Registered No. 04486031

MANAGED PENSION FUNDS LIMITED

Report and Financial Statements

For the year ended 31 December 2019

Registered No. 04486031

DIRECTORS
N Wightman (Chairman and Non-executive)
A Castle
S Sanderson
I Armfield (Non-executive)

INDEPENDENT ACTUARIAL FUNCTION HOLDER
N Chapman
Willis Towers Watson
Watson House
Reigate
Surrey
United Kingdom
RH2 9PQ

COMPANY SECRETARY
V Sullivan

AUDITORS
Ernst & Young LLP
25 Churchill Place
London
United Kingdom
E14 5EY

REGISTERED OFFICE
20 Churchill Place
London
United Kingdom
E14 5HJ

STRATEGIC REPORT
For the year ended 31 December 2019

The directors of Managed Pension Funds Limited ("MPFL" and "the Company") present their Strategic Report of the Company for the year ended 31 December 2019 and have complied with s414c of the Companies Act 2006 in preparing the report.

REVIEW OF THE BUSINESS

Principal Activities

The Company is a UK-based insurance company authorised by the Prudential Regulatory Authority ("PRA") and regulated by the Financial Conduct Authority ("FCA") and the PRA. Its principal activity is to provide pooled investment management services to pension schemes and reinsurance platforms under unit-linked life insurance contracts.

Business Model

The Company operates as an integrated part of the State Street Corporation group of companies ("the Group") and has outsourced all client facing, investment management and back office services to other companies in the Group. State Street Global Advisors Limited ("SSGA") provides investment management, sales, marketing, administration and support services to MPFL. The costs to the Company for the provision of these services are met out of MPFL fees charged to policyholders, plus any investment management fees deducted from specific funds, less a retention due to MPFL of £750,000 (2018: £750,000). This retention is to enable the Company to meet its direct administrative expenses and to maintain a sufficient capital buffer to meet its regulatory obligations.

Results and Performance

The Directors consider that the Company's key financial and other performance indicators are as follows:

	2019	***2018***	***Change***
	£'000	***£'000***	***%***
Value of assets held to cover unit-linked liabilities	33,205,284	29,976,505	10.8%
Inflow to policyholder funds	4,109,353	6,077,565	(32.4%)
Outflow from policyholder funds	(5,869,119)	(11,686,400)	(49.8%)
Investment return on policyholder funds (net of all charges)	4,988,545	(1,684,384)	396.2%
Other technical income	13,842	14,758	(6.2%)
Direct administrative expenses	250	591	(57.7%)
Solvency II capital resource *(2019: unaudited)*	15,536	14,897	4.3%
Solvency II capital coverage *(2019: unaudited)*	353%	249%	41.6%

Inflow to policyholder funds decreased by £2 billion from the inflow in 2018, to £4.1 billion, whilst the level of outflow also decreased by £5.8 billion to £5.9 billion. The resulting net outflow from policyholder funds of £1.8 billion was driven by certain clients consolidating their schemes with alternative providers. However, when combined with a £5.0 billion investment return on the funds, the result is a £3.2 billion year on year increase in the value of assets held to cover unit-linked liabilities. In 2018, there were net outflows of £5.6 billion which when combined with a £1.7 billion investment loss, resulted in a £7.3 billion decrease in the value of assets held to cover unit linked liabilities. Other technical income comprises fees charged to policyholders which were based on the assets held to cover unit-linked liabilities but as a result of fee renegotiations saw a decline year on year.

The capital resource and capital coverage under Solvency II have increased year on year. The capital resource increase was as a result of profit after tax retained for the year; capital coverage increased as a result of the combination of increased capital resource and a decrease in operating risk in line with fund expenses and lower market risk following the reduction in seed investments held in the year.

STRATEGIC REPORT (continued)
For the year ended 31 December 2019

REVIEW OF THE BUSINESS (continued)

PRINCIPAL RISKS AND UNCERTAINTIES

The directors of the Company (the "Board") are responsible for identifying and evaluating the key risks facing the business. The Own Risk Solvency Assessment ("ORSA") process established under the Solvency II rules is the process by which the Board considers the Company's strategy and the risks faced in pursuing the strategy. The Board ensures there are adequate mitigations for the risks identified and these risks are within the Board's appetite. The risk profile of the Company is also regularly monitored by the Board using a framework that establishes tolerances. Key risks and other operational reports are also provided to and monitored by the Board on a regular basis.

The Company only writes unit-linked investment business that passes investment risk onto the policyholder. It offers no guarantees or options to policyholders that could give rise to a loss to the Company. It outsources most of its activities to other group entities and is indemnified against operating losses arising through the negligence or errors of its outsourced service providers. The Board operates a programme of regular reviews of all outsourced activities. The Company will only be materially impacted by the failure of, or extreme events relating to, its Parent company or other group companies supporting the SSGA outsourcing activities. Management has taken appropriate steps in order to maintain the continuity of the operations and client delivery as COVID-19 develops and continue to closely monitor the main outsourced partners of the Company.

Credit and market risks facing the Company are minimal as it does not undertake proprietary trading. The worldwide COVID-19 outbreak has generated material impact on the global economic environment. The current situation is fluid and uncertain which may impact the portfolio of funds but due to the Company's investment management agreement (the "IMA") with SSGA, there will be no impact on the fee income retained by the Company. The Company assets that could give rise to credit risk are the cash deposits held with Royal Bank of Scotland ("RBS"), any cash and other assets held within the SSGA Liquidity Plc SSGA GBP Liquidity Fund (also referred to as "SSGA Liquidity Fund") and policyholder debtors.

The Company has a governance structure in place to minimise the above risks. Details of the governance structure can be found in note 21. As part of the responsibilities delegated by the Board, the MPFL Working Group (the "Working Group") reviews the performance of these outsourced service functions on a quarterly basis to ensure targets are met and issues are appropriately escalated and resolved. The performance of these outsourced service functions is also reported to the Board on a quarterly basis. In addition, the Board reviews relevant reports issued by Group Internal Audit Function on internal audit work carried out on these outsourced service functions.

The Company is regulated by the PRA and the FCA and is subject to rules in the PRA and the FCA handbooks stipulating that sufficient margins of regulatory solvency be maintained and that policyholders are treated fairly. The Company ensures that it meets and exceeds these targets on a regular basis. It also takes an active approach to UK regulatory issues and monitors pronouncements from both the PRA and European Insurance and Occupational Pensions Authority ("EIOPA") to assess and plan for regulatory changes.

Brexit is not projected to have any material impact on the Company as the share of assets held in relation to EU domiciled policyholders is a small percentage of total assets. However, Brexit is expected to impact on its fellow group company outsourced provider SSGA which is responsible for managing these risks and maintaining the level of service provided. SSGA has determined that its Brexit planning actions will mitigate Brexit related risks.

Further information on risks and uncertainties affecting the Company is detailed in note 21.

STATEMENT OF COMPLIANCE WITH S172(1) OF THE COMPANIES ACT 2006

The directors have acted in a way that they considered, in good faith to be most likely to promote the success of the Company for the benefit of its members as a whole, and in doing so had regard, amongst other matters, to:

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

STRATEGIC REPORT (continued)
For the year ended 31 December 2019

STATEMENT OF COMPLIANCE WITH S172(1) OF THE COMPANIES ACT 2006 (CONTINUED)

In order to promote the success of the Company, the Board directs and supervises the Company's affairs within a framework of effective controls which enable risk to be assessed and managed. The directors set the Company's objectives and policies and standards ensuring that its obligations to the State Street Group, its policy holders and others are understood and complied with and that it operates high standards of business conduct.

The Company has no suppliers in the conventional sense as it has outsourced all client facing, investment management and back office services to State Street Global Advisors Limited. The directors perform regular oversight of these services through review of operational reports, routine meetings with SSGA management and attendance by SSGA representatives at board meetings.

The directors monitor policyholder activity through regular review of financial and other reports on premiums and claims and the performance of the funds in which the policyholders are invested.

The Company has a single shareholder, no employees and given the outsourced nature of its operations it has no direct impact on the community or the environment.

