularly equities) not being matched by similar falls in the value of liabilities.
- Unanticipated future changes in mortality patterns leading to an increase in the scheme's liabilities. Future mortality rates cannot be predicted with certainty. This is especially so bearing in mind the youngest scheme members could still be alive in 60 years or more and it is not possible to reliably predict what medical advances may or may not have occurred by this time.
- The potential exercise (by members or others) of options against the scheme.
- The relatively small number of scheme members is likely to lead to volatility in the surplus/ deficit and the Company contributions as the future demographic experience of such a group is more uncertain than would be the case for a larger group.

The scheme closed to new entrants in April 2001 to be replaced by a contributory defined contribution scheme. The scheme closed to future accrual on 31 December 2013.

The pension cost for the period was £519k (2019: £573k). This comprised £216k (2019: £349k) for the final salary scheme plus £303k (2019: £224k) for the defined contribution scheme.

Assumptions:

	As at 31 December 2020	As at 31 December 2019
Discount rate	1.2%	2.0%
Rate of inflation (RPI)	2.8%	3.0%
Rate of inflation (CPI)	2.4%	2.0%
Rate of increase to pensions in payment:		
RPI max 5% pension increases	2.7%	2.9%
CPI max 3% pension increases	2.1%	1.8%

Sanlam Life & Pensions UK Limited (00980142)

NOTES TO THE FINANCIAL STATEMENTS continued
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Assumed life expectancies on retirement at age 63 are:

	As at 31 December 2020 (years)	As at 31 December 2019 (years)
Males retiring immediately	24.8	24.7
Females retiring immediately	26.9	26.7
Males retiring in 20 years' time	26.2	26.1
Females retiring in 20 years' time	28.4	28.2

The assets in the scheme are:

	Value at 31 December 2020 £'000	Value at 31 December 2019 £'000
Corporate bonds	5,508	-
Cash and cash equivalents	798	37
Buy and maintain credit	48,307	45,653
LDI	9,132	11,110
Total	63,745	56,800

The change in asset mix during 2020 was as a result of implementing the new Cashflow Driven Investment ("CDI") strategy which started in September 2019 and has a strategic allocation of 80% Buy and Maintain Corporate Bonds and 20% Liability Driven Investment ("LDI"), subject to market conditions.

	31 December 2020 £'000	31 December 2019 £'000
Actual return on assets over the period	7,171	9,392

The scheme does not hold any ordinary shares issued or property occupied by the Company.

The amounts recognised in the balance sheet are as follows:

	As at 31 December 2020 £'000	As at 31 December 2019 £'000
Present value of funded obligations	(62,296)	(53,715)
Fair value of scheme assets	63,745	56,800
Authorised Surplus Payments Income Tax Charge	(507)	(1,080)
Net surplus in Statement of financial position	942	2,005

NOTES TO THE FINANCIAL STATEMENTS continued
FOR THE YEAR ENDED 31 DECEMBER 2020

Reconciliation of opening and closing balances of the present value of the defined benefit obligation:

	Year end 31 December 2020 £'000	Year end 31 December 2019 £'000
Benefit obligation at the start of the year	53,715	48,393
Interest cost	1,062	1,325
Net remeasurement losses - financial	9,213	7,141
Net remeasurement losses/ (gains) - demographic	200	(384)
Net remeasurement gains - experience	(732)	(599)
Benefits paid	(1,162)	(2,161)
Benefit obligation at the end of the year	62,296	53,715

Reconciliation of opening and closing balances of the fair value of scheme assets:

	Year end 31 December 2020 £'000	Year end 31 December 2019 £'000
Fair value of scheme assets at the start of the year	56,800	47,664
Interest income on scheme assets	1,134	1,331
Return on assets, excluding interest income	6,037	8,061
Contributions by employers	936	1,905
Expenses by employers	303	349
Benefits paid	(1,162)	(2,161)
Scheme administration cost	(303)	(349)
Fair value of scheme assets at the end of the year	63,745	56,800

The amounts recognised in the statement of comprehensive income are:

	31 December 2020 £'000	31 December 2019 £'000
Scheme administration cost	303	349
Net interest income	(72)	(6)
Total expense	231	343

The amounts recognised in OCI are:

	31 December 2020 £'000	31 December 2019 £'000
Net remeasurement (losses) - financial	(9,213)	(7,141)
Net remeasurement (losses)/gains - demographic	(200)	384
Net remeasurement gains - experience	732	599
Return on assets, excluding interest income	6,037	8,061
Total (losses)/gains recognised in OCI	(2,644)	1,903

NOTES TO THE FINANCIAL STATEMENTS continued
FOR THE YEAR ENDED 31 DECEMBER 2020

18. Reinsurance assets

The Company's assets arising from reinsurance contracts held all relate to insurance contracts.

	Total £'000
At 1 January 2019	2,857
Movement recognised through the statement of comprehensive income	(1,377)
At 31 December 2019	1,480
At 1 January 2020	1,480
Movement recognised through the statement of comprehensive income	40
At 31 December 2020	1,520

Assets arising from reinsurance contracts held include £1,372k (2019: £103k) that is expected to be settled more than one year after the reporting date.

19. Trade and other receivables

	2020 £'000	2019 £'000
Amounts due from group companies	10,235	6,630
Loan to parent undertaking	12,500	-
Prepayments and accrued income on investments	328	828
Reassurance debtors	154	7
Recovery under pecuniary loss insurance contract	4,104	4,217
Annual management charges receivable	1,159	936
Investment debtors	373	928
Other	13	272
Total	28,866	13,818

All of the above total is expected to be recovered within one year after the reporting date. The carrying amounts disclosed above reasonably approximate the fair values as at the year end. The new inter-company loan is a formal agreement with Sanlam UK Limited in respect of formalising inter-company monies due to the Company and was drawn on 31 December 2020. The loan carries an interest rate of 0% and is repayable in full on 31 December 2021. The borrower may prepay the whole or any part of the loan, being not less than £125k and an integral multiple of £125k provided that 10 days notice is given by Sanlam UK Limited to the Company. With one weeks notice, the lender has the right to apply interest at a rate of 20% per annum or at a rate otherwise agreed by the lender, which interest will accrue daily and shall be calculated based upon a 365 day year and compounded annually in arrears.

Annual management charges receivable is classified as contract receivables under IFRS 15. Annual management charges receivable relates to fees receivable from policyholders. Historical loss experience has been used by the Company to establish a 12-month ECL rate of 0% as there has been zero losses or impaired balances in recent years. Therefore, no loss allowance or impairment provision has been recognised.

NOTES TO THE FINANCIAL STATEMENTS continued
FOR THE YEAR ENDED 31 DECEMBER 2020

20. Cash, deposits and similar securities

	2020 £'000	2019 £'000
Cash at bank	18,112	8,903
Short term deposits	115,788	99,653
Total	133,900	108,556

Cash and cash equivalents in the above table contains amounts of £114,306k (2019: £95,369k) which are held entirely within the long-term insurance funds of the Company. These balances are available only for insurance liabilities and not readily available for use by the Company.

Of the above total, £12,065k (2019: £7,966k) cash is held in a trust account on behalf of the Company.

21. Share capital

	2020 £'000	2019 £'000
Authorised		
32,010,000 ordinary shares of £1 each	32,010	32,010
Allocated, called up and fully paid share capital		
25,000,000 ordinary shares of £1 each	25,000	25,000

There have been no changes to share capital during the years ended 31 December 2020 and 31 December 2019.