ACCOUNTING MATTERS AND SIGNIFICANT AREAS

The Board of MPFL have established an Audit Committee ("the Audit Committee") that considers the appropriateness of the Company's accounting policies and agrees the more significant accounting matters in relation to the Company's annual financial statements.

The accounting matters that were subject to specific consideration were the calculation of fees charged to policyholders for investment management services, which are categorised as other technical income and the valuation of assets held to cover linked liabilities. Other technical income has a risk of being misstated because of, for example incorrect cut-off of terminating policyholder accounts or incorrect fee rates being applied to policyholder billing. The valuation of assets held to cover linked liabilities could also be misstated as a result of incorrect pricing of units, recognition of expenses and income or incorrect accounting of policyholder premiums and claims.

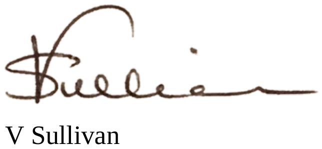
These were satisfactorily addressed by the Audit Committee through consideration of reports provided by management and internal controls processes adhered to by those group companies who provide outsourced services for the accurate calculation of fees and the valuation of investments, all of which are held within unit-link funds. If there were to be losses to MPFL as a result of errors or negligence, the outsourcing agreements provide indemnity to MPFL against such losses.

IFRS 16 *Leases* has become effective on 01 January 2019; however this had no impact on the Company.

FUTURE DEVELOPMENTS

Through its fellow group company, SSGA, the Company is actively seeking new business and will continuously review its product offering in line with client expectations and regulatory changes.

By order of the Board



V Sullivan
Company Secretary
08 April 2020

DIRECTORS' REPORT
For the year ended 31 December 2019

The directors of the Company present their report and the audited financial statements of the Company for the year ended 31 December 2019.

RESULTS AND DIVIDENDS
The results for the year ended 31 December 2019 are set out on pages 13 and 14 of the financial statements. The Company made a profit before tax of £706,000 (2018: £113,000). No interim dividend (2018: £Nil) has been paid during the year. No final dividend is proposed.

DIRECTORS AND DIRECTORS' INTERESTS
The directors who served during the year were as follows:

N Wightman (Chairman and Non-executive)
A Castle
S Sanderson
I Armfield (Non-executive)
W Street (resigned 30/07/2019)

None of the directors, or any of their immediate family members, had any interest in the shares of the Company. No rights to shares or debentures was granted or exercised during the year.

DIRECTORS' INDEMNITIES
The Company has granted an indemnity to its directors against liability in respect of proceedings brought by third parties subject to the conditions set out in section 234 of the Companies Act 2006. Such qualifying third-party indemnity provision remains in force at the date of approving the Directors' Report.

GOING CONCERN STATEMENT
In assessing whether the going concern basis is appropriate, the directors have considered the information contained in the financial statements and latest forecasts including the impact of the COVID-19 pandemic. These forecasts have been subject to sensitivity tests and the directors are satisfied that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis of accounting in preparing the annual report and financial statements.

DISCLOSURE OF INFORMATION TO AUDITORS
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 auditor is unaware. Having made enquiries of fellow directors, each director has taken all the steps that he/she is obliged to take as a director in order to make himself/herself aware of any relevant audit information and to establish that the auditor is aware of that information.

AUDITORS
It is the intention of the directors to reappoint Ernst & Young LLP as auditors pursuant to s487 of the Companies Act, 2006.

By order of the Board

A Castle
Director
08 April 2020

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF FINANCIAL STATEMENTS

The directors are responsible for preparing the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) including Financial Reporting Standard 101 'Reduced Disclosure Framework'. 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 the profit or loss of the Company for that period. In preparing those financial statements, the directors are required to:

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

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MANAGED PENSION FUNDS LIMITED

Opinion

We have audited the financial statements of Managed Pension Funds Limited for the year ended 31 December 2019 which comprise the Income Statement, the Statement of Comprehensive Income, the Statement of Changes in Equity, the Statement of Financial Position and the related notes 1 to 22 (except for note 15 (b) which is 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 United Kingdom Accounting Standards including FRS 101 "Reduced Disclosure Framework".

In our opinion, the financial statements:

- give a true and fair view of the Company's affairs as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; 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 below. 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

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

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

Overview of our audit approach

Key audit matters	• Revenue (Other Technical Income) recognition
Materiality	• Overall materiality of £138 thousand which represents 1% of Revenue (Other Technical Income)

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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MANAGED PENSION FUNDS LIMITED (continued)

Risk	**Our response to the risk**	**Key observations communicated to the Audit Committee**
Revenue (other technical income) recognition (2019: £13.8m, 2018: £14.8m) *Refer to the Accounting policies (page 21); and note 5 of the Financial Statements (page 23)* There is a risk that pressure to meet operational targets within State Street group of companies could increase the risk of management override on revenue recognition. In particular, we consider revenue cut-off and booking manual top side journals relating to management charges as the area with the most significant risks of material misstatement.	As part of our audit procedures we have: • Understood, assessed and tested the design and operating effectiveness of key controls in respect of the recognition of management charges; • Inspected the service organisation control report for the State Street IT General Controls covering the period from 1 October 2018 to 30 September 2019 to validate that controls over the valuation of assets managed by State Street Global Advisors ('SSGA') operated effectively over the period and determined the impact of any identified control exceptions. The assets valued by SSGA are used as an input to the revenue calculation; • Obtained the bridging letter for the period from 1 October 2019 to 31 December 2019 to confirm that the controls over the valuation of assets managed by SSGA were operating during the period. In addition, we performed additional procedures to confirm that the controls over the valuation of assets managed by SSGA were operating effectively over that period; • Performed analytical review procedures to understand the results and corroborate any variances with our expectations based on the prior year experience and the Company's business plan; • Performed substantive procedures on a sample of management charges to test that the correct rate had been applied in accordance with the underlying policy documentation and investment management agreements; • Performed revenue cut-off	Based on the results of our procedures performed we have concluded that the revenue from management charges is materially correct for the year ended 31 December 2019.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MANAGED PENSION FUNDS LIMITED (continued)

Risk	Our response to the risk	Key observations communicated to the Audit Committee
	procedures to test, on a sample basis, whether revenue is recognised in the correct period; and • Performed journal entry testing to identify any unusual or significant journals impacting the recognised revenue.	

Emphasis of Matter – Effects of COVID-19

We draw attention to note 21(b) (5) and 22 of the financial statements, which describes the economic and operational consequences the company is facing as a result of COVID-19 which is impacting the valuation of investments and potential results of the Company. Our opinion is not modified in respect of this matter.

An overview of the scope of our audit

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.

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 £138 thousand (2018: £148 thousand), which is 1% (2018: 1%) of revenue (other technical income). We consider revenue (other technical income) to be the measure that the stakeholders of the Company are primarily interested in and hence is the most appropriate basis to determine materiality for the Company.

During the course of our audit, we reassessed initial materiality which had been based on forecast revenue and updated our calculation based on the actual results for the year. The reassessment of the initial materiality resulted in a final materiality of £138 thousand and performance materiality and reporting threshold as presented below.

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 judgment was that performance materiality was 50% (2018: 75%) of our materiality, namely £69 thousand (2018: £111 thousand). We have considered the impact of the misstatements identified and corrected during the prior year and have reduced performance materiality from 75% to 50%. Based on our assessment of the risk of misstatement we considered it appropriate to set performance materiality at 50%.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MANAGED PENSION FUNDS LIMITED (continued)

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. As a result, we applied a higher testing threshold of £996m (2018: £300m) to our testing of assets held to cover linked liabilities and the related liabilities, being 3% (2018: 1%) of the assets held to cover linked liabilities.

Reporting threshold

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

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of £7k (2018: £7k), which is set at 5% of 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.

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.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements to be audited 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 6, 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MANAGED PENSION FUNDS LIMITED (continued)

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

The objectives of our audit:

- in respect to fraud, are; to identify and assess the risks of material misstatement of the financial statements due to fraud; to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud, through designing and implementing appropriate responses; and to respond appropriately to fraud or suspected fraud identified during the audit. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management; and
- in respect to irregularities, considered to be non-compliance with laws and regulations, are to obtain sufficient appropriate audit evidence regarding compliance with the provisions of those laws and regulations generally recognised to have a direct effect on the determination of material amounts and disclosures in the financial statements ('direct laws and regulations'), and perform other audit procedures to help identify instances of non-compliance with other laws and regulations that may have a material effect on the financial statements. We are not responsible for preventing non-compliance with laws and regulations and our audit procedures cannot be expected to detect non-compliance with all laws and regulations.

Our approach was as follows:

- We obtained a general understanding of the legal and regulatory frameworks that are applicable to the Company and determined that 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 obtained a general understanding of how the Company complies with these legal and regulatory 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 and the Audit 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.
- For direct laws and regulations, we considered the extent of compliance with those laws and regulations as part of our procedures on the related financial statement items.
- For 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, inquiring about the policies that have been established to prevent non-compliance with laws and regulations by officers and employees, inquiring about the Company's methods of enforcing and monitoring compliance with such policies, inspecting significant correspondence with the FCA and PRA.
- 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.
- 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 areas of significant judgement, complex transactions, performance targets, economic or external pressures and the impact these have on the control environment. Where this risk was considered to be higher, we performed audit procedures to address the identified fraud risk, specifically on revenue (other technical income) recognition. These procedures included cut-off test and testing manual journals and were designed to provide reasonable assurance that the financial statements were free from fraud or error.

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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MANAGED PENSION FUNDS LIMITED (continued)

Other matters we are required to address

- We were appointed by the Company on 2 June 2003 to audit the financial statements for the year ending 31 December 2003 and subsequent financial periods.

  The period of total uninterrupted engagement including previous renewals and reappointments is 17 years, covering the years ending 31 December 2003 to 31 December 2019.
- 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 committee

Use of our report

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

Ernst & Young LLP

Neeta Ramudaram (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
08 April 2020

[The following foot note should be added to the audit report when it is published or distributed electronically:

Notes:

1. The maintenance and integrity of the Managed Pensions Fund Limited web site is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.

2. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

INCOME STATEMENT
For the year ended 31 December 2019

Technical account – Long-term business

		2019	2018
	Notes	£000	£000
Investment income	4	2,677,310	4,312,426
Unrealised gains / (losses) on investments	4	2,344,337	(5,940,285)
Other technical income	5	13,842	14,758
TOTAL TECHNICAL INCOME / (LOSS)		5,035,489	(1,613,101)
CHANGE IN OTHER TECHNICAL PROVISIONS, NET OF REINSURANCE			
Technical provisions for linked liabilities	3	(4,988,545)	1,684,384
Net operating expenses	5	(13,342)	(14,599)
Investment expenses	4	(6,986)	(28,777)
Tax attributable to the long-term business	7(a)	(26,112)	(27,868)
TOTAL CLAIMS AND EXPENSES		(46,440)	(71,244)
BALANCE ON THE TECHNICAL ACCOUNT – LONG-TERM BUSINESS		**504**	**39**

The accompanying notes 1 to 22 form an integral part of these financial statements.

INCOME STATEMENT
For the year ended 31 December 2019

Non-Technical account

	Notes	2019 £000	2018 £000
BALANCE ON THE TECHNICAL ACCOUNT – LONG-TERM BUSINESS		504	39
Tax credit attributable to balance on the long-term business technical account	7(a)	119	10
SHAREHOLDERS' PRE-TAX PROFIT FROM LONG-TERM BUSINESS		623	49
Investment income	4	83	64
PROFIT BEFORE TAX		706	113
Tax expense on profit	7(a)	(135)	(22)
PROFIT FOR THE FINANCIAL YEAR		**571**	**91**

All of the amounts above are in respect of continuing operations.

STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2019

	Notes	2019 £000	2018 £000
PROFIT FOR THE FINANCIAL YEAR		571	91
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**571**	**91**

There was no other income or expense for the period other than the profit in respect of continuing operations shown within the income statement.

The accompanying notes 1 to 22 form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2019

	2018			
	Called up share capital £000	***Capital contribution £000***	***Profit and loss account £000***	***Total £000***
Balance at 1 January	5,000	7,600	2,448	15,048
Total comprehensive income for the year	-	-	91	91
Balance at 31 December	**5,000**	**7,600**	**2,539**	**15,139**

	2019			
	Called up share capital £000	***Capital contribution £000***	***Profit and loss account £000***	***Total £000***
Balance at 1 January	5,000	7,600	2,539	15,139
Total comprehensive income for the year	-	-	571	571
Balance at 31 December	**5,000**	**7,600**	**3,110**	**15,710**

The accompanying notes 1 to 22 form an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION
As at 31 December 2019

	Notes	2019 £000	2018 £000
ASSETS			
INVESTMENTS			
Other financial investments	9	15,047	15,094
ASSETS HELD TO COVER LINKED LIABILITIES	10	33,205,284	29,976,505
DEBTORS			
Debtors arising out of direct insurance operations - policyholders	11	8,288	4,345
Other debtors	12	20	10
OTHER ASSETS			
Cash at bank and in hand	13	1,660	843
TOTAL ASSETS		**33,230,299**	**29,996,797**
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES			
Called up share capital	14	5,000	5,000
Capital contribution	14	7,600	7,600
Profit and loss account		3,110	2,539
TOTAL CAPITAL AND RESERVES	15(b)	**15,710**	**15,139**
TECHNICAL PROVISIONS FOR LINKED LIABILITIES	16	33,205,284	29,976,505
PROVISIONS FOR OTHER LIABILITIES AND EXPENSES	17	29	39
CREDITORS			
Other creditors	18	9,124	4,756
ACCRUALS AND DEFERRED INCOME		152	358
TOTAL LIABILITIES		33,214,589	29,981,658
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**33,230,299**	**29,996,797**

The financial statements on pages 13 to 36 were approved by the Board of Directors and signed on its behalf on 08 April 2020 by:

A Castle
Director

The accompanying notes 1 to 22 form an integral part of these financial statements.

1. AUTHORISATION OF FINANCIAL STATEMENTS AND STATEMENT OF COMPLIANCE WITH FRS 101

The financial statements of Managed Pension Funds Limited for the year ended 31 December 2019 were authorised for issue by the Board of Directors on 08 April 2020 and the balance sheet was signed on the Board's behalf by A Castle.

Managed Pension Funds Limited is incorporated and domiciled in England.

These financial statements were prepared in accordance with applicable laws and Financial Reporting Standard 101 'Reduced Disclosure Framework'.

The Company's financial statements are presented in sterling and all values are rounded to the nearest thousand pounds (£000) except when otherwise indicated.

The principal accounting policies adopted by the Company are set out in note 2.

2. ACCOUNTING POLICIES

Basis of preparation

The financial statements are prepared on the basis of the accounting policies set out below and comply with the special provisions relating to insurance groups in Schedule 3 to the Large and Medium-sized (Companies and Groups) Regulations 2008, made under the Companies Act 2006.

The Company has taken advantage of the following disclosure exemptions under FRS 101:

(a) IAS 1 paragraph 10(d) – statement of cash flow for the period,

(b) IAS 1 paragraph 38(a) – requirement for minimum of two primary statements, including cash flow statements,

(c) IAS 1 paragraph 111 – cash flow statement information,

(d) IAS 7 – statement of cash flow,

(e) IAS 8 paragraph 30-31 – new accounting standards that have been issued but are not yet effective, and

(f) IAS 24 - the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member.

Going concern

The directors have, at the time of approving the financial statements, a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

Changes in accounting policies

Impact of application of IFRS 16 Leases

The Company adopted IFRS 16 Leases (as issued by the IASB in January 2016) on 1 January 2019. The Company has applied IFRS 16 using a modified retrospective approach, with no restatement of comparative information which continues to be reported under IAS 17 and IFRIC 4.

2. ACCOUNTING POLICIES (CONTINUED)

IFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to lessee accounting by removing the distinction between operating and finance leases and requiring the recognition of a right-of-use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low value assets. The requirements for lessor accounting have remained largely unchanged.