22. Insurance contracts

Gross insurance contract liabilities

	2020 £'000	2019 £'000
At 1 January	231,984	230,316
Premiums received	2,689	3,236
Claims paid	(15,177)	(16,370)
Change in existing business provisions	4,554	9,972
Economic assumption changes	5,069	4,790
Operating assumption changes	(1,116)	40
At 31 December	228,003	231,984

The change in existing business provisions is largely due to market movements during the year, which have resulted in an increase in the value of units.

An analysis of the expected maturities of insurance and investment contract liabilities is given in note 30.

NOTES TO THE FINANCIAL STATEMENTS continued
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Change in insurance liabilities

	2020 £'000	2019 £'000
At 1 January	231,984	230,316
At 31 December	228,003	231,984
Change in insurance liabilities	(3,981)	1,668

23. Investment contracts

Gross investment contract liabilities

	2020 £'000	2019 £'000
At 1 January	2,557,635	2,352,442
Deposits received	174,883	194,594
Deposits returned	(219,953)	(231,748)
Change in existing business provisions	142,922	242,347
At 31 December	2,655,487	2,557,635

The change in existing business provisions is largely due to market movements during the year, which have resulted in an increase in the value of units.

An analysis of the expected maturities of insurance and investment contract liabilities is given in note 30.

24. Provisions for liabilities

	Mis-selling £'000	PAYE £'000	VAT £'000	Total £'000
At 1 January 2019	3,974	-	-	3,974
Charge for the year	1,473	-	-	1,473
Amounts utilised during the year	(1,245)	-	-	(1,245)
At 31 December 2019	4,202	-	-	4,202
At 1 January 2020	4,202	-	-	4,202
Charge for the year	2,508	753	415	3,676
Amounts utilised during the year	(2,746)	-	-	(2,746)
At 31 December 2020	3,964	753	415	5,132

Further details in respect of the mis-selling provision are provided in Note 3. The expected reimbursement from Allianz in respect of the mis-selling provision is £4,104k (2019: £4,217k) as disclosed in Note 19.

NOTES TO THE FINANCIAL STATEMENTS continued
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During the year, the company has recognised provisions for:

- £415k in connection with VAT on employee staff costs recharged to group entities that had previously not been considered a supply for VAT purposes. This amount represents underdeclared VAT from 2017 to 2020 which will be settled with HM Revenue & Customs (HMRC), pending their agreement to the amount and basis of the calculations. The basis of the provision is the recharge of staff costs to fellow group entities and it is assumed that HMRC will deem such transactions to be supplies for VAT purposes. Professional advice has been obtained to provide the best estimate of this liability. This matter has been formally disclosed and it is anticipated this will be settled in full during 2021.
- £753k in connection with Income Tax not withheld from policyholder pension withdrawals during the years 2016 to 2020. The matter has arisen due to the incorrect application of client PAYE codes in payroll software. The company has elected to settle any Income Tax outstanding on behalf of affected policyholders, subject to HM Revenue & Customs agreement to the quantum of the tax outstanding and the basis of the underlying calculations. Professional advice has been obtained to provide a best estimate of this liability. This matter has been formally disclosed and it is anticipated this will be settled in full during 2021.

25. Borrowings

	2020 £'000	2019 £'000
Term Finance	4,305	5,204
Total	4,305	5,204

Term finance comprises capital amounts outstanding on mortgage bonds taken out over properties held in the unit-linked policyholder funds of the Company. The mortgage over each such property is negotiated separately, varies in term from 5 to 20 years, and bears interest at fixed or floating rates that are agreed at the time of inception of the mortgage. The fair value of the term finance is not materially different to the carrying value shown above.

26. Trade and other payables

	2020 £'000	2019 £'000
Amounts due to group companies	13,862	1,948
Claims outstanding	12,065	7,966
Accrued expenses	3,765	3,502
Total	29,692	13,416

Of the above total, £29,692k (2019: £13,241k) is expected to be settled within one year after the reporting date.

Claims outstanding comprise amounts due to policyholders for death claims, maturities and surrenders.

NOTES TO THE FINANCIAL STATEMENTS continued
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27. (Increase) / decrease in operating assets and liabilities

	Note	2020 £'000	2019 £'000
(Increase) / decrease in financial assets at fair value through profit or loss			
Decrease in investment properties	13	4,056	2,325
(Increase) in financial assets at fair value through profit or loss	14	(77,489)	(228,880)
(Increase)/ Decrease in reinsurance assets	18	(40)	1,377
Decrease in income tax receivables		-	2,905
(Increase) in trade and other receivables	19	(2,548)	(2,942)
(Increase) in pension benefit asset	17	(1,009)	(2,248)
Net (Increase) in operating assets		(77,030)	(227,463)
Increase/(decrease) in operating liabilities			
(Decrease)/ Increase in insurance contract liabilities	22	(3,981)	1,668
Increase/ (decrease) in investment contract liabilities	23	97,852	205,193
(Decrease)/ Increase in provisions and other charges	24	(238)	228
(Decrease) in borrowings	25	(899)	(1,042)
Increase/ (decrease) in trade and other payables	26	17,444	(1,570)
Net Increase in operating liabilities		110,178	204,477
Net change in operating assets and liabilities		33,148	22,986

NOTES TO THE FINANCIAL STATEMENTS continued
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28. Leases

The Company had a lease contract in relation to the St. Bartholomew's House Bristol office premises but this was exited on 30 June 2020. The new office premises lease right of use asset has been entered into by Sanlam UK Limited as this is the controlling entity.

The below tables set out the carrying amounts of right-of-use assets and lease liabilities recognised and the movements during the period.

	£'000
Assets	
Balance at 1 January 2020	231
Amortisation	(231)
Balance at 31 December 2020	-
Liabilities	
Balance at 1 January 2020	230
Settlements	(230)
Balance at 31 December 2020	-

29. Insurance and investment contract liabilities - assumptions, changes in assumptions and sensitivities

This note explains how the Company calculates its policyholder liabilities. The table below shows the Company's total liabilities to policyholders for insurance and investment products before reinsurance. Due to the uncertainty around the impact of Covid-19 on short and long-term mortality experience no additional allowance has been made for Covid-19 in the company's reserving assumptions for this year end.

	2020 £'000	2019 £'000
Composition of policy liabilities (Gross of reinsurance)		
Unit-linked contracts	2,808,456	2,714,706
Conventional annuities	72,868	72,756
Other contracts	2,166	2,157
Total policy liabilities	2,883,490	2,789,619

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Long-term business insurance liabilities

This section analyses the Company's insurance liabilities by type of product and assumptions used.

The table below shows the Company's total insurance liabilities before reinsurance.

	2020	2019
	£'000	£'000
Composition of policy liabilities (Gross of reinsurance)		
Unit-linked contracts	152,970	157,071
Conventional annuities	72,868	72,756
Other contracts	2,166	2,157
Total policy liabilities	228,003	231,984

Assumptions

The key assumptions are as follows:

- Interest rates

The following interest rates were used as at 31 December 2020 and 31 December 2019:

Net Valuation Interest Rate	31 December 2020	31 December 2019
Unit Linked Life	0.11%	0.70%
Unit Linked Annuities	1.04%	1.71%
Non-Linked Annuities	1.04%	1.71%
RPI-Linked Annuities	(2.39%)	(1.87%)

- Mortality

The following mortality assumptions were used as at 31 December 2020 and 31 December 2019:

	Aggregate	Non-smoker	Smoker
Males	49% A67/70 ult	44% A67/70 ult	64% A67/70 ult
Females	56% FA75/78 ult	49% FA75/78 ult	73% FA75/78 ult

In addition, male mortality is adjusted for 50% of Basis R6A of the Institute of Actuaries Working Party Paper on AIDS.