The adoption of the standard does not have a material impact on the Company's income statement or balance sheet.

Critical accounting estimates and judgements

The preparation of the financial statements requires the use of certain judgements, estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses. These estimates when made are based on historical experiences and various other assumptions that are believed to be reasonable and proportionate.

Management do not believe the financial statements have any key assumptions or material estimates that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year that warrant specific disclosures. The basis and policies adopted for accounting of material items in the financial statements are described in the remaining part of this note.

Financial assets and liabilities

Measurement methods

Initial recognition and measurement
Financial assets and liabilities are recognised when the entity becomes party to the contractual provisions of the instrument. Regular way purchases and sales of financial assets are recognised on trade date, the date on which the Company commits to purchase or sell the asset.

At initial recognition, the Company measures a financial asset or financial liability at its fair value plus or minus transaction costs that are incremental and directly attributable to the acquisition or issue of the financial asset or financial liability. Transaction costs of financial assets and financial liabilities carried at fair value through profit or loss are expensed in the profit or loss. Immediately after recognition, an expected credit loss ("ECL") is recognised for financial assets measured at amortised cost and investment securities measured at fair value through other comprehensive income, which may result in an accounting loss being recognised when an asset is newly originated.

Financial assets – classification and subsequent measurement
The Company classifies financial assets in the following measurement categories:

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

Investments – Other Financial Investments
The classification of debt instruments is described below.

Debt instruments are those instruments that meet the definition of a financial liability from the issuer's perspective, such as loans, bonds and trade receivables. The classification and subsequent measurement of debt instruments depend on:

2. ACCOUNTING POLICIES (CONTINUED)

(i) The Company's business model for managing the asset

The business model reflects how the Company manages the assets in order to generate cash flows. The Company's business model assessment is based on the following categories:

- Held to collect: The objective of the business model is to hold assets and collect contractual cash flows. Any sales of the asset are incidental to the objective of the model.
- Held to collect and for sale: Both collecting contractual cash flows and sales are integral to achieving the objectives of the business model.
- Other business model: The business model is neither held-to-collect nor held-to-collect and for sale.

Factors considered by the Company in determining the business model for a group of assets include past experience of how the cash flows for these assets were collected and how risks are assessed and managed. The liquidity portfolio assets are held by the Company as part of liquidity management and are generally classified within the hold to collect and sale business model.

(ii) The cash flow characteristic of the asset

Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and for sale, the Company assesses whether the financial instruments' cash flows represent solely payments of principal and interest ("SPPI"). In making this assessment, the Company considers whether the contractual cash flows are consistent with a basic lending arrangement i.e., interest includes only consideration for the time value or money, credit risk, other lending risk and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial assets is classified and measured at FVTPL.

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

- Amortised cost: assets that are held for collection of contractual cash flows were those cash flows represent SPPI, and that are not designated at FVTPL. The carrying amount of these assets is adjusted by any expected credit loss allowance recognised and measured as described below.
- Fair value through other comprehensive income: financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets' cash flows represent SPPI and are not designated as FVTPL. Movements in fair value are taken through OCI, except for the recognition if impairment gains or losses, interest income and foreign exchanges gains and losses on the instrument's amortised cost which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss.
- Fair value through profit or loss: assets that do not meet the criteria for amortised cost or FVOCI are measured at fair value through profit or loss. A gain or loss on the debt instrument that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss.

Valuation of investments and assets held to cover linked liabilities

Assets held to cover linked liabilities are held at fair value through profit or loss to back the underlying liabilities to which these relate. Fair value of quoted investments and holdings in collective investment schemes are based on bid price.

2. ACCOUNTING POLICIES (CONTINUED)

Derivative contracts are valued at market rates where available, or using independently verified model generated rates, and the gain or loss on these contracts is brought into the technical account.

To comply with the requirements of FRS 101, other financial investments, investments held to cover linked liabilities, and technical provisions for linked liabilities are further analysed in note 10 using a "Fair Value Hierarchy":

- Level 1 Investments - These are investments whose fair value is determined using observable, unadjusted quoted prices in active markets for identical assets. Active markets are markets in which transactions occur for the item to be fair valued with sufficient frequency and volume to provide pricing information on an ongoing basis.
- Level 2 Investments - These are investments whose fair value is determined using inputs other than quoted prices included within level 1 inputs that are observable, either directly or indirectly through corroboration with market data.
- Level 3 Investments - These are investments whose fair value is determined using inputs that are not observable, reflecting assumptions that the market participants may use in pricing an investment.

Financial liabilities – classification and measurement

Financial liabilities, other than loan commitments and financial guarantees, are measured at amortised cost or at FVTPL when they are held for trading and derivative instruments or the fair value designation is applied. Financial liabilities are derecognised when they are extinguished.

Impairment of financial assets

The Company assesses on a forward-looking basis the expected credit losses ("ECL") associated with its debt instrument assets carried at amortised costs and FVOCI and with the exposure arising from loan commitments and financial guarantee contracts. The Company recognises a loss allowance for such losses at each reporting date. The Company measures ECL on each balance sheet date according to a three stage ECL impairment model:

- Stage 1 – from initial recognition of the financial asset to the date on which the asset has experience a significant increase in credit risk relative to its initial recognition, a loss allowance is equal to the credit loss expected to result from default occurring over 12 months following the reporting date.
- Stage 2 – following a significant increase in credit risk relative to the initial recognition of the financial asset, a loss allowance is recognised equal to the credit losses expected over the remaining lifetime of the asset.
- Stage 3 – when the financial asset is considered to be credit impaired, a loss allowance is recognised equal to the credit losses expected over the remaining life of the asset. Interest and revenue is calculated based on the gross carrying amount of the asset, net of the loss allowance.

The measurement of the ECL reflects an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes, the time value of money and reasonable and supportable information that is available without undue cost and effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

Technical provisions for linked liabilities

Linked liabilities are established by reference to the value of the underlying assets that are held to meet those liabilities. There is no reinsurance of linked liabilities. Unit-linked contracts are in effect investment contracts (i.e. do not involve the transfer of significant insurance risk) and are accounted for by using the 'deposit accounting' basis. Fees receivable from policyholders on such unit linked investment contracts are recognised as 'Other technical income' in the long-term business technical account.

Derecognition of financial assets

A financial asset or liability is derecognised when the contract that gives rise to it is settled, sold, cancelled or expires. Where an existing financial liability is replaced by another from the same lender at substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability such that the difference in the respective carrying amounts together with any costs or fees are recognised in the long-term business technical account.

2. ACCOUNTING POLICIES (CONTINUED)

Revenue from contracts with policyholders

The amount of revenue that the Company recognises is measured based on the consideration specified in contracts with its policyholders, and excludes taxes collected from policyholders subsequently remitted to government authorities. The Company recognises revenue when a performance obligation is satisfied over time as the services are performed or at a point in time depending on the nature of the services provided as further discussed below.

Contract durations may vary from short to long term or may be open ended. Termination notice periods are in line with general market practice and typically do not include termination penalties. Therefore for substantially all of the Company's revenues, the duration of the contract and the enforceable rights and obligations do not extend beyond the services that are performed daily or at the transaction level. In instances where there are substantive termination penalties, the duration of the contract may extend through the date of substantive termination penalties.

Investment management revenue from contracts with policyholders related to investment management, investment research and investment advisory services provided is recognised over time as policyholders benefit from the services as they are performed. Substantially all of the investment management fees are determined by the value of assets under management and the investment strategies employed. At contract inception, no revenue is estimated as the fees are dependent on assets under management which are susceptible to market factors outside of the Company's control. Payments made to third party service providers, such as payments to others in unitary fee arrangements, are generally recognised on a gross basis when the Company controls those services and is deemed to be a principal in such transactions.

Investment income

Investment income and expenses includes dividends, interest, gains and losses on the realisation of investments and related expenses. Dividends are included as investment income on the date that shares become quoted ex-dividend. Interest is included on an accruals basis. Realised gains and losses on investments are calculated as the difference between net sales proceeds and the original cost. Investment income and expenses attributable to long-term business are included in the long-term business technical account. Other investment income and realised gains are included in the non-technical account.