NOTES TO THE FINANCIAL STATEMENTS continued
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- Annuitant mortality

The following mortality assumptions were used as at 31 December 2020 and 31 December 2019:

31 December 2020

	Base table	Age rating	Improvement factors
Conventional annuities			
Males	108% PCMA00	None	CMI 2019, 2.00% LTI
Females	108% PCFA00	None	CMI 2019, 2.00% LTI
Unit linked annuities			
Males	84% PCMA00	-2	CMI 2019, 2.00% LTI
Females	84% PCFA00	-2	CMI 2019, 2.00% LTI

31 December 2019

	Base table	Age rating	Improvement factors
Conventional annuities			
Males	106% PCMA00	None	CMI 2017, 1.75% LTI
Females	106% PCFA00	None	CMI 2017, 1.75% LTI
Unit linked annuities			
Males	86% PCMA00	-2	CMI 2017, 1.75% LTI
Females	86% PCFA00	-2	CMI 2017, 1.75% LTI

- Expenses

The following expenses per policy per annum were used as at 31 December 2020 and 31 December 2019:

Class	31 December 2020		31 December 2019	
	Live	Paid-up	Live	Paid-up
UL Bond	-	£56.11	-	£50.09
UL Savings Endowment	£59.09	£56.11	£52.71	£50.09
Conventional annuities	-	£49.40	-	£44.27
Unit linked annuities	-	£178.00	-	£161.96

- Unit growth rates

The following unit growth rates were assumed before annual management charges:

Unit Growth Rate	31 December 2020	31 December 2019
Unit Linked Life - Gross	0.54%	1.16%
Unit Linked Life - Net	0.43%	0.93%
Unit Linked Annuities	1.04%	1.71%

- Inflation

Renewal expenses and monthly expense charges were assumed to increase at 3.85% p.a. (2019: 3.95% p.a.).

NOTES TO THE FINANCIAL STATEMENTS continued
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- Persistency

Discontinuance rates are based on the Company's recent experience.

Long-term business investment liabilities

The table below shows the Company's total investment liabilities before reinsurance.

	2020 £'000	2019 £'000
Composition of policy liabilities (Gross of reinsurance)		
Unit-linked contracts	2,651,361	2,557,635
Total policy liabilities	2,651,361	2,557,635

Sensitivity analysis (unaudited)

The effect on the embedded value of changes to the principal assumptions is shown below. The embedded value is the present value of all future IFRS profits expected to emerge on in force business, note that future new business is excluded. For each of the sensitivities, all other assumptions are left unchanged.

Assumption	2020 £'000 (unaudited)	2019 £'000 (unaudited)
Embedded value on best estimate assumptions	68,737	75,555
Equity/property assets fall by 10%	(2,429)	(2,809)
Increase expected return on equities/property assets by 1.0% p.a.	2,445	2,659
Maintenance unit expenses decrease by 10%	3,299	3,148
Discontinuance rates decrease by 10%	2,260	2,517
Base mortality and morbidity rates decreased by 5% for life assurance	344	435
Base mortality and morbidity rates decreased by 5% for annuity business	(907)	(877)
Currency, a 10% strengthening of Sterling against all other currencies	(2,251)	(1,820)

30. Risk management

Governance Framework

The Company has an approved Risk Management Policy in place that sets out the Company's risk management framework and includes elements such as the definition of risk appetite and the process for the identification, assessment, monitoring, reporting and control of risk. The Company embeds risk management into the organisation through a 'three lines of defence' methodology, with the first line of defence being line managers who are tasked with the day to day management of those risks allocated to them. The Risk Management function forms the second line of defence, through overseeing the risk framework to ensure that it is operating effectively, and Internal Audit forms the third line of defence, through the implementation of the

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internal audit annual plan and by way of its periodic reviews as to whether the risk management framework remains fit for purpose.

The Company's risks are ranked in priority order using financial and risk-based capital criteria. Progress in the management of the key risks is reviewed on a regular basis by senior management and the Audit and Risk Committee.

The Company's key risks currently include persistency, annuitant longevity, pension scheme funding, market and credit risk and we continue to monitor the impact of Covid-19 on the Company's risk profile through the usual governance mechanisms.

Risk Appetite

Risk Appetite is the amount and type of risk that the Board is prepared to seek, accept or tolerate.

The Company's risk appetite setting process is set out in the Company's Risk Management Strategy document; this outlines the preferred trade-off between risk and reward that the business is willing to accept in pursuit of its strategic goals, given the expectations of different stakeholders.

The intention behind the risk appetite statement is to enable the Board to set out clearly how much and what types of risk the Company is permitted to take in pursuit of achieving the Board's approved business strategy. Performance against the agreed risk appetite is then monitored on a monthly basis by the Executive Management Committee and is reported on a quarterly basis to the Board. Any breaches are dealt with according to the risk escalation matrix in the Company's Risk Management Policy.

Financial Risks

The Company is exposed to financial risk through its financial assets, financial liabilities, reinsurance assets and policyholder liabilities, in particular that the proceeds from financial assets are not sufficient to fund the obligations arising from contracts with policyholders. The most important components of this financial risk are market risk, insurance risk, credit risk and financial soundness risk, all of which are managed in accordance with the risk management framework.

The Company continues to monitor the impact of Covid-19 on the financial position through the usual governance mechanisms, including the Board's regular oversight of solvency capital coverage and other strategic monitoring triggers.

(1) Market Risk

Market risk is the risk that arises from fluctuations in values of/income from assets or in interest rates or exchange rates.

The Company's main market risk exposures and the impact on the Company if they were to crystallise are as follows:

- Unit linked matching. The Company would suffer a hit to its solvency position and statement of comprehensive income if it was running a mismatch between unit linked assets and unit linked liabilities and unit prices were to move adversely at the same time.

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- Unit pricing. The Company would suffer a potentially significant hit if unit prices were calculated incorrectly and the markets were to move adversely before the error could be corrected.
- Non-linked matching. This could significantly impact the Company's solvency and income statement if assets and liabilities weren't adequately matched and interest rates were to move in an adverse way.
- Pension scheme matching. The liabilities of the Company's final salary pension scheme are guaranteed both in terms of longevity and future inflation levels. It is currently not possible to hedge out the liabilities at a competitive price; instead, a proportion of the scheme's assets are invested in real assets in order to provide a partial hedge. Any adverse impact from this mismatch of assets and liabilities will result in additional contributions being made by the Company to the scheme.
- Fund based charges. This impacts both the level of the Company's revenue in the period as well as the capitalised impact of future charges via sterling reserves, the embedded value and the level of the Company's Own Funds available to meet its Solvency II capital requirements.
- Free assets. These are assets representing the Company's capital and retained profits and, as such, they are available to meet the Company's solvency requirements. The exposure to market risk depends on the type of asset invested in e.g. cash investments are only exposed to interest rate risk whereas equities would be exposed to fluctuations in market values.

Market risk is managed in the following ways:

- Unit linked matching. The Company has in place a detailed set of processes and controls to manage and mitigate any impact. Some residual exposure is permitted within detailed limits for the sake of operational efficiency.
- Unit pricing. The unit pricing of the largest funds has been outsourced to CURO in South Africa and a detailed Service Level Agreement is in place to monitor and manage their performance. A SAS70 report is produced annually which outlines the quality of CURO's control environment. The Company does retain the pricing for the smaller 'trust linked' funds, personal funds and Portal funds and for these, it has in place a detailed set of processes and controls to manage and mitigate any impact.
- Non-linked matching. The Company has in place a detailed investment mandate with SAMI to mitigate any potential impact. The mandate has clear rules over what constitutes an acceptable level of matching and these are reviewed on a regular basis. Performance is reviewed on a monthly basis.
- Pension scheme matching. The Scheme's Trustees have in place an investment strategy together with a set of detailed investment limits which are set out in the Scheme's Statement of Investment Principles. Performance against the Scheme's Statement of Investment Principles by the investment manager is reviewed on a regular basis. There is however a sizeable amount of residual risk given the nature of the benefit guarantees that have been granted.
- Fund based charges. In general, the Company is happy to accept this risk so the only mitigant currently in place is to apply a sterling-based minimum per policy charge to cover the risk of fund values dropping below a certain level.
- Free assets. The Company has in place a detailed set of guidelines that it operates which includes items such as acceptable investments and diversification criteria. The guidelines are reviewed on a regular basis and performance against them is monitored on a monthly basis.

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Below is an analysis of assets and liabilities at fair value through profit or loss and assets and liabilities for which a fair value is required to be disclosed, according to the fair value hierarchy.

As at 31 December 2020	Fair Value Hierarchy			
	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Investment properties	-	-	84,543	84,543
Financial assets at fair value through profit or loss	2,636,670	84,801	-	2,721,471
Loans and receivables	-	263	-	263
Reinsurance assets	-	1,520	-	1,520
Total assets	2,636,670	86,584	84,543	2,807,797
Investment contract liabilities	-	2,567,230	88,257	2,655,487
Total liabilities	-	2,567,230	88,257	2,655,487

As at 31 December 2019	Fair Value Hierarchy			
	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Investment properties	-	-	88,599	88,599
Financial assets at fair value through profit or loss	2,559,766	84,217	-	2,643,983
Loans and receivables	-	263	-	263
Reinsurance assets	-	1,480	-	1,480
Total assets	2,559,766	85,960	88,599	2,734,325
Investment contract liabilities	-	2,469,036	88,599	2,557,635
Total liabilities	-	2,469,036	88,599	2,557,635

Assets classified as Level 3 comprises of investment properties.

Investment properties are independently valued as described in note 2. Fair value of investment properties is measured as the most probable price reasonably obtainable in the market at the date of transaction between a willing buyer and a willing seller in an arm's-length transaction. The judgements used in determining the fair value can also be found in note 2.

The table below shows movements in the assets and liabilities measured at fair value based on valuation techniques for which any significant input is not based on observable market data (level 3 only).

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	2020 £'000	2019 £'000
	Assets	Assets
At 1 January	88,599	90,924
Total gains recognised within realised and fair values gains on assets at fair value through profit or loss in the statement of comprehensive income:		
- Realised (losses) / gains	(1,888)	1,837
- Unrealised gains	1,217	1,715
Purchases	2,245	2,698
Disposals	(5,630)	(8,575)
At 31 December	84,543	88,599

Total gains or losses for the period included in the statement of comprehensive income as well as total gains or losses relating to assets and liabilities held at the reporting date are presented in the statement of comprehensive income, through net gains/losses on assets at fair value through profit or loss.

(i) **Equity and property risk**

The Company is not exposed to any material investment guarantees that would be directly affected by a fall in equity values. As at 31 December 2020 and 2019, none of the Company's non-linked assets were invested in equities. However, a fall in equity values could potentially damage the Company's solvency in the following key ways:

- Lower fund administration charges
- Reduced new business /worse persistency.

A fall in equity values may also increase the likelihood of other risks occurring. For example, mis-selling reserves are more likely to be inadequate following a fall in equity values since policy values would be reduced, potentially leading to higher compensation costs.

None of the Company's non-linked assets or shareholder's funds are invested in property.

The direct effect of a fall in property values would only have a minimal impact on the Company's solvency because:

- Unit linked property assets and liabilities are fully matched
- Only 10% of the Company's linked assets are invested in property and so the effect of lower management charges would be relatively minor and
- The Pension Scheme is not invested in property.

However, new business could be adversely affected by a fall in property values if consumer confidence in property as a long-term investment also fell. As well as this, the risk of new mis-selling complaints may increase if clients who have invested in property lose a large part of their investment.

The sensitivity analysis (note 29) illustrates how the fair value of future cash flows in respect of equities and properties, net of offsetting movements in insurance and investment contract liabilities, will fluctuate because of changes in market prices at the reporting date.

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(ii) Interest Rate Risk

Interest rate risk is the risk that the value of future cash flows of a financial instrument will fluctuate because of changes in the interest rates and the shape of the yield curve. Interest rate risk in respect of the Company's insurance and investment contracts arises when there is a mismatch in duration or yield between liabilities and the assets backing those liabilities.

For non-linked contracts a fall in market interest rates will result in a lower yield on the assets supporting guaranteed investment returns payable to policyholders. This investment return guarantee risk is managed by matching assets to liabilities as closely as possible. As detailed above, the Company has in place a detailed investment mandate with SAMI to mitigate any potential impact of assets and liabilities not being adequately matched if interest rates were to move in an adverse way. The mandate has clear rules over what constitutes an acceptable level of matching and these are reviewed on a regular basis. Performance is reviewed on a monthly basis.

The effect on the Company of changes in the value of investments held in respect of unit-linked contracts due to fluctuations in market interest rates is negligible as any changes will be offset by movements in the corresponding liability.

(iii) Currency Risk

Some of the Company's unit linked funds are invested in overseas linked assets and as such an increase in the value of sterling compared to other currencies will lead to a reduction in the value of capital resources through lower future fund administration charges. In addition, a relative increase in sterling will produce a larger staff pension scheme deficit. It should be noted that the assets held to match the Company's other non-linked liabilities are all sterling denominated.

(2) Insurance Risk

Insurance risk is the risk of financial loss arising from fluctuations in the timing, frequency and severity of insured events relative to the expectations of the Company at the time of underwriting or financial reporting.

The Company has in the past had a high tolerance for all aspects of insurance risk as is evidenced by the sizeable in force legacy portfolio. However, the current strategic focus is principally on investment related products and as such there is a low appetite for insurance risk other than that which arises as a by-product of the investment focused strategy e.g. persistency and longevity.

The Company currently seeks to avoid the following insurance risks:

- new mortality exposures
- critical illness
- guaranteed decumulation benefits and,
- long term care.

The Company's key insurance risk exposures are as follows:

- Mortality. This affects all of the Company's business to a certain extent though the main exposure relates to the difference between the in-force policies' sums insured and their fund values. In addition, mortality affects the probability and hence the value of future policy charges.