Unrealised gains and losses on investments are calculated as the difference between the carrying value of investments at the balance sheet date and their purchase price, or if these had been earlier fair valued, their respective opening fair value. Movements in unrealised gains and losses recognised in the year comprise the increase/decrease in the accounting period in the value of investments held at the balance sheet date and the reversal of unrealised gains and losses recognised in earlier accounting periods in respect of investment disposals in the current period.

Other technical income, net of reinsurance

This represents fees charged to policyholders for investment management services and policy administrations. The fees are recognised net of value added tax and rebates when the related services are provided. Unbilled fees are accrued for and from history deviations of accruals from the actuals are considered immaterial.

Investment and net operating expenses

Investment and net operating expenses are recognised on an accruals basis. These expenses are embedded costs and other related expenses that are suffered by policyholders in the unit linked funds. They also include expenses paid to SSGA in relation to the outsourcing of the investment management process. A relatively immaterial portion of these expenses relates to underlying direct administrative expenses.

Foreign currencies

The Company's presentational and functional currency is sterling. Transactions denominated in foreign currencies are initially recorded in the functional currency at the exchange rate ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate ruling on the balance sheet date. Non-monetary items denominated in a foreign currency, measured at fair value, are translated into the functional currency using the exchange rate ruling at the date when the fair value was determined.

2. ACCOUNTING POLICIES (CONTINUED)

Current tax
The taxation charge in the technical account is based on the method for assessing taxation for long-term funds applicable in the United Kingdom. The balance transferred from the long-term business technical account is grossed up by the amounts charged to the long-term business technical account in respect of UK corporation tax and deferred tax. The taxation charge in the non-technical account is based on the taxable profits for the year.

Deferred tax
Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date and are recognised only to the extent that it is considered more likely than not that there will be suitable taxable profits in the future against which the asset can be offset. Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which the timing differences reverse.

Dividends
Interim dividends on ordinary shares are recognised as a liability and deducted from equity when they are approved by the directors. Final dividends are deducted from equity when they are approved by written resolution passed by the shareholders.

Securities lending and collateral accepted
The Company is a party to securities lending arrangements under which securities are loaned to third-party financial institutions. The loaned securities are not removed from the Company's Statement of Financial Position but continue to be recognised within the assets held to cover linked liabilities. The incomes from this arrangement attributable to policyholders are recognised as investment income in the Income Statement. The Company's policy is that collateral assets of a quality equivalent to FRS 101 Level 1 or 2 are required. These collateral assets are to be at least 102% of the fair value of securities loaned and held off balance sheet (note 21).

3. SEGMENTAL INFORMATION AND RECONCILIATION TO MOVEMENT IN ASSETS HELD TO COVER LINKED LIABILITIES

The Company's main source of income derives from the provision of unit-linked investment management policies for occupational pension schemes substantially registered in the United Kingdom. As a result no analysis by business type or geographical segment is provided. All income arises from continuing activities.

Contributions received and analysed below relate wholly to ongoing and new pension business written substantially in the United Kingdom.

	2019	***2018***
	£'000	***£'000***
Policyholder inflows		
Contributions	4,109,353	6,077,565
Policyholder outflows		
Redemptions	(5,869,119)	(11,686,400)
Net outflow of policyholder funds	(1,759,766)	(5,608,835)
Investment return on policyholder funds (net of all charges)	4,988,545	(1,684,384)
Changes in the value of assets held to cover linked liabilities	**3,228,779**	**(7,293,219)**

NOTES TO THE FINANCIAL STATEMENTS (continued)
at 31 December 2019

4. NET INVESTMENT RETURN

	2019	2018
	£'000	£'000
Technical account		
Other investment income	895,107	860,748
Gains on the realisation of investments	1,782,203	3,451,678
Investment income	2,677,310	4,312,426
Unrealised gains / (losses) on investments	2,344,337	(5,940,285)
Investment expenses	(6,986)	(28,777)
Net investment return	**5,014,661**	**(1,656,636)**
Non-technical account		
Investment income	83	64
Net investment return	**83**	**64**

5. NET OPERATING EXPENSES

	2019	2018
	£'000	£'000
Auditors' remuneration:		
Audit of the financial statements	98	107
Audit-related assurance services	0	25
Other administrative expenses	152	459
Direct administrative expenses	250	591
Management expenses paid to SSGA	13,092	14,008
	13,342	**14,599**

Management expenses paid to SSGA comprises fees charged to policyholders of £13,842,000 (2018: 14,758,000) less fee retention of £750,000 (2018: £750,000).

6. STAFF COSTS AND DIRECTORS' REMUNERATION

The Company had no employees during the year. Fees are payable to two (2018: two) non-executive directors who served during the year. No other director is remunerated for their services as a director of the Company and no apportionment of emoluments has been made to the Company.
Non-executive directors' emoluments were as follows:

	2019	2018
	£'000	£'000
Aggregate emoluments in respect of qualifying services	85	85

7. TAXATION ON PROFIT

(a) Analysis of expense in the period

	2019	***2018***
	£'000	***£'000***
Technical account		
UK Corporation tax at 19.00% (2018: 19.00%)	129	19
Overseas tax suffered	25,993	27,858
Deferred tax – current year	(11)	(10)
Impact of tax rate reduction	1	1
Tax attributable to the Long-term business	**26,112**	**27,868**
Non-technical account		
UK Corporation tax at 19.00% (2018: 19.00%)	15	12
Tax expense attributable to the balance on long-term business technical account	120	10
Tax expense on profit	**135**	**22**

(b) Factors affecting tax expense for period

	2019	***2018***
	£'000	***£'000***
Technical account		
Profit before tax	26,617	27,907
Profit before tax multiplied by the rate of corporation tax in the United Kingdom of 19.00% (2018 - 19.00%)	5,057	5,302
Effect of:		
Benefit of tax relief for overseas tax expensed	(4,939)	(5,293)
Overseas withholding taxes on investment income	25,993	27,858
Impact of tax rate reduction	1	1
Tax attributable to the Long-term business	**26,112**	**27,868**

	2019	***2018***
	£'000	***£'000***
Non-technical account		
Profit before tax	706	113
Profit before tax multiplied by the rate of corporation tax in the United Kingdom of 19.00% (2018 - 19.00%)	135	22
Tax expense on profit	**135**	**22**

7. TAXATION ON PROFIT (CONTINUED)

(c) Deferred taxation	***2019***	***2018***
	£'000	***£'000***
Deferred tax liability at start of year	39	48
Deferred tax release to profit and loss account for the year	(10)	(9)
Deferred tax liability at end of year (see note 17)	29	39
Deferred taxation included in the balance sheet is made up of:		
Origination and reversal of short term timing differences	29	39

(d) Tax Legislation Changes

Changes to the regime for taxing UK life insurance companies were made with effect from 1 January 2013. The transitional adjustment calculated in 2012 is being released over the 10 years from 2013 to 2022. This adjustment was as a result of the change from reference to the Company's regulatory surplus / deficit to its profit / loss reported in its statutory financial statements.

(e) Tax Rate Changes

Changes to the main UK Corporation tax rate were substantively enacted as part of the Finance Bill 2018. These include reductions to the main rate to reduce the rate to 17% with effect from April 2020. Accordingly, the rate of 17% has been applied in the measurement of the Company's closing deferred tax asset / liability as at 31 December 2019. On 11 March 2020 the Chancellor confirmed that the rate of corporation tax will remain at 19% from 1 April 2020. Deferred tax liability at 31 December 2019 with 19% rate applied would be £32,520.

8. DIVIDENDS

No interim dividend has been paid during the year. No final dividend is proposed.

9. OTHER FINANCIAL INVESTMENTS

	2019	***2018***
	£'000	***£'000***
Market value		
Investment in SSGA Liquidity Fund and Seed in MPF unit-linked funds	15,047	15,094
Cost		
Investment in SSGA Liquidity Fund and Seed in MPF unit-linked funds	15,020	15,016

The above financial investments are classified as "fair value through profit or loss". Out of the total market value, £14.28 million (2018: £14.17 million) are holdings in SSGA Liquidity Fund and the remaining £0.76 million (2018: £0.93 million) are seed investments in the Company's unit-linked funds. The holdings in SSGA Liquidity Fund are classified as Level 1 and the holdings in seed investment are classified as Level 2 under the "Fair Value Hierarchy" described in note 2.

10. ASSETS HELD TO COVER LINKED LIABILITIES

Assets held to cover unit-linked liabilities can be classified at the following levels for investments held under the "Fair Value Hierarchy" described in note 2:

	2019	*2018*
	£'000	*£'000*
Level 1	24,294,699	24,161,868
Level 2	8,797,027	5,450,739
Level 3	1,602	268
Net sundry receivables of the unit-linked funds	111,956	363,630
	33,205,284	**29,976,505**

Reconciliation on movement of assets classified as level 3 has not been provided as these are deemed to be immaterial.

11. DEBTORS ARISING OUT OF DIRECT INSURANCE OPERATIONS

	2019	*2018*
	£'000	*£'000*
Amounts due from policyholders - fee premiums	8,288	4,345
Debtors arising out of direct insurance operations	**8,288**	**4,345**

12. OTHER DEBTORS

	2019	*2018*
	£'000	*£'000*
Prepayments	20	10
Other Debtors	**20**	**10**

13. CASH AND CASH EQUIVALENTS

	2019	*2018*
	£'000	*£'000*
Cash at bank and in hand	1,660	843

14. AUTHORISED, ALLOTTED, CALLED UP AND FULLY PAID SHARE CAPITAL AND RESERVES

	2019	*2018*
	£'000	*£'000*
Authorised, allotted and fully paid		
5,000,000 ordinary shares of £1 each	5,000	5,000
Capital contribution		
Non-reciprocal transfers	7,600	7,600

15. CAPITAL STATEMENT

(a) Capital management objectives, policies and approach

The Company has established the following capital management objectives, policies and approach to managing the risks that affect its capital position.

The capital management objectives are:

- To maintain the required level of financial stability of the Company thereby providing a degree of security to policyholders;
- To allocate capital efficiently and support the development of business by ensuring that returns on capital employed meet the requirements of its capital providers and shareholders;
- To retain financial flexibility by maintaining strong liquidity; and
- To maintain financial strength to support new business growth and to satisfy the requirements of the policyholders, regulators and stakeholders.

The operations of the Company are also subject to regulatory requirements within the jurisdictions where it operates. Such regulations not only prescribe approval and monitoring of activities, but also impose certain restrictive provisions (e.g. capital adequacy) to minimise the risk of default and insolvency on the part of insurance companies to meet unforeseen liabilities as these arise.

In reporting financial strength, both available capital and capital requirements are measured using the rules prescribed by the EIOPA Regulations under Solvency II regime.

The Company's approach to managing capital involves managing assets, liabilities and risks in a co-ordinated way, assessing differences between reported and required capital levels on a regular basis and taking appropriate actions to influence the capital position of the Company in the light of changes in economic conditions and risk characteristics.

The capital requirements are routinely forecasted on a periodic basis and assessed against the forecast available capital. The process is ultimately subject to approval by the Board.

The Company has developed an ORSA framework under the Solvency II rules to identify the risks and quantify their impact on the economic capital. The Consolidated Solvency II Directive 2009/138/EC dated 13 January 2019 and the Consolidated Solvency II Delegated Regulation 2015/35 dated 8 July 2019 set out the qualitative and quantitative Pillar 1 requirements for the calculation of the technical provisions and Solvency Capital Requirement ("SCR") using either a standard formula provided by EIOPA or an internal model developed by the insurance or reinsurance Company and approved by the PRA. The Company calculates its SCR using the standard formula.

The SCR is intended to be the Value-at-Risk of the basic own funds (i.e. the value of assets less liabilities) of an insurance or reinsurance undertaking subject to a confidence level of 99.5% over a one year period. In addition to the SCR capital, a Minimum Capital Requirement ("MCR") must be calculated.

The MCR is the Value-at-Risk of the basic own funds of the Company and is intended to represent a confidence level of 85% over a one-year period. The MCR is a function of the SCR, which produces an MCR between 25% and 45% of the SCR (per Article 248(2) of the Delegated Acts), but subject to a reviewable monetary minimum set by the regulation. The PRA will intervene if a firm fails to cover the SCR. The SCR and the related MCR for the Company are reported to the PRA on a quarterly basis through its Quantitative Reporting Templates ("QRTs") submissions.

The Solvency II rules require management to perform thorough assessment of the quality of governance, internal controls, and risk management and to produce an ORSA report for the PRA. Management have to assess capital requirement as part of the ORSA process. The ultimate regulatory capital requirement of the Company is the higher of the SCR and the capital assessed from the Company's ORSA and based on the most recent approved ORSA, the capital requirement defaults to its SCR.

15. CAPITAL STATEMENT (CONTINUED)

(a) Capital management objectives, policies and approach (continued)

A simplified approach using a short projection period (being the first point at which MPFL has the unilateral right to terminate clients' policies) is used as the projection period in accordance with the proportionality requirements of Article 56 of the Commission Delegated Regulation ("CDR") (EU) 2015/35 of 10 October 2014 to calculate the technical provisions. This approach has been confirmed by the PRA as an acceptable simplification for the Company to use.

The use of a short projection period is supported by the proportionality requirement of Article 56 of the CDR, where the cashflows in respect of existing premiums are projected until the point at which the company has a unilateral right to terminate clients' policies as compared to the use of long projection period for technical provisions calculation. The Technical Provisions are derived as the face value of the units less the Value-of-In-Force plus a risk margin. The terms of the fee agreement between MPFL and SSGA are such that the fee retained by MPFL would be revised if this was necessary to ensure MPFL "retains sufficient funds to cover its day-to-day operational costs and capital requirements".

The consequence of this is the increase in risk margin that would result from using a longer projection term would be offset by a corresponding increase in the Value of In-Force as in these circumstances MPFL would exercise its right to retain more fees in order to cover its increased capital requirements. It also means that the Solvency Capital Ratio is unaffected by the length of the projection term. As such, MPFL's Solvency II balance sheet is not sensitive to changes in the length of the projection period and use of a short projection period is an acceptable simplification. This approach is reviewed and assessed at least annually to ensure MPFL continues to meet the proportionality requirements of Article 56 of the CDR.

It is the policy of the Company to hold at least 210% of its last assessed capital requirement under the Solvency II rules.

(b) Analysis of regulatory capital resources

The below table shows capital resource requirements (SCR and MCR) based on year end reports submitted to the PRA.

Solvency II capital resource and requirement

	2019	***2018***
	£'000	***£'000***
	unaudited	
Total Assets	33,230,299	29,996,797
Total Liabilities	(33,214,589)	(29,981,658)
Capital resource before Solvency II adjustments	**15,710**	**15,139**
Value-in-force	59	56
Risk Margin	(262)	(336)
Valuation of other liabilities	29	38
Capital resource under Solvency II	15,536	14,897
SCR	4,406	5,989
Surplus capital	**11,130**	**8,908**
MCR	3,187	3,288
Solvency ratio based on SCR	**353%**	**249%**

16. TECHNICAL PROVISIONS FOR LINKED LIABILITIES

The movement in technical provisions for linked liabilities during the year was as follows:

	2019	*2018*
	£'000	*£'000*
At 1 January	29,976,505	37,269,724
Contributions	4,109,353	6,077,565
Redemptions	(5,869,119)	(11,686,400)
Investment return	5,021,524	(1,627,749)
Investment expenses	(6,986)	(28,777)
Overseas withholding taxes	(25,993)	(27,858)
At 31 December	**33,205,284**	**29,976,505**

The fair value hierarchy of the technical provisions for linked liabilities follow those for the unit linked assets as disclosed in note 10. Fees receivable from policyholders on such unit linked investment contracts are recognised as 'Other technical income' in the Technical account - long term business.

17. PROVISION FOR OTHER LIABILITIES AND EXPENSES

	2019	*2018*
	£'000	*£'000*
Deferred tax	29	39

From 1 January 2013, the transitional adjustment deferred tax liability will reverse over a transitional period of 10 years. As at 31 December 2019, £7,000 is expected to reverse within 1 year and the remaining £22,000 is expected to reverse after 1 year.