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- Longevity. This relates to in force annuity business and also to the Company's final salary pension scheme. Longevity adversely impacts the Company if more payments are made to an annuitant or to a pensioner than were originally assumed when the contract commenced.
- Morbidity. This relates to a small number of legacy products which offered income protection insurance and waiver of premium rider benefits. Morbidity adversely impacts the Company if more benefits are paid out than were originally assumed at the time the policy was issued or was last reserved for.
- Expenses. The maintenance expenses incurred in the on-going administration of the Company's in force book need to be within the original estimates at the time that the policies were issued or when they were last reserved for otherwise profitability will be adversely affected. Similarly, initial expenses need to be within the pricing allowance otherwise products might be loss making.
- Expense inflation. As with expense risk, maintenance expense inflation needs to be contained within pricing and reserving assumptions to avoid adverse financial impacts.
- Persistency. This affects all of the Company's business (apart from annuities) as it impacts the probability and hence the value of future policy charges.
- Tax. As with expense risk, actual tax payments need to be contained within pricing and reserving assumptions to avoid adverse financial impacts.
- Mis-selling reserves. The risk is that either Allianz Cornhill will not honour the contract as originally expected or that the residual cost to the Company on 'other mis-selling' is higher than expected.

Given the Company's risk appetite towards insurance risk, the associated risk limits are as follows:

- Mortality. The Company does not actively seek any new sums at risk mortality exposure.
- Longevity. The Company has a limited appetite for new longevity exposure apart from where it arises from the vesting of in force pensions business.
- Morbidity. The Company has no appetite for any new morbidity exposure.
- Expenses. The Company has a limited appetite for expense risk and does not seek to outsource its administration activities to a third-party administrator on a fixed price contract.
- Expense inflation. The Company has a limited appetite for expense inflation risk and will seek where possible to levy charges in such a way as to provide a hedge against inflation risk.
- Persistency. The Company has a high tolerance for persistency risk given the long-term nature of investment wrapper charging structures. That said, processes should be put in place to minimise the risk to the extent that it is possible to do so. For example, wherever possible, product charging structures are designed to minimise persistency risk subject to TCF considerations being met.
- Tax. The Company has a low appetite for tax risk and it requires that the Company should act within all relevant laws and regulations in such a way that it is seen as a low risk business by HMRC.
- Mis-selling reserves. The Company has no appetite for any exposure to legacy mis-selling risk apart from the agreed 10% share of the 'other mis-selling' indemnity with Allianz Cornhill.

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New insurance risk exposures are identified as part of existing business as usual processes e.g. product and service developments, business planning, financial reporting and also whenever key business decisions are made. Changes to existing insurance risk exposures are identified as part of the on-going risk management process and also whenever key business decisions are made.

Monthly reports on emerging insurance experience go to the Executive Management Committee as part of the monthly performance pack and the insurance risk dashboard and, once a quarter, key information is reported to the Audit and Risk Committee and to the Board. In addition, annual investigations on historic insurance experience are prepared by the Actuarial Manager for review and sign off by the Chief Actuary. These investigations are used to help set the demographic and expense bases for financial reporting and product profitability purposes which are then signed off by the Board as part of the year end valuation process.

For each of the exposures, the key controls and mitigants that have been put in place to bring the exposure within the required risk limits are shown below.

- Mortality. Mitigants include underwriting on protection business; variable mortality deductions on protection business; reinsurance arrangements with Munich Re on protection business; maximum age limits together with minimal sums at risk on investment related business.
- Longevity. Mitigants include emerging experience is regularly monitored at Board level; a proof of existence exercise is carried out on an ongoing basis by monitoring death registrations to ensure only genuine claims are paid; and, the Company tends only to retain the smaller vesting annuities which typically have worse longevity experience. In the pension scheme, a high proportion of assets are invested in real assets to provide some degree of hedge against improving longevity.
- Morbidity. There is some reinsurance in place. There is some reinsurance in place for the small portfolio of business subject to morbidity risks
- Expenses. The key mitigant is proactive expense management through the budget setting and monitoring processes together with the approval framework and authority guide.
- Expense inflation. As expenses. In addition, a proportion of the assets backing expense related sterling reserves are invested in inflation linked gilts.
- Persistency. Mitigants include proactive monitoring of emerging experience; on-going persistency initiatives; product design and distributor relationship management. That said, persistency risk is by its nature largely outside management's control and therefore comes with a sizeable residual risk.
- Tax. Mitigants include proactive tax management; the Tax Manual and associated systems and controls; and, an annual external validation from one of the big four consultancies.
- Mis-selling reserves. Proactive account and relationship management with Allianz Cornhill.

The reinsurance arrangements referred to above is with Munich Re. The treaty commenced during the early 1990's and is in respect of particular blocks of business, put in place to limit the Company's exposure to mortality and morbidity risk. Risk premium reinsurance cover is included under the in-force treaties, along with a small amount of original terms cover.

Further information on assumptions, changes in assumptions and sensitivities in respect of insurance and investment contracts is given in note 29.

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(3) Credit Risk

Credit risk is the risk of financial loss arising from the failure of another party to perform its financial obligations to the firm, including failing to perform them in a timely manner.

The Company will generally seek only to incur credit risk where:

- It is a necessary or normal consequence of the Company's business (e.g. credit risks to policyholders as a result of policy loans or to trade debtors);
- The risk incurred is considered to be preferable to other risks that would otherwise have been incurred (e.g. reinsurance replaces insurance risk with credit risk); or
- The risk incurred is considered to be warranted by some other benefit (e.g. an increased return on investments).

The Company's main credit risk exposures and the impact on the Company if they were to crystallise are as follows:

- Asset default on assets backing non-linked liabilities. The impact would be a straight hit to the Company's solvency position and its statement of comprehensive income
- Asset default on assets backing final salary pension scheme. The impact would be a worsening in the scheme's solvency and funding position which would require the Company to increase contributions
- Reinsurer default. If a default did occur the Company would need to hold gross rather than net reserves for the policies affected, and the previously reinsured mortality and morbidity profits or losses would be retained by the Company
- The failure of the mis-selling indemnity provider to pay amounts due. The impact would be that the Company could no longer take credit for the expected recovery under the pecuniary loss insurance contract with Allianz Cornhill and this would adversely impact the Company's solvency
- The failure of debtors to pay amounts due. The non-repayment of outstanding loans or the non-settlement of debtor balances would adversely affect solvency
- The failure of shareholder investments. Any default in shareholder investments would flow straight through into an adverse impact on solvency and the statement of comprehensive income.

New credit risk exposures are identified as part of existing business as usual processes e.g. product and service developments, business planning, financial reporting and whenever key business decisions are made. Changes to existing credit risk exposures are identified as part of the on-going risk management process and whenever key business decisions are made.

Monthly reports on emerging credit experience go to the Executive committee as part of the monthly performance pack and the credit risk dashboard and, once a quarter, key information is reported to the Audit and Risk Committee and to the Board.

Credit risk is managed in the following ways:

- Asset default (non-linked liabilities). The Company has in place an investment management mandate with SAMI to mitigate any potential impact. The mandate has clear rules over the quality and type of asset that can be used to match non-linked liabilities as well as limits on maximum counterparty exposure. These are reviewed on a regular basis and the investment manager's performance against these guidelines is monitored regularly at Balance Sheet Management Committee meetings. No credit default swaps have been purchased.