The credit in the year of £10,000 (2018: credit of £10,000) comprises a tax credit of £11,000 in respect of the release of a tenth of the transitional adjustment and the tax debit of £1,000 is a result of changes in deferred liability on the balance sheet being measured at 17% and the release into Income Statement at tax charge being measured at 19.00%.

18. OTHER CREDITORS

	2019	*2018*
	£'000	*£'000*
Amounts owed to other group undertakings	8,498	4,358
Amounts due to policyholders	536	417
Corporation Tax	90	(19)
	9,124	**4,756**

19. RELATED PARTY TRANSACTIONS

The Company has entered into an agreement with SSGA, a Company registered in England and Wales and also a member of the Group for the provision of investment management, sales, marketing, administration and support services. The cost to the Company for the provision of these services during the year ended 31 December 2019 as disclosed in note 5 was £13.34 million (2018: £14.00 million). The amount due to SSGA at 31 December 2019, included within these financial statements, was as follows:

	2019	*2018*
	£'000	*£'000*
Amounts owed to other group undertakings (see Note 18)	8,498	4,358
Amounts included within assets held to cover unit-linked liabilities	360	563
	8,858	**4,921**

The investments held within SSGA Liquidity Fund as stated in note 9 above form part of related party transactions. SSGA Liquidity Fund is sub-fund of SSGA Liquidity Plc., a fellow group undertaking of MPFL which is registered under the laws of Ireland as a public limited company.

The Company does not have any employees and there are no key management personnel.

20. PARENT AND ULTIMATE PARENT UNDERTAKING

Since 8 June 2017, the immediate holding company of MPFL is SSGA Inc. The ultimate Parent company remains State Street Corporation ("SSC"), a company incorporated in the Commonwealth of Massachusetts, in the United States of America. Copies of the SSC consolidated financial statements can be obtained from 1 Lincoln Street, Boston, Commonwealth of Massachusetts, United States of America.

21. RISK MANAGEMENT

(a) Governance framework

The Board members are responsible for overseeing the prudent and sound management of the Company and exercising their business judgment in what they believe to be in the best interests of the Company, its shareholders and policyholders. They are responsible for complying with their statutory and fiduciary duties in the interests of the Company and ensuring that the business affairs of the Company are adequately monitored and controlled. The Board's role and responsibilities are defined within the Board's Terms of Reference. Specific responsibilities are allocated by the Chairman amongst the Board members in accordance with the senior management arrangements, systems and controls ("SYSC") policy statement applicable to group entities operating and regulated in the UK. Members of senior management and the Board may also have additional reporting lines to members of senior management of SSC.

The Board comprises senior management from across the main business functions and two non-executive directors, including the Chairman. The Board serves to ensure that appropriate strategies, policies and guidelines are implemented across the business. The Board holds regular meetings to facilitate and ensure that a common communication platform is in place; to enable regular reporting of company-specific information and updates to the Board; and thereby allowing appropriate Board challenge and oversight. Board meetings are also attended by individuals from Finance, Compliance, Legal and Risk to present updates and be challenged by the Board.

The Board delegates some of its responsibilities to the Working Group. The Board Terms of Reference recognises that the Working Group is designed to "assist and support the Board in key strategic matters, review business activities and risks and provide support in certain matters". In turn, the Working Group delegates day to day management responsibilities to business line managers and governance committees within SSGA.

21. RISK MANAGEMENT (CONTINUED)

(a) Governance framework (continued)

The Board also delegates certain responsibilities to the MPFL Audit Committee. The key responsibilities are the reviewing of the annual report and financial statements and the annual regulatory reports and the related Actuary's and Auditors' reports and the Company's solvency position, and recommending the appointment of the Company's Auditor and Actuary.

There is also a Nominations Committee which the Board has delegated among other things, the responsibility of evaluating the composition of the Board, recommending the appointment of new directors and assessing the continued independence of non-executive directors.

The Company maintains a clearly defined governance structure to ensure that issues are escalated in accordance with materiality to the appropriate level of decision making. Members of senior management provide reports on the activities conducted within the Company to the Working Group through business line management reporting and to the Board. Members of senior management and the Board may also have additional reporting lines to senior management of State Street Bank & Trust Company ("SSBTC") or SSC.

The Company engages with Willis Towers Watson who provides an outsourced actuarial service to the Company that includes on-going support including inputs and reviews of the new Solvency II reporting, advice to the Board on any relevant emerging risks that might impact the Company's ability to meet policyholder liabilities as they fall due. Willis Towers Watson monitors those risks via management information provided by the Company, attendance at Board meetings and discussions with key personnel including its ongoing interaction with Enterprise Risk Management.

As part of the SSC Group, the Company is subject to adherence with Group risk management policies and procedures. The Company and its business functions are also subject to internal audit as part of the Group Audit programme as well as examination by the Federal Reserve Bank, PRA, and other regulatory authorities. Group Internal Audit function independently examines and reports to the Audit Committee, on the adequacy of the Company's risk management and governance and the effectiveness of its internal controls processes.

(b) Risk assessment

The Company is exposed to a range of risks through its business activities.

(1) Insurance risk

Insurance risk refers to the inherent uncertainties as to the occurrence, amount and timing of insurance liabilities. Although the policy contracts sold by the Company do not insure against any traditional insurance risks, the contracts do include an option for the policyholder to take out an annuity on non-guaranteed terms. In practice the Company does not market the availability of annuity products and any annuities actually offered would be un-competitively priced (and if a policyholder insisted on taking out an annuity, the Company would reinsure the risk).

In connection with the development of the Company's retirement income products there is an assumption that no annuities will be held within the unit-linked funds. Certain defined contribution linked funds would hold some investments (mainly bonds) expected to match the pricing of annuities and, at retirement, the units reflecting those investments can be sold by the policyholder and the proceeds used to purchase an annuity held in the policyholder's name.

Each policyholder enters into a policy with the Company that states that should they elect an annuity, the Company would, in practice, find another insurance company to provide such investment option to the client, and any transfer of amount payable would be actioned as soon as possible.

21. RISK MANAGEMENT (CONTINUED)

(b) Risk assessment (continued)

(2) Expense risk

There is a risk that, for varying reasons, the operating expenses of MPFL increase from the current expected level of approximately £250,000 per annum. However, in accordance with the IMA, the retained fee income can be increased with SSGA, and therefore the expense risk has been assessed as zero. Historical practice has shown that the retained fee income can be increased within a short time frame and quickly agreed within MPFL via ad-hoc Board meetings.

(3) Financial risk

The Company assumes a variety of financial risks in conducting its business activities. The nature of the unit-linked policy contracts passes all such risks assumed in respect of the Company's unit-linked funds to the policyholder. Exception to this occurs when the Company deviates from the agreed investment policy. The risk of such deviation is assessed as part of operational risk borne by other group entities.

The financial risks that remain with the Company relate to its investments or assets that are not classified as unit-linked. The Company institute various measures and policies to ensure these risks are at an acceptable level.

(i) Credit risk

Credit risk is the current or prospective risk to earnings and capital arising from an obligor's failure to meet the terms of any contract with the Company relating to assets held.

The Company is exposed to credit risk on the following non-linked assets held on the balance sheet:

	2019	***2018***
	£'000	***£'000***
Other financial investments	15,047	15,094
Debtors arising out of direct insurance operations - policyholders	8,288	4,345
Other debtors	20	10
Cash at bank and in hand	1,660	843
Total	**25,015**	**20,292**

The majority of the Company's other financial investments are holdings in SSGA Liquidity Fund. This fund is a highly liquid fund with AAA Standard & Poor's credit ratings, therefore the risk of default is considered to be minimal.

The risk of default on the policyholder receivables is mitigated due to the ability to compulsorily redeem policyholder units to recover the fees (although such redemption would require senior management's approval). In the event of any fee premiums being irrecoverable in this manner, under the terms of the investment management agreement with SSGA, the equivalent amounts due to SSGA would be cancelled. To enhance the risk mitigation, a process has been put in place that will retain fee income ultimately payable to SSGA in respect of any amounts owed, so this risk falls on SSGA.