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- Asset default (pension scheme). Limits agreed with the Trustees over the maximum percentage of the assets that can be invested in corporate bonds, investing in corporate bonds via a collective scheme which improves diversification and ensures professional management.
- Reinsurers. Only dealing with a good quality reinsurance company (Munich Re) with proactive account management.
- Indemnity provider. Dealing with a good quality counterparty, Allianz Cornhill, together with account management.
- Debtors. Restrictions over the maximum exposure to any one counterparty, a limit on total debtor exposure and credit control processes, restrictions on the amount policyholders can borrow from their policies.
- Shareholder investments. The Company has in place a detailed set of guidelines that it operates which includes items such as acceptable counterparties and diversification criteria. The guidelines are reviewed on a regular basis and performance against them is monitored on a monthly basis.

The tables below analyse financial assets subject to credit risk using the composite rating or equivalent. The Company does not hold collateral and therefore the balance sheet carrying value represents the maximum credit risk exposure.

As at 31 December 2020

	Total	AAA	AA	A	BBB or lower	Other and not rated
	£'000	£'000	£'000	£'000	£'000	£'000
Government bonds	24,338	982	18,387	-	-	4,969
Corporate bonds	84,801	9,185	10,624	25,345	5,862	33,785
Cash and cash equivalents	133,900	-	-	117,998	5	15,897
Trade & other receivables	28,538	-	12,500	-	-	16,038
Total	271,577	10,167	41,511	143,343	5,867	70,689

Amounts classified as “not rated” in the above table are not rated by the composite or equivalent rating. as “not rated” in the above table are not rated by the composite or equivalent rating. The company has experienced a small increase in the number of downgrades in the corporate bond portfolio as a result of the Covid-19 pandemic. However, there have been no corporate bond defaults on that portfolio and no bonds have been downgraded below BBB over the last year.

Investment funds are treated as equity type assets therefore are not included in the table above.

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As at 31 December 2019

	Total	AAA	AA	A	BBB or lower	Other and not rated
	£'000	£'000	£'000	£'000	£'000	£'000
Government bonds	36,233	1,305	31,502	-	627	2,799
Corporate bonds	84,217	8,979	13,019	21,735	20,209	20,275
Cash and cash equivalents	108,556	-	-	97,214	13	11,329
Trade & other receivables	12,990	-	-	-	-	12,990
Total	241,996	10,284	44,521	118,949	20,849	47,393

Amounts classified as “not rated” in the above table are not rated by the composite or equivalent rating.

Investment funds are treated as equity type assets therefore are not included in the table above.

Details of the policy for assessing expected losses are included in note 2 “Impairment of financial assets”.

(i) **Concentration Risk**

Concentration risk is the exposure to increased losses associated with inadequately diversified portfolios of assets and/or liabilities. Concentration risk may arise with respect to investments in a geographical area, economic sector, or individual investments, or due to a concentration of business written within a geographical area, of a policy type, or of underlying risks covered.

The Company’s business model, like that of most insurers, relies on the principle of diversification i.e. that not all risks will crystallise at the same moment and this works provided that the underlying sources of risk, i.e. risk drivers or triggers, are independent. Diversification with respect to insurance liabilities is typically achieved through writing a large portfolio of independent contracts, by writing insurance across a number of different lines, or by geographical spread. Asset diversification is typically achieved through spreading investments in order to avoid excessive concentration of assets or exposure to a single counterparty, geographical area or industrial sector.

The Company is not in the business of taking on concentration risk and it will therefore seek to mitigate or manage out any such concentrations that arise as a consequence of its normal business operations.

The Company’s key concentration risk related exposures are as follows:

- Assets. Non-linked assets fund investments; shareholder fund investments; reinsurance; and, the mis-selling indemnity provider.
- Liabilities. Geographical area; demographics; insurance class; ‘grouped’ transactions; and, large cases.

Note that unit linked assets are excluded from the consideration of concentration risk as the policyholder bears the investment risk.

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Given the above risk appetite towards concentration risk, the associated risk limits are as follows:

- **Assets.** Investments need to be well diversified by counterparty, geography and industrial sector such that the Company has limited exposure to concentration risk. Asset holdings should be aggregated across the whole Company and across all asset types when making this assessment (excluding unit linked assets). Holdings in UK gilts are excluded from this requirement.
- **Liabilities.** Liabilities need to be well diversified across geographical area, demographic grouping (e.g. by age, gender, smoker status, rated lives) and insurance class (e.g. mortality, longevity, morbidity). In addition, limits need to be applied to grouped transactions and to large cases so that the Company is not unduly exposed to the actions of any one individual or any group of policyholders.

New concentration risk exposures are identified as part of existing business as usual processes e.g. product and service developments, business planning and whenever key business decisions are made. Changes to existing concentration risk exposures are identified as part of the on-going risk management process and whenever key business decisions are made. The Investments Manager is the line manager responsible for identifying the various types of asset related concentration risk and on the liabilities side, it is the Actuarial Manager who is responsible.

Monthly reports go to the committee as part of the monthly performance pack and the credit risk dashboard and, once a quarter, key information is reported to the Audit and Risk Committee and to the Board.

For each of the exposures, the key controls and mitigants that have been put in place to bring the exposure within the required risk limits are shown below:

- **Assets.** Mitigants include detailed limits over aggregate exposure levels; detailed investment mandate for the non-linked assets fund, the management of which has been outsourced to SAMI.
- **Liabilities.** Mitigants include underwriting process; reinsurance cover; maximum retained sum assured per life; diversified distribution; a portfolio of around fifty different in force products; only entering into material distribution relationships if the Company is able to exert a reasonable amount of control e.g. via an equity holding or via board membership.

The management of the assets side is mainly performed by the Investments Manager supported by SAMI and on the liability side, it is a combination of the Actuarial Manager and the Head of Sanlam Wealth Distribution.

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(4) Financial Soundness risk

Financial soundness risk covers the risk of financial failure, reputational loss or loss of earnings and/or value arising from a lack of liquidity, funding or capital and/or the inappropriate recording, reporting or disclosure of financial, taxation and regulatory information.

We apply rigorous stress, sensitivity and scenario testing to risks identified through the ORSA both for Pillar 1 and 2 Solvency II. Stress and sensitivity testing allows us to ensure we have enough capital on our balance sheet to withstand major events such as a stock market crash or adverse changes to our key assumptions. Reverse stress testing has a different starting point, looking at a range of scenarios that might cause the business to fail. This highlights potential vulnerabilities and ensures we have adequate measures in place to manage these risks.

The Directors have considered specific Covid-19 stress scenarios for the continuing pandemic which includes the impact of a further decrease in equity values and credit spreads widening. The Directors have also considered a reverse stress scenario (at a Sanlam UK Level) in relation to defaults in the Company's corporate bond portfolio as well as the widening of credit spreads. The Covid-19 stress scenarios include far more extreme assumptions than what we have seen has happened over the past 12 months as a result of Covid-19 pandemic. The conclusion from this scenario analysis was that the management action of applying for the Solvency II Volatility Adjustment should be implemented and this application has now been successfully completed. The Directors were comfortable with the current buy and hold investment strategy and therefore concluded that the company should largely continue with this strategy while actively monitoring the most at risk holdings in the portfolio and reducing exposure to them when it was beneficial to do so.

(i) Financial and prudential regulatory reporting, tax and disclosure risks

The Company is exposed to the risk that policies and procedures are not sufficient to maintain adequate books and records to support statutory, regulatory and tax reporting and to prevent and detect financial reporting fraud.

The Company has developed procedures to ensure that compliance with both current and potential future requirements are understood and that policies are aligned to its risk appetite. The Company has established a system of internal controls, the objective of which is to provide reasonable assurance that transactions are recorded and undertaken in accordance with delegated authorities that permit the preparation and disclosure of financial statements, regulatory reporting and tax returns in accordance with International Accounting standards, statutory and regulatory requirements.

The Company undertakes a programme of work designed to support an annual assessment of the effectiveness of internal controls over financial reporting, to identify tax liabilities and to assess emerging legislation and regulation.

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(ii) Liquidity Risk

Liquidity risk is the risk that the Company, though solvent, does not have sufficient financial resources available to enable it to meet its obligations as they fall due. Liquidity risk arises if there are circumstances when the Company has insufficient liquid or readily realisable assets to meet its commitments and is forced to rely upon the sale of assets that cannot be realised at short notice at a reasonable cost.

The Company is not in the business of taking on liquidity risk for the purposes of commercial gain. However, it does gain some exposure as a consequence of its normal business operations. Given the adverse reputational and financial costs associated with the crystallisation of liquidity risk, the Company has no appetite for liquidity risk. That is, the Company should have adequate liquidity at all times.

The Company's key liquidity risk related exposures are as follows:

- Expenses. There is an on-going requirement to pay operating expenses using liquid cash balances. If there were insufficient available liquid funds then there would be adverse impacts on a number of different stakeholders with the potential for serious reputational consequences for the Company.
- Policy benefits. There is an on-going requirement for the Company to meet policy benefits as they fall due for payment. Such benefits include regular payments to in force annuitants and current pensioners in the final salary pension scheme; death benefits; surrender/transfer/withdrawal benefits. As with expenses, there would be serious reputational consequences if the Company was unable to meet the payments as they fell due.
- Forced asset sales. Some of the Company's investment mandates require that assets should be sold if their quality level reduces below a certain level. There is a risk that a sale in stressed circumstances could produce very low sale proceeds which would result in a hit to available capital resources.
- Dividends. When payable to Sanlam UK, dividends would normally be funded out of liquid cash balances. If insufficient liquid funds were available, this may cause Sanlam UK funding problems.
- Settlement periods. Where policyholders switch out of mirror funds which have T+4 settlement periods into mirror funds with T+1 settlement periods, the Company effectively provides short term funding to the policyholder. If insufficient liquid funds were available, this could cause reputational issues.

It should be noted that the Company is not exposed to the risk of ratings downgrade triggers, i.e. the need to refinance debt in stressed conditions, because all of its capital resources are funded by share capital and retained earnings.

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New liquidity risk exposures are identified as part of existing business as usual processes e.g. product and service developments, business planning and also whenever key business decisions are made. Changes to existing liquidity risk exposures are identified as part of the on-going risk management process and whenever key business decisions are made. The Financial Controller is the line manager responsible for identifying the various types of liquidity risks apart from those in respect of policy benefits where the Actuarial Manager is responsible. The main process used in the on-going identification of liquidity risk is cash flow monitoring and forecasting which is performed on a regular basis by the Finance Department. Monthly reports go to the Executive committee as part of the monthly performance pack and the credit risk dashboard and, once a quarter, key information is reported to the Audit and Risk Committee and to the Board.

The following tables indicate the timing of the contractual cash flows arising from the Company's financial liabilities, as required by IFRS 7. The timing of the cash flows is based on the earliest possible contractual date. For investment contract liabilities, as policyholders can usually choose to surrender at any time, investment contract liabilities have been classified as due within one year. The maturity date due within one year includes liabilities that are repayable on demand.

As at 31 December 2020:

Liabilities	Due within one year	Due after more than 5 years	Total
	£'000	£'000	£'000
Investment contract liabilities	2,655,487	-	2,655,487
Borrowings		4,305	4,305
Trade & other payables	29,692	-	29,692
Total	2,685,179	4,305	2,689,484

As at 31 December 2019:

Liabilities	Due within one year	Due after more than 5 years	Total
	£'000	£'000	£'000
Investment contract liabilities	2,557,635	-	2,557,635
Borrowings	-	5,204	5,204
Trade & other payables	13,416	-	13,416
Total	2,571,051	5,204	2,576,255

The following tables provide an analysis of the contractual cash flows in respect of insurance and investment contract liabilities by expected contract maturity:

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As at 31 December 2020:

Maturity analysis for insurance and investment contracts

	Due within one year	Due within 2 to 5 years	Due after more than 5 years	Total
	£'000	£'000	£'000	£'000
Insurance contract liabilities	574	2,127	225,302	228,003
Investment contract liabilities	107,397	551,171	1,996,919	2,655,487

As at 31 December 2019:

Maturity analysis for insurance and investment contracts

	Due within one year	Due within 2 to 5 years	Due after more than 5 years	Total
	£'000	£'000	£'000	£'000
Insurance contract liabilities	413	2,551	229,020	231,984
Investment contract liabilities	88,551	486,816	1,982,268	2,557,635

(iii) Capital Management

Capital management is the process of ensuring that a firm has sufficient capital resources in place to meet regulatory and working capital resource requirements and to fund business growth opportunities, whilst at the same time ensuring that capital is efficiently sourced and invested so as to help ensure that the firm achieves its return on capital targets.

As an independent business unit within the Sanlam UK group, the Company is responsible for the management and optimisation of the capital allocated to it.

The Company is regulated by the PRA. The Company is now calculating its solvency position in accordance with the Solvency II regime, which became effective from 1 January 2016. For Solvency II purposes the capital is managed as follows:

- Pillar 1. Capital requirements are assessed using Solvency II's Standard Formula and capital resources assessed using a realistic balance sheet as adjusted for detailed Solvency II requirements e.g. technical provisions, the risk margin and own funds.
- Pillar 2. As Pillar 1 adjusted where appropriate for areas where the Company's risk and capital profile differs from the standard Solvency II specifications i.e. as per the ORSA process

The minimum required capital must be maintained at all times throughout the year. These capital requirements and the capital available to meet them are regularly estimated in order to ensure that capital maintenance requirements are being met.

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The Company is well-capitalised and holds reserves in excess of those required by its risk profile and the regulatory and market requirements of its business.

The solvency position is sensitive to changes in market conditions, due to both changes in the value of assets and the effect that changes in investment conditions may have on the value of liabilities. It is also sensitive to assumptions and experience relating to mortality and morbidity, expenses and persistency.

The Company does not have any material policy options or material policy maturity guarantees, nor does the Company have any policies with guaranteed annuity rates.

The table below sets out the regulatory capital and the required capital held on a Pillar 1 Solvency II basis. The information is based upon the Solvency II annual quantitative reporting template (QRT) reported position. It should be noted that this reported position for both 2019 and 2020 is not audited.

	2020 £'000 (unaudited)	2019 £'000 (unaudited)
Solvency Capital Resources (or Own Funds)	58,513	62,606
Solvency Capital Requirement (SCR)	44,051	42,780
Regulatory capital surplus	14,462	19,826

The margin of regulatory capital held over the capital resources requirements remains satisfactory under the new Solvency II regime remains above the risk appetite trigger.

Operational Risk

Operational risk is the risk of unexpected financial loss arising from either failed or inadequate processes, people or systems or from external factors.

Operational risks arise due to events occurring that the business was not prepared for or because an area of vulnerability was not managed effectively. Many losses occur due to simple failures in processes. An event is an incident or occurrence emanating from internal or external sources that could affect implementation of strategy and/or achievement of business objective.