21. RISK MANAGEMENT (CONTINUED)

(b) Risk assessment (continued)

(3) Financial risk (continued)

(ii) Market risk (including interest rate risk, price risk and foreign currency risk)

The table below provides analysis of non-linked assets exposed to credit risk by credit ratings (Standard & Poor's ratings used).

	2019	***2018***
	£'000	***£'000***
AAA	14,786	14,548
AA	587	349
A	1,093	-
BBB	-	494
Not rated	8,549	4,901
Total	**25,015**	**20,292**

At both year ends, the Company had seed capital invested in MPFL Timewise Target Retirement Sub-Fund and MPFL 'as of' Funds. These seed investments are currently not rated by Standard & Poor's. The debtor amounts are also disclosed as not rated.

Market risk can be defined as the current or prospective risk to earnings or capital arising from changes in interest rates, foreign exchange rates and commodity prices or security prices.

Interest rate risk

Interest rate risk is the possibility that changes in interest rates will result in higher or reduced income from the Company's interest-bearing financial assets. The Company does not hold interest bearing liabilities. Interest rate risk on investments held in respect of linked liabilities to policyholders under investment contracts are borne by the policyholders. The Company's non-linked portfolio as analysed below is subject to interest rate risk. The change may impact the interest earned or the unrealised gains or losses on valuation that are reported as part of the investment income.

Other financial investment	***2019***	***2018***
	£'000	***£'000***
Investment type		
Cash Liquidity	14,786	14,548
Corporate Bonds	136	119
Equity	125	427
	15,047	**15,094**

21. RISK MANAGEMENT (CONTINUED)

(b) Risk assessment (continued)

(3) Financial risk (continued)

(ii) Market risk (including interest rate risk, price risk and foreign currency risk) (continued)

Price risk

Price risk arising on unit-linked funds is borne by policyholders, as explained in policyholder disclosures. If the value of the unit-linked funds fell then there would be a fall in the income received from those funds. However, unless the fall in asset values was extreme (around 90%), this would have no direct impact on the financial position of the Company as the level of retained fee income would be unchanged and expenses not defined by reference to fee income would be unaffected.

Foreign currency risk

Currency risk within the unit-linked funds is borne by the policyholders as explained in policyholder disclosures. The Company manages its risk by setting investment guidelines to ensure currency risk is within tolerable limits for each unit-linked fund. The risk is considered to be immaterial in relation to the non-linked business which has very limited exposure to foreign currency arising from debtor balances. Although the exposure in the debtor balances is very limited, gains or losses will be offset by change in the amount due to SSGA.

(iii) Liquidity risk

Any liquidity risk arising on the unit-linked funds is borne by policyholders, as explained in policyholder disclosures. The Company has minimal liquidity requirements, primarily relating to its ongoing operational expenses and tax liabilities. Cashflows are actively managed with surplus cash held in highly liquid and regulated SSGA Liquidity Fund to ensure the Company’s liabilities can be settled as they fall due.

Contractual maturity of non-linked investments

	2019	***2018***
	£’000	***£’000***
Other financial investments		
On demand	15,047	15,094
Total	**15,047**	**15,094**

Should any liquidity shortfall arise by the Company as part of its normal business and liquidity management process, this shortfall is promptly actioned and provided by SSBTC or SSC as the ultimate Parent of the Company.

Securities lending and collateral accepted

MPFL unit-linked funds participate in the State Street securities lending programme, which covers equity and fixed income assets around the world, providing the potential to generate incremental returns for investors in a risk-controlled manner. The lending to which State Street acts as a lending agent for the Company is collaterised by non-cash collateral, which provides coverage of 102%-110%. It is marked to market on a daily basis. Collateral types and collateralisation levels are under continual review based on prevailing market conditions. MPFL benefits from a counterparty default indemnity from State Street Bank & Trust Company (“SSBTC”) pursuant to its Securities Lending Authorisation Agreement.

As of 31 December 2019 balance sheet securities on loan totalled £2.33bn (2018: £2.56bn) with related collateral of £2.52bn (2018: £2.77bn).

21. RISK MANAGEMENT (CONTINUED)

(b) Risk assessment (continued)

(4) Policyholder investment risk

With the exception of operational errors and fraud, all investment risk arising on unit-linked funds is borne by policyholders, as explained in the policyholder disclosures. Inherent risks associated with the unit-linked funds are also explained in the policyholder disclosures. The Company through its outsourced service providers has key processes and controls in place, in addition to the governance structure described earlier to minimise this risk. The outsourced service providers within the Group adopt SSC's global remuneration policy. The policy is designed to discourage excessive risk-taking and incorporates measures aimed at avoiding conflicts of interest.

The Company also requires that all investments are made in accordance with the relevant investment guidelines and the Permitted Links rules contained within Chapter 21 of the Conduct for Business Sourcebook of the FCA Handbook. These requirements are strengthened by the 'Prudent Person Principle' introduced by Solvency II, and MPFL requires persons responsible for the investment of assets or holding other Key Functions within the Company, to be familiar with and abide by this principle at all times.

The SSGA Counterparty Risk Policy is executed by SSGA's Counterparty Risk Management ("CRM") team. The CRM team provides independent oversight and analysis of trading counterparties. The goal is to mitigate credit risk and protect against potential loss arising from trading and business relationships with financial institutions. Loss could arise from uncollateralised mark-to-market exposure or replacement of an unsettled trade upon a counterparty failure. The CRM team is also responsible for timely and comprehensive exposure reporting for all counterparties and instruments traded globally, inclusive of the MPFL business. As part of its core duties, the CRM team engages with various SSGA teams, including portfolio managers, traders, Legal, Compliance, IT, and other risk teams.

(5) Risks related to the current COVID-19 pandemic

The worldwide COVID-19 outbreak has generated material volatility in the global financial markets as a result of concerns over the future impact of the pandemic on the macro-economic environment. The FTSE All-World Index has fallen substantially since the year end and as of 30 March 2020 was more than 21% below values at 31 December 2019. The situation has continued to evolve rapidly with consequential impact on the value of assets held to cover unit linked liabilities. As per the investment management agreement with SSGA, any revenue fluctuations due to the change in the value of assets will be borne by SSGA and the Company will continue to retain the agreed amount of fee income and maintain its solvency ratio.

The liquid assets including the investment in SSGA Liquidity Plc SSGA GBP Liquidity Fund (also referred to as "SSGA Liquidity Fund") are sufficient to cover the annual expenses for more than 12 months. The Risk and the Investment Management teams are closely monitoring the liquidity position of the funds and while no significant outflow has been experienced to date, given the nature of the outbreak and the on-going developments, there is a high degree of uncertainty. As the majority of assets held are Level 1 securities and are liquid and actively traded, the directors are confident the Company is able to meet any future withdrawals.

The Company has also taken appropriate steps in order to maintain the continuity of the operations and client delivery as COVID-19 develops and continue to closely monitor the main outsourced partners.

22. EVENTS AFTER THE BALANCE SHEET DATE

On 11 March 2020, the World Health Organisation declared the COVID-19 outbreak a pandemic. The situation has continued to evolve rapidly, and it is difficult to fully determine its future impact.

In the weeks leading up to that date and subsequently there has been material volatility in global financial markets as a result of concerns over the future impact of the pandemic on the macro-economic environment and uncertainty about the immediate outlook for many companies. This has had a consequential impact on the value of assets held to cover unit linked liabilities. The FTSE All-World Index has fallen substantially since the year end and as of 30 March 2020 was more than 21% below values at 31 December 2019.

22. EVENTS AFTER THE BALANCE SHEET DATE (CONTINUED)

However, as a consequence of the investment management agreement (the "IMA") with SSGA, the Company will continue to retain a fixed amount of fee income and so the impact on shareholder equity is minimal. Even if the fall in asset values are sustained, which in turn leads to a fall in the Company's management fees, then the terms of the IMA means that total operating expenses will also decrease leading to a lower regulatory capital requirement.