Internal events relate to:

- People e.g. an increase in ex-gratia payments, increased human error or increased propensity for fraudulent behaviour.
- Processes e.g. product or sales quality deficiencies, unexpected downtime or service delays.
- Systems e.g. systems failure resulting in prolonged downtime or processing backlogs, data loss or failure to maintain data integrity.

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Potential external events may be categorised as follows:

- Political e.g. international conflict, changes in government and government policy/legislation.
- Economic e.g. new competitors or a sustained downturn in markets.
- Social e.g. changing demographics such as ageing populations.
- Technological e.g. Cyber-crime, developments such as wrap platforms and smart phones.
- Legal e.g. changes in law such as the introduction of new EU Directives like Solvency II.
- Environment e.g. disasters and changes in people's attitudes.

New operational risk exposures are identified as part of existing business as usual processes and whenever key business decisions are made. Changes to existing operational risk exposures are identified as part of the on-going risk management process and whenever key business decisions are made. Line managers are responsible for identifying operational risks that relate to their area of responsibility.

New or changed exposures are assessed by the relevant line manager by combining estimates of consequences (impact) and likelihood of occurrence in the context of existing control measures. For risks that have consequences in more than one business area consideration is given to the total impact to the business as well as the local impact.

The level of risk found during the assessment process is compared with the overall risk appetite, tolerance, strategy and limits of the Company, or any other established criteria approved by the Board or Executive Committee.

If a newly identified risk is assessed as being material, there should be an immediate escalation of the risk to the appropriate level of oversight as per the Company's Risk Escalation matrix.

Legal and Regulatory Risk

Legal and regulatory risk is the risk of reductions in earnings and/or value, through financial or reputational loss, from failing to comply with the applicable laws, regulations or codes.

The volume of actual and expected regulatory change remains high and work is ongoing to review, assess and embed new regulatory requirements into day-to-day operational and business practices across the Company.

Regulators are interested in protecting the rights of the policyholders and ensuring that the Company is satisfactorily managing affairs for the benefit of the policyholders. Regulators are also keen to ensure that the Company maintains appropriate solvency levels to meet unforeseen liabilities arising from reasonably foreseeable economic shocks or natural disasters. As such, the Company is subject to regulatory requirements which prescribe and impose certain restrictive provisions.

The Company monitors and manages all legal and regulatory risks closely and has regular interaction with the regulators.

**NOTES TO THE FINANCIAL STATEMENTS continued
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Conduct Risk & Fair Treatment of Customers

Conduct risk is the risk that the behaviour, acts or omissions of the Company and its employees results in:

- the unfair treatment of customers and/or delivery of poor customer outcomes;
- damage to the integrity of the UK financial system; or
- undermining fair market competition.

The Company is committed to sound risk management practices and regards an active awareness and the mitigation of conduct risk exposures to be a business imperative. That is, the Company will avoid taking on activities that could give rise to the unfair treatment of customers and/or the delivery of poor customer outcomes and thereby potentially incur financial loss and/or material disadvantage to customers.

The Company considers the delivery of good customer outcomes as the foundation of its strategy, behaviour and culture; and is committed to treating its customers fairly. As a consequence, the Company will ensure that:

- The products and services that we produce and market are designed to meet the needs of our intended customers and will be targeted accordingly
- Our customers and intermediaries are provided with clear information about our products and are able to make informed judgements before, during and after the point of sale
- Our products perform as they are intended to perform, and the associated service we provide is of a superior standard consistent with our customers' and intermediaries' expectations
- The way that our products are used is monitored by way of exception and is consistent with our expectations of the typical behaviour and needs of the target market reflecting the distribution channels used. In particular we recognise that many of our clients rely on a third party for investment advice and we will be cognisant of the expertise of that third party
- We will not impose unreasonable or unfair post-sale barriers to prevent customers from changing their product, switching provider, submitting a claim or making a complaint.

31. Related party transactions

The Company has related party transactions with other entities in the Sanlam group in the normal course of business. These transactions are all made on normal commercial terms.

The following table provides the total amount of transactions and balances that have been entered into with related parties for the relevant financial year.

Sanlam Life & Pensions UK Limited (00980142)

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	2020	2019
	£'000	£'000
Income during the period:		
Sanlam Partnerships Limited	24	59
Sanlam Private Investments (UK) Ltd	(395)	426
Sanlam Financial Services UK Limited	1,263	1,864
Sanlam Financial Investments Ltd	(345)	111
English Mutual Ltd	(376)	555
Sanlam Wealth Planning UK Ltd	(308)	639
Nucleus Financial Services Limited	485	459
Expenses during the period:		
Sanlam UK Limited	(236)	1,602
Sanlam Asset Management (Ireland) Ltd	(7,548)	(7,721)
Sanlam Wealth Planning UK Limited	(2,628)	(2,771)
English Mutual Ltd	(2)	(3)
Sanlam Private Wealth South Limited	232	-
Payable at the period end to:		
Sanlam UK Limited	(205)	-
Sanlam Asset Management (Ireland) Ltd	(2,006)	(1,948)
Sanlam Financial Services UK Limited	(599)	-
Sanlam Private Investments (UK) Ltd	(839)	-
Sanlam Private Wealth South Limited	(232)	-
Sanlam Shareholders	(9,893)	-
Sanlam Wealth Planning UK Limited	(89)	-
Receivable at the period end from:		
Sanlam Partnerships Limited	13	59
Sanlam UK Limited	12,500	1,690
Sanlam Financial Services UK Limited	-	162
Sanlam Private Investments (UK) Ltd	-	292
Sanlam Investments UK Limited	147	154
Sanlam Shareholders	9,893	-
English Mutual Limited	154	2,314
Sanlam Wealth Planning UK Limited	-	1,882
Nucleus Financial Services Limited	28	77

The Company was charged LTIP charges of £130k (2019 - £72k) by Sanlam UK during the year. Details of the scheme are included within the financial statements of Sanlam UK Limited.

Punter Southall Limited	2020	2019
	£'000	£'000
Payables to related parties		
Pension scheme advice and annual valuation costs	-	29

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32. Compensation of key management personnel

The summary of compensation of those key management personnel for the year is as follows:

	2020 £'000	2019 £'000
Salaries	312	358
Bonuses	15	95
Other employment benefits	69	3
Total compensation of key management personnel	396	456

33. Parent undertaking

The ultimate parent undertaking, Sanlam Limited, is incorporated in South Africa and is the parent of the largest group of undertakings for which group financial statements are drawn up and of which the Company is a member.

Copies of its group financial statements are available on request from Sanlam Limited, 2 Strand Road, Bellville, South Africa (PO Box 1, Sanlamhof, 7532, South Africa). They are also available online at www.sanlam.co.za.

The immediate parent undertaking is Sanlam UK Limited.

34. Future accounting developments

The following new or revised IFRSs and interpretations have effective dates applicable to future financial years and have not been early adopted:

- IFRS 17 - Insurance contracts (effective 1 January 2023) On 18 May 2017, the IASB published IFRS 17 - Insurance Contracts. The Standard will replace the current guidance in IFRS 4 - Insurance Contracts and is applicable from 1 January 2023. See Note 2 for more details.
- IBOR - Interest Rate Benchmark Reform –Phase 2 (amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16) (effective 1 January 2023) to the potential effects of changes to contractual cashflows or hedging relationships from the replacement of an interest rate benchmark.